The President of the Islamic Republic of Pakistan
For and on behalf of
The Islamic Republic of Pakistan

Global Medium Term Note Programme

Under this Global Medium Term Note Programme (the "Programme"), The President of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan (the "Issuer") may, subject to compliance with all applicable laws, regulations and directives, from time to time issue notes (the "Notes") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively Bearer Notes and Registered Notes). The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "Dealer", and together, the "Dealers"), which appointment may be for a specific Tranche (as defined in "Terms and Conditions of the Notes") of Notes or on an ongoing basis. References in this Offering Circular to the relevant Dealer shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see "Risk Factors".

Application has been made to the London Stock Exchange plc (the "London Stock Exchange") for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the London Stock Exchange's International Securities Market (ISM). The ISM is not a United Kingdom (UK) regulated market for the purposes of Regulation (EU) No 600/2014 on markets in financial instruments as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA) (UK MiFIR).

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority (FCA). The London Stock Exchange has not approved or verified the contents of this Offering Circular.

References in this Offering Circular to the Notes being admitting to trading (and all related references) shall mean that such Notes have been admitted to trading on the ISM, so far as the context permits.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the UK which has been designated as a regulated market for the purposes of UK MiFIR and has not been approved by the Financial Conduct Authority pursuant to the Official Listing of Securities, Prospectus and Transparency (Amendment etc.) (EU Exit) Regulations 2019.

This Offering Circular does not constitute a prospectus for the purposes of a listing or an admission to trading on any market in the European Economic Area (the "EEA") which has been designated as a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended, MiFID II, and has not been approved by the competent authority in any member state of the EEA pursuant to Regulation (EU) 2017/1129.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche of Notes will be set out in a pricing supplement document (the "Pricing Supplement") which, with respect to Notes to be admitted to trading on the ISM, will be delivered to the London Stock Exchange. Copies of Pricing Supplements in relation to Notes to be admitted to trading on the ISM may also be published on the website of the London Stock Exchange through a regulatory information service or may be published in such other manner permitted by the International Securities Market Rulebook effective as of 1 January 2021 (as may be modified and/or supplemented and/or restated from time to time, the ISM Rulebook).

The Programme provides that Notes may be listed and/or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market. The applicable Pricing Supplement in respect of any Series (as defined in "Terms and Conditions of the Notes") will specify whether or not such Notes will be listed and, if
so, on which exchange(s) the Notes are to be listed. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or any U.S. State securities laws and may not be offered or sold in the United States unless an exemption from the registration requirements of the Securities Act is available and such offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction. See "Form of the Notes" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, and sales of such Registered Notes may be made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A, see "Subscription and Sale and Transfer and Selling Restrictions".

Amounts payable on Floating Rate Notes may be calculated by reference to one of LIBOR and EURIBOR, as specified in the applicable Pricing Supplement. As at the date of this Offering Circular, the administrator of LIBOR is included in the register of administrators of the FCA (the UK Benchmarks Register) under Article 36 of Regulation (EU) No 2016/1011 as it forms part of UK domestic law by virtue of the EUWA (the UK Benchmarks Regulation) but not in ESMA's register of administrators (the EU Benchmarks Register) under Article 36 of the Regulation (EU) No. 2016/1011 (the EU Benchmarks Regulation). The administrator of EURIBOR is included in the EU Benchmarks Register but not the UK Benchmarks Register. As far as the Issuer is aware, transitional provisions in Article 51 of each of the EU Benchmarks Regulation and the UK Benchmarks Regulation apply such that the administrators of LIBOR and EURIBOR are not currently required to obtain authorisation/registration in the EU or the UK, respectively (or recognition, endorsement or equivalence).

Fitch Hong Kong Limited’s (Fitch) current rating of the Government of Pakistan is B- (stable outlook). Moody's Investment Service Singapore Pte. Ltd (Moody’s) current rating of the Government of Pakistan is B3 (stable outlook). Series of Notes issued under the Programme may be rated by Fitch and/or Moody's. Neither Fitch nor Moody’s is established in the EEA or the UK and neither of them has applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation) or Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the UK CRA Regulation), respectively.

The rating assigned by Moody’s has been endorsed by Moody's Deutschland GmbH (Moody’s Germany) and Moody's Investors Service Ltd. (Moody’s UK) in accordance with the CRA Regulation and the UK CRA Regulation, respectively. Moody’s Germany is established in the EEA and registered under the CRA Regulation. As such, Moody’s Germany is included in the list of credit rating agencies published by the European Securities and Markets Authority (ESMA) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Moody’s UK is established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by Moody’s may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

The rating assigned by Fitch has been endorsed by Fitch Ratings Ireland Limited (Fitch Ireland) and Fitch Ratings Ltd (Fitch UK) in accordance with the CRA Regulation and the UK CRA Regulation, respectively. Fitch Ireland is established in the EEA and registered under the CRA Regulation. As such, Fitch Ireland is included in the list of credit rating agencies published by ESMA on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. Fitch UK is established in the UK and registered in accordance with the UK CRA Regulation. As such, the ratings issued by Fitch may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

**Arrangers and Dealers**

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<th>BOC International</th>
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The date of this Offering Circular is 29 March 2021
IMPORTANT NOTICES

This Offering Circular does not comprise a prospectus for the purposes of either Regulation (EU) 2017/1129 or Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA (the UK Prospectus Regulation), and has not been approved as such by the competent authority in any member state of the EEA or the FCA.

The Issuer accepts responsibility for the information contained in this Offering Circular and the applicable Pricing Supplement for each Tranche of Notes issued under the Programme. The Issuer, having taken all reasonable care to ensure that such is the case, confirms that, to the best of its knowledge, this Offering Circular contains or incorporates all information which is material in the context of the Notes, that the information contained or incorporated in this Offering Circular is in accordance with the facts, not misleading and contains no omission likely to affect its import and that the opinions and intentions expressed in this Offering Circular are honestly held. Where information has been sourced from a third party (other than a state agency or Government department, in respect of which the Issuer accepts responsibility), the Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third-party information contained in this Offering Circular is stated where such information appears in this Offering Circular.

Each Tranche of Notes will be issued on the terms set out herein under the Terms and Conditions of the Notes, as completed by the Pricing Supplement. This Offering Circular must be read and construed together with any supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of a Pricing Supplement, must be read and construed together with the Pricing Supplement.

None of the Arrangers, the Agents or the Dealers have independently verified (a) the information contained herein or (b) any matter which is the subject of any statement, representation, warranty or covenant of the Issuer contained in the Notes or any of the Programme Agreement or the Agency Agreement (together, the Programme Documents). Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Agents or the Dealers as to (a) the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme or (b) the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence of the Notes or any Programme Document. None of the Arrangers, the Agents or the Dealers or any of their affiliates accepts any liability in relation to the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer or any of the Arrangers, the Agents or the Dealers to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Arrangers, the Agents or the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes: (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Arrangers, the Agents or the Dealers or any of their affiliates that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Arrangers, the Agents or the Dealers or any of their affiliates to any person to subscribe for or to purchase any Notes.
Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. Without limitation, the Arrangers, the Agents and the Dealers expressly do not undertake to review the economic condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

**MiFID II product governance/target market** – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II product governance", which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, MiFID II) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the MiFID Product Governance Rules), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

**UK MiFIR product governance / target market** – The Pricing Supplement in respect of any Notes may include a legend entitled "[UK MiFIR product governance]", which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

**NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE, AS MODIFIED OR AMENDED FROM TIME TO TIME (THE SFA)**

Unless otherwise stated in the applicable Pricing Supplement all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in Monetary Authority of Singapore (the MAS) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY**

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers, the Arrangers and their respective affiliates do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers, the Arrangers or any of their respective affiliates, which is
intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the EEA, the UK, the Islamic Republic of Pakistan (Pakistan), the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Japan, Hong Kong and Singapore. See "Subscription and Sale and Transfer and Selling Restrictions".

None of the Arrangers, the Dealers, any Agents, any of their respective affiliates or the Issuer makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of any Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Offering Circular. Any consents or approvals that are needed in order to purchase any Notes must be obtained prior to the deadline specified for any such consent or approval. The Issuer, the Arrangers, the Dealers, the Agents and their respective affiliates are not responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase any Notes, is subject to significant interpretative uncertainties.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to QIBs (as defined under "Form of the Notes") for informational use, solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorised. This Offering Circular may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to United States persons, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Treasury regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs in transactions exempt from registration under the Securities Act in reliance on, and in accordance with, Rule 144A under the Securities Act (Rule 144A) or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Each purchaser or holder of Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together, Legended Notes) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "Subscription and Sale and Transfer and Selling Restrictions". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "Form of the Notes".

NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING
SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a foreign sovereign nation, and a substantial portion of the assets of the Issuer are located outside the United States and the UK. As a result, it may not be possible for investors to effect service of process, within the United States and/or the UK, upon the Issuer or to enforce against it, in the United States courts or courts located in the UK, judgments obtained in United States courts or courts located in the UK, respectively, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

ENFORCEMENT OF FOREIGN JUDGMENTS IN PAKISTAN

In Pakistan, statutory recognition is given to foreign judgments under section 13 of the Pakistan Code of Civil Procedure 1908 (the Code). This provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except (i) where it has not been pronounced by a court of competent jurisdiction, (ii) where it has not been given on the merits of the case, (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of Pakistan in cases where such law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where it has been obtained by fraud, or (vi) where it sustains a claim founded on a breach of any law in force in Pakistan.

Section 44A of the Code provides that where a foreign judgment has been rendered by a court in any country or territory outside Pakistan which the Government of Pakistan has, by notification, declared to be a reciprocating territory, it may be enforced in Pakistan as if the judgment has been rendered by a district court in Pakistan. The High Court of Justice in England is a court in a reciprocating territory for the purposes of section 44A and, accordingly, a money judgment of that court would, subject to the exceptions contained in section 13 of the Code, be enforceable as if the judgment were the judgment of a district court in Pakistan. Accordingly, upon obtaining a foreign judgment, three possible courses are open to the holder:

(a) obtaining execution of the judgment by proceedings under section 44A, where these provisions are applicable, as they are in the case of a judgment of the High Court of Justice in England, for which the limitation period for initiating proceedings in Pakistan is three years from the date of the English judgment;

(b) filing a suit in Pakistan on the basis of the foreign judgment treating it as the cause of action, for which the limitation period is six years from the date of the foreign judgment; and

(c) filing a suit in Pakistan on the original cause of action, for which the limitation period is three years from when the cause of action arises.

In the case of proceedings described in paragraph (c) above, where the Pakistani court will have the power to assess the damages, it is possible that a Pakistani court will not award damages on the same basis as a foreign court, especially if it viewed the award of such damages as being contrary to Pakistani public policy.

Section 82 of the Code requires a decree against the Government of Pakistan to specify a period within which it is to be satisfied. If it remains unsatisfied at the expiry of such period, the Court issuing such decree is required to issue a report for the Orders of the Provincial Government within which such Court is situated. Execution proceedings can only be initiated against the Government of Pakistan three months after the date of such report.

NOTICE TO RESIDENTS OF THE ISLAMIC REPUBLIC OF PAKISTAN

Notes to be issued under the programme will not be offered, sold or transferred directly or indirectly in Pakistan, to residents in Pakistan or to, or for the account or benefit of, such persons.
The Islamic Republic of Pakistan is a foreign sovereign state. Consequently, it may be difficult for investors to realise judgments of courts in England or their own jurisdiction against the Islamic Republic of Pakistan in the courts of Pakistan. See "Service of process and enforcement of civil liabilities", “Risks relating to enforcement” and "Enforcement of foreign judgments in Pakistan" above.

The entry into of the applicable documents relating to the establishment of the programme and any issue of Notes thereunder by the government of Pakistan is in accordance with article 173(3) of the constitution of the Islamic Republic of Pakistan, 1973 (as amended from time to time) which states, inter alia, that "all contracts made in the exercise of the executive authority of the federation or of a province shall be expressed to be made in the name of the president or, as the case may be, the governor of the province".

NOTICE TO THE RESIDENTS OF CANADA

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular or any applicable Pricing Supplement (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.4 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), so long as a concurrent distribution of the Notes is made to investors in the United States, the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offering. In the event the Notes are distributed to investors in Canada without a concurrent distribution of the Notes to investors in the United States, the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest may apply.

THE NOTES MAY NOT BE A SUITABLE INVESTMENT FOR ALL INVESTORS

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

(a) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any supplement thereto;

(b) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(c) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor’s currency;

(d) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
(e) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (i) Notes are legal investments for it; (ii) Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**STABILISATION**

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilisation manager(s) (the Stabilisation Manager(s)) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

**PRESENTATION OF STATISTICAL AND OTHER INFORMATION**

References to Pakistan are to the Islamic Republic of Pakistan and references to the Government are to the Government of Pakistan. References to the Economic Survey 2019-20 herein are to the Economic Survey 2019-20 published on 11 June 2020 by the Government of Pakistan, Finance Division, Economic Advisor's Wing, Islamabad. The Economic Survey, which is published each year a day before the presentation of the Federal Budget and presents a view on the national economy based on provisional data for the first three quarters of the fiscal year, is followed by the publication of its Statistical Supplement, in which the full year data series are provisionally provided. It should be noted that certain historic data set out herein may be subject to minor amendments as a result of more accurate and updated information becoming available. References to the Labour Force Survey 2017-18 herein are to the labour force survey published in December 2018 by the Government of Pakistan, Statistics Division, Pakistan Bureau of Statistics, Islamabad. The Labour Force Survey 2017-18 presents information on labour force characteristics that have been collected from a representative sample of 43,361 households to produce gender disaggregated national and provincial level estimates with an urban/rural breakdown.

Prospective investors in the Notes should be aware that none of the statistics in this Offering Circular have been independently verified.

A portion of Pakistan's economy is comprised of an informal, or shadow, economy. The informal economy is not recorded and is only partially taxed, resulting in not only lack of revenue for the Government but also ineffective regulation, unreliability of statistical information (including the underestimation of GDP and the contributions to GDP of various sectors) and inability to monitor a large portion of the economy. Although the Government is attempting to address the informal economy by streamlining certain regulations, particularly tax laws, there can be no assurances that such reforms will adequately address the issues and bring the informal economy into the formal sector.

Although a range of governmental ministries produce statistics on Pakistan and its economy in accordance with international standards, there may be inconsistencies in the compilation of data and methodologies. The statistical information in this Offering Circular has been derived from a number of different identified sources and is based on the latest official information currently available from the stated source. Several statistics are provisional and are noted as such where presented. The development of statistical information relating to
Pakistan is, however, an ongoing process, and revised figures and estimates are produced on a continuous basis. All statistical information provided in this Offering Circular may differ from that produced by other sources for a variety of reasons, including the use of different assumptions, methodology, definitions and cut-off times.

Prospective investors in the Notes should be aware that figures relating to Pakistan's economy and many other aggregate figures cited in this Offering Circular are subject to revision. Furthermore, standards of accuracy of statistical data may vary from ministry to ministry or from period to period due to the application of different methodologies. In this Offering Circular, data is presented as provided by the relevant ministry to which the data is attributed, and no attempt has been made to reconcile such data to the data compiled by other ministries or by other organisations, such as the International Monetary Fund (IMF). Pakistan produces data in accordance with the IMF's General Data Dissemination System, although the IMF standard may not always be consistently applied.

Pakistan has also provided information on certain matters pertaining to documentation that belongs to independent third parties. In some of these circumstances, Pakistan has relied on reported information in presenting such matters but is unable to independently verify such information.

FORWARD LOOKING STATEMENTS

Some of the statements contained in this Offering Circular, including those under "Summary – The Islamic Republic of Pakistan", "The Islamic Republic of Pakistan" and "Overview of Pakistan's Economy", are forward-looking. These statements are not historic facts, but are based on the Government's current plans, estimates, assumptions and projections. When used in this Offering Circular, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should" and any similar expressions generally identify forward-looking statements. Future events may differ materially from those expressed or implied by such forward-looking statements. Therefore, prospective investors should not place undue reliance on them. Forward-looking statements speak only as of the date they are made, and the Issuer undertakes no obligation to update any of them in light of new information or future events. Forward-looking statements involve inherent risks. The Issuer cautions prospective investors that many factors could affect the future performance of the Pakistani economy. These factors include, but are not limited to:

External factors, such as:

- interest rates in financial markets outside Pakistan;
- the impact of changes in the credit rating of Pakistan;
- the impact of changes in the international prices of commodities;
- economic conditions in Pakistan's major export markets;
- the impact of possible future regional instability;
- the impact of the COVID-19 pandemic on national, regional and global economies; and
- the decisions of international financial institutions including, in particular, the IMF, and donor countries regarding the amount and terms of their financial assistance to Pakistan, as well as

Internal factors, such as:

- general economic, political, social, legal and/or business conditions in Pakistan;
- present and future exchange rates of the Pakistani currency;
- foreign currency reserves;
natural disasters;
the impact of possible future social unrest or the security situation;
the level of domestic debt;
domestic inflation;
the ability of the current Government to implement its comprehensive economic recovery programme;
the levels of foreign direct and portfolio investment; and
the levels of Pakistani domestic interest rates.

EXCHANGE RATE INFORMATION

Pakistan has had a market-based unitary exchange rate system since May 1999. Under this unitary exchange rate system, the floating inter-bank rate applies to all foreign exchange receipts and payments both in the public and private sectors. See "Balance of payments and foreign trade – Exchange Rates".

The following table sets forth the average and period end exchange rates for the periods presented, expressed in Rupees per U.S. dollar, not adjusted for inflation, as published by the State Bank of Pakistan (SBP). The Federal Reserve Bank of New York does not report a noon buying rate for Rupees.

<table>
<thead>
<tr>
<th>Period</th>
<th>Average During Period Indicated</th>
<th>Last Day Average Exchange Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>89.27</td>
<td>94.55</td>
</tr>
<tr>
<td>2012-13</td>
<td>96.85</td>
<td>99.66</td>
</tr>
<tr>
<td>2013-14</td>
<td>102.88</td>
<td>98.80</td>
</tr>
<tr>
<td>2014-15</td>
<td>101.46</td>
<td>101.78</td>
</tr>
<tr>
<td>2015-16</td>
<td>104.37</td>
<td>104.83</td>
</tr>
<tr>
<td>2016-17</td>
<td>104.80</td>
<td>104.85</td>
</tr>
<tr>
<td>2017-18</td>
<td>109.97</td>
<td>121.50</td>
</tr>
<tr>
<td>2018-19</td>
<td>136.27</td>
<td>160.05</td>
</tr>
<tr>
<td>2019-20</td>
<td>158.26</td>
<td>168.05</td>
</tr>
<tr>
<td>Jul 2020</td>
<td>166.98</td>
<td>166.98</td>
</tr>
<tr>
<td>Aug 2020</td>
<td>167.98</td>
<td>166.24</td>
</tr>
<tr>
<td>Sept 2020</td>
<td>166.05</td>
<td>165.70</td>
</tr>
<tr>
<td>Oct 2020</td>
<td>162.80</td>
<td>160.26</td>
</tr>
<tr>
<td>Nov 2020</td>
<td>159.39</td>
<td>159.42</td>
</tr>
<tr>
<td>Dec 2020</td>
<td>160.32</td>
<td>159.83</td>
</tr>
<tr>
<td>Jan 2021</td>
<td>160.39</td>
<td>160.10</td>
</tr>
<tr>
<td>Month</td>
<td>Rate 1</td>
<td>Rate 2</td>
</tr>
<tr>
<td>----------</td>
<td>---------</td>
<td>--------</td>
</tr>
<tr>
<td>Feb 2021</td>
<td>159.27</td>
<td>158.10</td>
</tr>
<tr>
<td>March 2021 (1)</td>
<td>157.32</td>
<td>157.13</td>
</tr>
</tbody>
</table>

(1) As of 10 March 2021

Source: State Bank of Pakistan [https://www.sbp.org.pk/ecdodata/rates/m2m/MPM-History.asp](https://www.sbp.org.pk/ecdodata/rates/m2m/MPM-History.asp)

Currency conversions contained in this Offering Circular should not be construed as representations that Rupees have been, could have been, or could be converted into U.S. dollars at the indicated or any other exchange rate.
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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Offering Circular and related documents referred to herein. It does not contain all the information investors may consider important in making their investment decision. Therefore, investors should read this entire Offering Circular carefully, including, in particular, the section entitled "Risk Factors".

The Islamic Republic of Pakistan

General

Pakistan is a federal republic located in south-central Asia between India, China, Afghanistan, Iran and the Arabian Sea. Pakistan's current population estimate for 2019-20 is 208.3 million according to the Pakistan Bureau of Statistics. Over 96 per cent of the population is Muslim. The capital of Pakistan is Islamabad. The national language is Urdu, which is also the official language.

Pakistan has a federal parliamentary system with the President as the Head of State. The current Government assumed office in August 2018 following a democratic transition of government. The Pakistan Tehreek-e-Insaf (PTI) received most seats in the National Assembly as a result of the election and formed a coalition Government that includes several small parties such as the Muttahida Qaumi Movement, the Pakistan Muslim League (Quaid-i-Azam) and the Grand Democratic Alliance. Dr Arif Alvi is currently President and Constitutional Head of State. The Government is headed by the Prime Minister, Mr Imran Khan.

According to the World Bank, in 2019 Pakistan's economy was the twenty-fourth largest in the world in terms of GDP measured at purchasing power parity and the forty-third largest in terms of nominal GDP. Pakistan is a rapidly developing country. In PwC's February 2017 report "The World in 2050; The Long View; How will the global economic order change by 2050?", Pakistan is projected to become the sixteenth largest economy in the world by 2050 (in terms of projected GDP rankings measured at purchasing power parity).

Pakistan's economy is semi-industrialised, with centres of growth along the Indus River, in Karachi and in major urban centres in the Punjab. The most prominent large-scale industries of Pakistan are textile, cement, food and beverages, petroleum, steel, non-metallic minerals, automobiles, fertiliser, pharmaceuticals, paper, electronics, chemicals, leather, wood, engineering and rubber. Pakistan is one of the major producers of cotton in the world and cotton textile production and apparel manufacturing are Pakistan's largest industries. During the last couple of years, Pakistan has also made progress in strengthening the performance of other industries. These include automobiles, fertilisers, pharmaceuticals, steel, chemicals and cement.

Pakistan's currency is the Rupee and its fiscal year runs from 1 July to 30 June.

Recent Macroeconomic and Fiscal Performance

The following table sets out major economic indicators for the past five years:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP at market prices (Rupees million)</td>
<td>29,075,633</td>
<td>31,922,303</td>
<td>34,616,302</td>
<td>37,972,310</td>
<td>41,726,683(1)</td>
</tr>
<tr>
<td>GNI at current market prices (Rupees million)</td>
<td>30,858,493</td>
<td>33,665,946</td>
<td>36,462,453</td>
<td>40,526,341</td>
<td>44,690,632(1)</td>
</tr>
<tr>
<td>GDP at constant basic prices of 2005-2006 (Rupees million)</td>
<td>11,116,802</td>
<td>11,696,934</td>
<td>12,344,266</td>
<td>12,580,174</td>
<td>12,531,790(1)</td>
</tr>
<tr>
<td>GDP growth at constant basic prices of 2005-2006 (%)</td>
<td>4.6</td>
<td>5.2</td>
<td>5.5</td>
<td>1.9</td>
<td>(0.4)(1)</td>
</tr>
<tr>
<td>Per capita income at factor cost market prices (Rupees)</td>
<td>159,426</td>
<td>170,672</td>
<td>181,441</td>
<td>198,028</td>
<td>214,539(1)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Per capita GNI (U.S.$)</td>
<td>1,529</td>
<td>1,630</td>
<td>1,652</td>
<td>1,455</td>
<td>1,355(1)</td>
</tr>
<tr>
<td>Exports (U.S.$ million) (BoP)</td>
<td>21,972</td>
<td>22,003</td>
<td>24,768</td>
<td>24,257</td>
<td>22,507</td>
</tr>
<tr>
<td>Imports (U.S.$ million) (BoP)</td>
<td>41,118</td>
<td>48,001</td>
<td>55,671</td>
<td>51,869</td>
<td>42,417</td>
</tr>
<tr>
<td>Balance of trade (U.S.$ million)</td>
<td>(19,146)</td>
<td>(25,998)</td>
<td>(30,903)</td>
<td>(27,612)</td>
<td>(19,910)</td>
</tr>
<tr>
<td>Workers' remittances (U.S.$ million)</td>
<td>19,917</td>
<td>19,351</td>
<td>19,914</td>
<td>21,739</td>
<td>23,132</td>
</tr>
<tr>
<td>Current account balance (U.S.$ million)</td>
<td>(4,961)</td>
<td>(12,270)</td>
<td>(19,195)</td>
<td>(13,434)</td>
<td>(2,970)</td>
</tr>
<tr>
<td>Current account balance (as % of GDP)</td>
<td>(1.7)</td>
<td>(4.0)</td>
<td>(6.1)</td>
<td>(4.8)</td>
<td>(1.1)(1)</td>
</tr>
<tr>
<td>Overall fiscal deficit (as % of GDP)</td>
<td>(4.6)</td>
<td>(5.8)</td>
<td>(6.5)</td>
<td>(9.1)</td>
<td>(8.1)(1)</td>
</tr>
<tr>
<td>Average inflation (%)</td>
<td>2.9</td>
<td>4.8(2)</td>
<td>4.7(2)</td>
<td>6.8(2)</td>
<td>10.7(2)</td>
</tr>
<tr>
<td>Total investment at current market prices (as % of GDP)</td>
<td>15.7</td>
<td>16.2</td>
<td>17.3</td>
<td>15.6</td>
<td>15.4(1)</td>
</tr>
<tr>
<td>Household final consumption expenditure at current prices (Rupees million)</td>
<td>23,266,454</td>
<td>26,148,647</td>
<td>28,400,347</td>
<td>31,461,033</td>
<td>32,764,751(1)</td>
</tr>
<tr>
<td>National savings (as % of GDP)</td>
<td>13.9</td>
<td>12.0</td>
<td>11.3</td>
<td>10.8</td>
<td>13.9(1)</td>
</tr>
</tbody>
</table>

(1) Provisional.


Sources: The State Bank of Pakistan; Pakistan Economic Survey 2019-20; Pakistan Bureau of Statistics.

The last five fiscal years have seen an average GDP growth of 3.4 per cent; GDP growth stood at negative 0.4 per cent in 2019-20, 1.9 per cent in 2018-19, 5.5 per cent in 2017-18, 5.2 per cent in 2016-17 and 4.6 per cent in 2015-16. The provisional GDP growth rate for fiscal year 2019-20 is estimated at negative 0.4 per cent, principally due to the adverse impact of the COVID-19 pandemic, with 2.7 per cent growth for agriculture more than offset by the negative 2.6 per cent growth for industry and negative 0.6 per cent growth for services.

The growth prior to the fiscal year 2018-19 can be characterised as a consumption-led growth. The unplanned borrowing from different sources increased both private and public consumption resulting in higher debt repayment liabilities, which created severe macroeconomic imbalances. Investment did not pick up as higher demand was met primarily through imports leading to an enormous rise in external imbalances. Furthermore, the work on "early harvest" CPEC infrastructure and power projects also led to an increase in development spending as well as in imports. The persistence of large fiscal and current account deficits and associated build-up of public and external debt became the major source of macroeconomic imbalance. The new Government that assumed office in August 2018 faced formidable macroeconomic challenges. The foremost challenge to the economy was the rising aggregate demand without corresponding resources to support it, leading to rising fiscal and external account deficits. To address the issue of severe macroeconomic instability and to put the economy on the path of sustained growth and stability, the Government has introduced a comprehensive set of economic and structural reform measures.

The Government has increased energy tariffs to stop further accumulation of circular debt, reduced imports through regulatory duties and removed certain tax relaxations given in the previous budget in order to stop the deterioration in the primary balance. Although such decisions have not been popular, the Government has sought to focus on a policy of economic stabilisation.

The Government negotiated a new agreement with the IMF with respect to the Extended Fund Facility for achieving macroeconomic stability. On 3 July 2019, the IMF Board approved a 39-month extended arrangement under the Extended Fund Facility for Pakistan for an amount of SDR4,268 million (approximately U.S.$6 billion) to support the Government's economic reform programme. The IMF Board's approval allowed for an immediate disbursement of SDR716 million (or approximately U.S.$1 billion). The remaining amount was scheduled to be phased over the duration of the programme, subject to both quarterly and semi-annual reviews.
On 19 December 2019, the IMF Board completed the first review of Pakistan's economic performance under the Extended Fund Facility. The completion of the review process allowed the Pakistani authorities to draw SDR 328 million (approximately U.S.$452.4 million). The press release issued by the IMF on 19 December 2019 noted that Pakistan's economic reform programme was on track and that decisive policy implementation by the Pakistani authorities was helping to preserve economic stability aiming to put the economy on the path of sustainable growth.

As the new fiscal year 2019-20 started, the Pakistani economy started to witness a turnaround that confirmed that the Government has taken appropriate policy actions to address the macroeconomic imbalances. The stabilisation efforts paid off in terms of sustained adjustment in the current account deficit and the primary deficit. The current account posted a surplus in October 2019 for the first time in 48 months. Similarly, the Government was able to achieve a primary surplus of Rupees 286 billion in the first quarter of 2019-20.

The outbreak of COVID-19 during the second half of fiscal year 2019-20 brought numerous challenges for the economy that was in transition. Similar to the rest of the world, Pakistan's economy has been adversely affected by the COVID-19 outbreak, which resulted in, among other things, decline in domestic and global demand, downturn in tourism and business travel, disruption of trade and production links and supply disruptions. To support the economy, the Government announced a Rupees 1.24 trillion relief package at the end of March 2020. The SBP has also taken various steps, including a cumulative reduction in policy rate since mid-March 2020 by 625 basis point to 7 per cent, refinancing schemes for medical centres and various incentives for export-oriented industries.

In the fiscal year 2020-21, the key domestic demand indicators are showing significant improvements, particularly with respect to the domestic sale of petroleum products, automobiles and cement, all of which have reached or surpassed the pre-COVID-19 levels. Domestic sales of cement have reached the highest ever level in October 2020. The sale of automobiles, which were significantly down for a period of 20 months, have witnessed a broad-based recovery on a year-on-year basis since July 2020. The electricity sales have also recovered since June 2020 after witnessing a decline during the March to May 2020 period. With respect to the supply-side indicators, the performance of the manufacturing and agriculture sectors also indicates a revival of economic activity. During the July 2020 to January 2021 period, large-scale manufacturing (LSM) grew by 7.9 per cent as compared to a 3.4 per cent decline in the July 2019 to January 2020 period, in large part due to various measures taken by the Government to support the industrial sector. This improvement was due to better performance of some of the key sectors of LSM, such as non-metallic mineral products; food, beverages and tobacco; automobiles; pharmaceuticals and chemicals. Eight out of 15 LSM industries recorded year-on-year positive growth during the July 2020 to January 2021 period as compared to the July 2019 to January 2020 period. In addition, major kharif crops, except cotton, demonstrated encouraging performance. The increase in agricultural output is expected to further strengthen the overall economic outlook because of the linkages of this sector with agriculture-based and export-oriented businesses.

Recent Developments

The following sets forth a summary of key recent developments:

Confidence Vote in the National Assembly on 6 March 2021. After the Senate elections on 3 March 2021, in which the Government candidate and the current Finance Minister Hafeez Sheikh lost to the opposition nominee Yousuf Raza Gillani in the Senate race for the Islamabad general seat (see "The Islamic Republic of Pakistan – Government and Politics – Form of Government – Legislature"), the Prime Minister announced that he will seek a vote of confidence from the National Assembly, the lower house of Parliament. On 6 March 2021, Prime Minister Imran Khan won a vote of confidence in the National Assembly, in which he was able to secure 178 votes (with 172 required to win confidence).

The Outbreak of the COVID-19 Pandemic. The first case of COVID-19 in Pakistan was reported on 27 February 2020. The lockdown was imposed by the authorities in the second half of March 2020 and remained in place until May 2020. By 2 June 2020, 76,398 cases with 1,621 deaths were reported in Pakistan. In the middle of the first wave of the COVID-19 outbreak in Pakistan, the Sub-committee of the National Coordination Committee for COVID-19 prepared an impact assessment of COVID-19 on the real sector of the
economy, which, according to this assessment, was expected to contract by 0.4 per cent in fiscal year 2019-20 as compared to an earlier projection of 3.3 per cent growth. In April 2020, exports and imports decreased (year-on-year) by almost 54 per cent and 32 per cent, respectively. While the decline in exports largely reflected lower external demand as well as low production activity domestically, the decline in imports most likely reflected low retail and wholesale trade. Similarly, sharp declines in tax collections and sales of automobiles, cement and petroleum products also indicated an across-the-board economic slowdown. In terms of the sectoral breakdown of GDP, the industrial and services sectors were particularly hard hit. In the first wave of COVID-19 (March-July 2020), approximately 37 per cent of the working population of Pakistan, or 20.6 million people, either lost their jobs or could not work due to the lockdown and another 12 per cent of the working population, or 6.7 million people, experienced a decrease in their incomes. Sindh was the most affected province, in which the working population was reduced to 23 per cent during the April to July 2020 period, as compared to 38 per cent before the outbreak of COVID-19, followed by Punjab with a 14 per cent decrease in the working population.

The first wave of COVID-19 reached its peak in June 2020, after which the number of cases began to decrease. The second wave of COVID-19 commenced in late October 2020. By 19 March 2021, the number of confirmed cases of COVID-19 in Pakistan reached 619,259 (with 578,314 recoveries and 13,757 reported deaths from COVID-19).

**Emergency Actions to Mitigate the Impact of the COVID-19 Pandemic.** The Government has taken a number of emergency actions to contain the severe health risks and economic fall-out resulting from the COVID-19 pandemic. On 24 March 2020, the Prime Minister announced a comprehensive fiscal package structured by the Ministry of Finance that was aimed at supporting growth and protecting those most affected by the containment measures. The package, amounting to Rupees 1,240 billion, contained: (i) sizable increases in health- and mitigation-related spending; (ii) significant allocations to support daily wage earners and exporters; (iii) funding for free shelter rations; (iv) allocations for subsidised food items and (v) support for small and medium enterprises and agriculture. Of this amount, Rupees 700 billion was spent in the fiscal year 2019-20. The balance of Rupees 540 billion became available to be spent on the relief measures in the fiscal year 2020-21 and Rupees 147 billion were in fact spent on various relief measures by the end of January 2020.

The Government also launched under *Ehsaas* an Emergency Cash Programme aimed at providing immediate financial support to 14.8 million of the most vulnerable families.

At the same time, the SBP arranged multiple emergency meetings of the Monetary Policy Committee (MPC) to take frequent stock of the fast evolving situation and make decisions accordingly. The MPC cut the policy rate by 625 basis points from 17 March 2020 to 25 June 2020, which not only favourably repriced most of the existing loans by the private sector, but also made borrowing viable for firms that would otherwise have been priced out due to high interest rates and weakened profitability. The SBP also rolled out multiple new schemes, including the deferment of principal repayments, subsidised financing for firms to pay salaries to their employees, relaxations in operational criteria for export-related refinance schemes and concessionary refinance facilities for investment projects and hospitals. Businesses have shown a keen interest in these financing schemes and actively used them to plug their cash flow gaps. Put together, the estimated liquidity impact of the SBP’s relief measures was equivalent to 4.8 per cent of GDP.

**Securing Assistance from the IMF.** As a result of the COVID-19 outbreak, in April 2020 it became clear that growth was expected to contract sharply as the economy was adversely affected by demand and supply shocks. Exports and remittances were expected to decline sharply, which together with a temporary loss of market access created an urgent balance of payments need. In addition, public finances were expected to come under significant pressure from the sudden increase in health- and mitigation-related expenditures as well as the decline in tax revenues. In these circumstances, the Pakistani authorities requested financial assistance from the IMF under the Rapid Financing Instrument (RFI) in the amount of 50 per cent of quota (SDR 1,015.5 million (approximately U.S.$1,386 million)) to help address the urgent fiscal and balance of payments needs, while making these resources available to the budget to support the emergency policy response. On 16 April 2020, the IMF Board approved the disbursement of U.S.$1,386 million under the RFI to Pakistan to address the economic impact of the COVID-19 shock.
At the same time, Pakistan and the IMF agreed at the time to temporarily put on hold the review process under the existing U.S.$6 billion Extended Fund Facility and revise it after the peak of the COVID-19 pandemic is over. The 10 April 2020 staff report released by the IMF stated that "the RFI is the appropriate instrument to support Pakistan at this juncture as the severity of the shock and the uncertainty about the outlook make it difficult to recalibrate the existing Extended Fund Facility (EFF) to ensure that it remains on track to meet its objectives".

In February 2021, an IMF team concluded virtual discussions with the Pakistani authorities and reached a staff-level agreement on the second to fifth reviews of the Government's reform programme supported by the U.S.$6 billion Extended Fund Facility. On 24 March 2021, the IMF Board completed the combined second through fifth reviews of the Extended Arrangement under EFF.

The Government believes that the agreed package strikes an appropriate balance between supporting the economy, ensuring debt sustainability and advancing structural reform. The approval by the IMF Board allows for an immediate release of around U.S.$500 million. The IMF team acknowledged that the COVID-19 shock temporarily disrupted Pakistan's progress under the EFF-supported programme. However, the Government's policies and allowing higher than expected COVID-related social spending have been critical in supporting the economy and saving lives and households.

**Improvement in Security Situation.** As a result of the implementation of Pakistan's National Internal Security Policy 2014-2018 and National Internal Security Policy 2018-2023, its National Action Plan, the measures adopted by the new Government that assumed office in August 2018 and the successful Zarb-e-Azab and Radd-ul-Fasad operations of the armed forces, commenced in June 2014 and February 2017, respectively, there has been a significant reduction in the number of terrorist incidents reported in the country. According to the most recent information from the National Counter Terrorism Authority, the number of terrorist incidents decreased from 1,816 in 2014 to 1,139 in 2015, 785 in 2016, 741 in 2017, 584 in 2018 and 482 in 2019. This improvement in the security situation helped to improve the investment climate, boosted economic activity in many parts of Pakistan and is expected to increase the country's attractiveness to foreign investors. See "The Islamic Republic of Pakistan – Fight Against Extremism".

**Status of the action plan with the FATF.** Owing to shortcomings in effectively addressing terrorist financing risks, Pakistan was placed in the FATF "Grey List" in June 2018. Since inclusion in the "Grey List", Pakistan has undertaken considerable actions to address the problems identified by the FATF, while undergoing periodic reviews by the FATF. As at February 2021, Pakistan has been rated "largely addressed" on 24 of 27 action items, including all action items relating to its financial sector. Significant progress has been made on the rest of the action plan. At its last plenary meeting in February 2021, the FATF strongly urged Pakistan to swiftly complete its full action plan before June 2021.

**Developments Related to the Exchange Rate System.** With the goal of correcting imbalances in Pakistan's economy and supporting the build-up of foreign exchange reserves, the SBP introduced a flexible, market-determined exchange rate system in May 2019. The SBP believes that a flexible market-determined exchange rate will help to modernise the foreign exchange regime and the functioning of financial markets and contribute to a better allocation of resources in the economy. Further, it will help to reduce accumulated external imbalances, provide a buffer against shocks and support the rebuilding of the country's international reserves position. Under the flexible market-determined exchange rate, SBP interventions in the foreign exchange market are limited to preventing disorderly market conditions, but not suppressing the trend.

**Developments Related to Current Account Balance.** Pakistan's current account deficit decreased to 4.8 per cent of GDP in 2018-19 and then further decreased to 1.1 per cent of GDP in 2019-20. Lower imports of goods and higher remittances contributed to the narrower deficit. Imports of goods decreased by 6.8 per cent in 2018-19 as compared to U.S.$51.9 billion in 2017-18 and then further decreased by 18.2 per cent in 2019-20 to U.S.$42.4 billion. This was largely due to the impact of policy measures ranging from exchange rate depreciation and policy rate hikes (prior to the outbreak of the COVID-19 pandemic) to higher import duties on non-essential items, a benign import prices environment and COVID-19-related demand compression. Workers' remittances increased by 9.2 per cent to U.S.$21.7 billion in 2018-19 and then further increased by 6.4 per cent to U.S.$23.1 billion in 2019-20. However, the largely positive dynamics in the current account
have not been supported by higher exports, the value of which decreased by 2.1 per cent in 2018-19 as compared to 2017-18 and then further decreased by 7.2 per cent in 2019-20. In the first eight months of the fiscal year 2020-21 (July 2020 to February 2021), the Government was able to achieve a current account surplus of U.S.$881 million. See "Risk Factors – The current account deficit may negatively affect Pakistan’s ability to meet its external obligations" and "Balance of payments and foreign trade".

**Developments Related to Foreign Exchange Reserves.** The SBP's net liquid foreign exchange reserves were adversely affected by significant current account deficits in recent years and declined to U.S.$7.3 billion as at 30 June 2019 (equating to 1.6 months' worth of imports of goods and services) from U.S.$9.8 billion as at 30 June 2018 and U.S.$16.1 billion as at 30 June 2017. Moreover, the SBP's forward-swap short position also increased to U.S.$8.0 billion as at 30 June 2019 from U.S.$7.0 billion as at 30 June 2018. In May 2019, the SBP implemented a flexible market-determined exchange rate system. The SBP now only intervenes in the foreign exchange market to prevent disorderly market conditions, while at the same time not suppressing an underlying trend and in a manner consistent with rebuilding reserves. The implementation of a flexible market-determined exchange rate system along with other policy measures helped to initially reduce the current account deficit and then turn it into a current account surplus in the first eight months of the fiscal year 2020-21. This has enabled the SBP to build its foreign exchange reserves. The SBP's net foreign exchange reserves increased to U.S.$12.1 billion as at 30 June 2020 and to U.S.$13.0 billion as at 12 March 2021, while total liquid foreign exchange reserves increased to U.S.$18.9 billion as at 30 June 2020 and to U.S.$20.2 billion as at 12 March 2021. The SBP's forward-swap short position decreased from U.S.$8.0 billion as at 30 June 2019 to U.S.$5.8 billion as at 30 June 2020 and further decreased to U.S.$4.6 billion as at 31 December 2020. Nevertheless, foreign exchange reserves remain at a low level against large external debt repayments.

**Developments Related to Fiscal Deficit.** Pakistan’s fiscal deficit in 2018-19, which amounted to 9.1 per cent of GDP, was higher than its fiscal deficit in both 2017-18 (6.5 per cent of GDP) and 2016-17 (5.8 per cent of GDP). It was also higher than the revised target of 7.2 per cent of GDP (published in April 2019), which resulted in exceeding the targeted deficit by Rupees 686 billion. The single biggest reason for the increase in fiscal deficit was the shortfall in Federal Board of Revenue (FBR) tax revenues in the amount of Rupees 321 billion in 2018-19.

The fiscal consolidation efforts to reduce the deficit during the first quarters of 2019-20 largely paid off as, despite the COVID-19 shock, the budget deficit declined from 9.1 per cent of GDP in 2018-2019 to 8.1 per cent in 2019-20. This performance is owed to multiple policy measures to enhance the FBR's tax collection, along with one-off gains from non-tax revenues and prudent management of expenditures in the first eight months of 2019-20. In effect, the primary surpluses accumulated during this period largely compensated for the adverse impact of COVID-19-related additional expenditure on health and cash transfers and resulted in relatively better fiscal outcomes than in the fiscal year 2018-19. The Government rolled out a number of tax and administrative measures in the budget for 2019-20 to enhance revenue mobilisation. These included the reversal of earlier tax exemptions to certain sectors, increasing income tax rates and an upward revision in sales tax and federal excise duty rates on selected items. On the administrative front, e-filing and refund systems were improved to facilitate businesses and other taxpayers and promote the filing culture. The Government also took measures to enhance documentation in the economy and reduce informality. On the expenditure side, sizable efforts were taken to control the growth in current spending. Development expenditures also remained subdued as the relevant government departments – that were delegated the responsibility to execute the Public Sector Development Programme (PSDP) spending as part of the public financial management reforms – could not initiate the committed projects in the earlier part of 2019-20. Later on, when COVID-19 hit, these projects were delayed further. As a result, the Government was able to record a cumulative primary surplus of Rupees 193.5 billion in the first three quarters of 2019-20. Although the third quarter witnessed a slight primary deficit, the fiscal and revenue deficits remained largely within the contours of the IMF programme. The FBR's tax collection weakened from March 2020 onwards, with all the major revenue categories reporting year-on-year declines during the period from March to June 2020. As the bulk of revenue collection typically occurs at quarter-ends, even the third quarter of 2019-20 witnessed a substantial fall in revenue growth, whereas the revenue growth in the fourth quarter plummeted into negative territory. In overall terms, COVID-19 resulted in an estimated loss of approximately one trillion Rupees in tax revenue, as the full-year collection stood at Rupees 3,997.9 billion. The expenditure side also took a similar hit, as the Government spent heavily on health and cash transfers in the fourth quarter of 2019-20 to control the disease.
spread and alleviate unfavourable social outcomes. Current expenditures in the fourth quarter of 2019-20 were approximately one trillion Rupees higher than the average spending in the first three quarters.

**Developments Related to Public Debt.** Pakistan's gross public debt as at 30 June 2020 was Rupees 36,399 billion (87.2 per cent of GDP) as compared to Rupees 32,708 billion as at 30 June 2019 (86.1 per cent of GDP). As at 30 June 2020, government domestic public debt was Rupees 23,283 billion (55.8 per cent of GDP), while government external debt and debt from the IMF amounted to U.S.$13,116 billion (31.4 per cent of GDP). The increase in public debt during 2019-20 was less than half the increase recorded during 2018-19. Lower revaluation losses on the existing outstanding stock of public debt and the utilisation of accumulated government deposits to finance a similar level of fiscal deficit in Rupee terms as last year contained the overall rise in public debt during 2019-20. In terms of GDP, the gross public debt rose by 1.1 percentage points to 87.2 per cent of GDP by 30 June 2020. A decline in economic activity and a rising fiscal deficit, particularly in the later part of the fiscal year 2019-20 amid the COVID-19 outbreak, led to an increase in this ratio.

**Investments in CPEC Projects.** The China-Pakistan Economic Corridor (CPEC) programme, which was launched in April 2015 during Chinese President Xi Jinping visit to Pakistan, has significantly supported the development of Pakistan's economy. The nine power generation projects that have already been commissioned have an aggregate generation capacity of 5,320 MW and provide approximately 13 per cent of the overall rated power generation capacity of Pakistan. Another seven power generation projects with an aggregate generation capacity of 4,484 MW and a high voltage direct current transmission line from Lahore to Matiari are under different implementation stages, and all of them are expected to be commissioned by 2025. Three of the large CPEC transportation infrastructure projects have already been completed. These include: the construction of the 392 km Multan-Sukkur section of the Karachi-Peshawar Motorway at a cost of U.S.$2,889 million, which achieved commercial operation in November 2019; the construction of the 120 km Thakot-Havelian section of the Karakoram Highway at a cost of U.S.$1,315 million, which achieved commercial operation in July 2020; and the construction of the 27 km Orange Line Metro Train project at a cost of U.S.$1.6 billion, which achieved commercial operation in October 2020. The Gwadar Port project component of CPEC is aimed at attracting transit trade for resource-rich Central Asian republics, Afghanistan and western China, as well as the development of the trans-shipment trade in the region. Total estimated cost of the ten principal Gwadar Port projects amounts to U.S.$1,377 million. CPEC projects continue to provide a strong support for economic growth in Pakistan, particularly for the construction industry. See "Overview of Pakistan's Economy – China-Pakistan Economic Corridor (CPEC)".

**Increases in Electricity Generation Capacity and Other Developments in the Energy Sector.** Pakistan has successfully removed bottlenecks in electricity generation in 2013-20 by adding a cumulative capacity of 15,924 MW. However, congestion, inefficiency and lack of infrastructure on the transmission and distribution side of the supply chain have hampered sustained delivery of electricity and energy services. Other significant shortcomings of the power sector include insufficient collections, weak governance and regulatory deficiencies. These shortcomings translate into distortions and losses and the accumulation of cash flow shortfalls, or circular debt. Around Rupees 538 billion were accumulated in the fiscal year 2019-20, increasing the total amount of circular debt to Rupees 2,150 billion as at 30 June 2020 and approximately Rupees 2.3 trillion as at 31 December 2020. As part of a comprehensive energy sector reform, the Government has already implemented an automatic quarterly tariff adjustment scheme to raise additional revenues to reduce circular debt. Other measures in the comprehensive energy sector reform that have already been adopted include re-basing of consumer end tariffs, restructuring of boards of directors of power sector entities (distribution companies, National Transmission & Despatch Company and Pakistan Electric Power Company), signing of performance contracts with the public sector enterprises and re-targeting subsidies. See "Overview of Pakistan's Economy – Energy in Pakistan".

**Sound Banking System.** The overall performance of the banking sector, which dominates the financial services sector of Pakistan, remained relatively strong over the last few years despite macroeconomic challenges, ongoing COVID-19 pandemic and other structural issues. Its asset base stood at Rupees 25.1 trillion as at 31 December 2020. Asset growth in the banking sector accelerated by 14.2 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to 11.7 per cent (year-on-year) in the twelve months ended 31 December 2019. This higher growth is due to strong growth rate of net investments from 13.0 per cent (year-on-year) in the twelve months ended 31 December 2019 to 33.5 per cent (year-on-year) in the twelve months
ended 31 December 2020. Net advances grew by 0.5 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to growth of 3.7 per cent (year-on-year) in the twelve months ended 31 December 2019. Net retirements made by certain economic sectors (for example, energy and automobiles) and moderate credit off-take by certain other sectors were the reason for the slowdown in advances. Deposits experienced robust growth of 16.1 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to 11.9 per cent in the previous year. Such strong inflow of deposits was principally on account of a halt in business activities and restrained consumer spending due to the mobility restrictions caused by the COVID-19 pandemic. While increases have been observed in all categories of deposits, major increases took place in savings deposits and current accounts (non-remunerative).

Despite the impact of the COVID-19 pandemic, the credit risk has remained contained, in large part due to the SBP policy measures such as deferment of principal payments and restructuring/rescheduling of loans. With a slowdown in advances and some increase in non-performing loans (NPLs), the gross NPLs to loans ratio has increased to 9.2 per cent as at 31 December 2020 from 8.6 per cent a year earlier. However, due to the prudent approach adopted by the banks during the COVID-19 pandemic, banks enhanced the level of provisions against specified as well as general assets, which led to an increase in provisions coverage ratio (provisions to NPLs) to 88.3 per cent as at 31 December 2020 as compared to 81.4 per cent a year earlier. As a result, the level of net non-performing loans (NNPLs) decreased to Rupees 97 billion as at 31 December 2020 from Rupees 141 billion as at 31 December 2019, while NNPLs to net loans ratio decreased to 1.2 per cent as at 31 December 2020 from 1.7 per cent a year earlier.

Prudent risk-based regulations have helped the banking sector to maintain a strong solvency profile. Capital adequacy ratio (CAR) improved to 18.6 per cent as at 31 December 2020 from 17.0 per cent as at 31 December 2019.

The earnings of the banking sector experienced a large increase of 35.1 per cent in 2020 as profit before tax amounted to Rupees 411 billion in the twelve months ended 31 December 2020 as compared to Rupees 304 billion in the twelve months ended 31 December 2019. The strong increase in profitability was primarily driven by higher net interest income. In addition, non-interest income also increased, principally due to the gains on the sale of government securities. Accordingly, all profitability indicators, such as return on assets, return on equity and net interest margin improved in the twelve months ended 31 December 2020 as compared to the twelve months ended 31 December 2019. See "Overview of Pakistan's Economy – Principal Sectors of the Economy – Services Sector – Financial Services".
## Overview of the Programme

<table>
<thead>
<tr>
<th>Issuer:</th>
<th>The President of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal Entity Identifier (LEI) of the Issuer:</td>
<td>529900LOP29R5WHOD86</td>
</tr>
<tr>
<td>Risk Factors:</td>
<td>There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with the Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under &quot;Risk Factors&quot;.</td>
</tr>
<tr>
<td>Description:</td>
<td>Global Medium Term Note Programme</td>
</tr>
</tbody>
</table>
| Arrangers and Dealers: | BOCI Asia Limited  
Credit Suisse (Singapore) Limited  
Deutsche Bank AG, London Branch  
Emirates NBD Bank PJSC  
J.P. Morgan Securities plc  
Standard Chartered Bank  
and any other Dealers appointed in accordance with the Programme Agreement from time to time. |
| Certain Restrictions: | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "Subscription and Sale and Transfer and Selling Restrictions") including the following restrictions applicable at the date of this Offering Circular. |
| Notes having a maturity of less than one year | Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in Section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "Subscription and Sale and Transfer and Selling Restrictions". |
| Principal Paying Agent, Exchange Agent and Transfer Agent: | The Bank of New York Mellon, London Branch |
Registrar: .............................................. The Bank of New York Mellon SA/NV, Dublin Branch

Programme Size: ....................................... The Programme is unlimited in amount.

Distribution: ............................................ Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies: ............................................. Subject to any applicable legal or regulatory restrictions, Notes may be denominated in any currency agreed between the Issuer and the relevant Dealer.

Maturities: ............................................. The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.

Issue Price: ............................................. Notes may be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par.

Form of Notes: ........................................... The Notes will be issued in bearer or registered form as described in "Form of the Notes". Registered Notes will not be exchangeable for Bearer Notes and vice versa.

Fixed Rate Notes: ....................................... Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.

Floating Rate Notes: .................................... Floating Rate Notes will bear interest at a rate determined:

(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or

(b) on the basis of a reference rate set out in the applicable Pricing Supplement.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.
Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on the Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

Zero Coupon Notes: ......................... Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Discontinuation: ...................... In the event that a Benchmark Event occurs, such that any rate of interest (or any component part thereof) cannot be determined by reference to the original benchmark or screen rate (as applicable) specified in the applicable Pricing Supplement, then the Issuer may (subject to certain conditions) be permitted to substitute such benchmark and/or screen rate (as applicable) with a successor, replacement or alternative benchmark and/or screen rate (with consequent amendment to the terms of such Series of Notes and, potentially, the application of an Adjustment Spread (which could be positive, negative or zero)). See Condition 5.2(c) (Interest on Floating Rate Notes – Benchmark Replacement) for further information.

Redemption:........................................ The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "Certain Restrictions: Notes having a maturity of less than one year” above.

Denomination of Notes: ......................... The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see "Certain Restrictions: Notes having a maturity of less than one year” above, and save that the minimum denomination of each Note will be €100,000 (or, if the Notes are denominated in a currency other than Euro, the equivalent amount in such currency)
and in the case of any Legended Notes, the minimum specified denomination shall be U.S.$200,000.

Taxation: ....................................................... All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by the Relevant Jurisdiction in accordance with Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge: ........................................... The terms of the Notes will contain a negative pledge provision as further described in Condition 4.

Cross Acceleration: ...................................... The terms of the Notes will contain a cross acceleration provision as further described in Condition 10.

Status of the Notes:....................................... The Notes and any relative Coupons constitute (subject to Condition 4) direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least pari passu with all other present and future unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, provided, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, shall have no obligation to pay such other obligations at the same time or as a condition of paying sums due on the Notes and vice versa.

Meetings of Noteholders, Modification and Waiver:.......................................................... The terms of the Notes contain a "collective action" clause, which permits defined majorities to bind all Noteholders. If the Issuer issues debt securities that contain collective action clauses in substantially the same form as the collective action clause in the terms of the Notes, the Notes would be capable of aggregation for voting purposes with any such debt securities, thereby allowing "cross-series" modifications to the terms and conditions of all affected Series of Notes (even, in some circumstances, where majorities in certain Series did not vote in favour of the modifications being voted on).

See Condition 15 and "Risk Factors – Factors Which are Material for the Purpose of Assessing the Market Risks Associated with Notes Issued Under the Programme – Risks related to Notes generally – The conditions of the Notes contain provisions which may permit their modification without the consent of all investors".
| **Rating:** | Series of Notes issued under the Programme may be rated by Fitch and/or Moody's or may be unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. |
| **Listing and Admission to Trading:** | Application has been made for the Notes to be admitted to trading on the ISM. Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets. |
| **Clearing Systems:** | Clearstream, Luxembourg and Euroclear for Bearer Notes, Clearstream, Luxembourg, Euroclear and DTC for Registered Notes and, in relation to any Tranche, any other clearing system as may be agreed between the Issuer, the Principal Paying Agent and the relevant Dealer. See "Form of the Notes". |
| **Governing Law:** | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law. |
| **Waiver of Immunity:** | The Issuer has waived irrevocably, to the fullest extent permitted by law any immunity (i) from suit, from the jurisdiction of any such court, from set-off, from attachment prior to judgment, (ii) from attachment in aid of execution of a judgment, (iii) from execution of a judgment or (iv) from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment (each as defined in the Conditions)). Pakistan's waiver of sovereign immunity constitutes a limited and specific waiver and, notwithstanding anything to the contrary in the Conditions, such waiver of immunity does not constitute a waiver of immunity in respect of (i) property used by a diplomatic or consular mission of the Issuer (except as may be necessary to |
effect service of process); (ii) property of a military character and under the control of a military authority or defence agency; or (iii) located in Pakistan and dedicated to a public or governmental use (as distinct from patrimonial property or property dedicated to a commercial use).

**Selling Restrictions: .............................................**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the EEA, the UK, Pakistan, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, Japan, Hong Kong, Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "Subscription and Sale and Transfer and Selling Restrictions".

**U.S. Selling Restrictions: ........................................**

Regulation S Compliance Category 1, Rule 144A, TEFRA C, TEFRA D and/or TEFRA not applicable, as specified in the applicable Pricing Supplement.

Notes in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) or any successor regulation in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986 (TEFRA D) unless: (a) the applicable Pricing Supplement states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(e)(2)(i)(C) or any successor regulation in substantially the same form for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986 (TEFRA C); or (b) the Notes have a term of one year or less (taking into account any unilateral right to extend or rollover the term).
RISK FACTORS

The purchase of Notes involves risks and is suitable only for, and should be made only by, investors that are fully familiar with Pakistan in general and that have such other knowledge and experience in financial and business matters as may enable them to evaluate the risks and the merits of an investment in the Notes. Prior to making an investment decision, prospective investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors set forth below. Prospective purchasers of Notes should make such inquiries as they think appropriate regarding the Notes and Pakistan without relying on Pakistan or the Dealers.

In purchasing Notes issued under the Programme, investors assume the risk that the Issuer may be unable to make all payments due or otherwise fulfil its obligations in respect of the Notes. There is a wide range of factors, which, individually or together, could result in the Issuer becoming unable to make all payments due or otherwise fulfil such obligations in respect of the Notes. It is not possible to identify all such risk factors or to determine which risk factors are most likely to occur, as the Issuer may not be aware of all relevant risk factors and certain risk factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Offering Circular a number of factors which could materially adversely affect its ability to make payments due under the Notes but the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

An investment in the Notes involves certain risks. Prospective investors should carefully consider, in the light of their own financial circumstances and investment objectives the following factors, in addition to the matters set forth elsewhere in this Offering Circular, prior to investing in the Notes. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay any amounts on, or in connection with, any Note for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive or that the statements below relate to any other risks not described therein. There may also be other considerations, including some which may not be presently known to the Issuer or which the Issuer currently deems immaterial, that may impact on any investment in the Notes.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making an investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risk factors relating to the Government

The COVID-19 pandemic depressed economic growth and put significant pressure on public finances. The outbreak of COVID-19 in the beginning of 2020 and its spread all over the world that escalated to the level of a global pandemic resulted in the implementation of stringent travel and transport restrictions, quarantines, lockdowns and extended shutdowns of certain businesses globally, including in Pakistan, in an attempt to contain the continued spread of the virus.

The first case of COVID-19 in Pakistan was reported in February 2020. The countrywide lockdown was imposed by the Government in the second half of March 2020 and remained in place until May 2020. The first wave of COVID-19 reached its peak in June 2020, after which the number of cases began to decrease. The second wave of COVID-19 commenced in late October 2020. By 19 March 2021, the number of confirmed cases of COVID-19 in Pakistan reached 619,259 (with 13,757 reported deaths from COVID-19). The number of COVID-19 cases and deaths might be significantly underreported. In June 2020, Atta ur Rahman, the chairman of Prime Minister Imran Khan's task force on science and technology, said in an interview to
Bloomberg that the actual numbers could be two to three times higher than what the Government was reporting at the time. A large number of cases were not reported because of low testing and deaths due to reasons other than respiratory failure were not being counted in deaths from COVID-19.

The Government has introduced a number of measures aimed at mitigating the potential economic impact of the crisis. For further details on the Government's response, see "Overview of Pakistan's Economy – Emergency Actions to Mitigate the Impact of the COVID-19 Pandemic". But, despite such measures, the crisis adversely affected all sectors of Pakistan's economy, and there can be no assurance as to when the various economic sectors will return to pre-crisis levels of activity. In the middle of the first wave of the COVID-19 outbreak in Pakistan, the Sub-committee of the National Coordination Committee for COVID-19 prepared an impact assessment of COVID-19 on the real sector of the economy, which, according to this assessment, was expected to contract by 0.4 per cent in fiscal year 2019-20 as compared to an earlier projection of 3.3 per cent growth. In April 2020, exports and imports decreased (year-on-year) by almost 54 per cent and 32 per cent, respectively. While the decline in exports largely reflected lower external demand as well as low production activity domestically, the decline in imports most likely reflected low retail and wholesale trade. Similarly, sharp declines in tax collections and sales of automobiles, cement and petroleum products also indicated an across-the-board economic slowdown. In terms of the sectoral breakdown of GDP, the industrial and services sectors were particularly hard hit. Moreover, in the first wave of COVID-19 (March-July 2020), approximately 37 per cent of the working population of Pakistan, or 20.6 million people, either lost their jobs or could not work due to the lockdown and another 12 per cent of the working population, or 6.7 million people, experienced a decrease in their incomes. Should unemployment not return to pre-crisis levels, there may be social dislocation and unrest.

The COVID-19 pandemic poses a new risk to the fiscal position of Pakistan and has already led to significant volatility in global financial markets, reduced global liquidity and trade, lower activity in tourism and hospitality and, for Pakistan, lower activity in its export-related industries such as textiles, chemicals and pharmaceuticals, which are key sectors of Pakistan's economy, and the potential for lower economic growth both regionally and globally, which will, in turn, affect Pakistan negatively. Given the uncertainty of the lasting effect of the COVID-19 pandemic crisis and the Government's measures to mitigate its effects, the financial impact on Pakistan's economy and various macroeconomic indicators, including inflation, cannot be determined, but the Government expects the impact to be material and adverse.

Pakistan's economy is vulnerable to fluctuations in the global economy. Being a small open economy, global economic conditions play an important role in the state of Pakistan's economy. In particular, Pakistan relies on foreign currency revenues derived from the export of textiles, food products, chemical and pharmaceutical products and other goods and on workers' remittances to finance imports (including crude oil, oil products and natural gas) and service its external financing obligations. Accordingly, any material decrease in global demand or prices for Pakistan's exports, or any material increase in the cost of essential imports such as crude oil, oil products or natural gas, may have a significant adverse effect on Pakistan's balance of payments. In addition, if economic conditions in key advanced economies (particularly the U.S. and the United Kingdom) and/or in the Gulf Cooperation Council countries (particularly Saudi Arabia and the UAE) deteriorate significantly, this may reduce workers' remittances, which, in turn, may have an adverse effect on Pakistan's current account balance.

In addition, the state of the global economy has an important indirect effect on Pakistan's budget deficit and inflation levels, as Pakistan's economy is dependent on global commodity prices. Changes in the price of Pakistan's critical imports, including crude oil, oil products and natural gas, have led to significant fluctuations in Pakistan's budget deficit and inflation levels in the past. If global prices for energy and industrial products increase significantly in the near- or medium-term, this may lead to higher budget deficits and domestic inflation. Furthermore, a significant depreciation of the Rupee against major currencies could lead to an increase in Pakistan's gross public debt-to-GDP ratio because a substantial portion of its gross public debt is denominated in foreign currencies. Such significant depreciation could also lead to higher inflation levels and potentially trigger social unrest.

Any deterioration of the current economic situation in Pakistan, or any adverse change in the global economic environment or in the appetite of international investors for emerging market risk, could further reduce the
availability of inbound investment and external financing in Pakistan and materially adversely affect future GDP growth rates. Unfavourable changes in the external or internal environment could further widen Pakistan's external funding gap. Significant current account deficit (see "– The current account deficit may negatively affect Pakistan's ability to meet its external obligations") or significant net capital outflows could cause Pakistan's stock of international reserves to fall.

Globally, a fraying consensus about the benefits of globalisation could lead to protectionism and economic isolationism, leading to reduced global and regional policy collaboration with negative consequences for trade, capital and labour flows, sentiment and growth.

Any such developments may have a material adverse effect on Pakistan's economy and thus on the ability of Pakistan to perform its payment obligations under the Notes.

**The IMF programme approved in July 2019 remains critical for Pakistan's ability to ensure sufficient funding for its external financing needs and the development of Pakistan's economy.** Given Pakistan's considerable external financing needs, unaddressed structural challenges and financing needs for the implementation of its comprehensive economic recovery programme (in June 2019, the Government estimated that the financing needs related to the implementation of such programme for the next 39 months are expected to amount to U.S.$38.6 billion), support from the IMF through its 39-months extended arrangement under the Extended Fund Facility (the **IMF EFF**), which was approved by the Executive Board of the IMF on 3 July 2019, is likely to remain critical in the near- to medium-term.

On 19 December 2019, the IMF Board completed the first review of Pakistan's economic performance under the IMF EFF. The completion of the review process allowed the Pakistani authorities to draw SDR 328 million (approximately U.S.$452.4 million). The outbreak of the COVID-19 pandemic temporarily suspended further funding under the IMF EFF, although Pakistan requested and received financial assistance from the IMF under the Rapid Financing Instrument (**RFI**) in the amount of SDR 1,015.5 million (approximately U.S.$1,386 million) to help address its urgent fiscal and balance of payments needs. With respect to the IMF EFF, the impact of the COVID-19 pandemic has required a careful recalibration of the macroeconomic policy mix, the reforms calendar and the EFF review schedule. In February 2021, an IMF team concluded virtual discussions with the Pakistani authorities and reached a staff-level agreement on the second to fifth reviews of the Government's reform programme supported by the U.S.$6 billion IMF EFF. On 24 March 2021, the IMF Board completed the combined second through fifth reviews of the Extended Arrangement under EFF. The approval by the IMF Board allows for an immediate release of around U.S.$500 million.

Pakistan's ability to ensure sufficient funding for its external financing needs and the development of its economy are, to a large extent, dependent on disbursements under the IMF EFF, which may be withheld upon any failure of Pakistan to comply with the quantitative performance criteria and indicative targets set by the IMF EFF and/or any failure to meet the requirements set in the programme's structural benchmarks.

In addition to direct financing under the IMF EFF, this programme also helps to obtain financing from other sources, such as the World Bank and the Asian Development Bank, and could improve access to global capital markets. Therefore, Pakistan's ability to raise future financing from international financial institutions and its international partners is, to a large extent, dependent on its continued compliance with the targets and requirements set in the IMF EFF, which remain subject to the discretion of the IMF.

**Failure to successfully implement the Government's current comprehensive economic recovery programme aligned with the IMF EFF programme may result in an inability to meet Pakistan's external financing needs and have an adverse effect on macroeconomic stability.** Pakistan is highly reliant on external sources for meeting its external financing needs and financing the budget deficit. By the time of the adoption of the IMF EFF programme, the Government had already secured financing commitments from several bilateral and multilateral partners such as China, Saudi Arabia, the UAE, the World Bank, the Asian Development Bank and the Islamic Development Bank. Some of these financial commitments, however, are now no longer available. For example, the U.S.$3.2 billion credit facility provided by Saudi Arabia to Pakistan to cover oil imports from Saudi Arabia has since expired without being fully drawn and deposits made by Saudi Arabia in Pakistan in the total amount of U.S.$2.0 billion have matured and have not been rolled over. With the adoption
of the IMF EFF programme in July 2019, broader support from multilateral and bilateral creditors was expected to reach approximately U.S.$38 billion, which is crucial for Pakistan to meet its large financing needs in the coming years.

Further external borrowings under the IMF EFF programme and from multilateral organisations and other external sources may depend on the Government's success in implementing its comprehensive economic recovery programme as modified by the Government following the outbreak of the COVID-19 pandemic, which, among other things, includes:

- broadening the tax base through documentation of the economy, removal of tax exemptions and concessions and strengthening tax administration;
- maintaining a flexible, market-determined exchange rate system;
- improving the business climate by creating an enabling environment for private sector investment and job creation and in the process reducing the scope of Pakistan's large informal economy. Specific measures include simplifying customs processes and business registration and reviewing existing regulations to further facilitate private sector investment and encourage private sector participation in the economy;
- improving cost recovery in the energy sector by rationalising subsidies, allowing regulators to set electricity and gas tariffs in line with generation costs and gas purchase prices and institutionalising regular and timely adjustments to improve energy sector efficiency;
- strengthening SBP's autonomy and governance;
- ending deficit monetisation;
- improving the governance and efficiency of state-owned enterprises (SOEs) and facilitating their privatisation; and
- strengthening the effectiveness of the anti-money laundering and countering financing of terrorism (AML/CFT) regime, including fully implementing the action plan agreed with the Financial Action Task Force (FATF) to facilitate an early exit from the FATF "Grey List".

Factors which may impede the implementation of these reforms include:

- adverse impact of the COVID-19 pandemic, particularly through depressed economic growth and pressure on the public finances;
- deterioration of security situation in the country;
- potential social resistance to austerity measures;
- recovery in economic activity taking longer or proving more difficult than initially expected;
- real exchange rate shocks;
- a larger than expected fiscal burden emanating from the energy sector;
- political difficulties or delays in implementing structural and other reforms; and
- external factors, including any escalation of conflict around Kashmir.

If Pakistan is unable to successfully implement the comprehensive economic recovery programme and meet the criteria set out in the IMF EFF and various other support programmes provided by multilateral
organisations and official creditors, these sources may withhold or suspend further funding. See "– The IMF programme approved in July 2019 remains critical for Pakistan's ability to ensure sufficient funding for its external financing needs and the development of Pakistan's economy". This withdrawal or suspension of funding, combined with any inability of Pakistan to access the international capital markets or syndicated loan markets, would put severe pressure on Pakistan's foreign exchange reserves and budget and could have a material adverse effect on Pakistan's ability to perform its payment obligations under the Notes.

Moreover, if the current comprehensive economic recovery programme is not successfully implemented, Pakistan's significant deficit on the fiscal account may persist or even increase and the current account balance may again turn negative, which may pose major risks to macroeconomic stability, and Pakistan's current economic and structural problems may persist or even worsen, all having an adverse effect on Pakistan's economy, which was already experiencing a period of muted economic growth prior to the outbreak of the COVID-19 pandemic and negative economic growth of 0.4 per cent in the fiscal year 2019-20.

**Low level of foreign exchange reserves may negatively affect Pakistan's ability to maintain liquidity and meet its external obligations.** The SBP's net foreign exchange reserves were adversely affected by significant current account deficits in recent years and declined to U.S.$7.3 billion as at 30 June 2019 (equating to 1.6 months' worth of imports of goods and services) from U.S.$9.8 billion as at 30 June 2018 and U.S.$16.1 billion as at 30 June 2017. Total liquid foreign exchange reserves also decreased during this period to U.S.$14.5 billion as at 30 June 2019 from U.S.$16.4 billion as at 30 June 2018 and U.S.$21.4 billion as at 30 June 2017. In addition, the SBP's forward / swap short position reached U.S.$8.0 billion as at 30 June 2019 (up from U.S.$7.0 billion as at 30 June 2018).

In May 2019, the SBP implemented a flexible market-determined exchange rate system. The SBP now only intervenes in the foreign exchange market to prevent disorderly market conditions, while at the same time not suppressing an underlying trend and in a manner consistent with rebuilding reserves. The implementation of a flexible market-determined exchange rate system along with other policy measures helped to initially reduce the current account deficit and then turn it into a current account surplus in the first eight months of the fiscal year 2020-21. This has enabled the SBP to build its foreign exchange reserves.

The SBP's net foreign exchange reserves increased to U.S.$12.1 billion as at 30 June 2020 and to U.S.$13.0 billion as at 12 March 2021, while total liquid foreign exchange reserves increased to U.S.$18.9 billion as at 30 June 2020 and to U.S.$20.2 billion as at 12 March 2021. The SBP's forward / swap short position decreased from U.S.$8.0 billion as at 30 June 2019 to U.S.$5.8 billion as at 30 June 2020 and further decreased to U.S.$4.6 billion as at 31 December 2020. Nevertheless, foreign exchange reserves remain at a low level against large external debt repayments.

In the medium term, the market-determined exchange rate system and improved access to external financing are expected to further strengthen foreign exchange reserves. However, if the current account balance shifts from surplus to deficit again and/or projected external inflows do not materialise, this may adversely affect the pace of accumulation of foreign exchange reserves.

**The current account deficit may negatively affect Pakistan's ability to meet its external obligations.** In 2017-18, the current account deficit widened to 6.1 per cent of GDP, reflecting the fiscal stimulus and an accommodative monetary policy. While Pakistan's exports of goods increased and reached U.S.$24.8 billion in 2017-18 showing growth of 12.6 per cent over the previous financial year, imports of goods increased by 16.0 per cent as compared to 2016-17 and reached the highest ever level of U.S.$55.7 billion. As a result, the trade deficit widened to U.S.$30.9 billion, which was the highest in the last decade. Historically, workers' remittances have been providing support to sustain current account deficit as a buffer against trade deficit, but in 2017-18 workers' remittances grew by only 2.9 per cent as compared to 2016-17, while the trade deficit recorded an 18.9 per cent increase in the same year.

The Government has taken various corrective measures including moving to a market-determined flexible exchange rate system since May 2019, monetary tightening, fiscal consolidation and imposition of regulatory duties to contain the current account deficit. To support its home-grown stabilisation measures, Pakistan also entered into the IMF EFF programme on 3 July 2019. Under this programme, the IMF is expected to extend
approximately U.S.$6.0 billion over a period of 39 months from July 2019. As a result of stabilisation measures, Pakistan's current account deficit decreased to 4.8 per cent of GDP in 2018-19 and then further decreased to 1.1 per cent of GDP in 2019-20. Lower imports of goods and higher remittances contributed to the narrower deficit. Imports of goods decreased by 6.8 per cent in 2018-19 as compared to 2017-18 to U.S.$51.9 billion and then further decreased by 18.2 per cent in 2019-20 to U.S.$42.4 billion. This was largely due to the impact of policy measures ranging from exchange rate depreciation and policy rate hikes (prior to the outbreak of the COVID-19 pandemic) to higher import duties on non-essential items, a benign import prices environment and COVID-19-related demand compression. Workers' remittances increased by 9.2 per cent to U.S.$21.7 billion in 2018-19 and then further increased by 6.4 per cent to U.S.$23.1 billion in 2019-20. However, the largely positive dynamics in the current account has not been supported by higher exports, the value of which decreased by 2.1 per cent in 2018-19 as compared to 2017-18 and then further decreased by 7.2 per cent in 2019-20.

The current account deficit has narrowed significantly in 2019-20 and turned into a surplus in the first eight months of the fiscal year 2020-21. However, the pick-up in the domestic economic activity and a recovery in the global economy resulting in higher commodity prices may put significant pressure on the current account balance. This, in turn, may increase external financing needs for Pakistan and may further increase external indebtedness, putting additional pressure on Pakistan's ability to service its external debts, including its payment obligations under the Notes.

Pakistan's fiscal deficit and debt levels could negatively impact Pakistan's credit rating and could have a material adverse effect on the economy, the Government's finances and its ability to service its debt, including the Notes. Pakistan's fiscal deficits have led to increased levels of Government borrowing, which have, in turn, increased Pakistan's gross public debt. Although Pakistan's overall fiscal deficit decreased from 9.1 per cent of GDP in 2018-19 to 8.1 per cent of GDP in 2019-20, the overall fiscal deficit remains high. If Pakistan is unable to continue to reduce its overall fiscal deficit and the resulting effect on the public debt, it could raise Pakistan's cost of funding its debt, negatively affect the economy, strain the general resources of the Government and the Government's finances, increase its vulnerability to external events, hinder the Government's structural reform efforts and materially impair Pakistan's capacity to service its debt (including the Notes).

Over the past five fiscal years, gross public debt, as a percentage of GDP, has remained relatively high. As at 30 June 2020, total gross public debt represented 87.2 per cent of GDP, as compared to 86.1 per cent of GDP as at 30 June 2019, 72.1 per cent of GDP as at 30 June 2018, 67.1 per cent of GDP as at 30 June 2017 and 67.7 per cent of GDP as at 30 June 2016. Total external debt and liabilities have also increased since 2015-2016, from 26.5 per cent of GDP as at 30 June 2016 to 27.4 per cent of GDP as at 30 June 2017, 30.2 per cent of GDP as at 30 June 2018, 38.1 per cent of GDP as at 30 June 2019 and 42.8 per cent of GDP as at 30 June 2020. Similarly, public external debt have also increased since 2016-2017, from 20.5 per cent of GDP as at 30 June 2017 to 22.3 per cent of GDP as at 30 June 2018, 26.3 per cent of GDP as at 30 June 2019 and 29.6 per cent of GDP as at 30 June 2020. As at 30 June 2020, 31.2 per cent of Pakistan's public external debt was derived from bilateral loans. The availability of bilateral loans may be tied to, or influenced by, geopolitical interests and developments.

Pakistan has obtained debt relief from bilateral creditors under the G20 Debt Service Suspension Initiative (DSSI) in 2020 (see "Public Debt – Participation in the Debt Service Suspension Initiative"). In November 2020, the G20 introduced the "Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative", a separate initiative under which eligible countries (including Pakistan) may apply for further debt relief potentially including private creditors. Although Pakistan has not yet applied under this framework, if the country decided to do so it may adversely impact its ability to service its debt obligations, including the Notes.

Total expenditure on Pakistan's external public debt servicing amounted to U.S.$11,075 million in 2019-20, of which U.S.$9,043 million was accounted for by principal repayments and U.S.$2,032 million by interest payments. Interest payments with respect to domestic and external public debt accounted for 38.41 per cent of the federal government's current expenditure in the fiscal year 2019-20 and is expected to increase to 46.4 per cent in the budget for the 2020-21 fiscal year. This high share of interest in the federal government's current
expenditure, together with Pakistan's low tax revenues (Pakistan's tax-to-GDP ratio decreased to 11.6 per cent in 2018-19 and then slightly further decreased to 11.4 per cent in 2019-20) hinder its affordability of further borrowings and may impact debt sustainability.

High levels of indebtedness, which may increase as a result of continued borrowing, could negatively impact Pakistan's credit rating and could have a material adverse effect on the economy, the Government's finances and its ability to service its debt obligations, including the Notes.

**Pakistani banks experience increases in non-performing loans and are heavily exposed to the sovereign credit risk.** With the slowdown in advances caused by the impact of the COVID-19 pandemic and some increase in non-performing loans (NPLs), the gross NPLs to loans ratio for Pakistani banks increased to 9.2 per cent as at 31 December 2020 from 8.6 per cent as at 31 December 2019. Any further significant increases in NPLs or other significant asset quality deterioration may cause certain banks to fail to be in compliance with applicable regulatory requirements, including capital adequacy requirements. This could, in turn, cause such banks to reduce lending activities. A severe deterioration of performance of the Pakistani banking sector could adversely affect Pakistan's sovereign credit ratings.

In addition, Pakistani banks are heavily exposed to the Pakistan sovereign through large holdings of government securities and lending. This links their creditworthiness with that of the Government. Pakistani banks held government securities worth Rupees 10.8 trillion, which was equivalent to 7.4x their Tier 1 capital as at 31 December 2020. Including lending to the Government and to public-sector entities, the exposure rose to around 9.0x their Tier 1 capital as at 31 December 2020. This exposure makes the Pakistani banking system vulnerable in case of a crisis affecting the sovereign.

**Political instability and low level of Government effectiveness may negatively affect economic conditions in Pakistan.** Pakistan has experienced periods of political instability in the past, including the significant influence of the military in political affairs. Pakistan's current democratic Government was peacefully elected in July 2018, succeeding a previously elected democratic Government. Pakistan has, periodically, had military governments for an aggregate of 33 of its 73 years of independence and many other elected governments were unable to complete their terms. Since 2008, however, the situation started to change, with two successive governments that had completed their full five-year terms for the first time in Pakistan's history.

However, both the Government formed by Pakistan People's Party (PPP) that was in power between 2008 and 2013 and the Government formed by Pakistan Muslim League-Nawaz (PML-N) that was in power between 2013 and 2018 had a history of corruption scandals and were accused of mis-governance. For example, the leak of documents (Panama Papers) created by Panamanian law firm and corporate service provider Mossack Fonseca in April 2016 connected a number of prominent Pakistani individuals to that firm. In 2016, Pakistan's Supreme Court began hearing a case against then Prime Minister Nawaz Sharif on charges of corruption after information about the Sharif family's undisclosed assets was revealed in the leaked Panama Papers. In July 2017, the Supreme Court disqualified Nawaz Sharif from being Prime Minister or a member of the National Assembly on the basis of the constitutional clause that by failing to report a previous employment, he had violated the requirement that members of Parliament be honest and trustworthy. Nawaz Sharif was subsequently indicted and handed a 10-year sentence on charges of corruption by the Accountability Court just weeks prior to the July 2018 election.

The Pakistan Tehreek-e-Insaf (PTI), which secured the largest number of seats in the July 2018 election to the National Assembly, does not have a majority of seats in the National Assembly. In contrast to the previous Government that was in power until 31 May 2018 and was formed by PML-N alone, PTI leads a coalition Government that includes several small parties such as the Muttahida Qaumi Movement, the Pakistan Muslim League (Quaid-i-Azam) and the Grand Democratic Alliance. The PTI-led coalition also lacks a simple majority in the Senate, the upper house of the Parliament, which presents a risk to Government effectiveness.

In September 2020, Pakistan's opposition parties announced the formation of the Pakistan Democratic Movement (PDM) alliance. The PDM is led by the two largest opposition parties in the National Assembly, the PML-N and the PPP. These two opposition parties share a common objective, the end of the PTI-led Government or, at the very least, the resignation of the Prime Minister, Imran Khan. To this end, the PDM at
one point threatened that its legislators would tender resignations to their respective party chiefs in an effort to topple the Government. They also organised and held large rallies in all four provinces and, in the beginning of February 2020, announced that they will start a so-called long march to the capital, Islamabad, on 26 March 2021.

PTI is also in opposition in the key province of Sindh. Contests over power-sharing between the federal and provincial governments could prove to be a significant source of tension in the medium term, undermining the effectiveness of the federal government.

Problems between the PTI and any of its coalition partners, inability to secure support for the Government's policies in the Senate, aggressive anti-Government policies of the PDM, contests over power-sharing between the federal government and provincial governments or any other forms of political instability could negatively affect the Government's ability to continue its efforts to mitigate the adverse impact of the COVID-19 pandemic on the economy and public finances and to pursue the updated comprehensive economic recovery programme, decrease international investor confidence and thereby affect the performance of the Pakistani economy and could have a material negative effect on the Issuer's ability to service and repay the Notes. See also "Failure to adequately address actual and perceived risks of corruption, money laundering and terrorist financing may negatively affect Pakistan's economy and ability to attract foreign direct investment."  

**Terrorist attacks, civil unrest and other acts of violence could negatively affect Pakistan's economy.** After the events of 9/11, Pakistan assumed the role of a frontline state in the global fight against extremism. The onset of war in Afghanistan affected Pakistan's normal trading activities, as the cost of trading increased substantially because of higher insurance costs. Consequently, economic growth slowed, demand for imports reduced, with a consequential decline in tax collection, and inflows of foreign investment fell. Pakistan's economy has remained under pressure as a result of the fight against extremism, which has cost approximately 63,900 lives between 1 January 2000 and 23 June 2019, has caused the erosion of the investment climate and has reduced economic activity in many parts of Pakistan.

In June 2014, the Pakistan armed forces started an operation by the name of Zarb-e-Azab (meaning Sharp and Cutting Strike) against the terrorists. Pakistan armed forces successfully destroyed the command centres of the terrorists in this operation. In response to terrorist attacks in February 2017, the Pakistan armed forces launched an operation by the name of Radd-ul-Fasaad (meaning Elimination of Discord) aimed at eliminating the threat of terrorism and consolidating the gains of previous operations and ensuring security of the borders.

Despite the Pakistan military's anti-terrorism campaigns, militant groups continue to remain active in the country, although there has been a significant decrease in the number of terrorist attacks and the number of deaths caused by such attacks in Pakistan in recent years. For further information see "The Islamic Republic of Pakistan – Fight Against Extremism". The volatile security environment is expected to continue to represent a significant threat to business operations in the near- to medium-term. The security risk is particularly high in the province of Balochistan, where separatist elements persist. The security risk is also expected to remain high in Khyber Pakhtunkhwa, which now includes the Federally Administered Tribal Areas, where Tehrik-i-Taliban (TTP) and al-Qaida-influenced Islamist groups have the strongest presence. However, terrorist attacks and attempted bombings have also occurred in more central areas of Pakistan, such as the attack on a Sufi shrine in Lahore in May 2019 or the attack on the Pakistan Stock Exchange building in Karachi in June 2020. Lightly defended civilian locations, including business premises, may continue to be targeted by terrorist groups. Tensions between Shia and Sunni groups often result in attacks on members of rival sects and risk stoking sectarian tensions.

In addition to the direct negative impact of violent activity on the economy, terrorist incidents, civil unrest and other acts of violence could create an increased perception that investments in Pakistan involve a high degree of risk and could have a negative impact on the economy.

**Sustained escalation in Kashmir tensions can have an adverse effect on Pakistan's economy hampering fiscal consolidation.** Kashmir remains an on-going source of tension between India and Pakistan. For instance, there was an escalation of the conflict on 26 and 27 February 2019 involving the Indian Air Force and the Pakistani Air Force on both sides of the border in Kashmir. While this conflict de-escalated subsequently, this
was the first instance when Indian jets bombed Pakistan’s territory since the 1971 war between the two
countries. There can be no assurance that further incidents, especially in the vicinity of the line of control in
Kashmir, will not take place.

On 5 August 2019, the Indian government took steps to alter the internationally recognised status of Jammu
and Kashmir and has also introduced laws to alter the demographic structure of the occupied territory and has
amended land ownership laws.

Political and security risks in the region have significantly increased following these steps in Jammu and
Kashmir, which India views as an internal matter. Pakistan has reacted critically to India's unilateral actions in
Jammu and Kashmir. Moreover, Pakistan has highlighted this issue at all multilateral forums, including the
United Nations, Human Rights Council, OIC, world parliaments and various other international and regional
organisations. For further information see "The Islamic Republic of Pakistan – International Relations –
Relations with Select Countries – Relations with India".

Any steps taken by India to alter the internationally recognised status of Jammu and Kashmir create a
significant risk of an escalation in geopolitical and military conflict with Pakistan. As the Pakistani economy
is already experiencing near-term challenges, a sustained military conflict with India would risk resulting in
even weaker economic performance through a prolonged hit to consumer and business confidence, as well as
foreign direct investment. A further and more protracted economic crisis can make it difficult for the
Government to meet its fiscal consolidation targets.

Failure to adequately address actual and perceived risks of corruption, money laundering and terrorist
financing may negatively affect Pakistan's economy and ability to attract foreign direct investment.

Although Pakistan has implemented and is pursuing major initiatives to prevent and fight corruption and
money laundering, Pakistan is ranked 124 out of 180 countries in Transparency International's 2020 Corruption
Perceptions Index. Pakistan was ranked 120 in 2019 and 117 in each of 2018 and 2017 in that index.

Pakistan has implemented various measures to prevent and fight corruption and money laundering since 1999.
In particular, Pakistan created the National Accountability Bureau (NAB) in 2000 that is mandated to combat
corruption and money laundering (using its powers of investigation and prosecution) and, in 2007, the
Financial Monitoring Unit (FMU) was established to detect and report financial information relating to
criminal activity to the relevant law enforcement agencies tasked with investigating and prosecuting money
laundering. In addition, new legislation has been adopted to enhance the prosecuting powers of law
enforcement agencies, including the Anti-Money Laundering Act 2010 enacted to criminalise money
laundering and providing for the forfeiture of property derived from the same. The Anti-Money Laundering
Act 2010 was most recently significantly amended in September 2020 to address all the gaps identified in
Pakistan's Mutual Evaluation Report, 2019. There have been a number of high-profile prosecutions and
convictions for corruption, including high ranking political personalities, who were convicted or are facing
legal charges for holding assets overseas through illegal means. See "Political instability and low level of
Government effectiveness may negatively affect economic conditions in Pakistan" above and "Overview of
Pakistan's Economy – Principal Sectors of the Economy – Services Sector – Anti-Corruption and Anti-Money
Laundering".

Despite such initiatives to fight corruption, corruption remains a material challenge in Pakistan and further
progress is required. Failure to address these issues in a timely manner, continued corruption in the public
sector and any future allegations of, or perceived risk of, corruption in Pakistan could have a negative effect
on the economy and may have a negative effect on Pakistan's ability to attract foreign investment.

In addition, owing to shortcomings in effectively addressing terrorist financing risks, Pakistan was placed in
the FATF "Grey List" in June 2018. Since inclusion in the "Grey List" in June 2018, Pakistan has undertaken
considerable actions to address the problems identified by the FATF, while undergoing periodic reviews by
the FATF. As at February 2021, Pakistan has been rated "largely addressed" on 24 of 27 action items.
Following its February 2021 plenary meeting, the FATF strongly urged Pakistan to swiftly complete its full
action plan before June 2021. If Pakistan were to ever be placed in the FATF "Black List", this may materially
impact the economy and the value of the Rupee and, as a result, the Government's ability to meet its obligations.

**The Government's plans for growth are dependent on its ability to continue to increase the capacity of the energy sector.** The shortage of a reliable electricity supply has been an impediment to Pakistan's economic growth and development. To address this problem, massive projects were added to the supply side between the years 2013-20, adding a cumulative capacity of 15,924 MW. Although the added capacity has helped ease the bottlenecks in generation, the transmission and distribution-side congestion and inefficiencies have hampered the sustained delivery of energy services. In addition, the higher energy prices at present as well as in the near future are a by-product of such aggressive capacity additions during 2013-20.

The power sector remains saddled with significant shortcomings. These include sizeable losses and insufficient collections and weak governance and regulatory deficiencies. These gaps translate into distortions and losses and the accumulation of cash flow shortfalls, or circular debt. Around Rupees 538 billion were accumulated in the fiscal year 2019-20, increasing the total amount of circular debt to Rupees 2,150 billion as at 30 June 2020 and approximately Rupees 2.3 trillion as at 31 December 2020. This large and increasing amount of circular debt represents a significant fiscal risk for the Government. See "Overview of Pakistan's Economy – Energy in Pakistan".

**Natural calamities could have a negative impact on the Pakistani economy.** Pakistan has experienced natural calamities such as floods, earthquakes, landslides, droughts and severe heat waves in recent years, including severe flooding along the Indus River in 2010 and 2011 and extensive flooding in 2014 and 2015. Such developments can have a particularly negative impact on Pakistan's economy given its significant dependence on the agricultural sector and infrastructure constraints. The floods resulted from unusually heavy monsoon rains in various areas of Pakistan and affected about 20 million people. The affected regions suffered extensive damage to economic assets and infrastructure, and millions of people were displaced, resulting in an interruption to social services delivery, commerce and communications. Floods in 2015 resulted in the deaths of around 238 people whilst nearly 10,700 homes were damaged in 411 villages, and some 1,572,191 people were displaced, according to the National Disaster Management Authority. The 2015 floods also significantly affected Pakistan's agricultural sector (particularly the cotton industry) that had been predicted to grow by 3.9 per cent in 2015-16 but, principally as a result of floods and a pest attack, grew by only 0.27 per cent. The occurrence of natural disasters or severe climatic conditions, such as earthquakes or prolonged spells of abnormal rainfall or drought, could have a negative impact on Pakistan's economy. Moreover, efforts to mitigate extreme climatic conditions, such as floods, would require very significant funding, which could have a negative impact on Pakistan's fiscal situation.

**A dispute with Tethyan Copper Company Pty Limited (TCC) could have a material impact on Pakistan’s fiscal condition.** Since 2011, Pakistan has been involved in a dispute about a mining lease with TCC, which is described in detail in "The Islamic Republic of Pakistan—Significant Litigation". Although the Government continues to dispute the merits of the proceedings, no assurance can be made that the Government will be successful, and any enforcement proceedings or other payment in respect of TCC claims may be significant as the ICSID Award (as defined in "The Islamic Republic of Pakistan—Significant Litigation") in favour of TCC amounts to approximately two percent of Pakistan’s GDP in the 2019-20 fiscal year and could have a material impact on Pakistan’s fiscal condition, putting additional pressure on Pakistan’s ability to service its external debts, including its payment obligations under the Notes.

**Enforcement of legal rights.** The Pakistani legal system is a common law system that requires modernisation and law reform, particularly in civil and commercial law. In circumstances where no precedents of the Pakistan courts are available, decided cases of other common law jurisdictions, primarily India and England and Wales, are generally recognised as persuasive authority in the Pakistan courts. Many of the judicial remedies for enforcement and protection of legal rights typically found in more developed jurisdictions may not be available in Pakistan unless adopted in future by the superior courts of Pakistan in reliance on such foreign precedents. Even after a judgment has been finally pronounced, execution of the relevant decree may give rise to additional litigation and objections to such execution.
Emerging markets such as Pakistan are subject to greater risks than more developed markets, and financial turmoil in the global markets could disrupt the economy. Emerging markets, such as Pakistan, are subject to increased political, economic and legal risks. Generally, investments in emerging markets are only suitable for sophisticated investors who fully appreciate, and are familiar with, the significance of the risks involved in investing in emerging markets. Investors should also note that emerging markets such as Pakistan are subject to rapid change and that the information set forth in this Offering Circular may become outdated relatively quickly. See "Presentation of statistical and other information – Considerations on accuracy and consistency of statistical information". Moreover, financial turmoil in any emerging market country tends to negatively affect the financial markets of all emerging market countries as investors move their money to more stable, developed markets. Significant changes in global macroeconomic conditions such as global monetary policies (notably in the U.S. and EU), global commodity prices and economic conditions in major international markets including China, can impact capital and financing flows and have a significant impact. Thus, even if Pakistan's economy is stable, financial turmoil in the global financial markets could negatively affect the economy and the Issuer's ability to service and repay the Notes, although Pakistan has never defaulted on its sovereign financial obligations.

The Government's credit rating could be downgraded, impacting its access to foreign debt. Moody's current rating for Pakistan is B3 (stable). Moody's revised its outlook to negative from stable in June 2018, but then revised it back from negative to stable in December 2019. The B3 rating was reaffirmed on 8 August 2020. Standard & Poor's current long-term sovereign credit rating on Pakistan is B- (stable) and this rating was reaffirmed on 20 August 2020. Fitch downgraded Pakistan's rating from B to B- on 14 December 2018. This B- (stable) long-term rating was reaffirmed on 17 August 2020. Any negative rating action, including downgrades of Pakistan and/or the Government's bonds and/or sukuk, negative changes in outlook with respect to Pakistan and/or the Government's bonds and/or sukuk or any withdrawal at any time of a credit rating assigned to Pakistan and/or the Government's bonds and/or sukuk by any rating agency would likely affect the Government's ability to raise foreign debt and/or affect its cost of borrowing such foreign debt, which could, in turn, negatively affect the Pakistani economy.

Shari'ah Law position on the payment of interest. Presently, there are no laws or regulations or binding judgments of any superior court in Pakistan that expressly bar a lender's right to receive interest, including interest on late payments, from a borrower under a debt obligation such as the Notes. The following constitutional and legal provisions and the interpretation thereof by the superior courts of Pakistan could, however, negatively affect such right:

(a) The Constitution: Under the Constitution of Pakistan 1973 (the Constitution), Islam is the state religion and Article 38(f) of the Constitution provides that Pakistan, as one of its "Principles of Policy", shall eliminate riba as early as possible. The Constitution also requires all existing laws to be brought into conformity with the Injunctions of Islam and provides that no law can be enacted that is repugnant to the Injunctions of Islam (Article 227). However, the Constitution, while requiring the elimination of riba, does not define the term. The meaning of this term also cannot be found in any legislative enactment. As a result, there is some controversy over the exact meaning of the Islamic term riba. Some consider it as being analogous to interest while others equate it with usury.

By the Revival of the Constitution Order 1985 a new Article 2A was incorporated in the Constitution whereby the principles and provisions set out in the Objectives Resolution (the Resolution) were made a substantive part of the Constitution. The Resolution was passed by Pakistan's first Constituent Assembly and sets out basic principles to guide the framing of a constitution. Certain references in the Resolution gave rise to an argument that the Injunctions of Islam provided a touchstone for testing the repugnancy of all laws and that by virtue of Article 2A of the Constitution, the Resolution now has a supra-constitutional position above the Constitution itself. Since 1985, the point has been discussed and considered by the superior courts of Pakistan on a number of occasions leading to a number of conflicting decisions. The position that Article 2A has no effect on other constitutional provisions can now be regarded as settled on the basis of a Supreme Court judgment. The Supreme Court has also held in another judgment that Article 2A is not available for declaring void sub-constitutional laws, on the basis of repugnancy to the Injunctions of Islam. Therefore, unless these Supreme Court judgments are reversed or unless legislative action is taken to similar effect, Article 2A of the
Constitution does not provide any basis for rendering void an obligation for the payment of interest. In a judgment delivered on 16 December 2009 by a bench comprising all 17 judges of the Supreme Court, Article 2A was mentioned in passing along with various other substantive provisions of the Constitution on the touchstone of which the statute in question was held to be unconstitutional. Since there was no real discussion in that judgment about Article 2A, nor were the earlier judgements on the topic overruled, the status of Article 2A likely remains unchanged.

(b) The Enforcement of Shari'ah Act 1991 (the Shariat Act): The Shariat Act provides that the Injunctions of Islam as laid down in the Holy Quran (the Holy Book of Muslims) and Sunnah (traditions of the Holy Prophet) shall be the supreme law of Pakistan. Pursuant to the Shariat Act, the Government has appointed a commission with terms of reference including, inter alia, the following:

– to recommend measures and steps, including suitable alternatives, by which the economic system enunciated by Islam could be established in Pakistan;

– to undertake the examination of any fiscal law or any banking or insurance law or practice and procedure to determine whether these are repugnant to the Shari'ah (the code of law derived from the Holy Quran) and to make recommendations to bring such laws, practices and procedures into conformity with the Shari'ah; and

– to oversee the process of elimination of riba from every sphere of economic activity in the shortest possible time and also to recommend such measures to the Government as would ensure the total elimination of riba from the economy.

Until such time as an alternative system is introduced, the Shariat Act protects financial obligations incurred and contracts made, inter alia, involving a foreign lender. However, such protection can be removed by an act of parliament or if the courts hold that such protection is unlawful because it is repugnant to the supreme law of the land, namely the Injunctions of Islam as laid down in the Holy Quran and Sunnah, as declared by the Shariat Act itself.

(c) The Federal Shariat Court: The Federal Shariat Court is a constitutionally established body which has jurisdiction to determine whether any law or any provision of any law, including any custom or usage having the force of law, in Pakistan violates the principles of Islam, the official State religion.

In November 1991, the Federal Shariat Court ruled that a number of statutory provisions in Pakistan violated Islamic principles relating to riba and held them to be void on that basis and instructed the Government to conform these provisions to Islamic principles.

The ruling of the Federal Shariat Court was appealed to the Shariat Appellate Bench of the Supreme Court of Pakistan (the Appellate Bench). The Appellate Bench dismissed the appeal and upheld the decision of the Federal Shariat Court (the Appellate Bench Judgment). Against this Appellate Bench Judgment a Review Petition was filed, which was allowed by the Order dated 24 June 2002 (the Review Order). Pursuant to the Review Order, a differently constituted Appellate Bench set aside the judgment of the Federal Shariat Court and the Appellate Bench Judgment and remanded the case to the Federal Shariat Court for de novo determination of this issue after taking into consideration various aspects noted therein. The Federal Shariat Court began its de novo determination with a hearing on 21 October 2013 and the case is on-going at this time.

To summarise the position in Pakistan regarding the payment of interest:

– presently, the law in Pakistan does not prohibit the payment of interest pursuant to a contract to borrow money such as the Notes;

– an obligation to pay interest may be held to be unenforceable by the ordinary civil courts if:
the Supreme Court reverses itself on its findings in respect of Article 2A of the Constitution (subsection (a) above); or

the protection to financial obligations incurred and contracts made inter alia involving a foreign lender is removed (subsection (b) above); or

the Federal Shariat Court de novo determines the issue afresh but holds to the same effect as previously decided and the Shariat Appellate Bench of the Supreme Court substantially upholds the judgment of the Federal Shariat Court (subsection (c) above);

any decision of a civil court declaring interest unenforceable will only operate between the parties to it;

any such decision will not form a binding precedent until upheld by the provincial High Court to which such civil court is subordinate or the decision is delivered by such High Court itself, in which case the High Court's decision will be binding only on all civil courts subordinate to it;

a single judge of a High Court is not bound by the decision of another single judge of the same High Court but is bound by a division bench (a bench of two judges) decision of that High Court. One division bench is not bound by the decision of another division bench but all judges of that High Court are bound by the full bench decisions (a bench of three or more judges) of that High Court. In the event that a single judge finds that he cannot agree with a previous decision of another single judge, then the matter must be referred to the Chief Justice of that High Court for the constitution of a larger bench to settle the issue (subject to the outcome of any appeal to the Supreme Court). A similar procedure applies where one division bench is in disagreement with another division bench;

the decision of one High Court will not bind any other High Courts but will have persuasive value for High Courts and subordinate courts in other provinces and the Islamabad Capital Territory;

any such decision will operate as a precedent binding on all courts in Pakistan only if the Supreme Court of Pakistan upholds such a decision and to the extent that it decides a question of law or is based upon or enunciates a principle of law; and

any decision of any court in Pakistan (including the Appellate Bench or the Federal Shariat Court) in relation to the unenforceability of an obligation to pay interest will have no effect whatsoever on any obligation to pay the original sum borrowed or advanced.

The Government is, as a matter of policy, committed to eliminate riba and to promote Islamic banking in Pakistan, while keeping in view its linkages with the global economy and existing commitments to local and foreign investors. Despite the fact that the Supreme Court remanded the "riba case" to the Federal Shariat Court (see subsection (c) above), the Government took various measures in line with the guidelines and directions of the Supreme Court, including the introduction by the SBP of Islamic banking in Pakistan, in parallel with conventional banking. See "Overview of Pakistan's Economy – Financial Services Regulation".

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features.
Risks applicable to all Notes

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned, and an investor may not be able to reinvest the redemption proceeds in a manner that achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, it may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes that are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do market values for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities. Such volatility could have a material adverse effect on the value of and return on any such Notes.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks" (including the London interbank offered rate (LIBOR) and the Euro interbank offered rate (EURIBOR)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective, whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences, which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

The EU Benchmarks Regulation applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it: (a) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed); and (b) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The UK Benchmarks Regulation, among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in
the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered in the UK Benchmarks Register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to, or referencing, a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, on 5 March 2021, the FCA announced the future cessation or loss of representativeness of the 35 LIBOR benchmark settings published by ICE Benchmark Administration Limited (IBA), the administrator of LIBOR. Publication of these settings will permanently cease immediately after 31 December 2021, other than in the case of certain U.S. dollar LIBOR settings, which will cease immediately after 30 June 2023.

The FCA will consult on requiring IBA to continue to publish certain Sterling and Japanese yen LIBOR settings for a further period (which will permanently cease immediately after 30 December 2022, in the case of the Japanese yen LIBOR settings) on a changed methodology (also known as a “synthetic”) basis. The UK FCA’s current intention for this changed methodology is that it will be a forward looking term rate version of the relevant risk free rate corresponding to the applicable LIBOR setting plus a fixed spread adjustment calculated over the same period. This is intended to protect consumers and market integrity by reducing disruption in markets where it is unlikely to be feasible to convert certain outstanding contracts that reference LIBOR to alternative reference rates and, in the case of the Japanese yen LIBOR settings, to allow more time for transition away from Japanese yen LIBOR to complete. Publication of certain U.S. dollar LIBOR settings on a synthetic basis for a further period is also being considered. Publication of these LIBOR settings on a synthetic basis is intended to assist legacy contract holders but new use of this synthetic LIBOR is to be prohibited.

Separately, the euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, amongst other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system.

In addition to these announcements, there have been other recent national and international regulatory guidance and proposals for reform of interest rates and indices which are deemed to be “benchmarks”, including LIBOR and EURIBOR. Some of these reforms are already effective whilst others are still to be implemented. These reforms could include, among other things, reforms to other “benchmarks” similar to those reforms announced in relation to LIBOR, and any such reforms may cause such “benchmarks” to perform differently than in the past (including in the case of any continued publication of such “benchmarks” on a synthetic basis), to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, any Floating Rate Notes or any other Notes which are linked to or reference a “benchmark”.

More broadly, any of the international or national reforms (including those announced in relation to LIBOR and the application of any similar reforms to other "benchmarks"), or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. It is not possible to predict with certainty whether, and to what extent, any benchmark, including LIBOR and EURIBOR, will continue to be supported going forwards. This may cause any such benchmark to perform differently than it has done in the past (including in the case of any continued publication of such “benchmarks” on a synthetic basis), and may
have other consequences which cannot be predicted. Such factors may have (without limitation) the following
effects on certain benchmarks: (a) discouraging market participants from continuing to administer or
contribute to a benchmark; (b) triggering changes in the rules or methodologies used in the benchmark; and/or
(c) leading to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international or national reforms
or other initiatives or investigations, could have a material adverse effect on the value of and return on any
Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

Investors should be aware that, if a benchmark were discontinued or otherwise unavailable, the Rate of Interest
(or the relevant component part thereof) on Floating Rate Notes which reference such benchmark will be
determined for the relevant period by the fall-back provisions applicable to such Notes set out in the conditions
of the Notes. Depending on the manner in which the Rate of Interest is to be determined under the conditions
of the Notes, this may: (a) if ISDA Determination applies, be reliant upon the provision by reference banks of
offered quotations which, depending on market circumstances, may not be available at the relevant time; or
(b) if Screen Rate Determination applies, result in the Rate of Interest (or the relevant component part thereof)
being set by reference to a Successor Rate or an Alternative Reference Rate (both as defined in the conditions
of the Notes) which may be determined by an Independent Adviser (as defined in the conditions of the Notes)
or the Issuer or lead to the effective application of a fixed rate based on the rate which applied in the previous
period when the relevant benchmark was available, as further described below.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate
Notes which reference a benchmark.

The conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as
defined in the conditions of the Notes) occurs, including if an original Reference Rate (as defined in the
conditions of the Notes) and/or any page on which an original Reference Rate may be published, becomes
unavailable, or if the Issuer, the Calculation Agent or any other party responsible for the calculation of the
Rate of Interest (as specified in the applicable Pricing Supplement) is no longer permitted lawfully to calculate
interest on any Notes by reference to such an original Reference Rate. Such fallback arrangements include the
possibility that the Rate of Interest (or the relevant component part thereof) could be set by reference to a
Successor Rate or an Alternative Reference Rate, with or without the application of an Adjustment Spread (as
defined in the conditions of the Notes) and may include amendments to the conditions of the Notes to ensure
the proper operation of the successor or replacement benchmark, all as determined by an Independent Adviser,
acting in good faith and following consultation with the Issuer, or the Issuer (acting in good faith and in a
commercially reasonable manner), as applicable, and without the requirement for the consent or sanction of
Noteholders. An Adjustment Spread, if applied, is: (a) the spread, formula or methodology which is formally
recommended in relation to the replacement of the original Reference Rate with the Successor Rate by any
Relevant Nominating Body (as defined in the conditions of the Notes) (which may include a relevant central
bank, supervisory authority or group of central banks/supervisory authorities); (b) if no such recommendation
has been made, or in the case of an Alternative Reference Rate, the spread, formula or methodology which the
Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant
Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets
transactions to produce an industry-accepted replacement rate for the original Reference Rate; or (c) if the
Independent Adviser (following consultation with the Issuer) determines that no such spread is customarily
applied, the spread, formula or methodology which the Independent Adviser determines and which is
recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which
reference the original Reference Rate, where such rate has been replaced by the Successor Rate or the
Alternative Reference Rate, as the case may be. Accordingly, the application of an Adjustment Spread may
result in the Notes performing differently (which may include payment of a lower Rate of Interest) than they
would do if the original Reference Rate were to continue to apply in its current form. If no Adjustment Spread
can be determined, a Successor Rate or Alternative Reference Rate may nonetheless be used to determine the
Rate of Interest (or the relevant component part thereof). The use of a Successor Rate or Alternative Reference
Rate (including with the application of an Adjustment Spread) will still result in any Notes linked to or
referencing an original Reference Rate performing differently (which may include payment of a lower Rate of
Interest) than they would if the original Reference Rate were to continue to apply in its current form.
If, following the occurrence of a Benchmark Event, no Successor Rate or Alternative Reference Rate is determined, the ultimate fallback for the purposes of the calculation of the Rate of Interest (or the relevant component part thereof) for the relevant immediately following Interest Period may result in the Rate of Interest (or the relevant component part thereof) for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. Due to the uncertainty concerning the availability of Successor Rates and Alternative Reference Rates, the involvement of an Independent Adviser and the potential for further regulatory developments, there is a risk that the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

Risks related to Notes generally

Set out below is a description of material risks relating to the Notes generally.

The conditions of the Notes contain provisions, which permit their modification without the consent of all investors

The conditions of the Notes contain provisions for calling meetings (including by way of conference call or by use of a videoconference platform) of Noteholders to consider and vote upon matters affecting their interests generally or to pass resolutions in writing or through the use of electronic consents without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". These provisions permit defined majorities to bind all Noteholders, including any Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority. In addition, the conditions of the Notes permit "cross-series modifications" to be made to more than one series of debt securities, provided that each affected series of debt securities also contains a cross-series modification provision. The Issuer expects that all Series of Notes issued under the Programme will include such collective action clauses, thereby giving the Issuer the ability to request modifications or actions in respect of reserved matters across multiple Series of Notes.

Any modification or actions relating to any Reserved Matter (as defined in the conditions of the Notes), including in respect of payments and other important terms, may be made: (a) to a single Series of Notes with the consent of the holders of 75 per cent. of the aggregate nominal amount of the outstanding Notes; and (b) to multiple series of securities which may be issued by the Issuer with the consent of both: (i) the holders of at least two thirds of the aggregate nominal amount of all outstanding securities being aggregated; and (ii) the holders of at least 50 per cent. in aggregate nominal amount of the outstanding securities of each series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the conditions of the Notes), any such modification or action relating to any Reserved Matter may be made to multiple series of the Issuer's securities with the consent of 75 per cent. of the aggregate nominal amount of the outstanding securities of all affected series, without requiring a particular percentage of the holders of any individual affected securities to vote in favour of or approve any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of certain series of securities only and, for the avoidance of doubt, the collective action provisions may be used for different groups of two or more securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, inter alia, to specify which method or methods of aggregation will be used by the Issuer.

It is, therefore, possible that the conditions of the Notes may be amended, modified or waived in circumstances whereby the holders of securities voting in favour of or signing a written resolution in respect of an amendment, modification or waiver may be holders of different series of securities and, as such, the majority of Noteholders of the relevant Series would not necessarily have voted in favour of or signed a written resolution in respect
of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation. Further, any such amendment, modification or waiver in relation to the Notes may adversely affect their trading price.

The conditions of the Notes restrict the ability of an individual holder to declare an Event of Default, and permit a majority of holders to rescind a declaration of such a default

The Notes contain a provision which, if an Event of Default occurs, allows the holders of at least 25 per cent., in aggregate nominal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to the Issuer, whereupon the Notes shall become immediately due and payable at their Early Redemption Amount (as defined in the conditions of the Notes) with accrued interest (if any), without further action or formality.

The conditions of the Notes also contain a provision permitting the holders of at least 50 per cent., in aggregate nominal amount of the outstanding Notes to notify the Issuer to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. The Issuer shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

The value of the Notes could be adversely affected by a change in English law or administrative practice

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued

In relation to any issue of Notes, which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount, which is less than the minimum Specified Denomination in its account with the relevant clearing system, would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at, or in excess of, the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount, which is less than the minimum Specified Denomination in its account with the relevant clearing system at the relevant time, may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at, or in excess of, the minimum Specified Denomination, such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes, which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through DTC, Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or may be deposited with a nominee for DTC (each, as defined in "Form of the Notes"). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the
beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

**Transferability of the Notes may be limited under applicable securities laws**

The Notes to be issued under the Programme have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction. Notes issued under the Programme may not be offered, sold or otherwise transferred in the United States other than to persons that are QIBs. Each purchaser of Notes will be deemed, by its acceptance of such Notes, to have made certain representations and agreements intended by the Issuer to restrict transfers of Notes as described under "Subscription and Sale and Transfer and Selling Restrictions". It is the obligation of each purchaser of Notes to ensure that its offers and sales of Notes comply with all applicable securities laws.

In addition, if at any time the Issuer determines that any owner of Notes, or any account on behalf of which an owner of Notes purchased its Notes, is a person that is required to be a QIB, the Issuer may compel that such owner's Notes be sold or transferred to a person designated by or acceptable to the Issuer.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

**The value of Fixed Rate Notes may be adversely affected by movements in market interest rates**

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

**An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes**

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for the Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.
If an investor holds Notes, which are not denominated in the investor's home currency, it will be exposed to movements in exchange rates adversely affecting the value of its holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors in such jurisdiction may receive less interest or principal than expected, or no interest or principal.

Credit ratings assigned to the Issuer or any Notes do not reflect all the risks associated with an investment in those Notes

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings do not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances whilst the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.
Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

**Risks relating to enforcement**

*Enforcement risk*

In Pakistan, statutory recognition is given to foreign judgments under section 13 of the Pakistan Code of Civil Procedure 1908 (the Code). This provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of Pakistan in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in Pakistan.

Section 44A of the Code provides that where a foreign judgment has been rendered by a court in any country or territory outside Pakistan which the Government has, by notification, declared to be a reciprocating territory, it may be enforced in Pakistan as if the judgment has been rendered by a district court in Pakistan. The High Court of Justice in England is a court in a reciprocating territory for the purposes of section 44A and, accordingly, a money judgment of that court would, subject to the exceptions contained in section 13 of the Code, be enforceable as if the judgment were the judgment of a district court in Pakistan. Accordingly, upon obtaining a foreign judgment, three possible courses are open to the holder:

(a) obtaining execution of the judgment by proceedings under section 44A, where these provisions are applicable, as they are in the case of a judgment of the High Court of Justice in England, for which the limitation period for initiating proceedings in Pakistan is three years from the date of the English judgment;

(b) filing a suit in Pakistan on the basis of the foreign judgment treating it as the cause of action, for which the limitation period is six years from the date of the foreign judgment; and

(c) filing a suit in Pakistan on the original cause of action, for which the limitation period is three years from when the cause of action arises.

In the case of proceedings described in paragraph (c) above, where the Pakistan court will have the power to assess the damages, it is possible that a Pakistani court will not award damages on the same basis as a foreign court, especially if it viewed the award of such damages as being contrary to Pakistani public policy.

*Section 82 of the Code requires a decree against the Government to specify a period within which it is to be satisfied. If it remains unsatisfied at the expiry of such period, the Court issuing such decree is required to issue a report for the Orders of the Provincial Government within which such Court is situated. Execution proceedings can only be initiated against the Government three months after the date of such report.*

*Waiver of sovereign immunity*

To the extent that the Issuer or any of its revenues, assets or properties are entitled, in any jurisdiction in which any Specified Court (as defined in the Conditions) is located, in which any Related Proceedings (as defined in the Conditions) may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any Specified Court or Other Court (as defined in the Conditions) is located in which any suit, action or proceeding may at any time be brought solely for the purpose of enforcing or executing any Related Judgment (as defined in the Conditions), to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer has agreed not to claim and irrevocably waived such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents
generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Related Proceeding (as defined in the Conditions) or Related Judgment) provided that such agreement and waiver, insofar as it relates to any jurisdictions other than a jurisdiction in which any Specified Court is located, is given solely for the purposes of enabling a Noteholder to enforce a Related Judgment. This waiver of immunities constitutes only a limited and specific waiver for purposes of the Conditions and does not constitute a general waiver by the Issuer or a waiver with respect to proceedings unrelated to the Conditions. The Issuer has not waived such immunities in respect of property which is (i) used by a diplomatic or consular mission of the Issuer (except as may be necessary to effect service of process); (ii) property of a military character and under the control of a military authority or defence agency; or (iii) located in Pakistan and dedicated to a public or governmental use (as distinct from patrimonial property or property dedicated to a commercial use).

Claims for specific performance

In the event that the Issuer fails to perform its obligations under the Notes, the potential remedies available to the Noteholders include obtaining an order for specific enforcement of the relevant obligations or a claim for damages. There is no assurance that any court would order specific performance of a contractual obligation.

The amount of damages, which a court may award in respect of a breach, will depend upon a number of possible factors including an obligation on the Issuer and the Noteholders to mitigate any loss arising as a result of the breach. No assurance is provided on the level of damages which a court may award in the event of a failure by the Issuer to perform its obligations under the Notes.
FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (Regulation S) and Registered Notes will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act.

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary bearer global note (a Temporary Bearer Global Note) or, if so specified in the applicable Pricing Supplement, a permanent bearer global note (a Permanent Bearer Global Note and, together with a Temporary Bearer Global Note, a Bearer Global Note), which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the Common Depositary) for Euroclear Bank SA/NV (Euroclear) and Clearstream Banking S.A. (Clearstream, Luxembourg). Notes issued pursuant to TEFRA D must be initially represented by a Temporary Bearer Global Note.

While any Bearer Global Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the Exchange Date), which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for: (a) interests in a Permanent Bearer Global Note of the same Series; or (b) for definitive Bearer Notes of the same Series with, where applicable, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement in the case of TEFRA D Bearer Notes), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

The option for an issue of Bearer Global Notes to be represented on issue by a Temporary Bearer Global Note exchangeable for definitive Bearer Global Notes should not be expressed to be applicable in the applicable Pricing Supplement if the Bearer Global Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency).

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system
is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. On the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Global Notes (other than Temporary Bearer Global Notes), interest coupons and talons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986".

The sections referred to provide that U.S. holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Global Notes, interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, interest coupons or talons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

**Registered Notes**

The Registered Notes of each Tranche offered and sold in reliance on Regulation S, which will be sold outside the United States, will initially be represented by a global note in registered form (a Regulation S Global Note).

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (QIBs). The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a Rule 144A Global Note and, together with a Regulation S Global Note, a Registered Global Note).

Registered Global Notes will either: (a) be deposited with, and registered in the name of a nominee of, a custodian for The Depository Trust Company (DTC); or (b) be deposited with, and registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form and in the case of Regulation S Global Notes, outside the United States and its possessions.

The Registered Global Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.
Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that: (a) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified the Issuer that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available; or (b) in the case of Notes registered in the name of a nominee for a common depository for Euroclear and Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "Subscription and Sale and Transfer and Selling Restrictions".

General

Pursuant to the Agency Agreement, the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued on terms that it will from a date after its date of issue form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS assigned to Notes of any other Tranche of the same Series until such time as the two Tranches are consolidated and form a single Series.

Any reference herein to Euroclear and/or Clearstream, Luxembourg and/or DTC shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement or as may otherwise be approved by the Issuer and the Principal Paying Agent.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear, Clearstream, Luxembourg and DTC on and subject to the terms of a deed of covenant (the Deed of Covenant) dated 29 March 2021 and executed by the Issuer. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.
[MiFID II product governance/Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, MiFID II); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturer[s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[s/s'] target market assessment) and determining appropriate distribution channels.

[UK MiFIR product governance / Professional investors and ECPs only target market] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (UK MiFIR); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a distributor) should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the UK MiFIR Product Governance Rules) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA)] – [Notice to be included if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA.]

APPLICABLE PRICING SUPPLEMENT

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
FOR AND ON BEHALF OF THE ISLAMIC REPUBLIC OF PAKISTAN

Legal entity identifier (LEI): 529900LOP29R5WHOD86

Issue of [Aggregate Nominal Amount of Tranche][Title of Notes] under the
Global Medium Term Note Programme

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the Conditions) set forth in the Offering Circular dated 29 March 2021 [and the supplement[s] to it dated [ ] [and [ ]]] (the Offering Circular). This document constitutes the Pricing Supplement of the Notes described herein and must be read in conjunction with the Offering Circular in order to obtain all the relevant information. The Offering Circular and this Pricing Supplement are available for viewing during normal business hours at the address of the Principal Paying Agent at One Canada Square, London E14 5AL, United Kingdom.

1. Issuer: The President of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan

2. (a) Series Number: [

(b) Tranche Number: [ ]
(c) Date on which the Notes will be consolidated and form a single Series:

[The Notes will be consolidated and form a single Series with [       ] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Bearer Global Note for interests in the Permanent Bearer Global Note, as referred to in paragraph 21 below, which is expected to occur on or about [    ]][Not Applicable]

3. Specified Currency or Currencies:

[  ]

4. Aggregate Nominal Amount:

(a) Series:

[  ]

(b) Tranche:

[  ]

5. Issue Price:

[  ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [    ]]

6. (a) Specified Denominations:

[  ]

(b) Calculation Amount (in relation to calculation of interest in relation to Notes in global form (see Conditions)):

[  ]

7. (a) Issue Date:

[  ]

(b) Interest Commencement Date:

[  ]/Issue Date/Not Applicable

8. Maturity Date:

[  ]/[Interest Payment Date falling in or nearest to [    ]]

9. Interest Basis:

[[  ] per cent. Fixed Rate]

[[[  ] LIBOR/EURIBOR]] +/- [  ] per cent. Floating Rate]

[Zero Coupon]

(see paragraph [14]/[15]/[16] below)

10. Redemption/Payment Basis:

Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [[  ]/[100]] per cent. of their nominal amount

11. Change of Interest Basis:

[  ][Not Applicable]

12. Put/Call Options:

[Investor Put]

[Issuer Call]

[(see paragraph [17]/[18] below)]

[Not Applicable]
13. (a) Status of the Notes: Senior
(b) Date(s) approval(s) for issuance of Notes obtained: [ ]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(a) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
(b) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date]
(c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
(d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ][Not Applicable]
(e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
(f) Determination Date(s): [[ ] in each year] [Not Applicable]

15. Floating Rate Note Provisions [Applicable/Not Applicable]
(a) Specified Period(s)/Specified Interest Payment Dates: [ ] [subject to adjustment in accordance with the Business Day Convention set out in (b) below], not subject to adjustment, as the Business Day Convention in (b) below is specified to be [Not Applicable]
(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention][Not Applicable]
(c) Additional Business Centre(s): [ ]
(d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
(e) Party responsible for calculating the Rate of Interest and Interest Amount (if not The Bank of New York Mellon, London Branch as Principal Paying Agent): [ ] (the Calculation Agent)
(f) Screen Rate Determination:
• Reference Rate: [ ] [LIBOR/EURIBOR]
• Interest Determination Date(s): [ ]
• Relevant Screen Page: [ ]

(g) ISDA Determination:
• Floating Rate Option: [ ]
• Designated Maturity: [ ]
• Reset Date: [ ]

(h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]

(i) Margin(s): [+/-] [ ] per cent. per annum

(j) Minimum Rate of Interest: [ ] per cent. per annum

(k) Maximum Rate of Interest: [ ] per cent. per annum

(l) Day Count Fraction: [[Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]


(a) Accrual Yield: [ ] per cent. per annum

(b) Reference Price: [ ]

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]
(a) Optional Redemption Date(s): [  ]

(b) Optional Redemption Amount: [[  ] per Calculation Amount]

(c) If redeemable in part:
   (i) Minimum Redemption Amount: [  ] per Calculation Amount
   (ii) Maximum Redemption Amount: [  ] per Calculation Amount

(d) Notice period: Minimum period: [15] days

   Maximum period: [30] days

18. Investor Put: [Applicable/Not Applicable]
   (a) Optional Redemption Date(s): [  ]
   (b) Optional Redemption Amount: [[  ] per Calculation Amount]
   (c) Notice periods: Minimum period: [15] days

   Maximum period: [30] days

19. Final Redemption Amount: [  ] per Calculation Amount

20. Early Redemption Amount: [  ] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

21. Form of Notes: [Bearer Notes:

   [Temporary Bearer Global Note exchangeable for a
   Permanent Bearer Global Note which is
   exchangeable for Definitive Notes upon an
   Exchange Event]

   [Temporary Bearer Global Note exchangeable for
   Definitive Notes on and after the Exchange Date]

   [Permanent Bearer Global Note exchangeable for
   Definitive Notes upon an Exchange Event]

   [Registered Notes:

   [Regulation S Global Note registered in the name of
   a nominee for [DTC/a common depositary for
   Euroclear and Clearstream, Luxembourg]]

   [Rule 144A Global Note registered in the name of a
   nominee for [DTC/a common depositary for
   Euroclear and Clearstream, Luxembourg]]

22. Additional Financial Centre(s): [Not Applicable/give details]
23. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

THIRD PARTY INFORMATION

[[ ]] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.] [Not Applicable]

Signed on behalf of

THE PRESIDENT OF THE ISLAMIC REPUBLIC OF PAKISTAN
FOR AND ON BEHALF OF THE ISLAMIC REPUBLIC OF PAKISTAN:

By:

Name:

Witness Signature:

1.

Name:

Address:

2.

Name:

Address:
PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(a) Listing and Admission to trading:  [Application [has been] [is expected to be] made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange plc's International Securities Market] with effect from []/[None.]

(b) Estimate of total expenses related to admission to trading:  [ ]

2. RATINGS

Ratings:  

The Notes to be issued have been rated:

[The Notes to be issued [have been]/[are expected to be]] rated:

[Moody's: [ ]]

[Fitch: [ ]]

Each of [Moody's] and [Fitch] is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the CRA Regulation).

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealer], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealer] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business, for which they may receive fees.]

4. [YIELD (FIXED RATE NOTES ONLY)]

Indication of yield:  [ ] per cent.

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

5. [HISTORIC INTEREST RATES (FLOATING RATE NOTES ONLY)]

Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].

6. USE OF PROCEEDS

Use of proceeds:  [See "Use of Proceeds" in the Offering Circular]/[ ]
7. **OPERATIONAL INFORMATION**

(a) ISIN: [ ]

(b) Common Code: [ ]

(c) CUSIP: [ ]

(d) CINS: [ ]

(e) CFI: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(f) FISN: [[See/[[include code], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]

(g) Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[ ]

(h) Delivery: Delivery [against/free of] payment

(i) Names and addresses of additional Paying Agent(s) (if any): [ ]

8. **DISTRIBUTION**

(a) Method of distribution: [Syndicated/Non-syndicated]

(b) If syndicated, names of Managers: [Not Applicable]/[ ]

(c) Date of Subscription Agreement: [ ]

(d) Stabilisation Manager(s) (if any): [Not Applicable]/[ ]

(e) If non-syndicated, name of relevant Dealer: [Not Applicable]/[ ]

(f) U.S. Selling Restrictions: [Reg. S Compliance Category 1; Rule 144A; TEFRA D/TEFRA C/TEFRA not applicable]
TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Applicable Pricing Supplement" for a description of the content of Pricing Supplement which will specify which of such terms are to apply in relation to the relevant Notes.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a new Offering Circular or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

This Note is one of a Series (as defined below) of Notes issued by The President of the Islamic Republic of Pakistan for and on behalf of the Islamic Republic of Pakistan (the Issuer), pursuant to the Agency Agreement (as defined below).

References herein to the Notes shall be references to the Notes of this Series and shall mean:

(a) in relation to any Notes represented by a global Note (a Global Note), units of each Specified Denomination in the Specified Currency;

(b) any Global Note;

(c) any definitive Notes in bearer form (Bearer Notes) issued in exchange for a Global Note in bearer form; and

(d) any definitive Notes in registered form (Registered Notes) (issued in exchange for a Global Note in registered form).

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the Agency Agreement) dated 29 March 2021 and made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (the Principal Paying Agent, which expression shall include any successor principal paying agent), as exchange agent (the Exchange Agent, which expression shall include any successor exchange agent) and as transfer agent (the Transfer Agent, which expression shall include any additional or successor transfer agent) and the other paying agents named therein (together with the Principal Paying Agent, the Paying Agents, the Calculation Agent (if any is specified in the applicable Pricing Supplement) and the Registrar are together referred to as the Agents).

Interest bearing definitive Bearer Notes have interest coupons (Coupons) in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, and, if indicated in the applicable Pricing Supplement, talons for further Coupons (Talons) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Registered Notes and Global Notes do not have Coupons or Talons attached on issue.

The pricing supplement for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which complete these Terms and Conditions (the Conditions). References to the applicable Pricing Supplement are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference to
Noteholders or holders in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to Couponholders shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, Tranche means Notes which are identical in all respects (including as to listing and admission to trading), and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which: (a) are expressed to be consolidated and form a single series; and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as amended and/or supplemented and/or restated from time to time, the Deed of Covenant) dated 29 March 2021 and made by the Issuer. The original of the Deed of Covenant is held by the Principal Paying Agent.

Copies of the Agency Agreement (including the forms of Global Notes, the Notes in definitive form, the Coupons and the Talons) and the Deed of Covenant are (i) available for inspection during normal business hours at the specified office of each of the Paying Agents or (ii) may be provided by email to a Noteholder following their prior written request to any Paying Agents and provision of proof of holding and identity (in a form satisfactory to the relevant Paying Agent). Copies of the applicable Pricing Supplement will be available for viewing at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the London Stock Exchange's International Securities Market, the applicable Pricing Supplement is expected to be published on the website of the London Stock Exchange through a regulatory information service or published in any other manner permitted by the International Securities Market Rulebook effective as of 25 February 2019 (as may be modified and/or supplemented and/or restated from time to time). The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of and are bound by, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. Certain statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the Specified Currency) and the denominations (the Specified Denomination(s)) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and vice versa.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes and Coupons will pass by delivery, and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by applicable law) deem and treat the bearer of any Bearer Note or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of
ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (Euroclear) and/or Clearstream Banking S.A. (Clearstream, Luxembourg), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions Noteholder and holder of Notes and related expressions shall be construed accordingly.

For so long as The Depository Trust Company (DTC) or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes under the Agency Agreement and the Notes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be. References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferees and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Conditions 2.1 and 2.5, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (a) the holder or holders must: (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof
or his or their attorney or attorneys duly authorised in writing; and (ii) complete and deposit such other
certifications as may be required by the relevant Transfer Agent; and (b) the relevant Transfer Agent
must, after due and careful enquiry, be satisfied with the documents of title and the identity of the
person making the request. Any such transfer will be subject to such reasonable regulations as the
Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in
Schedule 8 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will,
within ten business days (being for this purpose a day on which banks are open for business in the city
where the specified office of the relevant Transfer Agent is located) of the request (or such longer
period as may be required to comply with any applicable fiscal or other laws or regulations),
authenticate and deliver, or procure the authentication and delivery of, at its specified office to the
transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee
may request, a new Registered Note in definitive form of a like aggregate nominal amount to the
Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of
part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect
of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the
risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to
register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer
as provided above, except for any costs or expenses of delivery other than by regular uninsured mail
and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or
other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon
receipt by the Registrar of a written confirmation substantially in the form set out in the
Agency Agreement, amended as appropriate from the transferor to the effect that such transfer
is being made in accordance with Regulation S; or

(b) to a transferee who takes delivery of such interest through a Legended Note where the
transferee is a person who the transferor reasonably believes is a QIB in a transaction meeting
the requirements of Rule 144A, without certification; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the
Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include
an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities
laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States
or any other jurisdiction.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal
of the Legend, the Registrar shall deliver only Legended Notes or refuse to remove the Legend, as the
case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be
required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the
restrictions on transfer set forth therein are required to ensure compliance with the provisions of the
Securities Act.
2.6 Definitions

In this Condition, the following expressions shall have the following meanings:

**Legended Note** means Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A which bear a legend specifying certain restrictions on transfer (a **Legend**);

**QIB** means a "qualified institutional buyer" within the meaning of Rule 144A;

**Regulation S** means Regulation S under the Securities Act;

**Regulation S Global Note** means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

**Rule 144A** means Rule 144A under the Securities Act;

**Rule 144A Global Note** means a Registered Global Note representing Notes sold in the United States or to QIBs; and

**Securities Act** means the United States Securities Act of 1933, as amended.

3. STATUS OF THE NOTES

The Notes and any relative Coupons constitute direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank **pari passu** and without any preference among themselves, with all other present and future unsecured and unsubordinated External Indebtedness (as defined in Condition 10.3) of the Issuer **provided**, further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes, and vice versa. The due and punctual payment of the Notes and any relative Coupons and the performance of the obligations of the Issuer with respect thereto are backed by the full faith and credit of the Issuer.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), the Issuer will not, save for the exceptions set out below in Condition 4.3, create, incur, assume or permit to subsist any Security upon the whole or any part of its assets or revenues to secure (i) any of its Public External Indebtedness; (ii) any of its Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness of any other person, without at the same time or prior thereto securing the Notes and the Deed of Covenant equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of Noteholders.

4.2 Interpretation

In these Conditions:

**Guarantee** means any obligation of a person to pay the Indebtedness of another person including without limitation:

(a) an obligation to pay or purchase such Indebtedness;
(b) an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;

(c) an indemnity against the consequences of a default in the payment of such Indebtedness; or

(d) any other agreement to be responsible for such Indebtedness;

Indebtedness means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing, whether on an Islamic basis or otherwise);

person means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having a separate legal personality;

Public External Indebtedness means any Indebtedness which (i) is payable, or at the option of the relevant creditor may be payable, in any currency other than Pakistani Rupees; and (ii) is in the form of, or is represented by, bonds, notes (sukuk) or other securities with a stated maturity of more than one year from the date of issue which may be quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market; and

Security means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance or preferential arrangement which has the practical effect of constituting a security interest whether in effect on the Issue Date or thereafter.

For the avoidance of doubt, any right or obligation granted directly or indirectly to holders of sukuk representing the credit of Pakistan or in respect of any other Shari'ah compliant financing (including, but not limited to, a Shari'ah compliant sale and Ijara (lease) financing) having an analogous effect (and howsoever documented) shall not of itself comprise Security for the purposes of this Condition 4 (Negative Pledge).

4.3 Exceptions

The following exceptions apply to the Issuer's obligations under Condition 4.1:

(a) any Security upon property to secure Public External Indebtedness of the Issuer incurred for the purpose of financing the acquisition of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing;

(b) any Security existing on property at the time of its acquisition to secure Public External Indebtedness of the Issuer and any renewal or extension of any such Security which is limited to the original property covered thereby and which secures any renewal or extension of the original secured financing;

(c) any Security arising by operation of law (or pursuant to any agreement establishing a Security equivalent to one which would otherwise exist under relevant local law) in connection with Public External Indebtedness; and

(d) any Security securing Public External Indebtedness of the Issuer or any Guarantee by the Issuer of Public External Indebtedness of any other person incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (A) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the principal source of repayments of such Public External Indebtedness
and (B) the property over which such Security is granted consists solely of such assets and revenues.

The State Bank of Pakistan holds International Monetary Assets (as defined in Condition 10.3), including gold and foreign exchange. As the State Bank of Pakistan is a juridical entity separate from the Issuer, the Issuer believes that the negative pledge covenant in Condition 4.1 does not apply to the International Monetary Assets held by the State Bank of Pakistan. The State Bank of Pakistan could therefore incur Public External Indebtedness secured by International Monetary Assets without securing amounts payable under the Notes equally and rateably.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, Fixed Interest Period means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(a) in the case of Fixed Rate Notes, which are: (i) represented by a Global Note; or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of: (A) the Fixed Rate Notes represented by such Global Note; or (B) such Registered Notes; or

(b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes, which are Registered Notes in definitive form, or the Calculation Amount in the case of Fixed Rate Notes, which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:
(a) if "Actual/Actual (ICMA)" is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of:
(A) the number of days in such Determination Period; and (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of: (I) the number of days in such Determination Period; and (II) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of: (I) the number of days in such Determination Period; and (II) the number of Determination Dates that would occur in one calendar year; and

(ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Calculation Amount means the amount specified as such in the applicable Pricing Supplement;

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than Euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to Euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an Interest Payment Date) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur; or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii), the Floating Rate Convention, such Interest Payment Date: (I) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (C) below shall apply *mutatis mutandis*; or (II) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day; and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

(I) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than the TARGET2 System) specified in the applicable Pricing Supplement;

(II) if "TARGET2 System" is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

(III) either: (1) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency; or (2) in relation to any sum payable in Euro, a day on which the TARGET2 System is open.

(b) **Rate of Interest**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.
(i) **ISDA Determination for Floating Rate Notes**

Where "ISDA Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

(ii) **Screen Rate Determination for Floating Rate Notes**

Where "Screen Rate Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.
(c) **Benchmark Replacement**

Notwithstanding the other provisions of this Condition 5.2, if the Issuer, following consultation with the Calculation Agent, determines that a Benchmark Event has occurred in relation to the relevant Reference Rate specified in the applicable Pricing Supplement when any Rate of Interest (or the relevant component part thereof) remains to be determined by such Reference Rate, then the following provisions shall apply:

(i) the Issuer shall use its reasonable endeavours to appoint, as soon as reasonably practicable, an Independent Adviser to determine no later than five Business Days prior to the relevant Interest Determination Date relating to the next succeeding Interest Period (the **IA Determination Cut-Off Date**), a Successor Rate or, alternatively, if there is no Successor Rate, an Alternative Reference Rate and, in either case, an Adjustment Spread for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes;

(ii) if: (A) the Issuer is unable to appoint an Independent Adviser; or (B) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Reference Rate and, in either case, an Adjustment Spread in accordance with this Condition 5.2(c) prior to the relevant IA Determination Cut-Off Date, then the Issuer (acting in good faith and in a commercially reasonable manner) may elect to determine the Successor Rate or, failing which, an Alternative Reference Rate (as applicable) and, in either case, an Adjustment Spread itself for the purposes of determining the Rate of Interest (or the relevant component part thereof) applicable to the Notes or, if applicable, any Benchmark Amendments, to ensure the proper operation of such Successor Rate or Alternative Reference Rate and/or (in either case) the applicable Adjustment Spread (with the relevant provisions in this Condition 5.2(c) applying *mutatis mutandis*) to allow such determinations to be made by the Issuer without consultation with the Independent Adviser;

(iii) if a Successor Rate or, failing which, an Alternative Reference Rate (as applicable) is determined in accordance with the preceding provisions, such Successor Rate or, failing which, Alternative Reference Rate (as applicable) shall be the Reference Rate for each of the future Interest Periods in respect of such Notes (subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(c));

(iv) the Adjustment Spread (or the formula or methodology for determining the Adjustment Spread), shall be applied to the Successor Rate or the Alternative Reference Rate (as the case may be); and

(v) if any Successor Rate, Alternative Reference Rate or Adjustment Spread is determined in accordance with this Condition 5.2(c) and the Independent Adviser (following consultation with the Issuer) or the Issuer (acting in good faith and in a commercially reasonable manner), as applicable, determines: (A) that amendments to these Conditions (including, without limitation, amendments to the definitions of Day Count Fraction, Business Day, Business Day Convention, Interest Determination Date or Relevant Screen Page) are necessary to ensure the proper operation of such Successor Rate, Alternative Reference Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**); and (B) the terms of the Benchmark Amendments, then, at the direction and expense of the Issuer and subject to delivery of a notice in accordance with Condition 5.2(c)(vi): (I) the Issuer shall vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice; and (II) the Agents shall (at the Issuer's expense), without any requirement for the consent or sanction of the Noteholders, be obliged to concur with the Issuer in effecting such Benchmark Amendments.
For the avoidance of doubt, no Agent shall be liable to the Noteholders or any other person for so acting or relying on such notice, irrespective of whether any such modification is or may be materially prejudicial to the interests of any such Noteholder or person:

(A) the Issuer shall promptly, following the determination of any Successor Rate or Alternative Reference Rate (as applicable) and the specific terms of any Benchmark Amendments, give notice to the Agents and, in accordance with Condition 14, the Noteholders confirming: (A) that a Benchmark Event has occurred; (B) the Successor Rate or Alternative Reference Rate (as applicable); (C) any applicable Adjustment Spread; and (D) the specific terms of the Benchmark Amendments (if any);

(B) if, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or the relevant component thereof) on the immediately following Interest Determination Date, no Successor Rate or Alternative Reference Rate (as applicable) is determined pursuant to this provision, then the Rate of Interest (or the relevant component part thereof) shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Period). For the avoidance of doubt, this 5.2(c)(vii) shall apply to the relevant immediately following Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of and to adjustment as provided in, this Condition 5.2(c); and

(C) the Independent Adviser appointed pursuant to this Condition 5.2(c) shall act and make all determinations pursuant to this Condition 5.2(c) in good faith and the Independent Adviser shall act as an expert. In the absence of bad faith, wilful default or fraud, neither the Independent Adviser nor the Issuer shall have any liability whatsoever to the Principal Paying Agent, the Paying Agents, the Noteholders or the Couponholders in connection with any determination made by it or, in the case of the Independent Adviser, for any advice given to the Issuer in connection with any determination made by the Issuer pursuant to this Condition 5.2(c).

For the purposes of this Condition 5.2(c):

**Adjustment Spread** means either: (a) a spread (which may be positive, negative or zero); or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Reference Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the relevant Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(ii) (if no such recommendation has been made, or in the case of an Alternative Reference Rate) the Independent Adviser (following consultation with the Issuer) determines is customarily applied to the relevant Successor Rate or the Alternative Reference Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the relevant Reference Rate; or

(iii) (if the Independent Adviser (following consultation with the Issuer) determines that no such spread, formula or methodology is customarily applied) the Independent Adviser (following consultation with the Issuer) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the relevant Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Reference Rate (as the case may be); or
(iv) (if the Independent Adviser (following consultation with the Issuer) determines that there is no such industry standard) the Independent Adviser (following consultation with the Issuer) or the Issuer (as applicable) determines (acting in good faith and in a commercially reasonable manner) in their sole discretion to be appropriate;

**Alternative Reference Rate** means an alternative benchmark or screen rate which the Independent Adviser (following consultation with the Issuer) determines, in accordance with this Condition 5.2(c), is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes or, if the Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as the Independent Adviser or the Issuer (as applicable) determines in their sole discretion is most comparable to the relevant Reference Rate;

**Benchmark Event** means: (i) the relevant Reference Rate ceasing to be published or ceasing to exist for at least five Business Days; or (ii) a public statement by the administrator of the relevant Reference Rate that it has ceased or that it will cease publishing the relevant Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the relevant Reference Rate); or (iii) a public statement by the supervisor of the administrator of the relevant Reference Rate, that the relevant Reference Rate has been or will be permanently or indefinitely discontinued or is no longer or will no longer be representative; or (iv) a public statement by the supervisor of the administrator of the relevant Reference Rate as a consequence of which the relevant Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or (v) it has become unlawful for the Issuer, the Calculation Agent or any Paying Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate, provided that, in the case of (ii), (iii) and (iv) above, the Benchmark Event shall occur on the date of the cessation of publication of the relevant Reference Rate, the discontinuation of the relevant Reference Rate, or the prohibition of use of the relevant Reference Rate, as the case may be, and not the date of the relevant public statement;

**Financial Stability Board** means the organisation established by the Group of Twenty (G20) in April 2009;

**Independent Adviser** means an independent financial institution of international repute or an independent adviser with appropriate expertise appointed by the Issuer at the Issuer's expense;

**Relevant Nominating Body** means, in respect of a Reference Rate: (i) the central bank for the currency to which the Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of: (A) the central bank for the currency to which the Reference Rate relates; (B) any central bank or other supervisory authority which is responsible for supervising the administrator of the Reference Rate; (C) a group of the aforementioned central banks or other supervisory authorities; or (D) the Financial Stability Board or any part thereof; and

**Successor Rate** means the rate that the Independent Adviser (in consultation with the Issuer) or the Issuer, as applicable, determines is a successor to or replacement of the relevant Reference Rate which is formally recommended by any Relevant Nominating Body.

(d) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.
If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(e) **Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

(i) in the case of Floating Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Notes represented by such Global Note or (B) such Registered Notes; or

(ii) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of: (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if "Actual/365 (Sterling)" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if "Actual/360" is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}
\]
where:

\( Y_1 \) is the year, expressed as a number, in which the first day of the Interest Period falls;

\( Y_2 \) is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

\( M_1 \) is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

\( M_2 \) is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

\( D_1 \) is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case \( D_1 \) will be 30; and

\( D_2 \) is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and \( D_1 \) is greater than 29, in which case \( D_2 \) will be 30;

(vi) if "30E/360" or "Eurobond Basis" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}
\]

where:

\( Y_1 \) is the year, expressed as a number, in which the first day of the Interest Period falls;

\( Y_2 \) is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

\( M_1 \) is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

\( M_2 \) is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

\( D_1 \) is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case \( D_1 \) will be 30; and

\( D_2 \) is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and \( D_1 \) is greater than 29, in which case \( D_2 \) will be 30;

(vii) if "30E/360 (ISDA)" is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

\[
\text{Day Count Fraction} = \frac{360 \times (Y_2 - Y_1) + 30 \times (M_2 - M_1) + (D_2 - D_1)}{360}
\]

where:

\( Y_1 \) is the year, expressed as a number, in which the first day of the Interest Period falls;

\( Y_2 \) is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;
**M_1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M_2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D_1** is the first calendar day, expressed as a number, of the Interest Period, unless: (A) that day is the last day of February; or (B) such number would be 31, in which case D_1 will be 30; and

**D_2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless: (A) that day is the last day of February but not the Maturity Date; or (B) such number would be 31, in which case D_2 will be 30.

(f) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as the Issuer determines to be appropriate.

**Designated Maturity** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(g) **Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Principal Paying Agent and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(h) **Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of manifest or proven error) be binding on the Issuer, the Agents and all Noteholders and (in the absence of manifest or proven error) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in
connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than Euros will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency; and

(b) payments in Euros will be made by credit or transfer to a Euros account (or any other account to which Euros may be credited or transferred) specified by the payee.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment or other laws and regulations to which the Issuer or its Agents are subject, but without prejudice to the provisions of Condition 8.

6.2 Presentation of definitive Bearer Notes and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.
Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the Register): (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and (b) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, Designated Account means the account maintained by a holder with a Designated Bank and identified as such in the Register and Designated Bank means (in the case of payment in a Specified Currency other than Euros) a bank in the principal financial centre of the country of such Specified Currency and (in the case of a payment in Euros) any bank which processes payments in Euros.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register: (a) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date; and (b) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the Record Date). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.
No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. Dollars shall be paid by transfer by the Principal Paying Agent to an account in the relevant Specified Currency of the Exchange Agent for conversion into and payment in U.S. Dollars unless the participant in DTC with an interest in the Notes has elected to receive any part of such payment in that Specified Currency, in the manner specified in the Agency Agreement and in accordance with the rules and procedures for the time being of DTC.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. Dollars, such U.S. Dollar payments of principal and/or interest in respect of such Notes may be made at the specified office of a Paying Agent in the United States if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. Dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. Dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 9) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation;

(ii) each Additional Financial Centre (other than the TARGET2 System) specified in the applicable Pricing Supplement; and
(iii) if "TARGET2 System" is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open;

(b) either: (i) in relation to any sum payable in a Specified Currency other than Euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency; or (ii) in relation to any sum payable in Euros, a day on which the TARGET2 System is open; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. Dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has made no election to and will receive any part of such payment in U.S. Dollars, a day on which commercial banks are not authorised or required by law or regulation to be closed in New York City and London.

6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes; and

(e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

7.2 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption) and the Principal Paying Agent, redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed (Redeemed Notes) will: (a) in the case of Redeemed Notes represented by definitive Notes be selected individually
by lot, not more than 30 days prior to the date fixed for redemption; and (b) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg and/or DTC. In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.3 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a Put Notice) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear, Clearstream, Luxembourg or DTC, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg, DTC or any common depositary for Euroclear or Clearstream, Luxembourg to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear, Clearstream, Luxembourg and DTC from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg and DTC by a holder of any Note pursuant to this Condition 7.3 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.3 and instead to give written notice to the Principal Paying Agent to declare such Note forthwith due and payable subject to, and in accordance with, Condition 10.

7.4 Early Redemption Amounts

For the purpose of Condition 10:

(a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and

(b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:
Early Redemption Amount = \( RP \times (1 + AY)^y \)

where:

- \( RP \) means the Reference Price;
- \( AY \) means the Accrual Yield expressed as a decimal; and
- \( y \) is the Day Count Fraction specified in the applicable Pricing Supplement which will be either: (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360); or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360); or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

### 7.5 Purchases

The Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent or the Registrar for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Condition 15.

### 7.6 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 7.5 (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### 7.7 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2 or 7.3 or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.4(b) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 14.
8. **TAXATION**

8.1 **Payment without withholding**

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (Taxes) imposed, levied, collected, withheld or assessed by or on behalf of the Relevant Jurisdiction, unless such withholding or deduction is required by law. In that event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or Coupons in the absence of the withholding or deduction, except that no such additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) presented for payment (where presentation is required) by or on behalf of a Noteholder or Couponholder who is liable for such Taxes in respect of the Note by reason of his having some connection with the Relevant Jurisdiction, other than the mere holding of the Note or Coupon; or

(b) presented for payment (where presentation is required) by or on behalf of a Noteholder or Couponholder more than 30 days after the Relevant Date (as defined below) except to the extent that the relevant Noteholder or Couponholder would have been entitled to such additional amounts if it had presented such Note or Coupon for payment on the last day of such period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Day (as defined in Condition 6.6).

Notwithstanding any other provisions of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 or imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

8.2 **Interpretation**

In these Conditions:

**Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 14; and

**Relevant Jurisdiction** means the Islamic Republic of Pakistan (Pakistan) or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by it of principal and interest on the Notes.

9. **PRESCRIPTION**

Notes (whether in bearer or registered form) and Coupons will become void unless presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.
10. EVENTS OF DEFAULT

10.1 Events of Default

If any of the following events (each an Event of Default) occurs and is continuing:

(a) the Issuer fails to pay the principal of, or any interest on, any of the Notes when due and payable and such failure continues for a period of 14 days; or

(b) the Issuer does not perform or comply with any one or more of its other obligations in respect of the Notes, which default is incapable of remedy or is not remedied within 30 days following the service by any Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) the acceleration of the maturity (other than by optional or mandatory prepayment or redemption) of any External Indebtedness of the Issuer; or

(i) any default in the payment of principal of, or premium or prepayment charge (if any) or interest on, any External Indebtedness of the Issuer shall occur when and as the same shall become due and payable if such default shall continue for more than the period of grace, if any, applicable thereto; or

(ii) any default in the payment when due and called upon (after the expiry of any applicable grace period) of any Guarantee of the Issuer in respect of any External Indebtedness of any other person,

provided that the aggregate amount of the relevant External Indebtedness in respect of which one or more of the events mentioned in this paragraph (c) have occurred equals or exceeds U.S.$50,000,000 or its equivalent; or

(d) a moratorium on the payment of principal of, or interest on, the External Indebtedness of the Issuer shall be declared by the Issuer; or

(e) the Issuer shall cease to be a member of the International Monetary Fund (IMF) or shall cease to be eligible to use the general resources of the IMF; or

(i) the validity of the Notes shall be contested by the Issuer; or

(ii) the Issuer shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(iii) it shall be or become unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in Pakistan or any ruling of any court in Pakistan whose decision is final and unappealable or for any reason such obligations cease to be in full force and effect; or

(f) any regulation, decree, consent, approval, licence or other authority necessary to enable the Issuer to make or perform its obligations under the Notes, or for the validity or enforceability thereof, shall expire, be withheld, revoked, terminated or otherwise cease to remain in full force and effect, or shall be modified in a manner which adversely affects any rights or claims of any of the Noteholders; or

(g) the Issuer or the State Bank of Pakistan shall not at all times exercise full ownership, power and control over any of their respective International Monetary Assets as they exist from time to time unless, prior to the occurrence of such an event, a public sector entity that has
substantially all of the powers and assets of the State Bank of Pakistan (including, without limitation, all of its International Monetary Assets) and performs the functions of the central bank shall assume and acquire such assets, powers and functions,

then the holders of not less than 25 per cent. in aggregate outstanding nominal amount of the Notes may, by notice in writing to the Issuer (with a copy to the Principal Paying Agent), declare all the Notes immediately due and payable, at their Early Redemption Amount together with accrued interest (if any), without further action or formality. Upon such declaration by the Noteholder, the Issuer shall give notice thereof to the holders of Notes in accordance with Condition 14 (with a copy to the Principal Paying Agent).

10.2 Withdrawal of declaration

If the Issuer receives notice in writing from the holders of at least 50 per cent. in aggregate outstanding nominal amount of the Notes to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Issuer shall give notice thereof to the Noteholders (with a copy to the Principal Paying Agent) whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Issuer gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10.3 Interpretation

In these Conditions:

External Indebtedness means Indebtedness expressed or denominated or payable or which, at the option of the relevant creditor, may be payable in a currency other than Pakistani Rupees; and

International Monetary Assets means all (i) gold; (ii) Special Drawing Rights; (iii) Reserve Positions in the Fund; and (iv) Foreign Exchange, and the terms Special Drawing Rights, Reserve Positions in the Fund and Foreign Exchange have, as to the types of assets included, the meanings given to them in the IMF's publication entitled "International Financial Statistics" or such other meanings as shall be formally adopted by the IMF from time to time.

11. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Principal Paying Agent or Registrar, as the case may be, may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The names of the initial Agents and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:
(a) there will at all times be a Principal Paying Agent and in the case of Registered Notes, a Registrar;

(b) if a Calculation Agent is specified in the Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent;

(c) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and

(d) so long as any of the Registered Global Notes payable in a Specified Currency other than U.S. Dollars are held through DTC or its nominee, there will at all times be an Exchange Agent with a specified office in London.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9. Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Bearer Note shall become void and no Coupon will be delivered in respect of such Talon.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London or, if such publication is not practicable, in a leading English language newspaper having general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or
relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER

15.1 Convening Meetings of Noteholders; Written Resolutions; Conduct of Meetings of Noteholders

(a) The Issuer may convene a meeting of the Noteholders (including by way of conference call or by use of a videoconference platform) at any time in respect of the Notes in accordance with the Agency Agreement and will determine the time and place of the meeting. The Issuer will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting (in each case exclusive of the day on which the notice is given and the day on which the meeting is to be held).

(b) The Issuer will convene a meeting of Noteholders (including by way of conference call or by use of a videoconference platform) if the holders of at least 10 per cent. in principal amount of the outstanding Notes (as defined in the Agency Agreement and described in Condition 15.9) have delivered a written request to the Issuer or the Principal Paying Agent (with a copy to the Issuer) setting out the purpose of the meeting. The Principal Paying Agent will agree the time and place of the meeting with the Issuer promptly. The Issuer will notify the Noteholders within ten days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given (in each case exclusive of the day on which the notice is given and the day on which the meeting is to be held).

(c) The Issuer (with the agreement of the Principal Paying Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Issuer and the Principal Paying Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Issuer proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, inter alia:

(i) the date, time and location of the meeting;
(ii) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

(iii) the record date for the meeting, which shall be no more than five Business Days before the date of the meeting;

(iv) the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

(v) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

(vi) whether Condition 15.2, Condition 15.3 or Condition 15.4 shall apply and, if relevant, in relation to which other series of debt securities it applies;

(vii) if the proposed modification or action relates to two or more series of debt securities issued by the Issuer and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

(viii) such information that is required to be provided by the Issuer in accordance with Condition 15.6;

(ix) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 15.7; and

(x) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 15.1(d) shall also be provided, mutatis mutandis, in respect of Written Resolutions and Electronic Consents (as defined in Condition 15.12).

(f) A record date in relation to any proposed modification or action means the date fixed by the Issuer for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An Extraordinary Resolution means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A Written Resolution means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to debt securities means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk or other trust certificates representing the credit of the Issuer) issued directly or indirectly by the Issuer in one or more series with an original stated maturity of more than one year.

(j) Debt Securities Capable of Aggregation means those debt securities which include or incorporate by reference this Condition 15 and Condition 16 or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.
15.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, these Conditions, the Notes, the Agency Agreement and/or the Deed of Covenant may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A Single Series Extraordinary Resolution means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Issuer and the Principal Paying Agent pursuant to Condition 15.1 by a majority of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate nominal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate nominal amount of the outstanding Notes.

(c) A Single Series Written Resolution means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate nominal amount of the outstanding Notes; or

(ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate nominal amount of the outstanding Notes.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be and on all Couponholders.

15.3 Multiple Series Aggregation – Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(b) A Multiple Series Single Limb Extraordinary Resolution means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer (with the agreement of the Principal Paying Agent) pursuant to Condition 15.1, as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate nominal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A Multiple Series Single Limb Written Resolution means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate nominal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in
substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) The Uniformly Applicable condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms, for: (A) the same new instrument or other consideration; or (B) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under Condition 15.3(a) will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 15.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

15.4 Multiple Series Aggregation – Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A Multiple Series Two Limb Extraordinary Resolution means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Issuer pursuant to Condition 15.1, as supplemented if necessary, which is passed by a majority of:
(i) at least 66.67 per cent. of the aggregate nominal amount of the outstanding debt securities of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate nominal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A **Multiple Series Two Limb Written Resolution** means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least 66.67 per cent. of the aggregate nominal amount of the outstanding debt securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate nominal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be, and on all Couponholders and couponholders (where applicable) of each other affected series of Debt Securities Capable of Aggregation.

(e) Any modification or action proposed under Condition 15.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 15.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

15.5 **Reserved Matters**

In these Conditions, **Reserved Matter** means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest (other than pursuant to the operation of these Conditions) or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest (other than pursuant to the operation of these Conditions) or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;
(d) to change this definition, or the definition of "Extraordinary Resolution", "Single Series Extraordinary Resolution", "Multiple Series Single Limb Extraordinary Resolution", "Multiple Series Two Limb Extraordinary Resolution", "Written Resolution", "Single Series Written Resolution", "Multiple Series Single Limb Written Resolution" or "Multiple Series Two Limb Written Resolution";

(e) to change the definition of "debt securities" or "Debt Securities Capable of Aggregation";

(f) to change the definition of "Uniformly Applicable";

(g) to change the definition of "outstanding" or to modify the provisions of Condition 15.9;

(h) to change the legal ranking of the Notes;

(i) to amend the obligation of the Issuer to pay additional amounts under Condition 8;

(j) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, as set out in Condition 10;

(k) to change the law governing the Notes, the courts to the jurisdiction of which the Issuer has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Issuer's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, as set out in Condition 19;

(l) to impose any condition on or otherwise change the Issuer's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Issuer or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Issuer or any other person, which would result in these Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

   (i) the provisions of the other obligations or debt securities of the Issuer or any other person resulting from the relevant exchange or substitution or conversion; or

   (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate nominal amount.

15.6 Information

(a) Prior to or on the date that the Issuer proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 15.2, Condition 15.3 or Condition 15.4, the Issuer shall publish in accordance with Condition 16 and provide the Principal Paying Agent with the following information:

   (i) a description of the Issuer's economic and financial circumstances which are, in the Issuer's opinion, relevant to the request for any potential modification or action, a description of the Issuer's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;
(ii) if the Issuer shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(iii) a description of the Issuer's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(iv) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 15.1(d)(vii).

15.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 15.3 and Condition 15.4, the Issuer may appoint a Calculation Agent. The Issuer shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

15.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement may be amended by the Issuer without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless, in the Issuer’s sole opinion, such modification is of a formal, minor or technical nature or is not materially prejudicial to the interests of the Noteholders.

15.9 Notes controlled by the Issuer

For the purposes of: (a) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution; (b) this Condition 15; and (c) Condition 10, any Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

(i) **public sector instrumentality** means the State Bank of Pakistan or any department, ministry or agency of the government of the Issuer or any corporation, trust, financial institution or other entity owned or controlled by the government of the Issuer or any of the foregoing; and

(ii) **control** means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or, where relevant, the Note has previously been called for redemption in accordance with its terms or previously become due and payable at
maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Issuer shall provide to the Principal Paying Agent a copy of the certificate prepared pursuant to Condition 16.4, which includes information on the total number of Notes which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled, directly or indirectly, by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Principal Paying Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

15.10 Publication

The Issuer shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 16.7.

15.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Issuer's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders and Couponholders.

15.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a Global Note held on behalf of one or more of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system (the relevant clearing system(s)), then:

(i) Approval of a resolution proposed by the Issuer given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

(A) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 15.2, the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding Notes in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the outstanding Notes, in the case of a matter other than a Reserved Matter;

(B) in respect of a proposal that falls within paragraphs (b) and (c) of Condition 15.3, the persons holding at least 75 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);
in respect of a proposal that falls within paragraphs (b) and (c) of Condition 15.4, (x) the persons holding at least 66.67 per cent. of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the outstanding debt securities in each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (A), (B) and (C), each an Electronic Consent) shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of (A) above), (ii) a Multiple Series Single Limb Extraordinary Resolution (in the case of (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the Relevant Date) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the Proposer) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Issuer (unless the Issuer is the Proposer). Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Issuer which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

(ii) Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer (a) by accountholders in the relevant clearing system(s) with entitlements to any Global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Issuer shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

All information to be provided pursuant to paragraph (d) of Condition 15.1 shall also be provided, mutatis mutandis, in respect of Written Resolutions and Electronic Consents.
A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders and Couponholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

16. AGGREGATION AGENT; AGGREGATION PROCEDURES

16.1 Appointment

The Issuer will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding debt securities of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Issuer.

16.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate nominal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

16.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate nominal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

16.4 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

16.5 Certificate

For the purposes of Condition 16.2 and Condition 16.3, the Issuer will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 15.2, Condition 15.3 or Condition 15.4, as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.
The certificate shall:

(a) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 15.9 on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

16.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 16 to be notified to the Principal Paying Agent and the Issuer as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

16.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 16 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Principal Paying Agent and the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

16.8 Manner of publication

The Issuer will publish all notices and other matters required to be published pursuant to the Agency Agreement, including any matters required to be published pursuant to Condition 10, Condition 15 and this Condition 16:

(a) through the systems of Clearstream, Luxembourg, Euroclear, DTC and/or any other international or domestic clearing system(s) through which the Notes are for the time being cleared;

(b) in such other places and in such other manner as may be required by applicable law or regulation; and

(c) in such other places and in such other manner as may be customary.

17. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders or the Couponholders create and issue further notes having terms and conditions the same as those of the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes; provided that any such additional Notes having the same CUSIP, ISIN or other identifying number of outstanding Notes or any Series must be fungible with such outstanding Notes for U.S. federal income tax purposes if either the outstanding Notes or the additional Notes were or are issued under Rule 144A.
18. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. **GOVERNING LAW AND DISPUTE RESOLUTION**

19.1 **Governing law**

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes and the Coupons are and shall be governed by, and shall be construed in accordance with, English law.

19.2 **Jurisdiction**

The Issuer irrevocably submits for the benefit of the Noteholders to the exclusive jurisdiction of the courts of England sitting in London, England and the courts of Pakistan (the Specified Courts) over any suit, action or proceeding against it or its properties, assets or revenues with respect to the Notes or the Coupons (including any dispute as to its existence, validity, interpretation, performance, breach or termination or the consequences of its nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a Related Proceeding). The Issuer waives any objection to Related Proceedings in such courts whether on the grounds of venue, residence or domicile or on the ground that the Related Proceedings have been brought in an inconvenient forum. The Issuer has agreed that a final non-appealable judgment obtained in any such Related Proceeding (a Related Judgment) shall be conclusive and binding upon it and may be enforced in any Specified Court or in any other courts to the jurisdiction of which the Issuer is or may be subject (the Other Courts), by a suit upon such judgment or appropriate enforcement proceedings in Pakistan.

19.3 **Appointment of Process Agent**

The Issuer irrevocably appoints the High Commission for Pakistan in London presently located at 34-36 Lowndes Square, London SW1X 9JN to receive, for it and on its behalf, service of process in respect of any Related Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, the Issuer irrevocably agrees to appoint a substitute process agent. Nothing in these Conditions shall affect the right to serve Related Proceedings in any other manner permitted by law.

19.4 **Waiver of immunity**

To the extent that the Issuer or any of its revenues, assets or properties are entitled, in any jurisdiction in which any Specified Court is located, in which any Related Proceedings may at any time be brought against it or any of its revenues, assets or properties, or in any jurisdiction in which any Specified Court or Other Court is located in which any suit, action or proceeding may at any time be brought solely for the purpose of enforcing or executing any Related Judgment, to any immunity from suit, from the jurisdiction of any such court, from set-off, from attachment prior to judgment, from attachment in aid of execution of a judgment, from execution of a judgment or from any other legal or judicial process or remedy, and to the extent that in any such jurisdiction there shall be attributed such an immunity, the Issuer irrevocably agrees not to claim and irrevocably waives such immunity to the fullest extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Related Proceeding or Related Judgment) provided that such agreement and waiver, insofar as it relates to any jurisdictions other than a jurisdiction in which any Specified Court is located, is given solely for the purposes of enabling a Noteholder to enforce a Related Judgment. The waiver of
immunities referred to herein constitutes only a limited and specific waiver for purposes of these Conditions and under no circumstances shall it be interpreted as a general waiver by the Issuer or a waiver with respect to proceedings unrelated to these Conditions. The Issuer has not waived such immunity in respect of property which is (i) used by a diplomatic or consular mission of the Issuer (except as may be necessary to effect service of process); (ii) property of a military character and under the control of a military authority or defence agency; or (iii) located in Pakistan and dedicated to a public or governmental use (as distinct from patrimonial property or property dedicated to a commercial use).
USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general budgetary purposes. If there is a particular identified use of proceeds, it will be stated in the applicable Pricing Supplement.
Location and Geography

Pakistan is a federal republic located in south-central Asia between India, China, Afghanistan, Iran and the Arabian Sea. Pakistan consists of (i) four provinces (the Punjab, Sindh, the Khyber Pakhtunkhwa (KP) and Balochistan); (ii) the Islamabad Capital Territory and (iii) other territories. Pakistan's land area is approximately 796,095 square kilometres, more than twice the size of California.

The capital of Pakistan is Islamabad, which is a federal territory (the Islamabad Capital Territory). Karachi is the main financial, commercial and industrial centre of Pakistan. Karachi is linked by air, rail and road networks to all major cities of Pakistan, and is also home to two of Pakistan's main seaports, the Port of Karachi and Port Qasim. Port Gwadar, the third of Pakistan's main seaports, is located in Balochistan. The provincial capitals are Karachi (Sindh), Lahore (Punjab), Peshawar (KP) and Quetta (Balochistan).

The northern region of Pakistan is famous for its high mountain ranges and glaciers, such as the Himalayas and the Karakoram. KP comprises both hilly areas and fertile valleys. Most of Punjab and Sindh is a plain formed by the Indus River and its tributaries. The Indus Valley is known for its extensive network of canals and rich agricultural land. Balochistan, in the southwest, is mainly an arid plateau rich in mineral deposits.

Population, Religion and Language

Pakistan's current population estimate for 2019-20 is 208.3 million, according to the Pakistan Bureau of Statistics. Over 96 per cent of the population of Pakistan is Muslim. The national language is Urdu, which is also the official language. Urdu is the most widely spoken and understood language throughout Pakistan. The main regional languages are Punjabi, Sindhi, Pashto and Balochi.

According to the Labour Force Survey 2017-18, the total labour force of Pakistan was 65.5 million in 2017-18, of which 61.71 million were employed and 3.79 million (or 5.79 per cent) were unemployed. The population composition of the country is skewed towards the working age population. The population falling in the age group of 15 to 64 years is 61.4 per cent, while 12.1 per cent of the population is between the ages of zero and four years and 22.1 per cent is between five and 14 years. If this demographic dividend is properly utilised and skills are taught to young people to meet domestic and international market requirements, it would increase industrial productivity at home and result in higher remittances from abroad. The Government is, therefore, focusing on employment generation through skill development.

The proportion of the population living in rural areas has declined from approximately 82 per cent in 1951 (shortly after independence in 1947) to approximately 63.6 per cent in 2017.

Government and Politics

Pakistan is currently the world's fifth largest country by population and the world's second largest Muslim democracy after Indonesia. It gained independence in August 1947 upon the partition of British-ruled India and originally comprised two predominately Muslim regions, West Pakistan and East Pakistan, separated by over 800 miles (1,280 kilometres) of Indian territory.

The territory of the former princely state of Jammu and Kashmir remains disputed territory between India and Pakistan. At the time of partition in 1947, the reigning Hindu Maharaja was reluctant to accede to either India or Pakistan and later sought military assistance from India to maintain power in Kashmir. The Maharaja announced accession to India in October 1947 and allowed Indian troops into the state. The then government of Pakistan did not accept the accession on the basis that it was contrary to the underlying principles of the partition of the subcontinent. The matter was placed before the United Nations (U.N.) Security Council that resolved that the final disposition of the State of Jammu and Kashmir would be made in accordance with the will of the people expressed through a free and impartial plebiscite conducted under the auspices of the U.N. To this day, the U.N. Security Council resolutions have not been implemented and Jammu and Kashmir remains a disputed territory between India and Pakistan.
**Current Pakistan Government.** A general election to elect members of the National Assembly, as well as the four provincial assemblies of Punjab, Sindh, Balochistan and KP, was held on 25 July 2018. The Pakistan Tehreek-e-Insaf (PTI), led by Imran Khan, emerged as the single largest party, winning 116 out of a total of 272 directly elected seats and formed the Government. Imran Khan was elected Prime Minister by the National Assembly for the first time, taking the oath on 18 August 2018, and Dr Arif Alvi assumed the presidential office on 9 September 2018.

The elections of 25 July 2018 provided the second democratic transition in Pakistan's history compared to the decade following the death of General Zia in 1988, during which neither of the democratically elected governments of Benazir Bhutto or Mian Muhammad Nawaz Sharif completed their terms. See "The Islamic Republic of Pakistan – Form of Government – Legislature" below.

The Government was elected in 2018 on a programme of transforming governance, strengthening the federation, inclusive economic growth, uplifting agriculture and conserving water, revolutionising social services and ensuring Pakistan's national security.

**The 25th Amendment to the Constitution.** This amendment was approved by the lower and upper houses of Parliament on 24-25 May 2018, received the assent of the President on 31 May 2018 and was published in the Gazette of Pakistan on 5 June 2018. It approves the merger of the Federally Administered Tribal Areas with the Khyber Pakhtunkhwa province. The effect of the merger is to give the same legal rights to the five million residents of the region formerly known as the Federally Administered Tribal Areas as the rights of citizens in the rest of Pakistan. For measures taken for the operational implementation of the 25th Amendment and integration of the Federally Administered Tribal Areas into the Khyber Pakhtunkhwa province, see "– Fight Against Extremism" below.

**Form of Government.** Pakistan has a federal parliamentary system. The federal system consists of an executive, a legislative and a judicial branch.

- **Executive.** Dr Arif Alvi is currently President and constitutional head of state of the Islamic Republic of Pakistan. The Government is headed by the Prime Minister, Imran Khan, who is the Chief Executive of the federation, assisted by his cabinet ministers who head various ministries, and by his advisors. Other offices and bodies having important roles in the federal structure include the Attorney General, the Auditor General, the Federal Land Commission, the Federal Public Service Commission, the Election Commission of Pakistan, the Wafaqi Mohtasib (ombudsman) and the various regulatory authorities including the Securities and Exchange Commission of Pakistan (SECP), the Public Procurement Regulatory Authority, the Pakistan Electronic Media Regulatory Authority, the Oil and Gas Regulatory Authority and the National Electric Power Regulatory Authority (NEPRA).

- The following table sets out the members of the federal cabinet in addition to the current Prime Minister, Imran Khan, along with advisers to the Prime Minister and special assistants to the Prime Minister.

<table>
<thead>
<tr>
<th>Name</th>
<th>Portfolio</th>
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<tbody>
<tr>
<td>Mr. Ghulam Sarwar Khan</td>
<td>Aviation Division</td>
</tr>
<tr>
<td>Mr. Murad Saeed</td>
<td>Communications</td>
</tr>
<tr>
<td>Mr. Pervez Khattak</td>
<td>Defence</td>
</tr>
<tr>
<td>Ms. Zubaida Jalal</td>
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<td>Makhdoom Khusro Bukhtiar</td>
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<td>Mr. Shafqat Mahmood</td>
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<td>Makhdoom Shah Mahmood Hussain Qureshi</td>
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<td>Dr. Shireen M. Mazari</td>
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Mr. Muhammad Hammad Azhar  
Syed Shibli Faraz  
Syed Amin Ul Haque  
Sheikh Rashid Ahmed  
Dr. Fehmida Mirza
Mr. Ali Amin Khan Gandapur  
Dr. Muhammad Farogh Naseem  
Syed Ali Haider Zaidi  
Mr. Ijaz Ahmad Shah  
Syed Fakhar Imam  
Mr. Asad Umar  
Mr. Omar Ayub Khan

Industries and Construction, Finance and Revenue  
Information and Broadcasting  
Information Technology and Telecommunication  
Interior  
Inter-Provincial Coordination  
Kashmir Affairs and Gilgit-Baltistan  
Law and Justice  
Maritime Affairs  
National Food Security and Research  
Planning, Development and Special Initiatives  
i) Power Division  
ii) Petroleum Division  
Privatisation  
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Science and Technology  
States and Frontier Regions  
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MINISTERS OF STATE

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<td>Ms. Zartaj Gul</td>
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ADVISERS TO THE PRIME MINISTER

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<tr>
<td>Mirza Shahzad Akbar</td>
<td>Adviser on Accountability and Interior with the status of Federal Minister</td>
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<td>Mr. Abdul Razak Dawood</td>
<td>Adviser on Commerce and Investment with the status of Federal Minister</td>
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<td>Dr. Ishrat Hussain</td>
<td>Adviser on Institutional Reforms and Austerity with the status of Federal Minister</td>
</tr>
<tr>
<td>Mr. Zaheer-ud-din Babar Awan</td>
<td>Adviser on Parliamentary Affairs with the status of Federal Minister</td>
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SPECIAL ASSISTANTS TO THE PRIME MINISTER

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<tr>
<td>Dr. Sania Nishtar</td>
<td>Special Assistant to the Prime Minister on Social Protection and Poverty Alleviation with the status of Federal Minister</td>
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<tr>
<td>Mr. Mohammad Shehzad Arbab</td>
<td>Special Assistant to the Prime Minister on Establishment with the status of Federal Minister</td>
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<tr>
<td>Malik Amin Aslam Khan</td>
<td>Special Assistant to the Prime Minister on Climate Change with the status of Federal Minister</td>
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<tr>
<td>Dr. Faisal Sultan</td>
<td>Special Assistant to the Prime Minister on National Health Services, Regulations and Coordination with the status of Federal Minister</td>
</tr>
<tr>
<td>Sayed Zulfiqar Abbas Bukhari</td>
<td>Special Assistant to the Prime Minister on Overseas Pakistanis and Human Resource Development with the status of Minister of State</td>
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Legislature. Pakistan has a bicameral Parliament comprising a National Assembly and a Senate. The National Assembly is elected for a term of five years, most recently in July 2018. Of the current 342 seats in the National Assembly, 272 were directly elected according to popular vote. The number of directly elected seats will be reduced to 266 in the next elections to the National Assembly and the total number of seats will be reduced to 336 under the 25th Amendment to the Constitution, which came into effect on 5 June 2018. Of the remaining 70 seats, 60 are reserved for women and ten are reserved for non-Muslim minorities. The 70 reserved seats are allocated on the basis of proportional representation to parties that win more than five per cent of the directly elected seats.

Until the elections held on 3 March 2021, the Senate consisted of 104 members, of whom 66 were elected on general seats. The rules for Senate elections have also changed as a result of the adoption of the 25th Amendment to the Constitution, as the eight seats from the Federally Administered Tribal Areas will no longer be there and the total number of Senate members will eventually be reduced to 96 (this number has already been reduced to 100 after the elections on 3 March 2021) with 58 elected on general seats. With respect to the remaining 38 seats, (i) four women are elected by the members of each Provincial Assembly and one woman is elected from the federal capital for a total of 17 seats; (ii) four ulema (religious scholars) are elected by the members of each Provincial Assembly and one technocrat (including an aalim, a religious scholar) is elected from the federal capital for a total of 17 seats; and (iii) an additional four non-Muslims, one from each Province, are elected by the members of each Provincial Assembly.

The term of the Senate's members is six years. However, one-half of its members retire after every three years. On 3 March 2021, polling for 37 seats in the Senate took place with 11 senators already elected unopposed from Punjab due to withdrawals from opposing candidates. According to preliminary results, PTI won 18 seats. PPP managed to win eight seats against the same number of its senators who retired. PML-N won only five new seats against 17 of its senators who retired. Another party that managed to gain ground was the Balochistan Awami Party, an ally of the ruling PTI, which secured six new seats against three of its senators who retired. PTI is now expected to become the single largest party in the Senate with 26 seats, followed by PPP with 20 seats, PML-N with 18 seats, and Balochistan Awami Party with 12 seats, with the other parties accounting for the remaining 24 seats. One setback for the Government was that PTI's candidate for the Islamabad seat and the then Federal Minister for Finance and Revenue Hafeez Shaikh lost to Yousaf Raza Gillani, the former prime minister and the joint candidate of opposition parties. On 29 March 2021, Dr. Hafeez Shaikh was removed from the post of the Federal Minister for Finance and Revenue. He was replaced by Mr. Muhammad Hammad Azhar, who is also the Federal Minister in charge of industries and construction.
A vacancy in the Senate – caused by resignation, death, incapacitation, disqualification or removal of a member – is filled through election by the respective electoral college and the member so elected holds office for the un-expired term of the member whose vacancy he has filled.

- **Judiciary.** The Supreme Court of Pakistan hears appeals from the provincial high courts, the federal and provincial service tribunals, as well as the Islamabad High Court which was re-established in 2015. The Supreme Court also has original jurisdiction and advisory jurisdiction in certain matters. Each province has a separate court system. The provincial court systems consist of a provincial high court, civil and district courts to hear civil cases and magistrate courts and sessions courts to hear criminal cases. The provincial high courts hear both federal and provincial cases.

The Federal Shariat Court, created in 1980 by constitutional amendment, has the jurisdiction to examine any law or provision of law and to decide whether it is repugnant to the principles of Islam. Decisions of the Federal Shariat Court may be appealed to the Supreme Court and do not take effect until appeals to the Supreme Court have been exhausted.

Special courts and tribunals have been established to deal with matters under certain statutes. Appeals from the final decisions of these courts are generally heard first by the high courts and then, subject to leave to appeal, by the Supreme Court. These special courts include the banking and labour courts and income tax and customs tribunals.

**International Relations**

Pakistan's foreign policy priorities include promoting Pakistan as a dynamic, progressive, moderate and democratic Islamic country; safeguarding the country's security and geo-strategic interests, including Kashmir; commercial and economic cooperation; safeguarding the interests of the Pakistani diaspora; ensuring optimal utilisation of national resources for regional and international cooperation; and making Pakistan's strategic location an asset through trade, transport and energy connectivity with China, Central Asia and West Asia.

Pakistan's major emphasis has shifted from geo-politics to geo-economics with greater focus on optimally utilising its geo-economic location. Pakistan offers the shortest route to international seas to all Central Asian countries and western parts of China through Karachi and Gwadar. Pakistan offers economic bases and investment hubs to the world as a development partner.

**International Organisations.** Pakistan is a member of the U.N. (and its funds and programmes, including UNDP, UNFPA, UNICEF, and UNEP), the IMF, the World Bank, World Intellectual Property Organisation (WIPO), World Health Organisation (WHO), International Labour Organisation (ILO), International Telecommunication Union (ITU), Universal Postal Union (UPU), International Maritime Organisation (IMO), International Civil Aviation Organisation (ICAO) and UN related agencies such as the World Trade Organisation (WTO), and the International Atomic Energy Agency (IAEA). Pakistan also is a member of the Organisation of Islamic Cooperation, the Non-Aligned Movement, the Commonwealth, the Asian Infrastructure Investment Bank (AIIB), the Asian Development Bank (ADB) and the Islamic Development Bank (IDB).

Regionally, Pakistan is a member of the Economic Cooperation Organisation, an organisation that promotes economic and trade ties among its members, which include Iran, Pakistan, Turkey, five Central Asian republics (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan) as well as Afghanistan and Azerbaijan. Pakistan is also a founding member of the South Asian Association for Regional Cooperation (SAARC), which includes Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. Pakistan ratified the South Asian Free Trade Area Agreement (SAFTA) in February 2006, which was applied with retrospective effect from 1 January 2006. The first tariff reductions under SAFTA were implemented on 1 July 2006. Pakistan hosted the Central Asia Regional Economic Cooperation Ministerial Conference in Islamabad in October 2016 followed by an ECO Summit in Islamabad on 1 March 2017.

Pakistan is a founding member of the Organisation of Islamic Cooperation (OIC), which is a large inter-governmental organisation with 57 member states. Pakistan hosts two important bodies of the OIC, which are
the Standing Committee for Scientific and Technological Cooperation (COMSTECH) in Islamabad and the
Islamic Chamber of Commerce, Industry and Agriculture (ICCIA) in Karachi. As an active member of the
OIC, Pakistan will host the 48th Session of Council of Foreign Ministers of the OIC.

Pakistan is also a member of the Developing-8 (D8), comprising Bangladesh, Egypt, Iran, Indonesia, Malaysia,
Nigeria, Pakistan and Turkey. The D8 countries signed a preferential trade agreement on 14 May 2006. The
9th D8 Summit was held in Istanbul on 20 October 2017 during which Pakistan handed over its chairmanship
of the organisation to Turkey.

Pakistan is a founding member of the Asia Cooperation Dialogue and became a member of the Asia Europe
meeting in September 2006.

Pakistan is also seeking to upgrade its relationship with the Association of South East Asian Nations (ASEAN)
to a full dialogue partnership. Pakistan is a member of ASEAN Regional Forum, the security-related arm of
ASEAN.

Given Pakistan’s growing prominent role in the region, the Shanghai Cooperation Organisation (the SCO)
extended observer status to Pakistan in July 2005. Pakistan’s application for full membership with the SCO
was granted on 9 June 2017 at the SCO’s session in Astana (now Nur-Sultan), Kazakhstan. In addition to its
six original members (China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan), the SCO currently
includes India and Pakistan as member states and also has four observer states (Afghanistan, Belarus, Iran and
Mongolia).

As a founding member, Pakistan plays an active role in coalitions of developing countries such as the Group
of 77 and China and G-24 in articulating and promoting the collective economic interests of developing
countries and enhancing their joint negotiating capacity on major economic issues in the U.N.

Pakistan believes it is compliant with all applicable U.N. sanctions regimes.

Peace Keeping. Pakistan’s strong commitment to peace keeping is rooted in its foreign policy and belief that
every nation should contribute to the maintenance of international peace and security. Pakistan has maintained
high levels of participation in U.N. peace keeping forces, being one of the largest troop-contributing countries
with 4,737 Pakistani troops, military experts and police deployed around the world in U.N. peace keeping
missions as at 31 December 2020.

Relations with Select Countries. The following describes Pakistan’s relationship with its key allies and trading
partners, as well as with other countries, the relationships with which are particularly important:

• Relations with the United States (U.S.). Pakistan’s relations with the United States have always
figured prominently in Pakistan’s foreign policy architecture. This relationship, spanning almost seven
decades, is robust and wide ranging.

The summit-level interaction between Prime Minister Imran Khan and President Donald Trump on 22
July 2019 set the tone for a revived engagement between the two countries. The two leaders held
comprehensive discussions with a focus on building a broad-based and enduring partnership between
Pakistan and the United States. The Prime Minister again held detailed meetings with President Trump
in New York on 23 September 2019 and in Davos, Switzerland, on 21 January 2020. There is a mutual
desire to deepen economic engagement and enhance bilateral trade and investment between the two
countries.

The new U.S. administration under President Joe Biden is well aware of the challenges of this region.
President Biden (then Vice President) visited Pakistan twice in 2009 and 2011 and was awarded Hilal-e-Pakistan in 2008 when he was Chairman of the Senate Foreign Relations Committee. As Vice
President in Obama Administration, he was part of the driving forces behind the passage of the Kerry
Lugar Bill in 2009. President Biden has a deep understanding of the dynamics impacting Pakistan-U.S. relations. There has already been an exchange of messages between Prime Minister Imran Khan
and President Biden. Pakistan seeks to work with the new U.S. administration to further strengthen the long-standing partnership between the two countries.

The U.S. is Pakistan's second largest export market, after the EU, accounting for 17.3 per cent of total exports in 2019-20. In 2019-20, the total trade between Pakistan and the U.S. amounted to U.S.$6,161 million. Pakistan enjoyed a trade surplus with the U.S. during this period. Pakistan's exports amounted to U.S.$3,898 million while imports from the U.S. stood at U.S.$2,264 million. The visit of U.S. Secretary of Commerce Wilbur Ross in February 2020 was useful in exploring ways and means to implement the vision of the leadership for enhancing bilateral trade and investment between the two countries. High level visits and trade delegations are expected during 2021 to explore tangible actions for expanding economic cooperation and business-to-business ties.

The U.S. is one of the major foreign investors in Pakistan. U.S. foreign direct investment (FDI) is primarily focused on the food and beverages, chemicals, financial services, oil and gas exploration, cement, construction, communication and electronics sectors. Over 65 U.S. companies are running profitable businesses in Pakistan. According to the American Business Council of Pakistan, the U.S. companies have collectively invested over U.S.$1.5 billion in Pakistan. Their cumulative annual revenue is over U.S.$3 billion.

It should be noted, however, that net foreign private investment from the U.S. was negative in July to December 2020 (net outflow of U.S.$61.5 million), with net FDI inflow of U.S.$64.8 million and net foreign portfolio investment outflow of U.S.$126.3 million. It was also negative in 2019-20 (net outflow of U.S.$61.5 million), with net FDI inflow of U.S.$97.2 million and net foreign portfolio investment outflow of U.S.$141.8 million.

Adam Boehler, the CEO of the U.S. International Development Finance Corporation (IDFC) visited Pakistan on 1 July 2020 to help mobilise private sector investment in the country. IDFC has shown interest in exploring investment opportunities in Pakistan in agriculture, energy and infrastructure development projects, among others.

The Trade and Investment Framework Agreement (TIFA) is an important minister-level forum to discuss bilateral trade-related issues. The 8th TIFA Council meeting was held in Islamabad on 18-19 October 2016. A TIFA intersessional meeting was convened in May 2019 to discuss agenda items for the next TIFA council meeting, which has not been planned so far. On 8 December 2020, the Ministry of Commerce held a virtual meeting with the office of the U.S. Trade Representative under the TIFA framework to discuss trade and investment opportunities in the respective countries.

Cooperation between Pakistan and the U.S. in the field of education, science and technology is an important element in shifting the security-centric focus of this relationship to a multidimensional partnership between the two countries. Pakistan is also the beneficiary of U.S. government's largest bilateral Fulbright scholarship programme.

Pakistan and the United States have also been closely cooperating in wake of the COVID-19 pandemic. The leadership spoke on the telephone and agreed on the need to enhance cooperation to mitigate the impact of COVID-19 on health and economy. The United States has also provided assistance to Pakistan to enhance testing and investigation capabilities of its health sector.

There has been convergence between Pakistan and the U.S on finding a peaceful resolution of the Afghan conflict. In line with the Government's vision for a peaceful neighborhood, Pakistan facilitated the U.S.-Taliban talks in good faith and has welcomed the signing of the historic peace agreement between the U.S. and Taliban in March 2020. With the new U.S. administration under President Biden and the Afghan reconciliation process in the 2nd phase of intra-Afghan dialogue, Pakistan has stressed the importance of continued U.S.-Pakistan cooperation for facilitating the ongoing peace process and helping Afghanistan transition from a wartime economy.
The Pakistani-American diaspora is a diverse and vibrant community that is recognised as an increasingly important part of the American society. The community has been one of the strongest bridges strengthening the bilateral relationship between the two countries. The Pakistani diaspora has played an important part in the economic development of the U.S. and with the passage of time they are becoming better integrated to make an even more useful contribution to the U.S. economy and society. The Pakistani-American community has also helped in mobilising the concerns of several U.S. lawmakers on the recent actions by India in Jammu and Kashmir. The Pakistani community is also increasingly politically engaged and many Pakistani Americans have been appointed to important positions in the new U.S. administration.

- **Relations with China.** Pakistan continues to enjoy close and stable relations with China, with increasingly strong economic relations in recent years. The two countries share a common interest in preserving the balance and stability of the region. The political and economic fundamentals of Pakistan-China relations remain sound, with bilateral trade amounting to U.S.$11,230 million in 2019-20, and are reflected in frequent high-level exchanges between the two governments. Economic cooperation between the countries includes Chinese investments and financial assistance in port, railway, mining, coal and nuclear power projects, with a focus on the Xinjiang province bordering Pakistan.

The China-Pakistan Free Trade Agreement (CPFTA) was signed on 24 November 2006 and implemented from 1 July 2007. The CPFTA covers trade in goods and investment. A free trade agreement relating to trade in services was signed on 21 February 2009 and came into effect on 10 October 2009. The two countries completed negotiations on the second phase of the CPFTA, which were going on since 2011, in April 2019 during the second visit of Prime Minister Khan to China. Under the Phase-II of the CPFTA, both countries agreed to liberalise treatment of 75 per cent of tariff lines for each other within a period of 10 years for China and 15 years for Pakistan. China agreed to immediately eliminate tariffs on 313 tariff lines. Overall, China has granted concessions with respect to products that include textiles and garments, seafood, meat and other animal products, prepared foods, leather, chemicals, plastics, oil seeds, footwear as well as engineering goods including tractors, auto parts, home appliances and machinery. Pakistan has offered market access to China with respect to raw materials, intermediate goods and machinery. Access to cheaper imported inputs and machinery is expected to improve Pakistan's export competitiveness and help to upgrade its industrial production.

In July 2013, during the then Prime Minister Nawaz Sharif's first official visit to China, the countries signed a memorandum of understanding on the CPEC. The aim of CPEC is to enhance trade, investment, regional integration and connectivity between Pakistan and China by investing in infrastructure and it has already resulted in significant progress (see "Overview of Pakistan's Economy – China-Pakistan Economic Corridor (CPEC)").

China is a major source of foreign direct investment in Pakistan. In July to December 2020, China's net foreign direct investment in Pakistan amounted to U.S.$358.9 million as compared to U.S.$844.1 million in 2019-20 and U.S.$130.8 million in 2018-19.

President Xi Jinping visited Pakistan in April 2015. During his visit, over fifty Agreements and memoranda of understanding relating to key development projects in infrastructure, energy and communication sectors under CPEC were signed.

Chinese President Xi Jinping and the then President Mamnoon Hussain met in September 2015 and announced further political, economic and security cooperation between their countries in particular in relation to CPEC and in tackling the Uighur militant group, the East Turkestan Islamic Movement. Former Prime Minister Nawaz Sharif led a high-level delegation of four Chief Ministers and several Federal Ministers participated in the "Belt and Road Forum for International Cooperation" in May 2017 in Beijing.

Prime Minister Khan first visited China in November 2018 where he met with President Xi Jinping. Among other things, China and Pakistan agreed to conclude the second phase of the China-Pakistan
Free Trade Agreement as early as possible and to continue discussions on the Pakistan-China Agreement on Trade and Services. Recognising the significance of Gwadar as an important node in cross-country connectivity and the central pillar of CPEC, both sides agreed to speed up progress on the Gwadar Port and its auxiliary projects. In April 2019, Prime Minister Khan visited Beijing to participate in the Second Belt and Road Forum for International Cooperation hosted by Chinese President Xi. Following a meeting with Chinese premier Li Keqiang, a ceremony was held to sign a number of memorandums of understanding and agreements, including the second phase of the China-Pakistan Free Trade Agreement and the declaration on completion of preliminary design of Phase-I for the upgrade of Main Line – 1 (Karachi-Peshawar railway line) and the establishment of the Havelian Dry Port under CPEC.

Prime Minister Imran Khan visited China in October 2019 and held in-depth discussions with Chinese leadership on bilateral, regional and international issues of mutual concern. Both sides agreed to work together to further promote development and construction of CPEC projects. Pakistan and China reiterated their support to each side's issues of core national interests. A number of memoranda of understanding and agreements were also signed during the visit.

In the wake of the outbreak of the COVID-19 pandemic, President Dr. Arif Alvi visited China in March 2020 as an expression of Pakistan's solidarity with China. China helped Pakistan in its fight against the pandemic through provision of medical supplies and visits by medical teams. Pakistan approved emergency use authorisation of Sinopharm and CanSino vaccines and successfully concluded Phase-III clinical trials of CanSino vaccine in Pakistan. Pakistan also provided medical equipment and PPEs to China as a gesture of friendship.

CPEC entered into its Second Phase with particular focus on agriculture cooperation, socio-economic development and industrialisation. Under the CPEC, two new joint working groups on agriculture and science and technology were established. In order to speed up the implementation of CPEC projects, Pakistan established the CPEC Authority. Agreements on Azad Pattan and Kohala hydroelectric power projects were signed. Discussions are on-going in relation to the financing of the ML-I railway line.

The Second Phase of the China-Pakistan Free Trade Agreement (CPFTA) became effective on 1 January 2020.

**Relations with India.** Since independence from British colonial rule in 1947, Pakistan and India have gone to war three times, most recently in 1971. Relations with India remain tense over the internationally recognised disputed area of Jammu and Kashmir. The U.N. Security Council has passed several resolutions calling for a U.N. supervised plebiscite in Jammu and Kashmir, which have not yet been implemented due to India's unwillingness to implement the relevant U.N. Security Council's resolutions. Pakistan wants diplomatic resolution of all outstanding issues with India, including the Jammu and Kashmir dispute. However, the situation remains challenging, despite periodic improvements, and the Jammu and Kashmir dispute remains an on-going source of tension and occasional violent conflict between the two countries.

The Foreign Secretaries of India and Pakistan agreed to resume bilateral engagement during the Indian External Affairs Minister's visit to Islamabad in December 2015 for the "Heart of Asia Conference" but the planned bilateral dialogue did not take place.

The two Foreign Secretaries' meeting scheduled for mid-January 2016 was unilaterally postponed by India due to a terrorist attack on the Indian Pathankot Air Force Station that occurred at the beginning of that month. Pakistan condemned the Pathankot attack, extended its condolences and has been cooperating with the Indian side to investigate the attack.

Pakistan conveyed its concerns to the Indian Government and the international community in 2016 over what it views as the involvement of Indian intelligence agencies in subversive and terrorist activities within Pakistan. Pakistan's law enforcement agencies apprehended Mr Kulbhushan Yadav
On 3 March 2016 on charges of involvement in various subversive activities to destabilise law and order in Balochistan and Karachi. Mr Kulbhushan Yadav has since been convicted by a military court of operating illegally in Balochistan and has been sentenced to death. The Indian Government has initiated proceedings in the International Court of Justice at the Hague over the question of consular access to Mr Kulbhushan Yadav. In line with the judgment of the International Court of Justice, Pakistan has already provided consular access to the Indian High Commission twice and has taken all necessary steps for effective review and reconsideration of the case. The offer of a third consular access has been made. The case is currently in the Islamabad High Court.

On 5 August 2019, the Indian government took steps to alter the internationally recognised status of Jammu and Kashmir and has also introduced laws to alter the demographic structure of the occupied territory and has amended the land ownership laws.

Political and security risks in the region have significantly increased following these steps in Jammu and Kashmir, which India views as an internal matter. Pakistan has reacted critically to India's unilateral actions in Jammu and Kashmir. Moreover, Pakistan has highlighted this issue at all multilateral forums, including the United Nations, the Human Rights Council, the OIC, world parliaments and various other international and regional organisations.

Pakistan has strongly and publicly condemned the use of force, the human rights violations including extra-judicial killings, custodial torture, enforced disappearances, incarceration of Kashmiri leadership and unprecedented restrictions on the fundamental freedoms of the Kashmiri people by Indian armed forces in Jammu and Kashmir, which, since 5 August 2019, has resulted in over 350 civilian deaths and 1,640 injuries. More than 163 people, including children, have become permanently blind due to the indiscriminate use of pellet guns by the Indian forces.

Pakistan has also objected to the Indian government's efforts to change the demographic structure of the occupied territory in violation of the relevant U.N. Security Council resolutions and international law.

- Relations with the United Kingdom. Pakistan has developed a close relationship with the UK which has been strengthened by the substantial trading relationship between the countries, the UK being Pakistan's largest trading partner in Europe in 2019-20, as well as hosting a Pakistani diaspora of approximately 1.5 million. The volume of trade between the two countries was U.S.$2.3 billion in 2019-20.

The UK Department for International Development (DFID) initiated an Operational Plan 2011-2015, pursuant to which assistance of almost GBP1.4 billion was disbursed over four years. Pakistan remains one of the largest recipient countries of the UK development assistance programme. A draft of a new Development Partnership Arrangement (DPA) was shared by the UK Department for International Development with the Economic Affairs Division of the Ministry of Finance in May 2019. The Government of Pakistan's stakeholders reviewed the draft of the DPA and their feedback has been shared with the UK's Foreign, Commonwealth and Development Office.

At the Fourth Ministerial Review of the Pakistan-UK Enhanced Strategic Dialogue in London in June 2019, Pakistan and the United Kingdom reaffirmed their commitment to take the bilateral relationship forward and work for shared prosperity. Foreign Minister Shah Mahmood Qureshi led the Pakistani side, while the British delegation was headed by the Foreign Secretary Jeremy Hunt.

The two sides agreed to continue building upon the cooperation within the framework of Enhanced Strategic Dialogue to take this partnership forward. They agreed to work together to facilitate business-to-business contacts, explore niche areas for investment, improve the business climate and raise awareness about market opportunities in Pakistan. The British Foreign Secretary announced the UK Department for International Trade's decision to more than double the available support for exports to Pakistan from up to GBP400 million to GBP1 billion as part of the growing cooperation in economic terms between the two countries.
The two leaders also reaffirmed their continuing cooperation in security and counter-terrorism measures.

With over 110 British companies operating in Pakistan, the UK was the largest source of net FDI in Pakistan in the world in 2018-19 (U.S.$185.2 million). However, UK's net FDI in Pakistan decreased to U.S.$117.3 million in 2019-20 and to U.S.$63.0 million in the July to December 2020 period.

### Relations with Afghanistan

Relations with Afghanistan are inextricably tied to efforts to resolve conflict in Afghanistan through peace talks. There have been multiple attempts since 2009 to resolve the conflict between the Afghan government forces and the Taliban through negotiations.

The U.S.-Taliban peace agreement was signed on 29 February 2020 and was followed by a start of intra-Afghan negotiations on 12 September 2020. The initial stalemate in the intra-Afghan negotiations was overcome when both the Afghan government and the Taliban reached an agreement on 2 December 2020 on the rules and procedure for negotiations and agreed to proceed with substantive talks. After a month's break, the second round of intra-Afghan negotiations commenced on 5 January 2020 in Doha.

In addition to cooperation in trying to achieve significant progress in the peace process, Afghanistan and Pakistan are also working on a range of bilateral and regional projects related to road, rail, energy and connectivity. In the regional context, the two countries are working to promote energy projects, including TAPI and Central Asia – South Asia (CASA 1000).

Recently, the two countries have witnessed a positive trajectory in bilateral relations with significant progress on important bilateral matters including the revision of the Afghanistan Pakistan Transit Trade Agreement and the commencement of negotiations on the Preferential Trade Agreement. High-level leadership contacts and bilateral visits, including that of the Prime Minister of Pakistan in November 2020, are a manifestation of the further strengthening of Pakistan-Afghanistan relations.

At present, there are approximately 1.42 million registered Afghan refugees, approximately 0.84 million Afghan citizenship card-holders and an estimated 0.5 to 0.7 million undocumented Afghans in Pakistan.

### Relations with Iran

Pakistan and Iran enjoy close and cordial relations based on historic ties, and a shared faith and culture, as well as trade. The two countries are also founding members, together with Turkey, of the Economic Cooperation Organization, founded to improve development and promote trade and investment opportunities between its member states, the number of which has increased to 10 over the years. After the imposition of financial sanctions on Iran, bilateral trade between Iran and Pakistan declined considerably, from over U.S.$1 billion in 2009-10 to U.S.$30 million in 2016-17, U.S.$18 million in 2017-18, U.S.$3 million in 2018-19 and just U.S.$103,000 in 2019-20.

For developments with respect to the Iran-Pakistan Gas Pipeline project, see "Overview of Pakistan's Economy – Energy in Pakistan – Iran-Pakistan Gas Pipeline Project" below.

### Relations with Turkey

Pakistan and Turkey enjoy close relations. The Government accords special attention to strengthening economic ties with Turkey. In March 2016, the framework agreement for a comprehensive bilateral free trade agreement (the FTA) was signed and the negotiations on the FTA are continuing. Pakistan-Turkey bilateral relations have been institutionalised under the High Level Strategic Cooperation Council (HLSCC), which is the highest level decision-making forum providing strategic direction to further strengthen the partnership. Co-chaired by President Erdogan and Prime Minister Imran Khan, the 6th Session of the HLSCC was held in Islamabad in February 2020. Among its achievements was the signing of the Pakistan-Turkey Strategic Economic Framework (the SEF). The SEF has 71 action points with respect to deeper cooperation between the two countries in various fields.
In 2019-20, bilateral trade between Pakistan and Turkey amounted to U.S.$891 million with Pakistani exports of U.S.$283 million and imports of U.S.$608 million. Turkey's net direct foreign investment into Pakistan was U.S.$73.8 million in 2018-2019, but then decreased significantly to U.S.$24.9 million in 2019-20 and U.S.$7.1 million in July to December 2020.

- **Relations with Saudi Arabia and other GCC members.** Pakistan has strong bilateral relations with various GCC countries spanning trade, investment, financial support and military cooperation. There are approximately 4.5 million Pakistanis in Gulf countries, including approximately 1.7 million in the United Arab Emirates, which is one of the largest trading partners of Pakistan.

Pakistan and Saudi Arabia enjoy special relations, grounded in common faith and history. There are regular exchanges at senior government levels. Prime Minister Imran Khan has already visited Saudi Arabia six times during his term in office (in September 2018, October 2018, May-June 2019, September 2019, October 2019 and December 2019).

Saudi Arabia has provided crucial financial support to Pakistan on numerous occasions, particularly during times of economic or financial crises in Pakistan. Notably, Saudi Arabia provided Pakistan with a U.S.$6 billion assistance package (consisting of a deposit and oil on deferred payments) in October 2018 to help ease Pakistan's balance-of-payments difficulties. This was followed by an agreement between the two countries for greater cooperation in the energy and power sectors, including the planned construction of a U.S.$10 billion oil refinery by a state-owned Saudi oil and gas company, Saudi Aramco.

On 17 February 2019, the crown prince of Saudi Arabia, Mohammad bin Salman al-Saud, made his first official visit to Pakistan, which was accompanied by the signing of investment agreements worth around U.S.$21 billion between the two countries.

Pakistan, in turn, has provided Saudi Arabia with defence and security support. Defence cooperation between Pakistan and Saudi Arabia is robust. The two sides regularly hold meetings of a joint military cooperation committee and a military cooperation committee.

Saudi Arabia is home to approximately 2.2 million Pakistani expatriates, the largest number of Pakistani expatriates in the world. Saudi-based Pakistanis are a substantial source of foreign remittances, accounting for U.S.$6.6 billion, being 28.6 per cent of the total received by Pakistan in 2019-20.

- **Relations with Russia.** Pakistan attaches great importance to its relations with the Russian Federation. Pakistan seeks a long-term and broad-based partnership with Russia, especially in the areas of trade, energy, defence, security, space, peaceful use of nuclear energy, culture and education. A strong partnership between Pakistan and Russia would contribute towards promoting peace, stability and intergovernmental cooperation in the South, Central and West Asian region. Russia is also keen to expand its relations with Pakistan since it considers that close cooperation between Pakistan and Russia would not only be beneficial for the two countries but would also help in building stability and prosperity in the region. Russia provided consistent support to Pakistan for its membership of the Shanghai Cooperation Organisation.

Pakistan's relations with Russia are on an upward trajectory. Both countries have been able to develop mutual understanding on important political and security issues, paving the way for increased cooperation in diverse areas. One of the most important areas of cooperation is the energy sector. Both countries agree that there is considerable scope for cooperation in this area since Pakistan has a very large-scale programme to address its energy requirements and Russian companies are keen to participate. Russia is investing in Pakistan and the two countries concluded an agreement in 2015 in relation to the financing and construction of a north-south LNG-import pipeline from Karachi to Lahore. An inter-governmental agreement on the supply of LNG from Russia to Pakistan was signed on 13 October 2017.
Pakistan and Russia’s defence cooperation continues to strengthen. The two countries signed a defence cooperation agreement in 2014 and have since held joint military exercises: "Friendship 2016" in Pakistan in September 2016, "Friendship 2017" in Russia in 2017, "Friendship 2018" in Pakistan in October-November 2018, "Friendship 2019" in Russia in October 2019 and "Friendship 2020" in Pakistan in November 2020. These exercises are a manifestation of the parties' mutual desire to broaden their defence ties.

Nuclear Programme

On 11 and 13 May 1998, India carried out nuclear weapons tests. In response, Pakistan carried out nuclear tests on 28 and 29 May 1998. Since the nuclear tests of 1998, Pakistan has held regular dialogues with the U.S. and other countries on regional security and non-proliferation issues. During these dialogues, Pakistan has presented a number of proposals to promote nuclear restraint and responsibility, including a strategic restraint regime in South Asia. Pakistan has maintained a nuclear deterrent and its strategic nuclear assets are under stringent domestic organisational, administrative and command and control structures.

The National Command Authority of Pakistan, established under the National Command Authority Act 2010 and chaired by the prime minister of Pakistan, exercises command and control over research, development, production and use of nuclear assets.

The Pakistan Nuclear Regulatory Authority, an autonomous regulatory body, regulates the safety and security of civilian nuclear materials and facilities. It works closely with the International Atomic Energy Agency (the IAEA) and benefits from its recommendations and guidance.

Other measures Pakistan has undertaken to secure, control and protect its nuclear assets include:

- issuing a national control list relating to nuclear and biological weapons and their delivery, including export controls maintained by the Nuclear Suppliers Group (a multinational body focused on reducing nuclear proliferation), Australia Group (an informal group of countries, including the EU, aimed at controlling exports of goods that contribute to the spread of chemical and biological weapons), and Missile Technology Control Regime (a partnership among 34 countries aimed at preventing the proliferation of missiles and other aerial technology capable of carrying heavy payloads);
- joining the Convention on the Physical Protection of Nuclear Material;
- following the guidelines of the IAEA Code of Conduct on the safety and security of radioactive sources;
- participating in the IAEA Illicit Trafficking Database;
- signing a memorandum of understanding with the U.S. on the Container Security Initiative, according to which all Pakistani cargo bound for the U.S. must be scanned prior to departure;
- establishing the National Export Control Authority for further implementation of export control policy;
- being a party to the Convention on Nuclear Safety, as well as the two international Conventions on Early Notification and Assistance; and
- developing a strong radiation emergency response mechanism. Pakistan is institutionalising a nuclear emergency management system to handle different types of nuclear and radiological-related emergencies. Pakistan has also established a nuclear and radiological emergency support center to handle nuclear-related emergencies.

In accordance with its energy security plan, the Government plans to generate 8,800 MW from its nuclear power plants by 2030.
Fight Against Extremism

Pakistan's economy is negatively affected by the fight against extremism, which has had a significant negative effect on Pakistan's domestic security situation, particularly over the past 15 years. Between 1 January 2000 and 23 June 2019, the fight against extremism in Pakistan has cost Pakistan approximately 63,900 lives, including those of security personnel, caused damage to infrastructure and has caused the internal dislocation of millions of people from parts of north-western Pakistan, in addition to the erosion of the investment climate, reduced production, growing unemployment and the slowdown of economic activity in many parts of Pakistan.

After the events of 9/11, Pakistan assumed the role of a frontline state in the global fight against extremism. The onset disrupted Pakistan's normal trading activities, as the cost of trading increased substantially because of higher insurance costs. Consequently, economic growth slowed and demand for imports reduced, with a consequential decline in tax collection and diminished inflows of foreign investment.

The events that transpired after 9/11 in Afghanistan worsened the security environment in Pakistan, resulting in certain travel bans for visitors to Pakistan from other countries. This lowered Pakistan's exports, reduced the inflows of foreign investment, affected the pace of Pakistan's privatisation programme, slowed overall economic activity, reduced import demand, reduced tax collection and has resulted in additional security spending.

The fight against extremism has also resulted in damage to physical infrastructure, the dislocation of thousands of people and the associated rise in expenditure to support them. While the Government's increased anti-extremism activities have been successful in reducing incidents of terrorism, it has also resulted in significant human and financial losses.

The Government entered into negotiations with a team nominated by Tehreek-e-Taliban (also known as the Pakistani Taliban, or TTP) in February 2014 to establish a framework for peace talks. Both delegations agreed that each side would not act in any way which may damage the process as the dialogue continues. After the failure of negotiations with nominees of the TTP, the Government launched an operation to clear the hide-outs of terrorists in North Waziristan and elsewhere in June 2014. The operation has been a success and the rate of terrorist activity has declined.

In addition to terrorist attacks, Pakistan also faces attacks from insurgents who want greater autonomy in Balochistan.

Localised terrorist attacks in which militants destroy railway links, gas pipelines and power pylons and launch attacks on Government buildings and army bases in the Khyber Pakhtunkhwa province and the southwest province of Balochistan are common. There have also been high-profile incidents such as the attack on a naval base in Karachi in 2011 and the attack on the district court in Islamabad on 3 March 2014. In December 2014, seven gunmen affiliated with the TTP conducted a terrorist attack on the Army Public School in the northwestern Pakistani city of Peshawar. In May 2015, gunmen attacked buses in Karachi and Mastung. In March 2016, many people lost their lives in a suicide attack on a public park in Lahore. In February 2017, the crowded Sufi shrine of Lal Shahbaz Qalander in Sindh was attacked. Back-to-back explosions in the Turi Bazaar area of Parachinar in June 2017 caused substantial loss of life. A suicide bomber killed over a hundred people at an election rally in July 2018 in the town of Mastung in Balochistan organised by Siraj Rasani, a Balochistan Awami Party candidate, who was also killed in the attack; the bombing was the most deadly attack in Pakistan in over three years. In another election-related attack, in July 2018, a suicide bomber blew himself up outside a polling station in the city of Quetta. A bomb explosion in April 2019 near the Hazargangi area, populated mostly by Shia Hazara residents, in Quetta resulted in many casualties. In May 2019, a suicide attack outside the Data Durbar, a prominent Sufi shrine in Lahore, killed several people and injured many others.

On 29 June 2020, terrorists attacked the Pakistan Stock Exchange building in Karachi. The attack was carried out by four militants, who attempted to storm the stock exchange building but failed to do so, and were killed in the response by security forces. Four other people were also killed in the ensuing firefight. Responsibility for the attacks was claimed by the Balochistan Liberation Army (BLA), a militant group that runs a separatist campaign in Pakistan's Balochistan province. In addition to attacks on police and military forces, the BLA has
targeted Chinese infrastructure projects and Chinese nationals. Its previous major attack was in May 2019, when BLA militants stormed a hotel near the Gwadar Port in Balochistan, which is being developed as one of the main projects in the China-Pakistan Economic Corridor. On 16 October 2020, the Government announced that 20 security personnel, including army troops, had been killed in separate attacks in Balochistan and Khyber Pakhtunkhwa provinces. The first incident took place in the North Waziristan area of Khyber Pakhtunkhwa province, close to the northwestern border with Afghanistan; six soldiers died in a bomb attack claimed by Tehreek-i-Taliban. The second attack was an ambush on a convoy of energy company employees near the port city of Gwadar, in which 14 paramilitary troops and private guards were killed. In early January 2021, 11 coal miners from the Shia Hazara community were murdered near Quetta, the capital of Balochistan province, in an attack claimed by the Islamic State terrorist group.

In the wake of the terrorist attack on the Army Public School in Peshawar, the previous Government formulated a National Action Plan (NAP) with the backing of all political parties and other stakeholders to combat extremism in all its forms. The NAP aims to curtail terrorist financing; coordinate intelligence-sharing between the federal and provincial governments of Pakistan, as well as between Pakistan's military police and other security agencies; and create dedicated counter-terrorism forces. It involves government regulation and reform of the madrasas to bring them within mainstream education, as well as an anti-money laundering campaign by the SBP and Federal Investigation Authority to restrict terrorist funding. In addition, the previous Government has stepped up electronic and social media monitoring to ensure that information that may be of use to terrorists is not made publicly available. The implementation of the NAP has resulted in a marked improvement in the security situation in Pakistan.

The new Government that assumed office in August 2018 has implemented certain additional measures in the fight against extremism. As part of madrassa reforms in the broader context of counter-extremism measures, it has taken steps to mainstream the madrassas into the formal education sector.

With respect to the 25th Constitutional Amendment that was adopted in May 2018 as part of the NAP, various measures have been taken for operational implementation of the 25th Amendment and integration of the Federally Administered Tribal Areas (FATA) into Khyber Pakhtunkhwa province. These include the integration of the FATA Secretariat, police deployment, reorganising law enforcement, extending prisons, probation and rehabilitation facilities, introducing local government and extending prosecution services. The following major steps have been taken with respect to the integration of FATA into Khyber Pakhtunkhwa province since June 2018:

- re-designation of tribal agencies and frontier regions in FATA as districts and sub-divisions of the Khyber Pakhtunkhwa province;
- the establishment of judicial institutions in all merged districts;
- the transfer of all directorates of FATA Secretariat to Khyber Pakhtunkhwa;
- the completion of the delimitation of constituencies (redrawing constituency boundaries);
- holding elections to the Khyber Pakhtunkhwa provincial assembly; and
- the establishment of additional police stations.

There have been historic issues between India and Pakistan related to extremist activity. In September 2013, the then Prime Minister Nawaz Sharif promised to take action against Lashkar-e-Taiba (the South Asian terrorist organisation) in relation to the Mumbai attacks of November 2008 and, in January 2014, Pakistan's anti-terrorism court began hearing the trial of seven men charged with involvement in the attacks. The alleged leader of the attacks, Zaki-ur-Rehman Lakhavi, won an appeal against his detention in December 2014 and was released from jail on bail on 10 April 2015. Another suspect, Sufayan Zafar, was released on bail in July 2017 as a result of lack of evidence against him. Six suspects remain in custody. The legal process in this case remains stalled due to the reluctance of the Indian authorities to send witnesses for cross-examination by the
Pakistani court. Zaki-ur Rehman Lakhvi was later arrested in relation to terrorism financing and, in January 2021, sentenced to three concurrent five-year sentences.

It is estimated that the total cost to Pakistan of the fight against extremism during the period from June 2001 and February 2018 amounted to U.S.$126.79 billion, equivalent to Rupees 1,076.64 billion. Annual costs have decreased sharply from Rupees 2,037.33 billion in 2010-11 to Rupees 572.6 billion in 2016-17 and Rupees 223.32 billion in the first eight months of fiscal year 2017-18 as a result of the improving security situation.

**National Security Reform.** In recent years there has been significant development of counter-terrorism laws in Pakistan, including:

- the National Counter Terrorism Authority Act 2013, which established the National Counter Terrorism Authority (the NACTA) as Pakistan's anti-terrorism institution mandated with developing a national counter-terrorism plan, coordinating the work of all institutions involved in internal security and liaising with international counter-terrorism agencies;

- the Investigations for Fair Trials Act 2013, which introduced new evidence rules, permitting the surveillance of emails, phone calls and SMSs of suspects under a warrant of the High Court;

- the First and Second Amendments to the Anti-Terrorism Act 2013, which expanded the definition of terrorism to include intimidating the business community and created new anti-terrorism courts in Karachi;

- the First and Second Amendments to the Anti-Terrorism Act 2014, which allowed the Government to publish lists of organisations or individuals who are suspected to be involved in terrorism, owned or controlled, directly or indirectly by a terrorist organisation or acting on behalf of a terrorist group. Where an organisation or individual is involved in terrorist activities, the amendments set out the various measures that may be taken against them by the Government; and

- as part of the implementation of NAP, the 21st Amendment to the Constitution and amendment to the Army Act of 1952, both passed by Parliament in January 2015, allow military tribunals to try civilians accused of belonging to "a terrorist group or organisation using the name of religion or a sect" carrying out acts of violence and terrorism.

In addition to legislative changes, in February 2014, the previous Government that remained in power until 31 May 2018 announced its National Internal Security Policy 2014-2018 (NISP 2014) that set out its four-year plan to improve the security situation in Pakistan. Under the supervision of the NACTA, NISP 2014 provided for: (i) dialogue with anti-state groups to resolve disputes, (ii) isolation of terrorists from their social and financial support systems and (iii) improvement of the resources available to the security forces to effectively prevent terrorist attacks.

NISP 2014 was followed by the National Internal Security Policy 2018-2023 (NISP 2018). NISP 2018 builds on NISP 2014, incorporates the lessons learnt during the implementation of the NAP and proposes a way forward based on the current situation in Pakistan. NISP 2018 envisions a peaceful, democratic and inclusive society forged by the promotion of the rule of law, inclusive growth, political stability and respect for diversity. It, therefore, sets forth establishing the rule of law, the creation of a shared vision, providing social justice and ensuring political stability as its strategic goals and objectives.

As a result of the implementation of NISP 2014, NISP 2018, NAP and the military operations of Zarb-e-Azab and Radd-ul-Fasad, there has been a significant reduction in the number of terrorist incidents reported in the country, as the following table from the National Counter Terrorism Authority of Pakistan demonstrates:

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of incidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,571</td>
</tr>
<tr>
<td>Year</td>
<td>Number</td>
</tr>
<tr>
<td>------</td>
<td>--------</td>
</tr>
<tr>
<td>2014</td>
<td>1,816</td>
</tr>
<tr>
<td>2015</td>
<td>1,139</td>
</tr>
<tr>
<td>2016</td>
<td>785</td>
</tr>
<tr>
<td>2017</td>
<td>741</td>
</tr>
<tr>
<td>2018</td>
<td>584</td>
</tr>
<tr>
<td>2019</td>
<td>482</td>
</tr>
</tbody>
</table>

The National Counter Terrorism Authority figures indicate that the total number of terrorist attacks in Pakistan decreased by 17.5 per cent in 2019 year-on-year and the total number of deaths decreased by 22.2 per cent over the same period. Similarly, the Global Terrorism Index, 2020 acknowledges Pakistan's decrease in terrorist activities in 2019 as compared to 2018. Deaths from terrorist attacks decreased from 543 in 2018 to 300 in 2019. The number of deaths from terrorist attacks in 2019 was 87 per cent lower than during the peak year of 2013 while the number of terrorist incidents in 2019 was 86 per cent lower than in 2013.

The significant reduction in terrorist incidents demonstrates the success of Pakistan's armed forces in the fight against extremism. The improvement in the security situation can only have a positive impact on the economy.

### Significant Litigation

On 29 July 1993, BHP Minerals (BHP) and the Balochistan Development Authority signed the Chagai Hills Exploration Joint Venture Agreement (CHEJVA). Subsequently, on 23 November 2006, Tethyan Copper Company Pty Limited (TCC) purchased BHP's interests in CHEJVA for U.S.$240 million and became a party to CHEJVA pursuant to a novation agreement with BHP and the government of Balochistan.

On 26 August 2011, TCC applied for a mining lease, which was rejected by the Licensing Authority on 15 November 2011. Shortly thereafter, on 12 December 2011, TCC instituted proceedings (i) before the International Centre for Settlement of Investment Disputes (ICSID) with respect to alleged violations by Pakistan of Australia-Pakistan Bilateral Investment Treaty (BIT), 1997 and (ii) before International Chamber of Commerce (ICC) for alleged breach by Balochistan of its contractual obligations under CHEJVA. ICSID commenced proceedings on this dispute, but ICC tribunal stayed its proceedings in deference to the ICSID proceedings.

On 6 November 2011, a petition was filed before the Supreme Court of Pakistan asking it to order the government of Balochistan "to refrain from issuing a mining licence in an arbitrary and unlawful manner". On 6 January 2013, the Supreme Court of Pakistan held CHEJVA to be void *ab initio*.

On 12 February 2016, the ICSID tribunal issued a Draft Decision on jurisdiction and liability and held that (i) it has jurisdiction over TCC's claims, (ii) TCC has made an investment in Pakistan and (iii) Pakistan's actions, including the judgment by the Supreme Court of Pakistan, had amounted to expropriation of TCC's investment and Pakistan had breached its BIT obligations. Subsequently, on 12 July 2019, the ICSID tribunal gave an award (ICSID Award) of U.S.$5,894 million plus interest and damages against Pakistan to TCC, against a claim by TCC of U.S.$11.2 billion in costs, damages and lost profits.

Shortly thereafter, TCC initiated proceedings for the enforcement of the ICSID Award in several jurisdictions, including Australia, the U.S. and the U.K. (British Virgin Islands). Contemporaneously, Pakistan challenged the ICSID Award by initiating proceedings before ICSID for the annulment of the ICSID Award. The ICSID tribunal handling such annulment proceedings imposed a stay on 50 per cent of the ICSID Award amount, but allowed enforcement proceedings to continue with respect to the remaining half of the ICSID Award amount. At present, Pakistan is contesting the enforcement proceedings and TCC is resisting the annulment of the ICSID Award.

On 10 March 2021, Pakistan made an application to the ICSID for the revision of the ICSID Award on the grounds of certain new facts which, if known at the time of the original proceedings, would have had a material bearing on the findings of the ICSID tribunal. Upon registration of the application, which is expected to be a formality that takes only a few days to process, there is expected to be an automatic stay on enforcement of
the ICSID Award subject to confirmation at a later stage. The stay is expected to result in suspension of all enforcement proceedings initiated by TCC and also of the annulment proceedings initiated by Pakistan.

After the announcement of the ICSID Award, ICC tribunal re-initiated its proceedings. Balochistan applied to present certain evidence, but the tribunal denied that application. Balochistan challenged that decision in the UK High Court and the proceedings on this matter are currently ongoing.
OVERVIEW OF PAKISTAN'S ECONOMY

Overview

According to the World Bank, in 2019 Pakistan's economy was the twenty-fourth largest in the world in terms of GDP measured at purchasing power parity and the forty-third largest in terms of nominal GDP. Pakistan is a rapidly developing country. In PwC's February 2017 report "The World in 2050; The Long View; How will the global economic order change by 2050?", Pakistan is projected to become the 16th largest economy in the world by 2050 (in terms of projected GDP rankings measured at purchasing power parity).

Pakistan's economy is semi-industrialised, with centres of growth along the Indus River, in Karachi and in major urban centres in the Punjab. The most prominent large-scale industries of Pakistan are textile, cement, food and beverages, petroleum, steel, non-metallic minerals, automobiles, fertiliser, pharmaceuticals, paper, electronics, chemicals, leather, wood, engineering and rubber. Pakistan is one of the major producers of cotton in the world and cotton textile production and apparel manufacturing are Pakistan's largest industries. During the last couple of years, Pakistan has also made progress in strengthening the performance of other industries. These include automobiles, fertilisers, pharmaceuticals, steel, chemicals and cement.

According to the report prepared by a staff team of the IMF for the IMF Board's consideration on 16 April 2020, prior to the COVID-19 pandemic, external imbalances in Pakistan had been significantly reduced and the economy was poised to strengthen. Growth was projected at 2.4 per cent in fiscal year 2020, accelerating to 3 per cent in fiscal year 2021. The current account deficit was expected to narrow to 2.2 per cent of GDP from 4.9 per cent of GDP in the previous year, with reserves topping U.S.$12.5 billion (equating to 2.5 months' worth of imports). The fiscal performance was strong until December 2019, with a primary surplus of 0.7 per cent of GDP. The COVID-19 related shock, however, altered the near-term outlook as the virus began spreading rapidly, stressing a weak health system, and the containment measures started to adversely affect the economy. As a result of the COVID-19 outbreak, in April 2020, it became clear that growth was expected to contract sharply as the economy was adversely affected by demand and supply shocks. Exports and remittances were expected to decline sharply, which together with a temporary loss of market access created an urgent balance of payments need. In addition, public finances were expected to come under significant pressure from the sudden increase in health- and mitigation-related expenditures as well as the decline in tax revenues.

The first case of COVID-19 in Pakistan was reported on 27 February 2020. The national lockdown was imposed by the authorities in the second half of March 2020 and remained in place until May 2020. By 2 June 2020, 76,398 cases with 1,621 deaths were reported in Pakistan. In the middle of the first wave of the COVID-19 outbreak in Pakistan, the Sub-committee of the National Coordination Committee for COVID-19 prepared an impact assessment of COVID-19 on the real sector of the economy, which, according to this assessment, was expected to contract by 0.4 per cent in fiscal year 2019-20 as compared to an earlier projection of 3.3 per cent growth. In April 2020, exports and imports decreased (year-on-year) by almost 54 per cent and 32 per cent, respectively. While the decline in exports largely reflected lower external demand as well as low production activity domestically, the decline in imports most likely reflected low retail and wholesale trade. Similarly, sharp declines in tax collections and sales of automobiles, cement and petroleum products also indicated an across-the-board economic slowdown. In terms of the sectoral breakdown of GDP, the industrial and services sectors were particularly hard hit. In the first wave of COVID-19 (March-July 2020), approximately 37 per cent of the working population of Pakistan, or 20.6 million people, either lost their jobs or could not work due to the lockdown and another 12 per cent of the working population, or 6.7 million people, experienced a decrease in their incomes. Sindh was the most affected province, in which the working population was reduced to 23 per cent during the April to July 2020 period, as compared to 38 per cent before the outbreak of COVID-19, followed by Punjab with a 14 per cent decrease in the working population.

The first wave of COVID-19 reached its peak in June 2020, after which the number of cases began to decrease. The second wave of COVID-19 commenced in late October 2020. By 19 March 2021, the number of confirmed cases of COVID-19 in Pakistan reached 619,259 (with 578,314 recoveries and 13,757 reported deaths from COVID-19).

Pakistan's currency is the Rupee and its fiscal year runs from 1 July to 30 June.
Pakistan's economy has three principal sectors: services (61.4 per cent of GDP according to provisional data for 2019-20), industrial (19.3 per cent of GDP according to provisional data for 2019-20) and agricultural (19.3 per cent of GDP according to provisional data for 2019-20).

Pakistan's principal export destinations are the United States, China, the United Kingdom, Germany, the United Arab Emirates, Afghanistan, Spain, Bangladesh and Italy. According to data from the Pakistan Bureau of Statistics, in 2019-20, Pakistan's exports were U.S.$21.4 billion, principally in the form of textiles (including knitwear, ready-made garments, bed wear and cotton cloth) and rice. Pakistan's principal imports are from China, the United Arab Emirates, Singapore, the United States, Qatar and Saudi Arabia. According to data from the Pakistan Bureau of Statistics, in 2019-20, Pakistan's imports were U.S.$44.6 billion, principally in the form of machinery, petroleum products and petroleum crude, consumer durables, plastics, edible oils and other foodstuffs.

The last five fiscal years have seen an average GDP growth of 3.4 per cent; GDP growth stood at negative 0.4 per cent in 2019-20, 1.9 per cent in 2018-19, 5.5 per cent in 2017-18, 5.2 per cent in 2016-17 and 4.6 per cent in 2015-16. The provisional GDP growth rate for fiscal year 2019-20 is estimated at negative 0.4 per cent, principally due to the adverse impact of the COVID-19 pandemic, with 2.7 per cent growth for agriculture more than offset by the negative 2.6 per cent growth for industry and negative 0.6 per cent growth for services.

The growth prior to the fiscal year 2018-19 can be characterised as a consumption-led growth. The unplanned borrowing from different sources increased both private and public consumption resulting in higher debt repayment liabilities, which created severe macroeconomic imbalances. Investment did not pick up as higher demand was met primarily through imports leading to an enormous rise in external imbalances. Furthermore, the work on "early harvest" CPEC infrastructure and power projects also led to an increase in development spending as well as in imports. The persistence of large fiscal and current account deficits and associated build-up of public and external debt became the major source of macroeconomic imbalance. The new Government elected in July 2018 faced formidable macroeconomic challenges. The foremost challenge to the economy was the rising aggregate demand without corresponding resources to support it, leading to rising fiscal and external account deficits. To address the issue of severe macroeconomic instability and to put the economy on the path of sustained growth and stability, the Government has introduced a comprehensive set of economic and structural reform measures.

The Government has increased energy tariffs to stop further accumulation of circular debt, reduced imports through regulatory duties and removed certain tax relaxations given in the previous budget in order to stop the deterioration in the primary balance. Although such decisions have not been popular, the Government has sought to focus on a policy of economic stabilisation. An agreement has been negotiated with the IMF with respect to the Extended Fund Facility for achieving macroeconomic stability.

As the new fiscal year 2019-20 started, the Pakistani economy started to witness a turnaround that confirmed that the Government has taken appropriate policy actions to address the macroeconomic imbalances. The stabilisation efforts paid off in terms of sustained adjustment in the current account deficit and the primary deficit. The current account posted a surplus in October 2019 for the first time in 48 months. Similarly, the Government was able to achieve a primary surplus of Rupees 286 billion in the first quarter of 2019-20.

The outbreak of COVID-19 during the second half of fiscal year 2019-20 brought numerous challenges for the economy that was in transition. Similar to the rest of the world, Pakistan's economy has been adversely affected by the COVID-19 outbreak, which resulted in, among other things, decline in domestic and global demand, downturn in tourism and business travel, disruption of trade and production links and supply disruptions. To support the economy, the Government announced a Rupees 1.24 trillion relief package at the end of March 2020. The SBP has also taken various steps, including the cumulative reduction in policy rate since mid-March 2020 by 625 basis point to 7 per cent, refinancing schemes for medical centres and various incentives for export-oriented industries.

In the fiscal year 2020-21, the key domestic demand indicators are showing significant improvements, particularly with respect to the domestic sale of petroleum products, automobiles and cement, all of which have reached or surpassed the pre-COVID-19 levels. Domestic sales of cement have reached the highest ever
level in October 2020. The sale of automobiles, which were significantly down for a period of 20 months, have witnessed a broad-based recovery on a year-on-year basis since July 2020. The electricity sales have also recovered since June 2020 after witnessing a decline during the March to May 2020 period. With respect to the supply-side indicators, the performance of the manufacturing and agriculture sectors also indicates a revival of economic activity. During the July 2020 to January 2021 period, large-scale manufacturing (LSM) grew by 7.9 per cent as compared to a 3.4 per cent decline in the July 2019 to January 2020 period, in large part due to various measures taken by the Government to support the industrial sector. This improvement was due to better performance of some of the key sectors of LSM, such as non-metallic mineral products; food, beverages and tobacco; automobiles; pharmaceuticals and chemicals. Eight out of 15 LSM industries recorded year-on-year positive growth during the July 2020 to January 2021 period as compared to the July 2019 to January 2020 period. In addition, major kharif crops, except cotton, demonstrated encouraging performance. The increase in agricultural output is expected to further strengthen the overall economic outlook because of the linkages of this sector with agriculture-based and export-oriented businesses.

**Major Economic Indicators**

The following table sets out major economic indicators for the past five years:

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal GDP at market prices (Rupees million)</td>
<td>29,075,633</td>
<td>31,922,303</td>
<td>34,616,302</td>
<td>37,972,310</td>
<td>41,726,683(1)</td>
</tr>
<tr>
<td>GNI at current market prices (Rupees million)</td>
<td>30,858,493</td>
<td>33,665,946</td>
<td>36,462,453</td>
<td>40,526,341</td>
<td>44,690,632(1)</td>
</tr>
<tr>
<td>GDP at constant basic prices of 2005-2006 (Rupees million)</td>
<td>11,116,802</td>
<td>11,696,934</td>
<td>12,344,266</td>
<td>12,580,174</td>
<td>12,531,790(1)</td>
</tr>
<tr>
<td>GDP growth at constant basic prices of 2005-2006 (%)</td>
<td>4.6</td>
<td>5.2</td>
<td>5.5</td>
<td>1.9</td>
<td>(0.4)(1)</td>
</tr>
<tr>
<td>Per capita income at factor cost market prices (Rupees)</td>
<td>159,426</td>
<td>170,672</td>
<td>181,441</td>
<td>198,028</td>
<td>214,539(1)</td>
</tr>
<tr>
<td>Per capita GNI (U.S.$)</td>
<td>1,529</td>
<td>1,630</td>
<td>1,652</td>
<td>1,455</td>
<td>1,355(1)</td>
</tr>
<tr>
<td>Exports (U.S.$ million) (BoP)</td>
<td>21,972</td>
<td>22,003</td>
<td>24,768</td>
<td>24,257</td>
<td>22,507</td>
</tr>
<tr>
<td>Imports (U.S.$ million) (BoP)</td>
<td>41,118</td>
<td>48,001</td>
<td>55,671</td>
<td>51,869</td>
<td>42,417</td>
</tr>
<tr>
<td>Balance of trade (U.S.$ million)</td>
<td>(19,146)</td>
<td>(25,998)</td>
<td>(30,903)</td>
<td>(27,612)</td>
<td>(19,910)</td>
</tr>
<tr>
<td>Workers’ remittances (U.S.$ million)</td>
<td>19,917</td>
<td>19,351</td>
<td>19,914</td>
<td>21,739</td>
<td>23,132</td>
</tr>
<tr>
<td>Current account balance (U.S.$ million)</td>
<td>(4,961)</td>
<td>(12,270)</td>
<td>(19,195)</td>
<td>(13,434)</td>
<td>(2,970)</td>
</tr>
<tr>
<td>Current account balance (as % of GDP)</td>
<td>(1.7)</td>
<td>(4.0)</td>
<td>(6.1)</td>
<td>(4.8)</td>
<td>(1.1)(1)</td>
</tr>
<tr>
<td>Overall fiscal deficit (as % of GDP)</td>
<td>(4.6)</td>
<td>(5.8)</td>
<td>(6.5)</td>
<td>(9.1)</td>
<td>(8.1)(1)</td>
</tr>
<tr>
<td>Average inflation (%)</td>
<td>2.9</td>
<td>4.8(2)</td>
<td>4.7(2)</td>
<td>6.8(2)</td>
<td>10.7(2)</td>
</tr>
<tr>
<td>Total investment at current market prices (as % of GDP)</td>
<td>15.7</td>
<td>16.2</td>
<td>17.3</td>
<td>15.6</td>
<td>15.4(1)</td>
</tr>
<tr>
<td>Household final consumption expenditure at current prices (Rupees million)</td>
<td>23,266,454</td>
<td>26,148,647</td>
<td>28,400,347</td>
<td>31,461,033</td>
<td>32,764,751(1)</td>
</tr>
<tr>
<td>National savings (as % of GDP)</td>
<td>13.9</td>
<td>12.0</td>
<td>11.3</td>
<td>10.8</td>
<td>13.9(1)</td>
</tr>
</tbody>
</table>

(1) Provisional.

Economic Reform Programme and Key Policy Objectives

Comprehensive Economic Recovery Programme

The new Government elected in July 2018 developed a comprehensive economic recovery programme and negotiated a new agreement with the IMF with respect to the Extended Fund Facility for achieving macroeconomic stability to support the Government's economic programme. On 3 July 2019, the IMF Board approved a 39-month extended arrangement under the Extended Fund Facility for Pakistan for an amount of SDR4.268 million (approximately U.S.$6 billion) to support Pakistan's economic reform programme. This programme aimed to increase tax revenues by 4 to 5 per cent of GDP to reduce the large budget deficit and ensure debt sustainability while generating the resources needed to expand productive government spending in health, education and social support. Moreover, the Government planned to address other structural challenges through upfront efforts and a well-designed structural reform agenda, including: institution building, aiming to make reforms permanent and avoid the recurrent policy slippages of the past and social protection to strengthen the social safety nets.

Prudent monetary and fiscal policies that were part of the Government's comprehensive economic recovery programme, supported by the IMF's Extended Fund Facility, helped the economy to move along the stabilisation path during the first eight months of fiscal year 2019-20. However, just as early signs of this recovery were beginning to emerge, the global and domestic spread of COVID-19 and ensuing containment measures adversely affected the economy. Manufacturing, retail, transport and trade-related activities were disrupted, causing a severe contraction in real GDP growth.

Emergency Actions to Mitigate the Impact of the COVID-19 Pandemic

The Government has taken a number of emergency actions to contain the severe health risks and economic fall-out resulting from the COVID-19 pandemic. On 24 March 2020, the Prime Minister announced a comprehensive fiscal package structured by the Ministry of Finance that was aimed at supporting growth and protecting those most affected by the containment measures. The package, amounting to Rupees 1,240 billion, contained: (i) sizeable increases in health- and mitigation-related spending; (ii) significant allocations to support daily wage earners and exporters; (iii) funding for free shelter rations; (iv) allocations for subsidised food items and (v) support for small and medium enterprises and agriculture. Of this amount, Rupees 700 billion was spent in the fiscal year 2019-20. The balance of Rupees 540 billion became available to be spent on the relief measures in the fiscal year 2020-21 and Rupees 147 billion were spent on various relief measures by the end of January 2020.

The Government also launched under Ehsaas an Emergency Cash Programme aimed at providing immediate financial support to 14.8 million of the most vulnerable families.

At the same time, the SBP arranged multiple emergency meetings of the Monetary Policy Committee (MPC) to take frequent stock of the fast evolving situation and make decisions accordingly. The MPC cut the policy rate by 625 basis points from 17 March 2020 to 25 June 2020, which not only favourably repriced most of the existing loans by the private sector, but also made borrowing viable for firms that would otherwise have been priced out due to high interest rates and weakened profitability. The SBP also rolled out multiple new schemes, including the deferment of principal repayments, subsidised financing for firms to pay salaries to their employees, relaxations in operational criteria for export-related refinance schemes and concessionary refinance facilities for investment projects and hospitals. Businesses have shown a keen interest in these financing schemes and actively used them to plug their cash flow gaps. Put together, the estimated liquidity impact of the SBP's relief measures commenced in March 2020 was equivalent to 4.8 per cent of GDP as at 25 February 2021.

Key Policies for the Post-COVID Period

Progress on some of the reforms, including the Government's comprehensive economic recovery programme, was temporarily interrupted by the more pressing economic and social concerns emanating from the COVID-19-related lockdowns, which required immediate policy attention. This progress needs to be put back on track,
and further reforms need to be initiated, to take the economy on a sustainable growth path. In this context, the following policies are particularly important.

First, a more sustainable solution to correct the country's fiscal vulnerabilities is needed, which requires more than just increasing tax rates. Documentation, reducing informality and harmonising the tax regime are all required to broaden the tax base and reduce reliance on non-tax revenues. Though exemptions and concessions in some sectors were phased out in the fiscal year 2019-20 budget, they still prevail in other sectors and contribute to below-potential revenue collections. Simplification and harmonisation of the tax base and rates for agricultural income tax and sales tax on services are also on the unfinished reforms agenda. To make notable progress in these areas, strong coordination is needed between the federal and the provincial governments. Tax enforcement also needs to be strengthened by tightening risk-based auditing and strengthening data cross-checks through computerised national identity cards, third-party data and/or point of sales information. At the same time, concerted efforts are needed to provide assistance to businesses through simplifying tax filing and accelerating the payment of refunds.

Second, pricing and governance problems in the power sector need to be addressed as these not only represent significant quasi-fiscal risk, but have also dented the competitiveness of the economy. The Government had devised a comprehensive strategy at the start of the fiscal year 2019-20 to improve the viability of the power sector and ensure a sustained decline in accumulated arrears. This strategy included a Circular Debt Reduction Plan, adopting amendments in the NEPRA Act to ensure that tariff revisions and notifications occur automatically, improving collections and subsidy right sizing. Further, infrastructure investment to reduce technical losses, anti-theft drives and upward tariff adjustments during the early months of the fiscal year 2019-20 had helped to stop the growth in arrears. However, the postponement of tariff adjustments for monthly fuel and quarterly capacity payments since January 2020 and payment deferrals from March 2020 onwards diminished the impact of these initial gains. While the implementation of these adjustments would help correct immediate payment shortfalls, the long-term solution to the pricing issues (especially with respect to capacity payments) is more likely to be influenced by how the prospective revisions in the power purchase agreements with the independent power projects roll out. Furthermore, a substantive progress on the distribution companies' governance, the streamlining of tariff adjustments and the upgrade of transmission and distribution infrastructure are expected to remain key to improving the overall viability of the power sector.

Third, Pakistan's progress on the Financial Action Task Force (FATF) front is expected to be crucial from the foreign investors' confidence perspective. Several capacity development providers have been engaged to enhance the country's capacity with respect to anti-money laundering and terrorism financing. As noted in the FATF's February 2021 plenary session, Pakistan has largely addressed 24 of 27 action items. In addition, the country was considered to be partially compliant with the remaining items and the Government continues work on these items. The adoption of the required anti-money laundering and countering financing of terrorism (AML/CFT)-related amendments in Pakistan's legal framework – especially the Anti-Money Laundering Act and the Anti-Terrorism Act – by Parliament has been a major step forward for the country. Accordingly, various regulators, including the SBP, SECP and self-regulatory bodies have issued their updated AML/CFT regulations. See "– Principal Sectors of the Economy – Services Sector – Financial Services – Anti-Corruption and Anti-Money Laundering”.

Fourth, consistent efforts are needed to consolidate the improvement in the country's financing landscape in order to promote investment, competition, businesses' growth and overall productivity. Creation of a secured transaction registry, licences issued to private credit bureaus and widespread adoption of digital financial services are all very useful with respect to improving credit penetration and overall access to finance, especially for small- and medium-sized enterprises. Moreover, the increased focus on low-cost housing and affordable mortgages is expected to help deepen financial penetration and positively affect construction-related industries.

**Fiscal Policy**

The key pillar of the Government's fiscal strategy is to generate the revenue resources to support human capital development, while ensuring debt sustainability. The Government aims to increase its tax revenue by 4 to 5 per cent of GDP and targets a cumulative fiscal primary adjustment of 4.5 per cent of GDP by fiscal year 2022-
23, bringing the overall deficit in compliance with the Fiscal Responsibility and Debt Limitation Act (FRDLA) and the country’s debt on a firmly downward trajectory. This is important to strengthen economic resilience against market volatility and allow more resources to be allocated to the private sector at lower cost. At the same time, this is expected to create fiscal space for much-needed priority spending on health, education, infrastructure, and targeted programmes for social protection.

The adoption of the budget for the fiscal year 2019-20 has been a critical step to kick-start fiscal consolidation and enhance debt sustainability. The budget targeted a primary fiscal adjustment of 1.2 per cent of GDP, mostly through high-quality revenue measures aimed at broadening the tax base, including through (i) eliminating certain exemptions and preferential tax rates; (ii) enhancing the sales tax on petroleum products; (iii) lowering personal income tax thresholds and (iv) rationalising certain income tax credits and incentives. The budget for fiscal year 2020-21 targets a primary fiscal deficit of 0.5 per cent of GDP.

Beyond the fiscal year 2020-21, the Government's fiscal consolidation strategy is aiming to return Pakistan toward its commitments under the FRDLA. Given Pakistan's still low tax ratio (at 11.4 per cent of GDP in 2019-20), the adjustment strategy will be primarily revenue-based, designed to achieve a 4 to 5 percentage points of GDP increase in tax revenues by the end of the programme. While some tax rate increases might be unavoidable, the tax policy and administration strategy will centre on maintaining a low tax rate with a broad tax base. The specific measures include:

- **Tax policy reform** aimed at simplifying collection and broadening the tax base. These will embrace: (i) harmonising and coordinating inter-provincial general sales tax (GST) and eliminating all, but for basic foods and medicines, GST exemptions and preferential rates; (ii) over time, transforming the GST into a broad-based VAT; (iii) further strengthening taxation on agricultural turnover or income by provinces; (iv) raising the upper-end of the personal income tax (PIT) structure; (v) eliminating PIT tax credits and deductions for the higher income slabs; (vi) ensuring equivalent taxation of all sources of income; (vii) eliminating distortionary withholding taxes and (viii) implementing real estate taxation.

- **Tax administration reform** will be crucial to collect taxes broadly and fairly. Given the fragmented nature of the Government's tax administration, the Government plans to create a new semi-independent national tax authority to collect the main revenue sources. The Government has also reversed recent legal provisions that limit the use of tax audits. Other tax administration measures may include: (i) implementing a full, risk-based audit framework; (ii) increasing legal penalties for tax non-compliance and (iii) issuing licences for the track-and-trace system for excises on cigarettes and then implementing the system. Moreover, the Government intends not to grant further tax amnesties.

Other components of the fiscal consolidation strategy include:

- **Modernisation of the public finance management framework.** The Government has adopted a budget law that seeks to minimise variance in budget authorisations during the year, which shall also require ex-post parliamentary approval, restrict virements, expanding the content of annual budget statements, defining accounting standards and providing the legal basis for a well-defined cash management system and establishment of a treasury single account.

- **Elimination of the legal authorisation for the executive to grant tax exemptions/concessions through Statutory Regulatory Orders (SROs) without prior National Assembly approval.** The Government understands that the use of SROs needs to be subject to greater scrutiny and limited discretion. To that end, the Government has adopted the necessary revisions and amendments to the various relevant tax ordinances to further limit or eliminate the use of SROs to genuine emergencies, in line with best international practices. In the meantime, the Government intends to refrain from issuing any SROs reducing the GST rate below 17 per cent on petroleum products.

- **Enforcement of fiscal discipline.** This is expected to include strengthening the enforcement mechanism of the FRDLA through aligning the annual report presented by the Minister of Finance to the National Assembly with the content and analysis prescribed in the FRDLA. In addition, the
Government plans to expand the capacity of the Ministry of Finance for macro-fiscal work. Moreover, proper identification and monitoring of fiscal risks from SOEs, PPPs, IPPs and development projects will be strengthened through the establishment of a fiscal risk unit in the Ministry of Finance, which will work in coordination with the PPP Authority.

- Building a strong PPP framework. The Government is aware that PPP projects, while bringing great benefits, can also be the source of important risks. Thus, the Government is committed to strengthening the PPP legal framework. To this end, the Government is conducting a legal analysis of the current system to determine if amendments to the PPP law are required or, alternatively, whether enacting secondary legislation is sufficient, drawing on the expertise of the Government's development partners. The Government also plans to make sure that proposed financial vehicles, such as the Pakistan Infrastructure Bank, are created in line with best international governance standards.

- Improving cash and debt management. The Government plans to create a Treasury office that would conduct sound commitment controls and cash management, closely coordinating with the debt management unit. The Government also intends to strengthen the debt management office and to ensure greater coordination across the different relevant units. Elements of this strategy will include centralising the issuance and management of public debt and developing a new Medium-Term Debt Strategy. To support the Government's consolidation efforts and reduce its financing requirements, the Government intends to lengthen the maturity profile of public debt and to introduce new market instruments to widen the investors' base, while also transparently accounting for all borrowing and contingent liabilities. The Government intends to ensure that any collateralised public external debt or external arrears would be properly accounted.

Fiscal consolidation and revenue expansion by the provinces are expected to be a key component of the Government's fiscal strategy. The fiscal adjustment strategy would imply large provincial surpluses. Therefore, the Government has signed a formal written agreement with the provinces on the fiscal strategy and the required provincial surpluses, including revenue and fiscal surplus targets by province for the fiscal year 2019-20, and implications in case of missed targets. This agreement has been made public to ensure accountability and to measure progress and performance. Progress toward these goals will be assessed in quarterly meetings of the Fiscal Coordination Committee, and the Government aims to strengthen the Fiscal Coordination Committee's legal basis to make its decisions binding.

To rebalance inter-governmental relationships, in the context of the ongoing NFC, the Government has engaged with provinces with a view to making progress on the following measures:

- Passing on additional spending responsibilities from the federal government to provincial governments, including additional contributions for higher education, health, social protection, agricultural subsidies and regional public infrastructure investment.

- Creating a jointly funded contingency fund for economic shocks and natural disasters, to reduce federal/provincial structural fiscal imbalances.

- The provinces will take steps to increase their own tax-collection efforts in sales tax on services, property tax and agricultural income tax and to harmonise their tax systems to eliminate fragmentation.

- Reducing the scope of the divisible pool in the context of the ongoing NFC Award. Reforming the revenue-sharing formula to improve inter-provincial equity for better horizontal equity.

**Monetary and Exchange Policies**

Monetary policy is expected to be focused on gradually reducing and keeping inflation low and stable, in line with the Government's medium-term objective. To support this goal, the SBP is committed to: (i) maintaining a flexible market-determined exchange rate; (ii) further strengthening its monetary policy formulation and operational frameworks and (iii) improving communication with the general public and markets to better guide their decisions and inflation expectations.
The SBP believes that the flexible market-determined exchange rate introduced in May 2019 has helped to modernise the foreign exchange regime and the functioning of financial markets and has contributed to a better allocation of resources in the economy. It has also helped to reduce accumulated external imbalances, provide a buffer against shocks and support the rebuilding of the country’s international reserves position. Under the flexible market-determined exchange rate, the SBP interventions in the foreign exchange market are limited to preventing disorderly market conditions, but not suppressing the trend.

Monetary policy is expected to remain appropriately tight to shore up confidence and help to reach the inflation objective. The SBP intends to keep the real policy rates consistent with its inflation objective. If inflationary pressures persist, including from the balance of payments, the Government intends to tighten monetary policy proactively, keeping a tight control on monetary aggregates.

To support the SBP in achieving its monetary policy objectives, the Government ended the practice of central bank financing of budget deficits and stopped borrowing from the SBP in July 2019. The Government's programme eliminates any further direct financing of the budget by the SBP, including via purchases of Government papers in the primary market. The Government also targets a reduction of the SBP stock of net Government budgetary borrowing gradually over time. Furthermore, and to support debt sustainability and avoid crowding out of private credit, the Government has launched a liability management operation of the stock of Government credit held by the SBP to transform it into short- and long-term tradeable instruments at various maturities (one, three, five, and ten years) and at interest rates close to market levels agreed with the SBP.

The Government has recently prepared amendments to the State Bank of Pakistan Act to address recommendations of the 2019 Safeguards Assessment Report, including: (i) setting domestic price stability as a primary objective; (ii) prohibiting monetary financing of the public sector debt; (iii) removing quasi-fiscal operations following a phase-out period; (iv) establishing statutory mechanisms for sufficient capitalisation and profit retention; (v) securing stronger protection of the personal autonomy of senior officials; (vi) enacting statutory underpinnings for external auditors, the audit committee and the internal audit function; (vii) enhancing collegial decision-making at the executive management level and (viii) providing stronger oversight by the board of the SBP.

The Government intends to phase out the administrative measures imposed to support the balance of payments. These measures include regulatory duties on imported intermediate, consumer and luxury goods, as well as import restrictions for balance of payments purposes and multiple currency practices in the form of: (i) a requirement to fully pre-fund letters of credit, imposed in early 2017 and (ii) restrictions on advance payment for imports against letters of credit, imposed in July 2018. These restrictions have already been relaxed in part. The Government is committed to phasing these measures out completely as the balance of payments stabilises.

Strengthening financial sector resilience is key to enhancing macroeconomic stability. The SBP closely monitors and performs the risk assessment of the banking sector and individual institutions, particularly the potential impact on asset quality and individual banks' capitalisation and seeks to ensure that all banks are well capitalised. In particular, the SBP engages with any undercapitalised banks to ensure compliance with capital requirements. The SBP asked all small, undercapitalised banks to submit plans on how they will ensure compliance with capital requirements, including through mergers or sales to new private investors. The banks have submitted their plans to the SBP. Failure to implement these plans will result in SBP’s intervention and resolution under the relevant provisions of law.

To this end, the Government proceeded with the liquidation of one small state-owned bank in September 2019 and included another small state-owned bank in the Government's privatisation list. The Government also recognises the need to address gaps in the bank resolution and crisis management frameworks, including the deposit insurance scheme, and intends to strengthen and modernise resolution frameworks.
Energy Sector Policies

The Government intends to launch a comprehensive energy sector reform. The strategy aims to address longstanding inefficiencies that hinder production and the provision of services to households and businesses. Ultimately, a more efficient energy sector will help support Pakistan's growth potential.

The power sector remains subject to significant challenges. These include sizeable losses and insufficient collections as well as weak governance and regulatory deficiencies. These gaps translate into distortions and losses and the accumulation of cash flow shortfalls, or circular debt.

With circular debt reaching approximately Rupees 2.3 trillion as at 31 December 2020, the situation in the power sector has become critical, severely impacting Government finances and economic growth. The Government remains committed to eliminating the flow of circular debt over the medium term and, to this end, it has already taken immediate measures, including: (i) ensuring the implementation of quarterly tariff adjustments; (ii) budgeting or eliminating all power sector subsidies and (iii) stepping up enforcement to increase collection of arrears.

The Government has developed a comprehensive Circular Debt Management Plan (CDMP) to guide its reform efforts going forward, which is currently awaiting formal approval by the Economic Coordination Committee. The CDMP has been prepared in consultation with international partners, including World Bank staff. It aims to reduce the annual flow of circular debt from the 2019-20 level of Rupees 538 billion to around Rupees 112 billion by fiscal year 2022-23. Key features of the plan include increased collections by DISCO's (by 5.7 per cent from 2019-2020) and reduction in technical losses (by 2.1 per cent from 2019-2020) through efficiency gains. Collections from government customers are expected to be rationalised and subsidies from the Ministry of Finance, which were frequently delayed in the past, will be on an actual basis and paid according to schedule. The Ministry of Energy has developed a monitoring and management mechanism for the implementation of the plan.

The Government is also taking actions to reduce the stock of power sector arrears. The large stock of power sector arrears represents a significant quasi-fiscal risk, including combined annual debt servicing costs exceeding Rupees 100 billion. In this context, the Government is working with its international partners in the design of a strategy to settle the stock of arrears while limiting the impact on Government finances. Subject to adequate progress in implementing its circular debt plan, the Government intends to take the following steps: first, the Government is absorbing Power Holding Limited (PHL) into its budget, fully recognising the liabilities in PHL as debt of the Government of Pakistan and taking over the servicing of the loans contained in PHL and second, the Government intends to reduce the stock of outstanding payables through the use of power assets privatisation proceeds, recoveries from the outstanding stock of receivables, the existing debt servicing surcharge and the rightsizing of sector-related subsidies.

The Government is also taking steps to improve performance in the gas sector and encourage new investments and the provision of better services. Thus, the Government has implemented or is planning to implement the following measures:

- Adoption of the fiscal year 2019-20 gas tariff adjustment. These new tariffs became effective as of 1 July 2019. The mid-year review or revision in tariff during the third quarter of 2019-20 could not be done due to the effects of the COVID-19 pandemic.

- Reducing unaccounted for gas losses (UFG). The current UFG level of 13 per cent due to commercial and technical losses is significantly above the benchmarks allowed by the Oil and Gas Regulatory Authority. To bring losses down, two state-owned gas companies prepared UFG reduction plans for Government approval. The Economic Coordination Committee has approved the UFG reduction plans prepared by the two gas companies. The 3-year plans envisage an annual 1 to 2 per cent reduction in UFGs to bring their levels in line with the regulator's allowance through, inter alia, improvements in infrastructure, rehabilitation of networks and theft control. The Ministry of Energy (Petroleum Division) has published the *Unaccounted For Gas (UFG) Report FY-2020* on its official website and expects to be able to publish a similar report for the first quarter of 2020-21 in the near future.
• Bringing private sector investment to the gas sector. Private sector participation in the gas sector is key for the development and efficiency of the sector. To encourage private investment, the Government is planning to: (i) integrate the transmission segment of the gas network under one national gas transmission company and to create multiple gas distribution companies (DISCOs) through unbundling the two existing state-owned companies (although the unbundling of Sui Northern Gas Pipelines Ltd and Sui Southern Gas Company Ltd was put on hold in November 2020 until a comprehensive road map for the gas-sector reforms is prepared by the Petroleum Division); (ii) complete the review of the petroleum policy to be approved by the Council of Common Interest aiming to facilitate exploration of new gas and oil fields and establish compliance-based regulations for the sector and (iii) operationalise a third party access agreement through the issuance of a network code whereby the consumers may be able to directly purchase LNG from the terminal.

• Ensuring regular and timely notifications for end-consumer tariffs in the gas sector. Similar to the Government's parallel efforts in power tariffs, the Government proposed changes to the Oil and Gas Regulatory Authority Ordinance, 2002. The proposed changes are expected to eliminate the gap between regular semi-annual tariff determination and notification. The draft bill with these changes first has to be approved by the Cabinet Committee on Disposal of Legislative Cases, after which it can be introduced in Parliament for adoption.

The Government's energy sector reforms include a strategy for protecting lower-income households from the impact of higher energy prices. The Government intends to continue with its programme to insulate from annual tariff increases households consuming 300 units or below, which is close to 70 per cent of all household consumers, through its tariff differential subsidies scheme.

Structural Policies

Structural reforms are a key pillar of the Government's economic programme to realise the full potential of Pakistan's economy. The Government understands that it must take bold measures to create an enabling environment for investment and job creation, strengthen productivity of SOEs and enhance trust in Government.

The Government is committed to improving state-owned enterprises (SOEs) governance, transparency and efficiency to reduce fiscal risks and boost investment and growth. The Government recognises the need for a comprehensive reform of the SOE sector to enhance its financial viability, reduce the fiscal burden and more clearly separate the ownership and regulatory functions of the state. Specific near-term measures include:

• Jump-starting the privatisation process. Privatisation is a key component of the Government's economic programme with a revised strategy to select for privatisation SOEs with minimal operational, financial and human resources issues. The Privatisation Commission is responsible for the implementation of the approved privatisation programme of the Government. The Government has approved the commencement of the privatisation process of various state-owned enterprises, including the privatisation of two newly commissioned LNG power plants at Balloki and Haveli Bahadur; three specialised banks (SME Bank, First Women Bank and House Building Finance Co. Ltd.); two real estate assets (Jinnah Convention Centre in Islamabad and Services International Hotel in Lahore); Pakistan Steel Mills; Heavy Electrical Complex and two power generation companies (Nandipur Power Plant and Guddu Power Plant). The Government has also approved an offering of the Government's residual 18.39 per cent equity stake in Mari Petroleum and a capital markets offering of up to 20 per cent equity stake in Pakistan Re-Insurance, an up to 10 per cent equity stake in Pakistan Petroleum Ltd and an up to 7 per cent equity stake in Oil and Gas Development Company. With respect to the privatisation of two LNG plants, 12 international and domestic parties had been pre-qualified for participation in the bidding process in January 2020. Buyers side due diligence was commenced in February 2020 but still has not been completed due to travel restrictions. With respect to the privatisation of SME Bank, three parties have been pre-qualified and bidding is expected to commence in March 2021 subject to affirmative responses from the pre-qualified bidders. With respect to Jinnah Convention Centre, Services International Hotel, First Women Bank Limited, House Building Finance Company Limited and divestment of an up to 20 per cent equity stake in Pakistan
Re-Insurance, the transaction structures were approved by the Cabinet Committee on Privatisation on 21 August 2020 and duly ratified by the Cabinet on 1 September 2020 for all companies other than House Building Finance Company Limited. With respect to House Building Finance Company Limited, the Cabinet ratified the transaction structure on 1 December 2020. With respect to Heavy Electrical Complex and Pakistan Steel Mills, the transaction structures have been approved by the Cabinet Committee on Privatisation on 16 November 2020 and 24 December 2020, respectively, and duly ratified by the Cabinet on 1 December 2020 and 29 December 2020, respectively. With respect to privatisation of Services International Hotel, investors were invited to participate in the process in September 2020 and six potential investors have already been pre-qualified for the bidding stage. With respect to privatisation of Heavy Electrical Complex, the investors were invited to participate in the process in December 2020 and the pre-qualification stage has not yet been completed. The Privatisation Commission has also been mandated to invite much-needed investment in power distribution companies (DISCOs) through concession and/or management contracts to improve the efficiency and financial sustainability of the DISCOs. The Government intends to follow best practices regarding the process and conditions of privatisations to ensure successful and transparent outcomes. Thereafter, The Government will seek to identify additional companies for privatisation and will consider the possibility of divesting valuable non-core assets of large SOEs.

- **Strengthening monitoring of SOEs.** In the interest of transparency, accountability to taxpayers, and containment of fiscal risks, the Government intends to strengthen monitoring of SOEs. For this purpose, the Government prepared a comprehensive report on SOEs, which consists of the following elements: (i) an overview of the sector during the year, including financial performance; (ii) a full list of the companies owned by the Government, broken down by industry, policy objectives (for example, provision of public services, commercial) and type of ownership (for example, majority or minority-owned, strategic companies); (iii) an overview of how the Government has exercised its ownership policy, including the appointment of board members and organisational and governance arrangements; (iv) the impact of the sector on Government finances (for example, budget transfers received and dividends paid, borrowing/lending from other public entities, state guarantees received) and the economy more broadly; and (v) information on individual companies, including abridged financial statements and indicators of financial performance, a list of board members and auditors and the amount of subsidies received from the budget, if any. This report was prepared by the Finance Division in consultation with the IMF and the World Bank. The report was approved by the Cabinet Committee on SOEs on 20 January 2021 and ratified by the Federal Cabinet on 26 January 2021. Based on this policy document, the Government plans to take expeditious steps for the implementation of the report on Triage of State Owned Enterprises.

- **Increasing SOE transparency.** To further increase transparency, Pakistan International Airlines and Pakistan Steel Mills conducted new audits by reputable international auditors based on financial statements until end-2018. Moreover, the Auditor General of Pakistan completed and published a special audit of Pakistan Railroads based on the fiscal year 2018-19 financial statements.

- **Enhancing the SOE legal framework.** The current SOE legal framework remains quite fragmented. The various applicable laws and rules significantly weaken the governance, supervision and transparency of the sector. In this context, the Government recognises the need to have a clear, coherent and modern legal and regulatory framework that defines the behaviour and role of the state as owner, as a regulator and as a shareholder of SOEs. To this end, the Government intends to introduce a new State-Owned Enterprise Law. Key elements of this law are expected to include: (i) a clear definition of the overall goals and rationale for state ownership; (ii) clear definitions of the roles and responsibilities of the key institutions (ministries, boards, management) and (iii) establishment of performance agreement procedures and responsibilities. A draft of the new law has been prepared in consultation with, among others, the IMF, the World Bank and the Asian Development Bank, and has been submitted for consideration and approval of the Cabinet Committee for Disposal of Legislative Cases. Once approved by this Cabinet Committee, the law will be placed before Parliament.

- **Establishing a holding company.** As part of the Government's broad SOE reform agenda, it has established a holding company to manage SOEs. The objective of this holding company is to increase
the independence and improve the performance of SOEs. However, this holding company (Sarmaya-e-Pakistan Limited) is currently not operational and its role is under review by the Economic Coordination Committee of the Cabinet.

Improving the business environment is expected to encourage private investment, both foreign and domestic, and to support job creation and medium-term growth. In the period ahead, the Government intends to press ahead with several reforms to streamline regulations and procedures and remove obstacles to growth.

To attract new investment and to increase the investment to GDP ratio, the Board of Investment, with support from the International Finance Corporation and the World Bank Group, has prepared the Investment Promotion Strategy for 2020 to 2023 after extensive research, consultations and the review of successful models of national, regional and global investment promotion strategies and their best practices. This strategy has already been launched in several sectors such as textiles, food processing, automobiles, logistics, information technology, housing and tourism.

The Government has already been working on the Ease of Doing Business Initiative for several years and the Board of Investment acts as the lead agency for this initiative. It has been the priority of the incumbent Government to ease out the restrictions affecting SMEs and thereby make the business climate more investor-friendly.

Pakistan improved 39 positions (from 147 to 108 among 190 countries) in the last two years as reflected in the World Bank's Ease of Doing Business Reports. In the Doing Business 2020 report, the enactment of six regulatory reforms has allowed Pakistan to be selected among the world's top 10 business climate improvers.

The Board of Investment has drafted an Action Plan 2022 to further streamline the business processes and improve the business climate in the country. The Action Plan 2022 envisages a number of initiatives, such as bank account opening facility through the SEC's e-service, further reduction of time for, and cost of, getting an electricity connection, online payments of port charges for trading across borders, establishing a notice-based collateral registry, simplifying tax administration and regulations, automating payment of stamp duties, amending regulations for minority investors, and creating awareness on bankruptcy laws.

The Government has launched the Pakistan Regulatory Modernisation Initiative (PRMI) to transform the regulatory landscape across the three tiers of government: federal, provincial and local. PRMI is a comprehensive reform initiative that brings together all provinces, territories and their respective departments to map, simplify, eliminate and automate regulatory landscape to reduce the burden on businesses.

The Government's programme includes important measures to strengthen governance and the control of corruption. The Government's priorities include:

- Strengthening the effectiveness of anti-corruption institutions. A national follow-up committee was established to implement the recommendations from the UNCAC 2017 report. Legislative amendments have been made to allow for criminal liability for legal persons and the protection of whistle-blowers. The Government intends to form a task force to review the institutional framework of its anti-corruption institutions to enhance their independence and effectiveness in investigating and prosecuting corruption cases. In addition, the Government's programme will aim at supporting provinces to strengthen their Anti-corruption Establishments by the provinces reforming their laws to ensure their independence and providing sufficient financial resources. A dedicated anti-money laundering unit in the Federal Investigation Agency responsible for money laundering investigations and prosecutions was established. Upgrading the capacities of law enforcement agencies for financial investigations is expected to be a priority for the Government. The Government is pursuing agreements on international cooperation and information exchange with foreign countries to complement ongoing efforts to trace and recover unlawful assets located abroad. To that end, the Government has created an Asset Recovery Unit at the Prime Minister's Office. The unit, in cooperation with the FBR's International Taxation Unit, is identifying assets abroad that are owned by Pakistani residents, in implementation of the OECD Convention on Mutual Administrative Assistance in Tax Matters.
• Enhancing the use of anti-money laundering tools to support anti-corruption efforts. Leveraging the computerised national identify card system, the Government intends to support financial institutions and other reporting institutions in improving their capacities to identify politically exposed persons and apply enhanced due diligence measures. The Government intends to conduct further outreach to financial institutions and other reporting institutions to improve the quantity and quality of suspicious transaction reporting, particularly on corruption activities. To further strengthen the independence of the Financial Monitoring Unit (Pakistan's financial intelligence unit), the Government intends to grant it fiscal autonomy and provide sufficient human and financial resources to improve the dissemination of financial intelligence to support corruption investigations. The Government plans to establish a robust asset declaration system with a focus on high-level public officials by end-2021, which is comprehensive in scope (i.e. assets that are beneficially-owned or located abroad), filed with a central federal agency, electronically available to the public and searchable, and appropriately and effectively verified.

• Registering prize bonds (prize bonds are high-denomination bearer instruments issued by the Government to mobilise retail savings, which can effectively be used as anonymous mediums of exchange and a substitute to the Pakistani Rupee currency (outstanding stock amounts to about 20 per cent of currency in circulation)) and other bearer instruments to rein in their use as bearer instruments for potential illegal activities/tax avoidance.

Poverty Reduction and Social Protection

Poverty reduction is a key policy target area for the Government. Pakistan has lagged behind regional peers in the implementation of sustainable development goals (SDGs). To address shortcomings in achieving the SDGs, the Government has taken several initiatives including creating the Ehsaas (Empathy) Programme (Ehsaas). The Government is determined to focus on strengthening and broadening of existing safety nets. Ehsaas is the main poverty reduction umbrella initiative targeting inequality, supporting the economic empowerment of women and uplifting of areas having a high poverty headcount.

The Benazir Income Support Programme (BISP) is Government's flagship programme under the Ehsaas. To achieve its policy objective of reducing poverty and broadening the scope of social protection, the Government increased BISP's budgetary allocation to Rupees 200 billion in the fiscal year 2020-21 budget. This amount has been used for the expansion in the number of beneficiaries as well as the increase in the amount of assistance under the existing social assistance programmes under the BISP.

In addition to the annual fiscal allocation for the Ehsaas, the Prime Minister launched the Ehsaas Emergency Cash programme in April 2020 to provide immediate one-time cash assistance in the amount of Rupees 12,000 to 14.8 million families hit by the COVID-19 pandemic.

The Government intends to enhance the Ehsaas by: (i) approving a significant increase in budgetary allocations for social programmes; (ii) providing additional cash of Rupees 1,500 per quarter for boys and Rupees 2,000 per quarter for girls who are in BISP-beneficiary families under the Waseela-e-Taleem (WeT) programme, in large part to boost girls' primary educational enrolment and narrow the gender gap; as well as the expansion of the WeT digital programme to all the districts across Pakistan and (iii) scaling-up nutrition-based conditional cash transfer (CCT) intervention for qualified mothers and children. The Government is working on additional initiatives aimed at strengthening social support such as: (i) timely disbursement of benefits and expanding the number of beneficiaries; (ii) completion of the update of the National Socio-Economic Survey (currently 70 per cent of such update has been completed) and using it to expand the number of Kafalat (the cash stipend programme within the Ehsaas) beneficiaries from 4.3 million to 7 million; (iii) increasing the amount of stipend to regular BISP beneficiaries and (iv) doubling of the stipends in the educational CCT programme.

Going forward, the Government aims to further expand the amount of BISP cash benefits in the context of the fiscal year 2021-22 budget, continue to rollout the nutrition programme to all districts of the country on the basis of lessons drawn from the pilot phase, allow "never married" women to become eligible for BISP benefits and help beneficiaries to open formal bank accounts to advance financial inclusion.
Recent Finance Programmes with the IMF

Under its previous Government, which was in power from May 2013 until 31 May 2018, Pakistan sought to make progress in fiscal consolidation and economic liberalisation, and implemented certain tax reforms and energy sector reforms, privatised a number of state-owned enterprises and sought to attract increased levels of foreign investment. The 2014 to 2016 finance programme with the IMF provided an institutional framework for achieving those economic policy objectives. With the release of the last tranche in August 2016, total disbursements under the arrangement amounted to SDR 4.39 billion (approximately U.S.$6.15 billion) to be repaid by 2026.

As the economic situation deteriorated, and with a view to prevent severe macroeconomic instability, the new Government that assumed office in August 2018 negotiated a new agreement with the IMF with respect to the Extended Fund Facility for achieving macroeconomic stability. On 3 July 2019, the IMF Board approved a 39-month extended arrangement under the Extended Fund Facility for Pakistan for an amount of SDR 4,268 million (approximately U.S.$6 billion) to support the authorities' economic reform programme. The IMF Board's approval allowed for an immediate disbursement of SDR 716 million (or approximately U.S.$1 billion). The remaining amount was scheduled to be phased over the duration of the programme, subject to quarterly and semi-annual reviews.

On 19 December 2019, the IMF Board completed the first review of Pakistan's economic performance under the Extended Fund Facility. The completion of the review process allowed the Pakistani authorities to draw SDR 328 million (approximately U.S.$452.4 million). The press release issued by the IMF on 19 December 2019 noted that Pakistan's economic reform programme was on track and that decisive policy implementation by the Pakistani authorities was helping to preserve economic stability aiming to put the economy on the path of sustainable growth.

As a result of the COVID-19 outbreak, in April 2020 it became clear that growth was expected to contract sharply as the economy was adversely affected by demand and supply shocks. Exports and remittances were expected to decline sharply, which together with a temporary loss of market access created an urgent balance-of-payments need. In addition, public finances were expected to come under significant pressure from the sudden increase in health- and mitigation-related expenditures as well as the decline in tax revenues. In these circumstances, the Pakistani authorities requested financial assistance from the IMF under the Rapid Financing Instrument (RFI) in the amount of 50 per cent of quota (SDR 1,015.5 million (approximately U.S.$1,386 million)) to help address the urgent fiscal and balance-of-payments needs, while making these resources available to the budget to support the emergency policy response. On 16 April 2020, the IMF Board approved the disbursement of U.S.$1,386 million under the RFI to Pakistan to address the economic impact of the COVID-19 shock.

At the same time, Pakistan and the IMF agreed at the time to temporarily put on hold the review process under the existing U.S.$6 billion Extended Fund Facility and revise it after the peak of the COVID-19 pandemic is over. The 10 April 2020 staff report released by the IMF stated that "the RFI is the appropriate instrument to support Pakistan at this juncture as the severity of the shock and the uncertainty about the outlook make it difficult to recalibrate the existing Extended Fund Facility (EFF) to ensure that it remains on track to meet its objectives".

In February 2021, an IMF team led by Ernesto Ramirez Rigo concluded virtual discussions with the Pakistani authorities and reached a staff-level agreement on the second to fifth reviews of the Government's reform programme supported by the U.S.$6 billion Extended Fund Facility. On 24 March 2021, the IMF Board completed the combined second through fifth reviews of the Extended Arrangement under EFF.

The Government believes that agreed package strikes an appropriate balance between supporting the economy, ensuring debt sustainability and advancing structural reform. The approval by the IMF Board allows for an immediate release of around U.S.$500 million. The IMF team acknowledged that the COVID-19 shock temporarily disrupted Pakistan's progress under the EFF-supported programme. However, the Government's policies and allowing higher than expected COVID-related social spending have been critical in supporting the economy and saving lives and households.
**Employment**

According to the Labour Force Survey 2017-18, employment has risen in 2017-18 as compared to 2014-15, with much of the increase coming from men in urban areas:

### Employed Labour Force

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (millions)</td>
<td>Total (millions)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>57.42</td>
<td>61.71</td>
</tr>
<tr>
<td>Rural</td>
<td>39.85</td>
<td>40.75</td>
</tr>
<tr>
<td>Urban</td>
<td>17.57</td>
<td>20.96</td>
</tr>
<tr>
<td>Male</td>
<td>44.07</td>
<td>48.17</td>
</tr>
<tr>
<td>Female</td>
<td>13.35</td>
<td>13.54</td>
</tr>
<tr>
<td>Rural</td>
<td>28.42</td>
<td>29.73</td>
</tr>
<tr>
<td>Urban</td>
<td>15.65</td>
<td>18.44</td>
</tr>
<tr>
<td>Male</td>
<td>20.96</td>
<td>29.73</td>
</tr>
<tr>
<td>Female</td>
<td>1.92</td>
<td>11.02</td>
</tr>
</tbody>
</table>

### Unemployed Labour Force

<table>
<thead>
<tr>
<th></th>
<th>2014-15</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total (millions)</td>
<td>Total (millions)</td>
</tr>
<tr>
<td>Pakistan</td>
<td>3.62</td>
<td>3.79</td>
</tr>
<tr>
<td>Rural</td>
<td>2.10</td>
<td>2.15</td>
</tr>
<tr>
<td>Urban</td>
<td>1.52</td>
<td>1.64</td>
</tr>
<tr>
<td>Male</td>
<td>2.31</td>
<td>2.57</td>
</tr>
<tr>
<td>Female</td>
<td>1.31</td>
<td>1.22</td>
</tr>
<tr>
<td>Rural</td>
<td>1.28</td>
<td>1.47</td>
</tr>
<tr>
<td>Urban</td>
<td>1.03</td>
<td>1.10</td>
</tr>
<tr>
<td>Male</td>
<td>1.64</td>
<td>1.47</td>
</tr>
<tr>
<td>Female</td>
<td>0.94</td>
<td>0.68</td>
</tr>
</tbody>
</table>

### Employed-Distribution by Employment Status and Gender

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>2014-15</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td>Employers</td>
<td>1.4</td>
<td>1.4</td>
</tr>
<tr>
<td>Own account workers</td>
<td>36.1</td>
<td>34.8</td>
</tr>
<tr>
<td>Contributing family workers</td>
<td>23.8</td>
<td>21.4</td>
</tr>
<tr>
<td>Employees</td>
<td>38.7</td>
<td>42.4</td>
</tr>
</tbody>
</table>

### Average Monthly Wages of Employees by Major Industry Divisions

<table>
<thead>
<tr>
<th>Industry Division</th>
<th>2014-15</th>
<th>2017-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>14,971</td>
<td>18,754</td>
</tr>
<tr>
<td>Agriculture, forestry, hunting and fisheries</td>
<td>7,804</td>
<td>9,645</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>14,968</td>
<td>23,843</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>13,478</td>
<td>16,890</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>25,379</td>
<td>27,600</td>
</tr>
<tr>
<td>Construction</td>
<td>12,032</td>
<td>16,402</td>
</tr>
<tr>
<td>Wholesale and retail trade; restaurants and hotels</td>
<td>10,711</td>
<td>14,541</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>16,220</td>
<td>21,338</td>
</tr>
<tr>
<td>Financing, insurance, real estate and business services</td>
<td>36,659</td>
<td>40,178</td>
</tr>
<tr>
<td>Community, social and personal services</td>
<td>21,443</td>
<td>25,530</td>
</tr>
</tbody>
</table>

Source: Labour Force Survey 2017-18
China-Pakistan Economic Corridor (CPEC)

The aim of CPEC is to enhance trade, investment, regional integration and connectivity between Pakistan, China and other countries in the region by building rail, road, gas, oil pipelines and fibre optic links. The CPEC programme principally focuses on the development of special economic zones along the corridor, power and transport projects and the development of Gwadar Port (a warm-water, deep-sea port on the Arabian Sea at Gwadar, in the Pakistan province of Balochistan) and related infrastructure. Promotion of tourism, development of agriculture and enhancement of cooperation in science and technology are also among the goals of the CPEC programme.

Further details of the CPEC projects are as follows:

Energy

- In 2014, Pakistan and China agreed on a list of projects with an aggregate of 17,045 MW of new generation capacity, consisting of hydroelectric, wind, solar and coal-fired power projects, as well as two high voltage direct current (HVDC) transmission lines. Of these, power projects with an aggregate of 3,997 MW new generation capacity and one HVDC transmission line are still in the planning stage and their approval is subject to the supply and demand analysis with respect to power (electricity) requirements in Pakistan.

- The nine power projects that have already been commissioned have an aggregate generation capacity of 5,320 MW and provide approximately 13 per cent of the overall rated power generation capacity of Pakistan (41,797 MW). Another eight power projects with an aggregate generation capacity of 4,470 MW are under different implementation stages, and all of them are expected to be commissioned by 2025. The overall contribution of these 17 commissioned and under implementation projects is expected to reach 18 per cent of overall rated power generation capacity of Pakistan by 2025.

- Five projects are "in pipeline" stage (i.e. none of them are expected to be commissioned before 2026), including two hydroelectric power projects, with generation capacity of 1,124 MW and 701 MW.

Additional information on all of these power projects is provided in the table below.
### Power Project (Including Capacity)

<table>
<thead>
<tr>
<th>Power Project (Including Capacity)</th>
<th>Status</th>
<th>Actual or Estimated Cost (U.S.$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,320 MW Sahiwal Coal-fired Power Plant, Punjab</td>
<td>Operational</td>
<td>1,912</td>
</tr>
<tr>
<td>1,320 MW Coal-fired Power Plants at Port Qasim Karachi</td>
<td>Operational</td>
<td>1,912</td>
</tr>
<tr>
<td>1,320 MW HUBCO Coal Power Project, Hub, Balochistan</td>
<td>Operational</td>
<td>1,912</td>
</tr>
<tr>
<td>660 MW Engro Thar Coal Power Project</td>
<td>Operational</td>
<td>995</td>
</tr>
<tr>
<td>400 MW Quaid-e-Azam Solar Park</td>
<td>Operational</td>
<td>520</td>
</tr>
<tr>
<td>50 MW Hydro China Dawood Wind Farm</td>
<td>Operational</td>
<td>113</td>
</tr>
<tr>
<td>100 MW UEP Wind Farm</td>
<td>Operational</td>
<td>250</td>
</tr>
<tr>
<td>50 MW Sachal Wind Farm</td>
<td>Operational</td>
<td>134</td>
</tr>
<tr>
<td>100 MW Three Gorges Wind Power Project</td>
<td>Operational</td>
<td>150</td>
</tr>
</tbody>
</table>

**Total for the nine operational projects: 5,320 MW**

<table>
<thead>
<tr>
<th>Power Project (Including Capacity)</th>
<th>Status</th>
<th>Actual or Estimated Cost (U.S.$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>300 MW Imported Coal Based Power Project at Gwadar</td>
<td>Under Implementation</td>
<td>542</td>
</tr>
<tr>
<td>1,320 MW Shanghai Electric Thar Coal Block-I Power Plant</td>
<td>Under Implementation</td>
<td>1,912</td>
</tr>
<tr>
<td>330 MW HUBCO Thar Coal Power Project</td>
<td>Under Implementation</td>
<td>498</td>
</tr>
<tr>
<td>330 MW ThalNova Thar Coal Power Project</td>
<td>Under Implementation</td>
<td>498</td>
</tr>
<tr>
<td>720 MW Karot Hydropower Project</td>
<td>Under Implementation</td>
<td>1,698</td>
</tr>
<tr>
<td>870 MW Suki Kinari Hydropower Project</td>
<td>Under Implementation</td>
<td>1,963</td>
</tr>
<tr>
<td>600 MW Quaid-e-Azam Solar Park</td>
<td>Under Implementation</td>
<td>781</td>
</tr>
<tr>
<td>HDVC transmission line (dual pole 660 KV Lahore-Matiari)</td>
<td>Under Implementation</td>
<td>1,658</td>
</tr>
</tbody>
</table>

**Total for the eight under implementation projects: 4,470 MW**

<table>
<thead>
<tr>
<th>Power Project (Including Capacity)</th>
<th>Status</th>
<th>Actual or Estimated Cost (U.S.$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,320 MW Thar (Oracle) Coal Power Plant</td>
<td>In Pipeline</td>
<td>1,912</td>
</tr>
<tr>
<td>1,124 MW Kohala Hydroelectric Power Project</td>
<td>In Pipeline</td>
<td>2,408</td>
</tr>
<tr>
<td>700.7 MW Azad Pattan Hydroelectric Power Project</td>
<td>In Pipeline</td>
<td>1,650</td>
</tr>
<tr>
<td>50 MW Gacho Wind Power Project</td>
<td>In Pipeline</td>
<td>75</td>
</tr>
<tr>
<td>50 MW Western Energy (Pvt.) Ltd. Wind Power Project</td>
<td>In Pipeline</td>
<td>75</td>
</tr>
</tbody>
</table>

**Total for the five "in pipeline" projects: 3,244 MW**

Source: CPEC Authority

### Transport Infrastructure

- The construction of the 392 km Multan-Sukkur section of the Karachi-Peshawar Motorway at a cost of U.S.$2,889 million. Work on this project commenced in May 2016 and the project achieved commercial operation in November 2019. The project was financed under a Government concessional loan.

- The construction of the 120 km Thakot-Havelian section of the Karakoram Highway at a cost of U.S.$1,315 million. Work on this project commenced in September 2016 and the project achieved commercial operation in July 2020. The project was financed under a Government concessional loan.

- The construction of the 27 km Orange Line Metro Train project at a cost of U.S.$1.626 million. This project achieved commercial operation in October 2020. The project was financed under a Government concessional loan.

- The construction of the 293 km motorway from Hakla to D.I.Khan, with an estimated cost of U.S.$683 million. Work on this project commenced in 2017. Approximately 85 per cent of work on this project has been completed and its commercial operation is expected to be achieved by mid-2021. This project is being funded under the Public Sector Development Programme (PSDP).
The construction of the 110 km two-lane highway from Basima to Khuzdar in the Khuzdar district of Balochistan province, with an estimated cost of U.S.$118 million. Work on this project commenced in 2018. Approximately 45 per cent of work on this project has been completed and its commercial operation is expected to be achieved at the end of 2021. This project is being funded under the PSDP.

The upgrade of the 331 km Zhob – Quetta (N-50) road from two to four lanes, with an estimated cost of U.S.$391 million. Ground-breaking ceremony for this project was held in March 2019. This project is being funded under the PSDP.

The construction of the 146 km two-lane highway from Hoshab to Awaran in Balochistan province, with an estimated cost of U.S.$161 million. Ground-breaking ceremony for this project was held in November 2020. This project is being funded under the PSDP.

The upgrade of the 210 km D.I.Khan (Yarik) – Zhob (N-50 Phase-1) road from two to four lanes, with an estimated cost of U.S.$472 million. Planning Commission PC-1 Form has been approved. Negotiations with respect to concessional financing for this project between China and Pakistan are ongoing.

The Public-Private Partnership Authority has approved the construction of Sukkur-Hyderabad Motorway (M-6), a critical component of CPEC, on a build-operate-transfer basis. The estimated cost of this 306 km motorway is U.S.$1,025 million.

The upgrade of the 1,733 km Karachi-Peshawar railway line (ML-1), with an estimated cost of U.S.$6,806 million. Negotiations with respect to concessional financing for this project between China and Pakistan are ongoing.

The construction of 43 km Karachi Circular Railway, which will serve as primary mass transit corridor to improve public mass transportation system, at an estimated cost of U.S.$1,917 million. The feasibility study for this project was completed in May 2017. Negotiations with respect to concessional financing for this project with China are ongoing.

Gwadar port. The Gwadar port project component of CPEC is aimed at attracting transit trade for resource-rich Central Asian republics, Afghanistan and western China, as well as the trans-shipment trade of the region. The first phase of the Gwadar port project, whilst involving Chinese investment, pre-dates CPEC. The project comprised three multipurpose berths able to accommodate 70,000 DWT ships and was completed in 2007. The channel and berthing areas were initially dredged to 12.5 metres and were later deepened to 14.5 metres to enable access to larger ships. A concession agreement was initially signed in February 2007 with PSA Gwadar Pte Ltd. The concession agreement was novated in May 2013 to the China Overseas Ports Holding Company and, shortly after the CPEC programme was announced, in April 2015, Pakistan officially handed over operational rights of Gwadar port to that company for the next forty years. The Gwadar Port Authority, under the Ministry of Ports and Shipping, is ultimately responsible for operation and maintenance of the port, while the Gwadar Development Authority, established under the Provincial Act of the Balochistan Assembly in 2003, is responsible for building the city infrastructure and implementing the Gwadar Master Plan, which includes construction of an airport satisfying international standards, a commercial centre, a fishermen's centre, residential development, a gas and oil storage plant and industrial storage.

A number of major projects have been commenced or are to be commenced in Gwadar with Chinese assistance, including:

<table>
<thead>
<tr>
<th>Project</th>
<th>Estimated Cost (U.S. million)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwadar East-Bay Expressway</td>
<td>179</td>
<td>Expected to be completed in October 2021</td>
</tr>
<tr>
<td>New Gwadar International Airport</td>
<td>230</td>
<td>Ground-breaking ceremony held in March 2019. Still in mobilisation (preparatory) stage</td>
</tr>
<tr>
<td>Project</td>
<td>Estimated Cost (U.S.$ million)</td>
<td>Status</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Water supply project</td>
<td>130</td>
<td>Phase-I completed. Approximately 98 per cent of work on Phase-II completed. Phase-III is expected to be commenced in 2021</td>
</tr>
<tr>
<td>Gwadar 300 MW Power Project</td>
<td>542</td>
<td>See &quot;— Energy&quot; above</td>
</tr>
<tr>
<td>Technical and Vocational Institute</td>
<td>10</td>
<td>Ground-breaking ceremony held on 16 December 2019. Approximately 37 per cent of work completed</td>
</tr>
<tr>
<td>Pak China Friendship Hospital</td>
<td>100</td>
<td>Feasibility study completed to add 100 beds to the existing 50 (subsequent extension to 300 beds anticipated)</td>
</tr>
<tr>
<td>Establishment of Gwadar Free Zone</td>
<td>32</td>
<td>Ground-breaking ceremony held on 16 December 2019</td>
</tr>
<tr>
<td>Construction of port breakwaters</td>
<td>123</td>
<td>Planning Commission PC-1 Form has been prepared and submitted for approval</td>
</tr>
<tr>
<td>Dredging of berthing areas and channels</td>
<td>27</td>
<td>Draft business plan has been received from Chinese Overseas Ports Holding Company Ltd; draft memorandum of understanding for joint technical and commercial feasibility has also been prepared</td>
</tr>
<tr>
<td>Gwadar Smart Port City Master Plan</td>
<td>4</td>
<td>Completed</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,377</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: CPEC Authority

**Communications**

China and the Government have successfully piloted a project for digital terrestrial multimedia broadcast, the TV standard for mobile and fixed terminals used in China, in Murree with a grant of U.S.$4 million from China. Another project (DTMB-A) to digitise three existing sites of Pakistan Television Corporation (PTV) using digital terrestrial multimedia broadcast, with an estimated cost of U.S.$24 million, is currently in the pipeline. In addition, a U.S.$44 million cross-border fibre optic cable project between Khunjerab and Rawalpindi (820 km) was inaugurated by the Prime Minister in July 2018. In the second phase of this project, with an estimated cost of U.S.$237 million, this fibre optic cable will be extended to Karachi and Gwadar.

**Gross Domestic Product**

The composition of Pakistan's GDP has undergone considerable change over the last four decades as it experienced growth away from the agricultural sector in favour of the services sector. While the share of the industrial sector has remained relatively constant for some years, it has shown a slight decrease in 2019-20 principally due to negative growth in the mining and quarrying sector and in manufacturing. It amounted to 19.29 per cent of GDP in 2019-20. The share of the agricultural sector declined from its highest level of approximately 39 per cent of GDP in 1969-70 to 19.31 per cent of GDP in 2019-20; during the same period, the share of the services sector increased from 45 per cent of GDP in 1969-70 to 61.4 per cent of GDP in 2019-20.

The following table sets out Pakistan's GDP at constant basic prices of 2005-06, as well as the contribution of various sectors of the economy to GDP in the period 2015-16 to 2019-20.

<table>
<thead>
<tr>
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</tr>
<tr>
<td>A. Services Sector</td>
<td>6,588,200</td>
<td>7,014,467</td>
<td>7,459,758</td>
<td>7,739,836</td>
<td>7,694,066</td>
<td>3.8</td>
<td>(0.6)</td>
</tr>
<tr>
<td>1. Wholesale and retail trade</td>
<td>2,035,509</td>
<td>2,187,751</td>
<td>2,331,415</td>
<td>2,357,094</td>
<td>2,276,458</td>
<td>1.1</td>
<td>(3.4)</td>
</tr>
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<tr>
<td></td>
<td>Rupees (millions, unless otherwise stated)</td>
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<td></td>
<td></td>
<td></td>
<td>2017-18</td>
<td>2018-19</td>
</tr>
<tr>
<td></td>
<td>(% change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Transport, storage and communication</td>
<td>1,493,830</td>
<td>1,557,639</td>
<td>1,587,297</td>
<td>1,660,857</td>
<td>1,542,461</td>
<td>4.6 (7.1)</td>
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<tr>
<td>3. Finance and insurance</td>
<td>356,981</td>
<td>396,669</td>
<td>426,012</td>
<td>447,286</td>
<td>450,820</td>
<td>5.0 0.8</td>
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<tr>
<td>4. Housing services (ownership of dwellings)</td>
<td>747,343</td>
<td>777,140</td>
<td>808,172</td>
<td>840,494</td>
<td>874,283</td>
<td>4.0 4.0</td>
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<tr>
<td>5. General government services</td>
<td>832,505</td>
<td>882,015</td>
<td>986,125</td>
<td>1,037,147</td>
<td>1,077,842</td>
<td>5.2 3.9</td>
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<tr>
<td>6. Other private services</td>
<td>1,122,032</td>
<td>1,213,253</td>
<td>1,320,737</td>
<td>1,396,958</td>
<td>1,472,202</td>
<td>5.8 5.4</td>
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<tr>
<td>B. Agricultural Sector</td>
<td>2,205,433</td>
<td>2,253,565</td>
<td>2,343,614</td>
<td>2,357,095</td>
<td>2,420,109</td>
<td>0.6 2.7</td>
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<tr>
<td>1. Crops</td>
<td>822,689</td>
<td>832,744</td>
<td>871,796</td>
<td>828,583</td>
<td>853,262</td>
<td>(5.0) 3.0</td>
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<tr>
<td>Important crops</td>
<td>521,125</td>
<td>534,659</td>
<td>553,693</td>
<td>511,144</td>
<td>525,975</td>
<td>(7.7) 2.9</td>
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<tr>
<td>Other crops</td>
<td>251,005</td>
<td>244,703</td>
<td>260,026</td>
<td>266,763</td>
<td>278,948</td>
<td>2.6 4.6</td>
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</tr>
<tr>
<td>Cotton ginning</td>
<td>50,559</td>
<td>53,382</td>
<td>58,077</td>
<td>50,676</td>
<td>48,339</td>
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<tr>
<td>2. Livestock</td>
<td>1,288,373</td>
<td>1,326,948</td>
<td>1,375,986</td>
<td>1,428,613</td>
<td>1,465,498</td>
<td>3.8 2.6</td>
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<tr>
<td>3. Forestry</td>
<td>46,592</td>
<td>45,505</td>
<td>46,679</td>
<td>50,352</td>
<td>51,507</td>
<td>7.9 2.3</td>
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<tr>
<td>4. Fisheries</td>
<td>47,779</td>
<td>48,368</td>
<td>49,153</td>
<td>49,547</td>
<td>49,842</td>
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<tr>
<td>C. Industrial Sector</td>
<td>2,323,169</td>
<td>2,428,902</td>
<td>2,540,894</td>
<td>2,483,243</td>
<td>2,417,615</td>
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<tr>
<td>1. Mining and quarrying</td>
<td>333,121</td>
<td>331,121</td>
<td>356,949</td>
<td>345,550</td>
<td>315,056</td>
<td>(3.2) (8.8)</td>
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</tr>
<tr>
<td>2. Manufacturing</td>
<td>1,494,591</td>
<td>1,581,680</td>
<td>1,667,524</td>
<td>1,656,570</td>
<td>1,564,543</td>
<td>(0.7) (5.6)</td>
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</tr>
<tr>
<td>Large scale</td>
<td>1,193,569</td>
<td>1,260,836</td>
<td>1,325,429</td>
<td>1,291,437</td>
<td>1,190,938</td>
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</tr>
<tr>
<td>Small scale</td>
<td>198,652</td>
<td>214,839</td>
<td>232,383</td>
<td>251,536</td>
<td>255,355</td>
<td>8.2 1.5</td>
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<tr>
<td>Slaughtering</td>
<td>102,370</td>
<td>106,005</td>
<td>109,712</td>
<td>113,597</td>
<td>118,250</td>
<td>3.5 4.1</td>
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<tr>
<td>3. Electricity generation and distribution and gas distribution</td>
<td>203,661</td>
<td>198,180</td>
<td>164,067</td>
<td>187,816</td>
<td>221,054</td>
<td>14.5 17.7</td>
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<tr>
<td>Commodity Producing Sector (B+C)</td>
<td>4,528,602</td>
<td>4,682,467</td>
<td>4,884,508</td>
<td>4,840,338</td>
<td>4,837,724</td>
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<tr>
<td>GDP (A+B+C)</td>
<td>11,116,802</td>
<td>11,696,934</td>
<td>12,344,266</td>
<td>12,580,174</td>
<td>12,531,790</td>
<td>1.9 (0.4)</td>
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<td>Taxes</td>
<td>724,998</td>
<td>795,386</td>
<td>862,628</td>
<td>795,748</td>
<td>903,431</td>
<td>(7.8) 13.5</td>
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<tr>
<td>Subsidies</td>
<td>85,976</td>
<td>83,545</td>
<td>73,891</td>
<td>113,056</td>
<td>102,655</td>
<td>53.0 (9.2)</td>
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<tr>
<td>GDP + Taxes – Subsidies</td>
<td>11,755,824</td>
<td>12,408,775</td>
<td>13,133,003</td>
<td>13,262,866</td>
<td>13,332,566</td>
<td>1.0 0.5</td>
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</tr>
</tbody>
</table>
### Net factor income from abroad
- 2015-16: 675,096
- 2016-17: 669,191
- 2017-18: 673,876
- 2018-19: 875,988
- 2019-20: 1,004,865

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>30.0</td>
</tr>
<tr>
<td>2019-20</td>
<td>14.7</td>
</tr>
</tbody>
</table>

### Gross national income
- 2015-16: 12,430,920
- 2016-17: 13,077,966
- 2017-18: 13,806,879
- 2019-20: 14,337,431

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
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<tr>
<td>2018-19/17-18</td>
<td>2.4</td>
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<tr>
<td>2019-20/18-19</td>
<td>1.4</td>
</tr>
</tbody>
</table>

### Population (million)
- 2015-16: 193.6
- 2016-17: 197.3
- 2017-18: 201.0
- 2018-19: 204.7
- 2019-20: 208.3

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19/17-18</td>
<td>1.8</td>
</tr>
<tr>
<td>2019-20/18-19</td>
<td>1.8</td>
</tr>
</tbody>
</table>

### Per capita income
- 2015-16: 64,223
- 2016-17: 66,300
- 2017-18: 68,705
- 2018-19: 69,088
- 2019-20: 68,827

<table>
<thead>
<tr>
<th>Year</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19/17-18</td>
<td>0.6</td>
</tr>
<tr>
<td>2019-20/18-19</td>
<td>(0.4)</td>
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</tbody>
</table>

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(1) Final
(2) Revised
(3) Provisional. The estimates for 2019-20 are based on six to nine months' provisional data projected for the whole year adjusted for the impact of COVID-19 followed by partial lockdown.

Source: Pakistan Bureau of Statistics

The following table sets out Pakistan's GDP at current basic prices, as well as the contribution of various sectors of the economy to GDP in the period from 2015-16 to 2019-20:

### Services Sector

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>A. Services Sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Wholesale and retail trade</td>
<td>5,104,854</td>
<td>5,792,701</td>
<td>6,232,618</td>
<td>6,803,763</td>
<td>6,977,278</td>
<td>9.2</td>
<td>2.6</td>
</tr>
<tr>
<td>2. Transport, storage and communication</td>
<td>3,518,864</td>
<td>3,697,932</td>
<td>3,523,539</td>
<td>3,900,659</td>
<td>3,886,460</td>
<td>10.7</td>
<td>(0.4)</td>
</tr>
<tr>
<td>3. Finance and insurance</td>
<td>544,301</td>
<td>594,362</td>
<td>684,623</td>
<td>914,977</td>
<td>1,047,683</td>
<td>33.6</td>
<td>14.5</td>
</tr>
<tr>
<td>4. Housing services (ownership of dwellings)</td>
<td>1,506,385</td>
<td>1,668,521</td>
<td>1,848,594</td>
<td>2,059,660</td>
<td>2,276,352</td>
<td>11.4</td>
<td>10.5</td>
</tr>
<tr>
<td>5. General government services</td>
<td>2,050,560</td>
<td>2,263,393</td>
<td>2,629,924</td>
<td>2,968,885</td>
<td>3,423,931</td>
<td>12.9</td>
<td>15.3</td>
</tr>
<tr>
<td>6. Other private services</td>
<td>2,618,997</td>
<td>2,958,640</td>
<td>3,351,401</td>
<td>3,802,044</td>
<td>4,415,958</td>
<td>13.4</td>
<td>16.1</td>
</tr>
<tr>
<td>B. Agricultural Sector</td>
<td>6,749,966</td>
<td>7,318,465</td>
<td>7,911,779</td>
<td>8,369,637</td>
<td>9,469,395</td>
<td>5.8</td>
<td>13.1</td>
</tr>
<tr>
<td>1. Crops</td>
<td>2,620,390</td>
<td>2,826,463</td>
<td>2,964,894</td>
<td>2,888,593</td>
<td>3,614,278</td>
<td>(2.6)</td>
<td>25.1</td>
</tr>
<tr>
<td>Important crops</td>
<td>1,718,029</td>
<td>1,827,252</td>
<td>1,890,555</td>
<td>1,803,376</td>
<td>2,273,148</td>
<td>(4.6)</td>
<td>26.0</td>
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<tr>
<td>Other crops</td>
<td>739,842</td>
<td>811,971</td>
<td>874,378</td>
<td>909,243</td>
<td>1,144,441</td>
<td>4.0</td>
<td>25.9</td>
</tr>
<tr>
<td>Cotton ginning</td>
<td>162,519</td>
<td>187,240</td>
<td>199,961</td>
<td>175,974</td>
<td>196,689</td>
<td>(12.0)</td>
<td>11.8</td>
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<tr>
<td>2. Livestock</td>
<td>3,846,646</td>
<td>4,180,531</td>
<td>4,615,565</td>
<td>5,119,043</td>
<td>5,460,927</td>
<td>10.9</td>
<td>6.7</td>
</tr>
<tr>
<td>3. Forestry</td>
<td>170,706</td>
<td>172,578</td>
<td>183,199</td>
<td>203,269</td>
<td>216,387</td>
<td>11.0</td>
<td>6.5</td>
</tr>
</tbody>
</table>

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The following table sets out Pakistan's GDP at current basic prices, as well as the contribution of various sectors of the economy to GDP in the period from 2015-16 to 2019-20:
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Rupees (millions, unless otherwise stated)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(% change)</td>
<td></td>
</tr>
<tr>
<td><strong>C. Industrial Sector</strong></td>
<td>5,308,368</td>
<td>5,683,545</td>
<td>6,220,543</td>
<td>6,963,656</td>
<td>7,381,423</td>
<td>12.3</td>
<td>6.0</td>
</tr>
<tr>
<td>1. Mining and quarrying</td>
<td>652,814</td>
<td>644,686</td>
<td>755,778</td>
<td>964,628</td>
<td>1,081,703</td>
<td>27.6</td>
<td>12.1</td>
</tr>
<tr>
<td>2. Manufacturing</td>
<td>3,512,556</td>
<td>3,830,210</td>
<td>4,217,685</td>
<td>4,730,234</td>
<td>4,818,863</td>
<td>12.2</td>
<td>1.9</td>
</tr>
<tr>
<td>Large scale</td>
<td>2,801,169</td>
<td>3,044,603</td>
<td>3,331,305</td>
<td>3,722,943</td>
<td>3,712,779</td>
<td>11.8</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Small scale</td>
<td>406,648</td>
<td>457,088</td>
<td>506,839</td>
<td>571,951</td>
<td>621,977</td>
<td>12.8</td>
<td>8.7</td>
</tr>
<tr>
<td>Slaughtering</td>
<td>304,739</td>
<td>328,520</td>
<td>379,542</td>
<td>435,339</td>
<td>484,107</td>
<td>14.7</td>
<td>11.2</td>
</tr>
<tr>
<td>3. Electricity generation and distribution and gas distribution</td>
<td>541,909</td>
<td>529,040</td>
<td>435,889</td>
<td>534,709</td>
<td>686,118</td>
<td>22.7</td>
<td>28.3</td>
</tr>
<tr>
<td>4. Construction</td>
<td>601,089</td>
<td>679,609</td>
<td>791,191</td>
<td>734,085</td>
<td>794,739</td>
<td>(7.2)</td>
<td>8.3</td>
</tr>
<tr>
<td><strong>Commodity Producing Sector (B+C)</strong></td>
<td>12,058,334</td>
<td>13,002,010</td>
<td>14,112,322</td>
<td>15,333,293</td>
<td>16,850,818</td>
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<td>9.9</td>
</tr>
<tr>
<td>GDP (A+B+C)</td>
<td>27,402,295</td>
<td>29,977,559</td>
<td>32,383,021</td>
<td>35,783,281</td>
<td>38,878,480</td>
<td>10.5</td>
<td>8.6</td>
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<tr>
<td>Taxes</td>
<td>1,901,743</td>
<td>2,170,448</td>
<td>2,435,629</td>
<td>2,515,836</td>
<td>3,168,063</td>
<td>3.3</td>
<td>25.9</td>
</tr>
<tr>
<td>Subsidies</td>
<td>228,405</td>
<td>225,704</td>
<td>202,348</td>
<td>326,807</td>
<td>319,860</td>
<td>61.5</td>
<td>(2.1)</td>
</tr>
<tr>
<td>GDP + Taxes – Subsidies</td>
<td>29,075,633</td>
<td>31,222,303</td>
<td>34,616,302</td>
<td>37,972,310</td>
<td>41,726,683</td>
<td>9.7</td>
<td>9.9</td>
</tr>
<tr>
<td>Net factor income from abroad</td>
<td>1,782,860</td>
<td>1,743,643</td>
<td>1,846,151</td>
<td>2,554,031</td>
<td>2,963,949</td>
<td>38.3</td>
<td>16.0</td>
</tr>
<tr>
<td>Gross national income</td>
<td>30,858,493</td>
<td>33,665,946</td>
<td>36,462,453</td>
<td>40,526,341</td>
<td>44,690,632</td>
<td>11.1</td>
<td>10.3</td>
</tr>
<tr>
<td>Population (million)</td>
<td>193.6</td>
<td>197.3</td>
<td>201.0</td>
<td>204.7</td>
<td>208.3</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>Per capita income</td>
<td>159,426</td>
<td>170,672</td>
<td>181,441</td>
<td>198,028</td>
<td>214,539</td>
<td>9.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Per capita income (U.S.$)</td>
<td>1,529.4</td>
<td>1,630.1</td>
<td>1,651.9</td>
<td>1,455.1</td>
<td>1,355.0</td>
<td>(11.9)</td>
<td>(6.9)</td>
</tr>
<tr>
<td>GDP deflator index</td>
<td>246.49</td>
<td>256.29</td>
<td>262.33</td>
<td>284.44</td>
<td>310.24</td>
<td>8.4</td>
<td>9.1</td>
</tr>
<tr>
<td>GDP deflator (% growth)</td>
<td>0.45</td>
<td>3.97</td>
<td>2.36</td>
<td>8.43</td>
<td>9.07</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Final
(2) Revised
(3) Provisional. The estimates for 2019-20 are based on six to nine months’ provisional data projected for the whole year adjusted for the impact of COVID-19 followed by partial lockdown.

Source: Pakistan Bureau of Statistics

Principal Sectors of the Economy

Services Sector

The services sector in Pakistan consists of (i) wholesale and retail trade, (ii) transportation, storage and communications, (iii) finance and insurance, (iv) housing services, (v) general government services and (vi) other private services. The services sector has been an important contributor to Pakistan’s economic growth.
and it contributed 61.4 per cent of GDP in 2019-20, experiencing negative growth of 0.59 per cent in 2019-20, compared to 61.52 per cent of GDP (and growth of 3.75 per cent) in 2018-19. The negative growth in the services sector is principally due to negative growth in (i) transportation, storage and communications and (ii) wholesale and retail trade, both of which were particularly adversely affected by a country-wide lockdown due to COVID-19.

Transportation

Pakistan's transportation system has come under pressure as the pace of economic development in Pakistan has accelerated. The Government is intensifying its efforts to develop and modernise the sector through increasing public expenditure on transportation projects. The transport system in Pakistan is comprised of roads and highways, railways, air transport services and ports and shipping services. A 24 kilometre, 24 station Rawalpindi to Islamabad metro-bus project was completed and began operation in June 2015. Average daily capacity is estimated at 180,000 people. Lahore already maintains a metro-bus network. Another metro-bus project was inaugurated on January 24, 2017 from Bahuddin Zakaria University (BZU) to Chowk Kumaharan ("Multan Metrobus System"). This metro-bus system covers an 18.5 kilometre, 21 station route. A 27 kilometre Orange Line Metro Train project, which was completed at a cost of U.S.$1.6 billion, achieved commercial operation in October 2020.

The Government is providing Rupees 24.604 billion for construction of the infrastructure of a bus rapid transit system (green line) in Karachi. The project envisages construction of a 27.45 kilometre long two lane dedicated signal free bus rapid transit system connecting KESC Power House Chowrangi (Abdullah Chowk), Surjani town to the central business district of Karachi. The first 21.7 kilometre section from Surjani town to Municipal Park M.A Jinnah road has been completed and the remaining portion of the project is expected to commence operations by mid-2021.

Another project funded by the federal government and started in 2016-17 is a 25.6 kilometre long metro-bus system from Peshawar Moor to New Islamabad International Airport, which is estimated to cost Rupees 16.43 billion. This project is expected to be completed by June 2021.

Roads and Highways

Roads have become the most important segment of the transport sector in Pakistan, with an ever-increasing reliance on road transportation. In 1947, reliance on roads constituted approximately 8 per cent of Pakistan's transportation network. Pakistan's current road network is approximately 501,424 kilometres. This includes 12,122 kilometres of national highways and motorways, 93,000 kilometres of provincial highways, with the rest being district and rural roads.

The National Highway Authority (NHA) is responsible for the construction and maintenance of the national highways and strategic roads. The Government, through the NHA, has a number of new projects and programmes to develop the road network. For the description of key CPEC road network projects, see "—China-Pakistan Economic Corridor (CPEC) – Transport Infrastructure".

New and improved road links are a key component of CPEC and, in particular, the connection from Gwadar Port in Southern Pakistan to China's North Western region of Xianjiang. The distance from Kashgar to Gwadar Port is 2,815 kilometres, which is substantially less than the over 4,000 kilometre distance from Kashgar to the Chinese coast and so represents a substantial time-saving for cargo shipments to Kashgar via Gwadar. The new CPEC road links will also provide access to Afghanistan through Torkham and Chaman and will open up new under-developed areas of Pakistan and integrate the existing ones along the Gwadar – Karachi – Lahore-Khunjerab corridor.

The NHA has already constructed several segments of the Pakistani motorway network such as M-1 (Peshawar-Islamabad), M-2 (Islamabad-Lahore), M-3 (Lahore-Abdul Hakim), M-4 (Pindi Bhattian-Faisalabad-Gojra-Shorkot-Khanewal-Multan), M-5 (Multan-Sukkur), E-35 (Hassan Abdal-Havelian-Mansehra-Thakot) and M-11 (Lahore-Sialkot) thereby boosting economic activity. The Public-Private Partnership Authority has also approved the construction of the M-6 (Sukkur-Hyderabad) on a build-operate-transfer basis.
The NHA's existing portfolio consists of 40 on-going projects with an allocation of Rupees 117.5 billion in the Public Sector Development Programme 2019-20.

The NHA successfully attracted private sector investment and has participated in five build-operate transfer or public-private partnership projects with a combined estimated cost of over Rupees 90 billion.

**Railways.** Rail was the primary mode of transportation in Pakistan until the 1970s. However, because of the diversion of resources towards the expansion of the road network, the performance and condition of Pakistan Railways has declined and its share of inland traffic has decreased significantly.

The Government is taking a number of initiatives to improve performance of Pakistan Railways, including the reconstruction and upgrade of the Karachi – Peshawar railway line, known as Mainline 1.

At the end of the fiscal year 2019-20, Pakistan Railways had 473 locomotives for 7,791 kilometres of its railway routes. During the July-February period of the fiscal year 2019-20, Pakistan Railways' gross earnings grew by 8.4 per cent as compared to the same period of the previous year and amounted to Rupees 36,917 million. During the same period, the number of passengers carried decreased by 1.2 per cent as compared to the same period of the previous year and amounted to 39.4 million.

**Civil Aviation.** In large part due to Pakistan's liberal open skies policy and tough competition resulting in price wars, the financial state of the Pakistan International Airlines (PIA) is currently poor, although it has significantly improved in comparison with the previous year. PIA follows the calendar year for financial and operational matters. In 2019, its operating revenue was Rupees 147,500 million as compared to Rupees 100,051 million in 2018, while its operating expenses were Rupees 166,917 million in 2019 as compared to Rupees 170,447 million in 2018 (with both operating revenue and operating expenses based on provisional / estimated and unaudited accounts).

PIA is in the process of implementing its five-year Business Plan 2019-23 to improve its performance. The measures taken by PIA to improve its performance include, among other things, the following:

- Recovery of B-777, A-320 and ATR aircraft grounded for the last 13-22 months by using its own resources without funding from the Government.
- Increasing maximum take-off weight limitation on A-320 aircraft, thereby increasing payload carrying capacity.
- Negotiations with maintenance, repair and overhaul services providers for rationalisation / reconciliation of payments.
- Resumption of night operations from Bacha Khan International Airport, Peshawar.
- Resolution of overflying permission over Iran and Turkmenistan.
- Successful completion of pending audits and holding of annual general meetings for years 2017 and 2018 in compliance with the Companies Act and compliance requirements of the Securities and Exchange Commission of Pakistan.
- Introduction of two narrow-body aircraft on dry lease to augment the existing fleet, earn more revenue and meet market demand.
- Achievement of higher passenger revenues to reduce operational losses.
- Undertaking Hajj operations using its own fleet rather than acquiring aircraft on lease for this purpose.
- Starting new profitable routes including: Sialkot-Paris, Sialkot-Barcelona, Peshawar-Sharjah, Peshawar-Al-Ain and Multan-Sharjah.
• Discontinuing loss-making routes.
• Operating additional flights on profitable routes such as to Dubai, Jeddah and Madina.
• Terminating ghost employees and employees with fake degrees in accordance with the decision and direction of the Supreme Court of Pakistan.
• Putting in place a centralised medical centre for all PIA employees leading to cost savings.

**Maritime Affairs – Ports.** Karachi Port and Port Qasim, both located in Karachi, are the two major ports in Pakistan. Karachi Port Trust was established in 1886. In the fiscal year 2019-20, Karachi Port Trust managed a total cargo and container volume of 41.8 million tons. It experienced an 11 per cent decline in total cargo and container handling in 2019-20 as compared to 2018-19. While export cargo and container volume grew by 4 per cent in 2019-20, imports decreased by 17 per cent over the same period due to the Government's import compression policies for tackling the large current account deficit.

Port Qasim handled a total cargo volume of 51.0 million tons during the fiscal year 2019-20, with imports accounting for 43.5 million tons and exports accounting for 7.5 million tons. Port Qasim handled a total cargo volume of 25.6 million tons during the first six months of the fiscal year 2020-21 (July to December 2020), up by 9 per cent over 23.4 million tons handled during the same period of the prior fiscal year. Out of these 25.6 million tons, the dry bulk/break bulk cargo accounted for 9.6 million tons, liquid/gas cargo for 8.5 million tons and containerised cargo for 7.5 million tons.

Gwadar is located at the entrance to the Straits of Hormuz, a strategically important region of the world. The Gwadar port project is aimed at attracting transit trade for resource-rich Central Asian republics, Afghanistan and western China, as well as the development of the trans-shipment trade of the region. The first phase, comprising three multipurpose berths able to accommodate 70,000 DWT ships, was completed in 2007. The channel and berthing areas were initially dredged to 12.5 metres and were later deepened to 14.5 metres to enable access to larger ships. The deep water approach channel was completed in 2017. A concession agreement was initially signed in February 2007 with PSA Gwadar Pte Ltd. The concession agreement was novated in May 2013 to the China Overseas Ports Holding Company and, in April 2015, Pakistan officially handed over operational rights of Gwadar port to that company for the next forty years.

**Maritime Affairs – Shipping.** Pakistan National Shipping Corporation (PNSC) is the national flag carrier that is engaged in providing shipping services on a global basis. It is an autonomous corporation that functions under the overall control of the Ministry of Maritime Affairs. It is managed by a board of directors who are appointed by the federal government. PNSC manages a fleet of 11 ships, a repair workshop and real estate. The fleet's total carrying capacity at present is 831.7 thousand tons of deadweight. It transports all types of cargoes on several geographical routes covering almost the entire world. The PNSC's fleet comprises four Aframax tankers, two LR-1 tankers and five bulk carriers.

**Communications**

**Postal Services.** Pakistan Post Office, with its 10,145 post offices, is playing a vital role in the economic and social development of Pakistan through postal services that can be broadly categorised as domestic and international postal services, financial services, savings bank, postal life insurance and agency functions, such as the collection of payments on utility bills, payment of military pensions, collection of provincial taxes, and disbursement of funds under the BISP on behalf of federal and provincial government departments.

**Telecommunications.** The telecommunications sector contributes significantly to Pakistan's economy. The Government has granted high priority to developing Pakistan's telecommunications sector to facilitate sustainable growth in all sections of the economy. Pakistan successfully deregulated its telecommunications sector in 2003-04, leading to increased competition in the fixed line and mobile cellular segments of the telecommunications sector and resulting in the expansion of telecommunication infrastructure, low tariffs, high revenues, increased tax contributions and employment opportunities. The telecommunications sector experienced positive growth during 2019-20. The total number of mobile subscriptions (number of active...
SIMs) reached 168.9 million as at 28 February 2020, as compared to 161 million as at 30 June 2019. Total teledensity reached 80.8 per cent as at 28 February 2020 registering growth of 3.9 per cent during the July 2019 to February 2020 period. The principal reason for this increase in teledensity is the growth in the number of mobile subscribers. Based on figures updated in December 2020, cellular operators’ respective market shares were Jazz 37.81 per cent, Telenor 27.10 per cent, PTML (Ufone) 13.13 per cent and CMPAK (Zong) 21.96 per cent.

Other segments of the telecommunications sector include fixed local loop, wireless local loop and long distance international. The subscriber base of the local loop segment decreased to 2.45 million as of 30 September 2019 as compared to 2.57 million as of 30 June 2019 principally due to the mobile substitution effect.

Mobile and fixed broadband subscriber base experienced strong growth from July 2019 to February 2020. As of 28 February 2020, the number of broadband subscribers reached 82.2 million as compared to 71.2 million as of 30 June 2019.

The telecommunications sector is among the major foreign investment attracting sectors in Pakistan. From July 2015 to February 2020, the telecommunications sector attracted over U.S.$1.5 billion in foreign direct investment inflows, including U.S.$555.6 million during the July 2019 to February 2020 period. In addition, telecommunications operators in Pakistan invested over U.S.$3.5 billion from July 2015 to February 2020, including U.S.$426.7 million during the July 2019 to February 2020 period.

Two mobile operators (Zong and Jazz) have successfully carried out 5G trials in Pakistan. A 5G Pakistan Plan Committee has been created by the Ministry of Information Technology and Telecommunication, consisting of stakeholders from the public and private sectors. The 5G Pakistan Plan Committee is developing a strategic plan and roadmap for 5G technology in Pakistan, covering spectrum management, infrastructure development, review of telecommunications regulations and 5G applications.

### Financial Services

The financial sector in Pakistan comprises commercial banks, development finance institutions (DFIs), microfinance banks (MFBs), exchange companies, non-banking finance companies (such as leasing companies, investment banks, discount houses, housing finance companies, venture capital companies, asset management companies and mutual funds), modarabas, stock exchanges, commodity exchanges, brokerage firms, depository companies, clearing and settlement companies, credit rating companies, share registrars, insurance companies and Takaful. The SBP, which is the central bank of Pakistan, supervises banks, DFIs, MFBs, exchange companies, payment services providers, operators of payment systems or issuers of payment instruments and credit bureaus, while the SECP monitors the remaining non-bank financial institutions.

As at 31 December 2020, the banking industry in Pakistan consisted of 32 commercial banks, nine DFIs and nine nation-wide and two province-wide MFBs. The commercial banks comprise five public sector banks, and 20 private sector banks, including five Islamic commercial banks, four foreign banks (operating through branches) and three specialised banks.

Advances to private sector businesses and to individuals grew by 3.9 per cent in 2020 as set out in the table below:

<table>
<thead>
<tr>
<th>Segment</th>
<th>As at 31 December 2019</th>
<th>As at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Sector (Business)</td>
<td>5,285.4</td>
<td>5,490.5</td>
</tr>
<tr>
<td>Including</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>306.3</td>
<td>291.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>3,251.6</td>
<td>3,374.0</td>
</tr>
<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>504.8</td>
<td>532.6</td>
</tr>
</tbody>
</table>

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State Bank of Pakistan (SBP). The SBP was established in 1948. The SBP regulates the monetary and credit systems, determines and implements monetary policy and supervises the banking sector to support the stability of financial institutions. SBP also uses open market operations, standing facilities, changes in cash reserve and statutory liquidity requirements to influence availability of liquidity and broad money in the economy. Open market operations and standing facilities are implemented through repurchase agreements against government securities. In order to enhance the effectiveness of monetary policy and to better manage liquidity in the interbank market, the SBP strengthened the structure of its Interest Rate Corridor (IRC) framework. The main feature of this improved framework was the introduction of a new target policy rate for the money market overnight repo rate as the main policy rate. The main objective of adopting an improved IRC by the SBP was to stabilise short-tenor interest rates around the target rate for the smooth transmission of monetary policy.

Under the State Bank of Pakistan Act 1956 (the SBP Act), the SBP is a body corporate and the general superintendence and direction of the affairs and business of the SBP is entrusted to the board of directors (Board). The Board consists of the Governor (who is also the chairperson of the Board and the Monetary Policy Committee), the Secretary for Finance Division and eight other directors, including at least one from each province, who are eminent professionals from the field of economics, finance, banking or accountancy and is appointed by the federal government. The SBP Act was amended by Parliament in November 2015 to strengthen the SBP's independence. A statutory monetary policy committee (MPC) has been constituted under the Amendment Act, which consists of the Governor, three external economic experts, three members of the Board and three senior executives of the SBP. The MPC formulates, supports and recommends the monetary policy. In addition, the SBP has plans to implement a flexible inflation targeting framework (FIT). Significant progress has been made on the technical aspects of implementing the FIT framework.

The Board, in addition to other functions under the SBP Act, oversees the foreign exchange reserve management and approves the strategic investment and risk policy. The Governor of the SBP is the chief executive officer and directs and controls the affairs of the SBP on behalf of the Board. The Governor is appointed for a term of three years, which is extendable for another three-year term.

The Foreign Exchange Regulation Act 1947 (FERA 1947) regulates certain payments, dealings in foreign exchange and securities and the import and export of currency and bullion. SBP has been vested with regulatory powers under FERA 1947. International investors in Pakistan enjoy the freedom of repatriation of profit and principal, subject to the applicable laws.

The SBP systematically monitors the performance of every banking company to ensure compliance with banking laws, rules, regulations and other applicable laws. The SBP in its regulatory role is entrusted to take appropriate remedial measures under the applicable laws in order to ensure that the management of a bank discharges its responsibility in accordance with the applicable laws or the banking rules and regulations, protects the interests of the depositors or advances loans or enters into other financing transactions with due consideration of the best interests of the bank. The SBP can, among other things, exercise the following regulatory powers under the Banking Companies Ordinance 1962: (i) prohibit the bank from providing loans, advances and credits; (ii) prohibit the bank from accepting deposits; (iii) cancel the bank's banking licence; (iv) remove the chairman, directors, chief executive or other managers from office; (v) direct the prosecution of directors, the chief executive or other officers; (vi) caution or prohibit the bank against entering into any particular transaction; (vii) require the bank to make changes in management; (viii) wind-up the bank through judicial means; (ix) apply to the Government for an order of moratorium and a plan of reconstruction or amalgamation; (x) cancel the bank's share capital to the extent it is not represented by its assets and issue new
shares; and (xi) impose penalties. The SBP's regulatory powers extend to the fitness and propriety of sponsors/major shareholders of banks on a continuous basis.

The SBP is empowered to determine cash reserve requirements and statutory liquidity requirements for banks, DFIs and MFBs. Presently, the cash reserve requirement for banks is set at 5 per cent of the total demand liabilities and time deposits with a tenor of less than one-year on average during the fortnight, subject to a daily minimum of 3 per cent of the aforementioned applicable liabilities. For DFIs, it is 1 per cent of their total time and demand liabilities, and for MFBs it is 5 per cent of total demand deposits and time deposits with a tenor of less than one year. In addition, the banks are required to maintain a statutory liquidity requirement of 19 per cent for conventional banks and 14 per cent for Islamic banks and Islamic bank branches against their total demand liabilities and time deposits with a tenor of less than one year on a daily basis. Similarly, MFBs are required to maintain a statutory liquidity requirement of 10 per cent of their demand liabilities and time liabilities with a tenor of less than one year, while DFIs are required to maintain statutory liquidity requirement at 15 per cent of their above specified liabilities.

All banks are required to maintain a risk-based capital adequacy ratio (CAR) inclusive of a capital conservation buffer (in the form of common equity tier-1 capital as prescribed by Basel III rules). The requirement for CAR was raised to 12.50 per cent, inclusive of the additional capital conservation buffer of 2.5 per cent, in 2019. However, in the aftermath of the COVID-19 outbreak, CAR has been reduced temporarily to 11.50 per cent through the reduction of the capital conservation buffer by 1.0 per cent. The Tier 1 capital requirement (including capital conservation buffer) was also raised in a gradual manner from 5.0 per cent in 2013 to 10.0 per cent in 2019, but then reduced temporarily to 9.0 per cent in March 2020 due to the impact of COVID-19. Furthermore, locally incorporated banks are also required to hold at all times a minimum paid-up capital (net of losses) of Rupees 10 billion.

Commercial Banking Sector. The overall performance of the banking sector, which dominates the financial services sector of Pakistan, remained relatively strong over the last few years despite macroeconomic challenges, the ongoing COVID-19 pandemic and other structural issues. Its asset base stood at Rupees 25.1 trillion as at 31 December 2020. Asset growth in the banking sector accelerated by 14.2 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to 11.7 per cent (year-on-year) in the twelve months ended 31 December 2019. This higher growth is due to the strong growth rate of net investments from 13.0 per cent (year-on-year) in the twelve months ended 31 December 2019 to 33.5 per cent (year-on-year) in the twelve months ended 31 December 2020. Net advances grew by 0.5 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to growth of 3.7 per cent (year-on-year) in the twelve months ended 31 December 2019. Net retirements made by certain economic sectors (for example, energy and automobiles) and moderate credit off-take by certain other sectors were the reason for the slowdown in advances. Deposits experienced robust growth of 16.1 per cent (year-on-year) in the twelve months ended 31 December 2020 as compared to 11.9 per cent in the previous year. Such strong inflow of deposits was principally on account of the halt in business activities and restrained consumers' spending due to the mobility restrictions caused by the COVID-19 pandemic. While increases have been observed in all categories of deposits, major increases took place in savings deposits and current accounts (non-remunerative).

Despite the impact of the COVID-19 pandemic, the credit risk has remained contained, in large part due to the SBP policy measures such as deferment of principal payments and restructuring/rescheduling of loans. With the slowdown in advances and some increase in non-performing loans (NPLs), the gross NPLs to loans ratio has increased to 9.2 per cent as at 31 December 2020 from 8.6 per cent a year earlier. However, due to the prudent approach adopted by banks during the COVID-19 pandemic, the banks enhanced the level of provisions against specified as well as general assets, which led to an increase in the provisions coverage ratio (provisions to NPLs) to 88.3 per cent as at 31 December 2020 as compared to 81.4 per cent a year earlier. As a result, the level of net non-performing loans (NNPLs) decreased to Rupees 97 billion as at 31 December 2020 from Rupees 141 billion as at 31 December 2019, while NNPLs to net loans ratio decreased to 1.2 per cent as at 31 December 2020 from 1.7 per cent a year earlier.

Prudent risk-based regulations have helped the banking sector to maintain a strong solvency profile. CAR improved to 18.6 per cent as at 31 December 2020 from 17.0 per cent as at 31 December 2019.
The earnings of the banking sector experienced a large increase of 35.1 per cent in 2020 as profit before tax amounted to Rupees 411 billion in the twelve months ended 31 December 2020 as compared to Rupees 304 billion in the twelve months ended 31 December 2019. The strong increase in profitability was primarily driven by higher net interest income. In addition, non-interest income also increased principally due to the gains on sale of government securities. Accordingly, all profitability indicators, such as return on assets, return on equity and net interest margin improved in the twelve months ended 31 December 2020 as compared to the twelve months ended 31 December 2019.

The banking sector of Pakistan has attracted international banks and international investors in recent years. The commercial banking sector comprises both locally incorporated Pakistani banks and branch operations of foreign commercial banks. There are also Government-owned specialised banks that provide finance to agriculture, industry and cooperatives. Joint ventures between the government of Pakistan and governments of other countries, working as DFIs, provide financial assistance to promote investment in industry, agriculture and trade. Foreign institutions and strategic investors, either directly or in collaboration with local partners or sponsors, can conduct banking business in Pakistan as a locally incorporated company, in general, with a maximum foreign ownership of 49 per cent. Foreign banks are also allowed to conduct banking business in the form of a wholly-owned locally incorporated subsidiary or as a branch of such foreign bank if: (i) the foreign bank has a global tier-1 paid-up capital of U.S.$5 billion or more or (ii) the foreign bank is from a country which belongs to regional groups or associations of which Pakistan is a member. In recent years, certain foreign banks with branch operations in Pakistan have incorporated locally and also acquired other banks operating in Pakistan.

As at 31 December 2020, Pakistan's banks' liabilities consisted of (i) customer deposits and other accounts (79.6 per cent), (ii) borrowings from financial institutions (13.8 per cent), (iii) bills payable (1.3 per cent), (iv) subordinated loans (0.5 per cent), (v) deferred tax liabilities (0.2 per cent), (vi) liabilities against assets subject to finance lease (0.03 per cent) and (vii) other liabilities (4.5 per cent).

**Microfinance.** The Government and the SBP aim to promote financial inclusion through a nationwide financial literacy programme. The programme focuses on disseminating education on basic financial concepts, products and services to the people, focusing on budgeting, savings, investments, banking products and services, debt management and consumer rights and responsibilities.

As at 30 June 2020, the microfinance sector collectively (11 MFBs, one Islamic banking institution (MCB Islamic Bank) and 34 non-bank microfinance companies) served 7.1 million borrowers. This sector has achieved 3.8 per cent growth in its aggregate loan portfolio, which grew by Rupees 11.3 billion to Rupees 309.5 billion during the fiscal year ended 30 June 2020.

**Islamic Banking.** Since 2002, the SBP has actively promoted Islamic banking in parallel with conventional banking by:

- allowing the opening of full-fledged Islamic commercial banks in the private sector;
- allowing existing conventional banks to establish Islamic banking subsidiaries; and
- allowing existing conventional banks to open separate branches for Islamic banking.

In recognition of the need for a separate department for the regulation and promotion of the Islamic banking sector, the Islamic Banking Department was established in the SBP in 2003 and a high-level Steering Committee for promotion of Islamic banking was set up in December 2013 comprising renowned Shari’ah scholars, senior government officials, industry experts and business leaders. The Steering Committee submitted its recommendations after completion of its tenure of two years and subsequently an Implementation Committee was formed in 2015 to execute the recommendations of the Steering Committee. The SBP's Strategic Plan 2016-2020 included the goal of increasing financial inclusion by providing an enabling environment for, and by promoting, Islamic banking and it forms an integral part of the National Financial Inclusion Strategy to serve those who prefer Islamic products or who are voluntarily excluded or underserved
due to their religious beliefs. The SBP has adopted various initiatives to promote and develop the Islamic banking industry in Pakistan including:

- issuing licensing requirements, regulations for Islamic banking windows, criteria for conversion of conventional banking branches into Islamic banking branches and guidelines on Shari’ah compliance for Islamic banking institutions;

- issuing guidelines for conversion of an existing conventional bank into an Islamic bank to promote Islamic banking;

- issuing guidelines for DFIs to undertake Shari’ah compliant businesses and operations;

- strengthening of Shari’ah compliance through the issuance of a Shari’ah Governance Framework, in effect from July 2015;

- the adoption or adaptation of Shari’ah and prudential standards issued by the Accounting and Auditing Organisation for the Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Board (IFSB) respectively;

- revising the initial paid-up capital requirement for establishing an Islamic banking subsidiary from Rupees 10 billion to Rupees 6 billion. However, such subsidiaries are required to raise their paid-up capital (net of losses) to Rupees 10 billion within a period of five years from the date of commencement of their operations. Moreover, during the transitional period of five years, the Islamic banking subsidiary must adhere to the variable CAR requirement depending on the level of minimum paid-up capital (net of losses); the CAR requirement at Rupees 6 billion of minimum paid-up capital (net of losses) is 16 per cent, with the CAR requirement decreasing in a proportionate manner with every Rupees 1 billion increase in minimum paid-up capital (net of losses) to reach 12.5 per cent once the minimum paid-up capital (net of losses) of Rupees 10 billion is achieved. Due to the impact of COVID-19, the CAR requirement of 12.50 per cent has been temporarily reduced to 11.50 per cent;

- issuing two five-year strategic plans for the Islamic banking industry; the first was issued in 2007 and the second in 2014; the third strategic plan for the period from 2020 to 2025 is in the process of approval;

- facilitating Islamic bank liquidity management by providing for sukuk trading on a deferred payment basis (Bai-Muajjal) or on a ready payment basis through open market operations based on a multiple price competitive bidding auction process;

- introducing regulations for domestic and international government of Pakistan sukuk-al-ijara to provide investment avenues to Islamic banking institutions and develop the Islamic money market;

- issuing detailed instructions for profit and loss distribution and pool management in Islamic banking institutions to improve transparency and disclosures and bring standardisation in Islamic banking institutions' profit and loss distribution policies and practices;

- issuing Islamic financing facilities as Shari’ah-compliant alternatives of conventional financing facilities to meet demand of faith sensitive clients such as: Islamic Export Refinance Scheme (IERS), Islamic Long-Term Financing Facility (ILTFF), Islamic Financing Facility for Renewable Energy (IFRE), Islamic Financing Facility for Storage of Agricultural Produce (IFFSAP), Islamic Refinance Facility for Modernisation of SMEs (IRFMS) and Islamic Financing Facility for Low Cost Housing for Special Segments;

- allowing establishment of full-fledged Islamic microfinance banks, Islamic microfinance divisions of conventional microfinance banks, Islamic microfinance services by full-fledged Islamic banks and Islamic microfinance services by conventional banks to encourage Islamic microfinance;
providing regular awareness, training and capacity building programmes;

- establishing three Centres of Excellence in Islamic Finance Education;

- working with the Islamic Financial Services Board on various supervisory and regulatory aspects;

- actively participating in the development of guidance notes for stress-testing of Islamic financial institutions and liquidity risk management; and

- promoting the launch of an All Share Islamic Index and the establishment of an Islamic Finance Department at the SECP.

In addition, the Government has provided tax neutrality to Islamic financial institutions and their customers under the Finance Act 2017.

In recognition of its efforts, the SBP has been voted as the Best Central Bank for 2020 in promoting Islamic finance by a poll conducted by Islamic Finance News (IFN), an arm of REDmoney Group, Malaysia. The SBP has also won this award in 2018, 2017 and 2015. Moreover, Global Islamic Finance Awards (GIFA) has also awarded SBP as the "Best Central Bank of the Year 2020".

The Islamic banking industry in Pakistan has grown significantly since its re-launch in 2002. The asset base of the industry stood at Rupees 4,269.4 billion as at 31 December 2020 as compared to Rupees 3,283.7 billion as at 31 December 2019, representing growth of 30.0 per cent. Islamic banking deposits grew by 27.8 per cent to Rupees 3,389.0 billion as at 31 December 2020 as compared to Rupees 2,652.1 billion as at 31 December 2019. The industry's asset base accounted for 16.9 per cent of the overall banking system in the country as at 31 December 2020, while in terms of deposits its share in the country's banking system was 18.3 per cent as at the same date. As at 30 September 2020, 22 Islamic banking institutions; five full-fledged Islamic banks and 17 conventional banks having standalone Islamic banking branches were providing Shari'ah-compliant products and services through their network of 3,303 branches along with 1,386 windows (Islamic banking counters at conventional branches) across the country.

**Non-banking Financial Institutions.** Other entities within Pakistan's financial sector include non-banking finance companies (such as housing finance companies, leasing companies, investment finance companies, asset management companies, investment advisors and REIT management companies), a state-owned life insurance company (the State Life Insurance Corporation), private life insurance companies, private general insurance companies and *modarabas*.

The SECP regulates non-bank finance companies and the regulatory framework is transparent, robust and based on the best international practices. The asset size of non-banking finance companies has increased at a steady pace over the past few years. As at 30 June 2020, the asset size of non-banking finance companies stood at Rupees 1,412.42 billion as compared to Rupees 1,140.36 billion as at 30 June 2019, representing an overall increase of 23.86 per cent. Total assets of non-bank finance companies by sector as at 30 June 2020 were as follows:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of entities</th>
<th>Total assets (Rupees billion)</th>
<th>As percentage of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds/plans</td>
<td>220</td>
<td>802.15</td>
<td>56.79%</td>
</tr>
<tr>
<td>Asset management companies / investment advisors</td>
<td>23</td>
<td>39.66</td>
<td>2.81%</td>
</tr>
<tr>
<td>Discretionary /non-discretionary portfolios</td>
<td>-</td>
<td>228.59</td>
<td>16.18%</td>
</tr>
<tr>
<td>REIT management companies</td>
<td>7</td>
<td>6.00</td>
<td>0.43%</td>
</tr>
<tr>
<td>Real estate investment trust</td>
<td>1</td>
<td>48.99</td>
<td>3.47%</td>
</tr>
<tr>
<td>(REIT scheme)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Sector Number of entities Total assets (Rupees billion) As percentage of total assets

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of entities</th>
<th>Total assets (Rupees billion)</th>
<th>As percentage of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment banks and micro finance institutions</td>
<td>37</td>
<td>186.72</td>
<td>13.22%</td>
</tr>
<tr>
<td>Leasing companies</td>
<td>7</td>
<td>10.64</td>
<td>0.75%</td>
</tr>
<tr>
<td><strong>Modarabas</strong></td>
<td>28</td>
<td>51.43</td>
<td>3.64%</td>
</tr>
<tr>
<td>Pension funds</td>
<td>19</td>
<td>31.35</td>
<td>2.22%</td>
</tr>
<tr>
<td>Private equity companies</td>
<td>4</td>
<td>0.11</td>
<td>0.01%</td>
</tr>
<tr>
<td>Private equity and venture capital funds</td>
<td>5</td>
<td>6.78</td>
<td>0.48%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>351</td>
<td>1,412.42</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: SECP*

In 2019-20, out of the 28 operational *modarabas*, 16 declared a cash dividend.

**Insurance Sector.** The insurance sector of Pakistan consists of 10 life insurance companies, including two public sector life insurance companies, 40 non-life insurance companies, including one public sector non-life insurance company and one state-owned non-life reinsurance company. There are two dedicated family (life) *takaful* operators and three general (non-life) *takaful* operators in the country, while 29 conventional insurers have obtained authorisation to conduct the window *takaful* operations, which includes the only public sector reinsurance company.

The insurance sector showed consistent but modest growth in life and non-life insurance over the years. As at 31 December 2019, the total assets of the insurance industry amounted to Rupees 1,785 billion as compared to Rupees 1,509 billion as at 31 December 2018, showing a 16 per cent increase in the aggregate asset size on a year-on-year basis. On the revenue side, in 2019, the industry underwrote total direct gross written premium (GWP) of Rupees 344 billion as compared to Rupees 326 billion in 2018, demonstrating a growth of approximately 5 per cent in GWP. The reinsurance premium underwritten by the only non-life reinsurance company in Pakistan, which is owned by the Government, amounted to Rupees 18 billion in 2019.

According to sector-wide analysis, as at 31 December 2019, the life insurance industry owned assets amounting to Rupees 1,457 billion and the non-life insurance sector owned assets amounting to Rupees 328 billion (including reinsurance). On the revenue side, during 2019, the life insurance sector underwrote premium of Rupees 229 billion and the non-life insurance sector has recorded premium amounting to Rupees 115 billion (excluding reinsurance). Total assets of insurance companies as of 31 December 2019 and GWP of insurance companies in 2019 by insurance segment were as follows:

<table>
<thead>
<tr>
<th>Insurance segments</th>
<th>Gross premium (Rupees million)</th>
<th>Total assets (Rupees million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life insurance</td>
<td>200,515</td>
<td>1,395,144</td>
</tr>
<tr>
<td>Family <em>Takaful</em></td>
<td>9,923</td>
<td>31,355</td>
</tr>
<tr>
<td>Family Window <em>Takaful</em></td>
<td>18,252</td>
<td>30,200</td>
</tr>
<tr>
<td><strong>Total life insurance and family <em>Takaful</em></strong></td>
<td><strong>228,691</strong></td>
<td><strong>1,456,698</strong></td>
</tr>
<tr>
<td>Non-life insurance</td>
<td>102,829</td>
<td>274,178</td>
</tr>
<tr>
<td>General <em>Takaful</em></td>
<td>1,733</td>
<td>3,307</td>
</tr>
<tr>
<td>General Window <em>Takaful</em></td>
<td>10,369</td>
<td>14,714</td>
</tr>
<tr>
<td><strong>Total non-life and general <em>Takaful</em></strong></td>
<td><strong>114,930</strong></td>
<td><strong>292,199</strong></td>
</tr>
<tr>
<td>Reinsurance</td>
<td>18,080</td>
<td>36,153</td>
</tr>
<tr>
<td><strong>Total (excluding reinsurance)</strong></td>
<td>343,621</td>
<td>1,785,051</td>
</tr>
</tbody>
</table>

*Source: SECP Annual Report 2020*

**Government Bond Market.** The SBP has implemented measures for the development of the Government bond market including:
an Electronic Bond Trading platform (EBND-Bloomberg) introduced to increase efficiency in secondary market trading of government securities and providing a central platform where investors can easily access marketable securities, including market treasury bills, Pakistan investment bonds (PIBs) and Government of Pakistan Ijara sukuk. This system also provides international investors with an additional platform to access the Pakistan's financial markets. In 2020, the EBND was also integrated with core payment systems of the SBP (PRISM) to reduce operational risk and for quick processing/settlement of secondary market trades;

rules governing the primary dealer system have been revised to enhance the role and obligations of primary dealers;

the process of investing in government securities was streamlined through changes to investor's portfolio of securities (IPS) accounts so that it is mandatory for each primary dealer to offer IPS accounts to those customers maintaining Pakistan Rupee accounts with them;

since February 2013, the auction of market treasury bills and PIBs are being conducted online via Bloomberg's auction system. This primary auction process was automated so as to reduce operational risk and to align Pakistan with other countries conducting similar auction processes. The auctions systems are already integrated with core systems of the SBP for smooth settlement of transactions;

the SBP now permits trading of government securities on the Pakistan Stock Exchange in addition to the existing OTC markets (Bloomberg, Reuters and money market brokers);

in 2020, non-competitive bids in GIS auctions have been allowed to broaden the investor base and the mechanism for re-opening of GIS has been put in place to increase outstanding volume and liquidity of issues in secondary market trading. In addition, Government has also initiated frequent issuance of sukuk to cater to the growing demand of the Islamic financial sector; and

in May 2018, the SBP, with concurrence of the Government, introduced Pakistan Investment Bond with floating rate with semi-annual coupon to assist the Government in increasing the maturity profile of its public debt and strengthening the suite of tradable government securities available on the market. Subsequently, in 2020, new variants of quarterly floating bonds were also introduced with quarterly reset and fortnightly reset frequencies.

Pakistan’s Stock Exchanges. Prior to January 2016, three national stock exchanges existed in Pakistan: the Karachi Stock Exchange (KSE), which was established in 1949, the Lahore Stock Exchange (LSE), which was established in 1970 and the Islamabad Stock Exchange (ISE), which was established in 1993. The overwhelming majority of companies listed on the KSE also raised capital on the other two stock exchanges.

Following a series of discussions moderated by the SECP, in August 2015, representatives from the LSE, the ISE and the KSE signed a memorandum of understanding for the integration of all trading venues into a single securities marketplace. The Pakistan Stock Exchange Limited (PSX) commenced operations on 11 January 2016 and has facilitated the growth of domestic capital markets in the years since.

The following table sets out certain figures with respect to the profile of PSX:

<table>
<thead>
<tr>
<th></th>
<th>Fiscal year ending 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>Total listed companies(1)</td>
<td>559</td>
</tr>
<tr>
<td>New listed companies</td>
<td>4</td>
</tr>
<tr>
<td>Total listed capital(2) (Rupees billion)</td>
<td>1,289.1</td>
</tr>
<tr>
<td>Total market capitalization (Rupees billion)</td>
<td>7,588.5</td>
</tr>
</tbody>
</table>
Average daily traded volume
(millions of shares)  221  363  187  164  211

(1) The total number of listed companies has been stated after nine companies delisted in 2016, two companies delisted in 2017, five companies delisted in 2018, 15 companies delisted in 2019 and 14 companies delisted in 2020 while one company merged in 2016, two companies merged in 2017, three companies merged in 2018 and one company merged in 2019.
(2) The total listed capital has been stated after adjustment of capital of companies by way of merger, bifurcation and de-listing.

Source: Pakistan Stock Exchange

Various indices track market activity on the PSX, with the KSE-100 and the KSE-30 being two of the most commonly cited ones. The KSE-100 Index consists of 100 companies selected on the basis of sector representation and highest free-float capitalisation, which captures around 70 per cent to 80 per cent of the total free-float capitalisation of the companies listed on the PSX. It was introduced in November 1991 with a base of 1,000 points and is recomposed bi-annually. The KSE-30 Index includes the top 30 most liquid companies listed on the PSX based on the free float methodology. The base period of the the KSE-30 Index is June 2005 and the base value is 10,000 index points.

The following table shows the movements in the KSE-100 Index since 2016, together with its level as at 31 December in each year from 2016 to 2020.

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>47,806.97</td>
<td>52,876.46</td>
<td>46,637.62</td>
<td>41,768.66</td>
<td>43,766.69</td>
</tr>
<tr>
<td>Low</td>
<td>30,564.50</td>
<td>37,919.42</td>
<td>36,663.38</td>
<td>28,764.63</td>
<td>27,228.80</td>
</tr>
<tr>
<td>Period end</td>
<td>47,806.97</td>
<td>40,471.48</td>
<td>37,066.67</td>
<td>40,735.08</td>
<td>43,755.38</td>
</tr>
</tbody>
</table>

Source: Pakistan Stock Exchange

The PSX offers various products and services for capital market investors and provides a modern infrastructure for transactions in both equity securities and fixed income securities. Corporate debt capital is raised through term finance certificates and private placements. In February 2014, the Government's debt securities were first listed on the PSX, although trading in such securities remains limited. There are 12 primary dealers appointed by the SBP that trade almost exclusively with banks.

Further enhancements to the bond automated trading system (BATS) platform are expected to support liquidity in the public debt securities market.

In addition to Government debt securities, a total of 33 corporate debt issues with a combined outstanding principal amount of Rupees 542.76 billion were listed on the PSX as at 31 December 2020:

<table>
<thead>
<tr>
<th>Type of Security</th>
<th>No. of Issues</th>
<th>Amount outstanding (Rupees billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Listed Term Finance Certificates</td>
<td>12</td>
<td>30.266</td>
</tr>
<tr>
<td>Privately Placed Term Finance Certificates including traded OTC</td>
<td>8</td>
<td>41.937</td>
</tr>
<tr>
<td>Sukuk(1)</td>
<td>13</td>
<td>470.58</td>
</tr>
<tr>
<td>Privately Placed Commercial Paper</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Participation Term Certificates</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>33</td>
<td>542.76</td>
</tr>
</tbody>
</table>

(1) Includes PHA Energy Sukuk.

Source: Pakistan Stock Exchange

The name of the National Commodity Exchange Limited was changed to the Pakistan Mercantile Exchange Limited (PMEX) in March 2011. The PMEX was set up as Pakistan's first technology-driven, demutualised and on-line commodity futures exchange. The PMEX product portfolio is continuously renewed to cater for the hedging and investing needs of various investor groups. A variety of contracts are traded across the metals, agriculture and energy asset classes. The PMEX currently offers a variety of contracts which include the commodities of gold, platinum, silver, copper, wheat, crude oil, natural gas, International Equity Indices and the Karachi Inter Bank Offer Rate (KIBOR).
**Securities Market Reforms.** The SECP was established under the Securities and Exchange Commission of Pakistan Act 1997 and became operational on 1 January 1999. The SECP regulates the capital markets, corporate sector, non-bank financial companies sector and the insurance sector.

The SECP has been actively pursuing a capital markets reform programme to develop a modern and efficient system. The SECP has recently introduced several reforms to strengthen risk management at the stock exchanges, increase transparency, improve governance, promote capital formation, enhance investor protection and improve market efficiency, including:

- The Professional Clearing Members Regulations became effective on 23 September 2020. These regulations contain licensing, conduct and operational requirements for a company functioning as a professional clearing member that provides clearing/settlement and custodial services to securities brokers and their customers.

- The Centralised Know Your Customer (KYC) Organisation has been successfully launched, which now acts as a KYC repository and independently verifies identification details of investors through biometric verification and mobile number verification.

- As part of the SECP's digital transformation agenda, investors have been allowed to seamlessly open their accounts online with a broker from anywhere in the country without requiring to submit any documents physically or visit a broker. Their online verification is conducted independently by the Centralised KYC Organisation.

- Pursuant to the launch of the Non Resident Pakistani Rupee Value Account under Roshan Digital Account initiative, non-resident Pakistanis can now invest in listed shares and open accounts with capital market intermediaries on the basis of the KYC information submitted to the banks.

- Under the Collateral Management Company Regulations, 2019, collateral management companies have been created. The regulatory framework aims to promote growth of the agricultural sector in Pakistan by promoting electronic trading and warehouse receipt financing of agricultural commodities. This framework provides protection of interests of depositors and bankers by ensuring good warehousing practices, preventing fraud and providing relief if the warehouse defaults or its business is liquidated.

- Market halts have been introduced in the operation of the stock market whereby a 5 per cent movement in the KSE-30 index upwards or downwards would trigger temporary suspension of trading at the stock exchange to prevent irrational price fluctuations and to give the market a cooling period.

- A minimum brokerage commission of 3 paisa per share or 0.15 per cent of traded value, whichever is higher, has been made effective along with a maximum allowable commission rate of 2.5 per cent of traded value. The implementation of this commissions scale is aimed at ensuring quality of brokerage services provided by securities brokers, reducing anomalies and supporting growth of the brokerage industry.

- To provide Shari'ah-compliant investment option to market participants, *murabaha* share financing product has been introduced.

- Exchange Traded Funds (ETFs) have been launched by PSX.

- Eligibility criteria for the listing of securities on the main board of PSX have been revisited to better promote capital formation.

- Broadening the universe of issuance advisors: in order to facilitate and encourage the listing of securities on the GEM board of PSX, the SECP has allowed banks and accounting and auditing firms to act as advisors with respect to the issuances listed on the GEM board.
• Review of the market making framework: In order to promote liquidity in the secondary debt market and encourage financial institutions to register with PSX as market makers, the review of the market making regulations of PSX has been conducted.

• In order to help issuers with the listing of other classes of their shares, the SECP has allowed the listed companies, the ordinary shares of which are already listed on the stock exchange, to list other classes of their shares without making a public offer of such other classes of shares. Amendments to this effect have been made in the PSX Regulations.

• Harmonising the requirements with respect to audited accounts for secondary public offering with Companies Act, 2017: the SECP has allowed listed companies making secondary public offerings and initial public offering of other classes of shares to publish the prospectus/offer for sale document based on audited accounts older than eight months subject to the condition that they are compliant with the requirements for annual and quarterly accounts as specified under Companies Act. Amendments to this effect have been made in the PSX Regulations.

• Facilitating the issuance of government debt securities: in order to facilitate the issuance of government-guaranteed debt securities and public offerings of debt securities by state-owned enterprises having entity rating of BBB+ and above, the eligibility criteria for such public offerings have been relaxed.

• In order to include the Islamic finance segment into the regulatory framework, SECP Act 1997 has been amended through SECP (Amendment) Act, 2016 to empower the SECP to regulate and facilitate the growth of Shari'ah-compliant financial products in the financial services market. As part of this reform, Companies Act, 2017 has been amended to include various concepts, including Shari'ah compliant company, Shari'ah compliant security, Shari'ah advisory, Shari'ah audit, certain disclosures for Shari'ah compliant companies and fit and proper criteria for any person's appointment or engagement for Shari'ah compliance purposes.

• The SECP has issued Shari'ah Governance Regulations, 2018 that cover the areas of certification of Shari'ah-compliant companies and securities, Shari'ah advisory services, Shari'ah compliance, internal and external Shari'ah audit and Shari'ah screening criteria for Shari'ah-compliant companies and securities. As at 15 February 2021, three companies have obtained a certificate of Shari'ah compliance and eleven companies have obtained a certificate of Shari'ah-compliant securities. Furthermore, Shari'ah Advisors Regulations, 2017 and Sukuk (Privately Placed) Regulations, 2017 were simultaneously introduced by the SECP to strengthen, professionalise and improve the quality of Shari'ah advisory function and to allow for the issuance of Sukuk to qualified institutional buyers through private placements. The SECP is also standardising the constitutive documents and introducing more Shari'ah, accounting, auditing and governance standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) with the goal of harmonisation of the diverse Islamic financial services under the mandate of the SECP. In 2016, a special tax rebate of two per cent was introduced for Shari'ah-compliant listed manufacturing companies and tax neutrality for Sukuk vis-a-vis conventional securitisation was introduced under Finance Act 2016.

• On March 16, 2020, Companies (Further Issue of Shares) Regulations, 2020 became effective. Under these regulations, the mechanism for the issue of further shares has been further simplified through a significant reduction of extra regulatory burden on companies issuing such shares, including with respect to the preparation of financial projections, providing a mechanism for calculating offer price and providing simplified conditions for the issuance of shares under Employee Stock Option Scheme.

Financial Sector Regulation. Pakistan over the years has taken measures to enhance regulatory and supervisory regime and outreach of the banking sector including:

• strengthening supervision of the banking system, including measures to set up a deposit insurance system and a council of regulators so as to augment the overall financial stability framework in the country;
ensuring that the supervisory framework for banks sufficiently complies with the international best practices and Basel core principles of banking supervision. The framework is continuously improved through issuance of regulations and guidelines and their update in line with international standards and best practices; through updates of guidelines and standards on corporate governance, risk management, preventive measures recommended by FATF, consumer protection and financial inclusion; as well as improving the supervision of banks and cooperation with other regulators on the supervision of financial conglomerates;

strengthening capital and liquidity requirements for financial institutions, in line with the requirements of the Basel standards (including implementation of Basel-III capital standard with effect from 31 December 2013 and Basel III liquidity tools from 31 January and 31 March 2017) and promoting consolidation within the banking sector;

enactment of an anti-money laundering law granting several government agencies the authority to investigate and prosecute incidents of money laundering or terrorist financing and strengthening the anti-money laundering and counter-terrorist financing regulatory regime for banks through issuance of regulations/instructions aligned with the FATF recommendations and best practices;

promulgation of Corporate Restructuring Companies Act, 2016 enabling the establishment of corporate restructuring companies, inter alia, for acquisition, management and resolutions of non-performing assets of financial institutions and restructuring, revival and liquidation of commercially or financially distressed companies and their businesses;

promulgation of Corporate Rehabilitation Act, 2018 enabling distressed corporate entities to enter into court supervised mediation with the creditors for approval of rehabilitation plan; thereby, providing a mechanism for rehabilitation and reorganisation of distressed entities;

increasing growth in Islamic commercial banks, Islamic banking subsidiaries of conventional commercial banks and standalone Islamic banking branches of existing commercial banks;

developing a regulatory framework with the Pakistan Telecommunication Authority for the development of branchless banking in Pakistan;

implementing a broad national financial inclusion strategy to address the challenges underlying the current low level of financial inclusion. Headline targets of this strategy, which was launched in May 2015 and updated by the Government in 2018, include (i) 65 million active digital transaction accounts including 20 million accounts by women; (ii) the achievement of deposit to GDP ratio of 55 per cent; (iii) extending finance to 700,000 SMEs with 17 per cent of credit provided to private sector; (iv) serving six million farmers through digitalised solutions with disbursement of Rupees 1.8 trillion; and (v) the increase of the share of Islamic banking to 25 per cent of the overall banking industry (assets and deposits) as well as a 30 per cent share in the overall branch network;

implementing a number of Government and donor funded programmes to enhance provision of financial services to the unbanked segments of the population. The SBP in partnership with the UK’s Foreign, Commonwealth and Development Office has been implementing a financial inclusion programme to tackle financial exclusion among the poor and marginalised groups of the population through a variety of supply-side funds and credit enhancement facilities. Moreover, the SBP is also implementing World Bank funded Financial Inclusion and Infrastructure Project with a view to contribute towards financial inclusion by opening up access to financial services for the unbanked and under-banked by modernising financial infrastructure;

implementing National Financial Literacy Programme for Adults (NFLP) and National Financial Literacy Programme for Youth (NFLP-Y) to tackle the lack of financial literacy among different segments of society, which has historically been a major constraint on advancing the financial sector. NFLP, being implemented in collaboration with partner institutions (banks, MFBs, MFIs and non-governmental organisations) aims to train one million beneficiaries by 2022 and focuses on
disseminating information on basic financial concepts, products and services to the people; focusing on budgeting, savings, investments, banking products and services, debt management and consumer rights and responsibilities. Moreover, NFLP-Y, being implemented with partner educational institutions, aims to train 1.6 million beneficiaries of different age brackets by 2023.

- revising the SBP's Branch Licensing Policy to facilitate the provision of financial services in rural and under-served areas;
- allowing banks to enter the domestic capital markets as issuers of TFCs;
- creating special provisions for refinancing by banks at concessional rates; and
- requiring banks to link their corporate lending products with KIBOR.

**Strengthening Financial Stability.** The SBP is designing and implementing a Macro-Prudential Policy Framework (MPPF) to seek to ensure the stability of the financial sector in line with the best international practices. In recent years, it has made material progress in terms of establishing a formal institutional setup, strengthening its systemic risk assessment capacity and communications and calibrating the necessary policy toolkit, including Basel III capital and liquidity standards.

The SBP has thus far introduced the following initiatives with respect to MPPF:

- the SBP’s strategic plan "Vision 2020" envisages strengthening of financial stability regime as one of its key goals;
- the SBP has made significant progress towards institutionalising the financial stability framework in Pakistan, which included the formation of the Financial Stability Department and the Financial Sector Executive Committee within the SBP and the establishment of the Council of Regulators (a joint forum of the SBP and the SECP). The scope and mandate of these institutions include deliberations on macro-financial risks and their ramifications for the financial and real sectors of the economy;
- the National Financial Stability Council (NFSC) has been established in May 2020 which includes the SBP, the SECP and the Ministry of Finance. The NFSC is expected to discuss issues related to systemic risks, particularly those having cross-market and stability implications and suggest a coordinated policy response to address the threats to the financial system stability;
- to increase bilateral cooperation in banking supervision and exchange of supervisory information with other countries, the SBP signed memoranda of understanding with 23 regulatory authorities including countries in which Pakistani banks have operations;
- to enhance its assessment of pro-cyclical systemic risk capabilities, the SBP has brought in substantial improvements in its macro stress-testing regime (including revising its stress testing guidelines) to capture the macro-financial interlinkages and broaden the scope and coverage of the regime to include Islamic banks, Islamic bank branches and MFBs;
- to contain structural risk, the SBP has developed a framework for designation and enhanced supervision and regulation of domestic systemically important banks (D-SIBs). Additional supervisory measures for sample D-SIBs include preparing comprehensive risk appetite framework, conducting macro-stress tests/scenario analysis, preparing recovery plans and enhanced supervisory engagement with the top management and boards of the designated banks. Additional regulatory requirements, which are applicable to designated D-SIBs, include higher loss absorbency requirement in the form of common equity Tier 1 capital over and above the standard capital requirements. The SBP has designated three large banks as D-SIBs. In addition, branches of global systemically important banks operating in Pakistan will be required to hold additional common equity Tier 1 capital against their risk-weighted assets in Pakistan at the rate applicable to the respective principal global systemically important bank;
• to monitor upstream and downstream risks emerging from financial conglomerates (including non-financial entities), the SBP is conducting consolidated supervision through continuous coordination with the SECP;

• as per international standards, the SBP has launched various crisis preparedness initiatives. In December 2019, the SBP conducted the first joint industry-wide business continuity planning drill under a carefully designed scenario, which generated information regarding readiness/preparedness of business continuity planning/disaster recovery sites and effectiveness of business continuity plans that has been helpful in evaluating the industry's future response to a crisis. Furthermore, as per the requirement of the SBP Act, 1956, the SBP is working on the development and implementation of an operational framework for the lender of last resort facility;

• with the objective of compensating small and financially unsophisticated depositors (to the extent of protected deposits), the Deposit Protection Corporation has been established as a wholly-owned subsidiary of the SBP under the Deposit Protection Corporation Act, 2016. The Deposit Protection Corporation commenced its business with effect from 1 June 2018;

• the SBP has engaged Toronto Centre under the long-term country engagement programme for development and implementation of a risk-based supervision (RBS) framework. Such RBS framework, being a forward-looking framework, is expected to help in better understanding of a bank's risk profile with reference to both external and internal risks. This, in turn, will help the SBP in early identification of problems, efficient deployment of supervisory resources towards riskier areas and initiating prompt corrective actions. A pilot test in selected banks has been conducted to fine tune the developed methodologies for the effective implementation of the RBS framework; and

• with respect to disclosures of financial risk assessment, the SBP has been regularly publishing the annual "Financial Stability Review", semi-annual "Performance Review of the Banking Sector" and quarterly "Compendium: Statistics of the Banking System". Furthermore, the SBP has launched its systemic risk survey that helps to gauge the risk perceptions and confidence of the respondents in the stability of the financial system. In order to assess the implications of the COVID-19 pandemic for financial institutions and to firm up policy response, the SBP conducted two surveys in March and April 2020. Based on the first survey results, the SBP issued an advisory circular to ensure the availability and continuity of financial services.

The SBP supervises the financial derivatives market and issued the Financial Derivative Business Regulations (FDBR) in 2004 that contain the regulatory framework for over the counter financial derivatives. Under the FDBR, only those financial institutions that have been specifically authorised by the SBP to act either as an authorised derivative dealer (ADD) or as a non-market maker financial institution (NMI) are allowed to offer foreign currency options, forward rate agreements and interest rate swaps to their customers for hedging the underlying exposure. If any ADD or NMI intends to execute any derivative transaction, which is not expressly covered in the FDBR, prior permission of the SBP is required. Further, any other bank, which is not an ADD or NMI, will also need to seek an approval from the SBP prior to entering into a derivative transaction.

**Anti-Corruption and Anti-Money Laundering.** Pakistan ranks high on the published lists of countries with high levels of corruption. The Government has taken a number of measures to reduce corruption in the public and private sectors. The Anti-Money Laundering Act 2010 was amended in September 2020 to address all the gaps identified in Pakistan's Mutual Evaluation Report, 2019. This offence is punishable with imprisonment of not less than one year (but imprisonment may be extended for up to ten years) and a fine in the amount of up to 25 million Rupees, as well as the forfeiture of property involved in money laundering or property of corresponding value. The fine may be increased up to 100 million Rupees in case of a legal person.

A financial monitoring unit (FMU) was established in 2007 to receive, analyse and disseminate to the investigation and supervisory authorities information concerning suspected proceeds of crime and alleged money laundering offences or transactions related to terrorism and terrorist financing. The FMU also participates in regional and global efforts against money laundering and combating the financing of terrorism.
NAB is constituted under the National Accountability Ordinance 1999 (NAO) and is mandated to combat corruption and money laundering, using its powers of investigation and prosecution. The NAO prohibits and prescribes penalties for corrupt practices, grants powers to NAB and the Accountability Courts to hear specific corruption-related cases. NAB has made significant progress in prevention of corruption. Working with the total headcount of 2,417 officers as of 31 December 2020, including 427 investigators, its conviction rate was 60.8 per cent in 2020 as compared to 62.7 per cent in 2019 and 63.8 per cent in 2018. Its budget in 2019-20 was Rupees 9,084 million as compared to Rupees 3,603 million in 2018-19 and Rupees 2,554 million in 2017-18. A total of 542 inquiries/investigations were authorised in 2020 as compared to 895 inquiries/investigations in 2019 and 1,192 inquiries/investigations in 2017. NAB is now concentrating on mega and more significant cases as its primary mandate to curb the menace of corruption.

In compliance with its international commitments and obligations, Pakistan has ratified the United Nations Convention against Corruption (UNCAC) in August 2007, wherein NAB is a designated central authority of Pakistan. NAB cooperates with other member countries on corruption-related matters by providing legal assistance with respect to their requests under UNCAC. NAB has signed several memorandums of understanding/protocols on cooperation with foreign countries, while other memorandums of understanding are being negotiated. Pakistan has 34 bilateral treaties with other countries for extradition of fugitives. NAB has played a leading role in UNCAC review mechanism for the 1st review cycle and is also conducting the 2nd review cycle.

Despite the progress and various reform efforts, Pakistan continues to take steps to address corruption. See "Risk Factors – Risk factors relating to the Government – Failure to adequately address actual and perceived risks of corruption, money laundering and terrorist financing may negatively affect Pakistan's economy and ability to attract foreign direct investment".

Pakistan has taken various anti-money laundering and counter-terrorist financing measures. Statutory measures include:

- amendments to the Anti-Terrorism Act 1997 to bring Pakistan's terrorist financing regime in line with the standards of the FATF (an intergovernmental body developing policies to combat money laundering and terrorist financing); and

- the Anti-Money Laundering Act of 2010 provides for the crime of money laundering, which is punishable with imprisonment and fines, as well as the forfeiture of relevant property. The Act also obligates financial institutions to report suspicious transactions to the FMU, which analyses such cases and refers them to law enforcement agencies and regulators.

In the past, Pakistan has also taken preventive measures, such as:

- SBP measures to prevent the use of banking channels for money laundering and terrorist financing. The anti-money laundering and counter-terrorist financing regulations issued by the SBP cover all important aspects of preventive measures required by FATF recommendations, including customer due diligence of bank customers, correspondent banking for cross-border transactions, wire transfer requirements for sending and receiving funds, reporting of suspicious transactions under anti-money laundering law, record-keeping of banking transactions for ten years and other requirements on internal controls, policies, compliance, audit and training. The instructions of SBP are enforced through a systematic process of risk-sensitive on-site inspections and off-site surveillance;

- anti-money laundering and counter-terrorist financing regulations were further strengthened in 2012 by the requirement to ensure record retention for ten years instead of five years, review risk assessment of new products and services, require extended categories of identity documents, enhance controls on online transfers, expand due diligence requirements on close associates or family members of politically exposed persons, define responsibilities of institutions in wire transfers/correspondent banking and link customers' profiles with automated transaction monitoring systems. The regulation seek to ensure the identity and verification of customer, refusing financial services to UN-designated and domestically-proscribed persons as well as identification of ultimate beneficial ownership. The
regulations require due diligence at the time of hiring employees and require banks to provide adequate training to employees. Stringent requirements for the accounts of non-governmental organisations, non-profit organisations and charities have also been introduced; and

- the SBP has issued comprehensive guidelines on taking a risk based approach and requires banks to improve their systems in line with best standards and practices as propounded by the Financial Action Task Force Recommendations and Basel Core Principles. The guidelines advise banks to apply a risk based approach in their relationships and transactions taking into account factors like customer type, products, delivery channels and location. The concept of customers risk profiling based on scenario-based ranking of customers has been developed along with the implementation of red alerts to trigger scrutiny of accounts and transactions. The SBP instructions seek to ensure provision of adequate resources (human resources and systems) commensurate with risk assessed by entities through their internal risk assessment processes.

Non-bank financial institutions in Pakistan, as regulated by the SECP, are subject to similar anti-money laundering and counter-terrorist financing requirements.

Owing to shortcomings in effectively addressing terrorist financing risks, Pakistan was placed in the FATF's Jurisdictions under Increased Monitoring commonly known as the "Grey List" in June 2018. Following this event, the Government committed to an action plan with the FATF, which includes measures to:

- properly identify and assess terrorist financing (TF) risks posed by entities as given in the FATF action plan;
- complete the sectoral risk assessment on cash couriers;
- implement targeted financial sanctions without delay (for example, asset freezing and ongoing prohibitions to provide funds and financial services);
- apply a risk-based supervision of financial institutions (for example, on-site inspection schedules and off-site assessments) taking into account TF risks;
- demonstrate enforcement against violations of TF sanctions; and
- improve inter-agency coordination (including between federal and provincial authorities) in combating TF risks, including TF investigations and prosecutions.

The Government is moving to implement all measures to support the country's exit from the FATF list. The National Executive Committee (NEC) is monitoring and coordinating efforts to implement the FATF action plan.

Since inclusion in the Grey List in June 2018, Pakistan has undertaken considerable actions to implement the FATF Action Plan, while undergoing periodic reviews by the FATF. In particular, a joint sitting of Pakistan's Parliament passed three crucial bills in September 2020 (the Islamabad Capital Territory Waqf Properties Bill, the Anti-Money Laundering (Second Amendment) Bill, 2020 and the Anti-Terrorism Act (Amendment) Bill, 2020), as part of the Government's efforts to comply with the action plan agreed with the FATF. The Islamabad Capital Territory Waqf Properties Bill is aimed at proper management, supervision and administration of Waqf properties in the territorial limits of Islamabad Capital Territory. The Anti-Money Laundering (Second Amendment) Bill, 2020 is aimed at streamlining the existing anti-money laundering law in line with international standards prescribed by the FATF. According to the Anti-Terrorism Act (Amendment) Bill, 2020, the investigating officer, with the permission of the court, can conduct covert operations to detect terrorism funding, track communications and access computer systems using the latest technologies for 60 days. The court may extend the 60-days period for another 60 days. As at February 2021, Pakistan has been rated "largely addressed" on 24 of 27 action items. Considerable progress has been made on the rest of the action plan.
Moreover, the APG has conducted another mutual evaluation of Pakistan, which was adopted at the annual meeting of the APG in August 2019. 1st Follow-Up Report Mutual Evaluation of Pakistan was released in September 2020. Both the SBP and SECP actively contributed during and after the evaluation to ensure that all necessary measures are taken to address identified gaps and achieve effectiveness. Pakistan is working with the APG to ensure that the actions taken by it to address the gaps are recognised and lead to improvement in ratings.

**Agricultural Sector**

Agriculture is still the largest sector of the economy of Pakistan in terms of labour participation and, therefore, the livelihood of the majority of the population directly or indirectly depends on it. During the last few decades, its contribution to GDP has gradually decreased to 19.3 per cent in 2019-20. However, there is a lot of potential in the sector to increase its share in GDP through the increased utilisation of the latest agricultural technologies.

Realising the potential of agriculture, the Government has introduced the Prime Minister Agriculture Emergency Programme with an estimated funding of Rupees 277 billion that seeks to provide a significant boost to the agriculture and livestock sectors. The objectives of the programme include improvements in water availability, soil conservation and shrimp farming. In addition, the programme also includes establishing new agriculture markets, which is expected to help to protect farmers from exploitation by middlemen.

The COVID-19 pandemic poses extraordinary challenges for almost all sectors of the economy of Pakistan, including agriculture. The need to maintain food security and livelihoods has also gained more importance following the outbreak of the pandemic. The cereal markets are currently expected to perform well despite uncertainties over the impact of COVID-19. As logistical issues may pose challenges to food supply, the Government believes it is important to take measures for boosting agriculture production, which is expected to contribute to mitigating the socio-economic impact of COVID-19.

The following table sets out information on trends in agriculture growth rates from 2015-16 to 2019-20:

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18(1)</th>
<th>2018-19(2)</th>
<th>2019-20(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0.2</td>
<td>2.2</td>
<td>4.0</td>
<td>0.6</td>
<td>2.7</td>
</tr>
<tr>
<td>Crops</td>
<td>(5.3)</td>
<td>1.2</td>
<td>4.7</td>
<td>(5.0)</td>
<td>3.0</td>
</tr>
<tr>
<td>Important crops</td>
<td>(5.9)</td>
<td>2.6</td>
<td>3.6</td>
<td>(7.7)</td>
<td>2.9</td>
</tr>
<tr>
<td>Other crops</td>
<td>0.4</td>
<td>(2.5)</td>
<td>6.3</td>
<td>2.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Cotton ginning</td>
<td>(22.1)</td>
<td>5.6</td>
<td>8.8</td>
<td>(12.7)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Livestock</td>
<td>3.4</td>
<td>3.0</td>
<td>3.7</td>
<td>3.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Forestry</td>
<td>14.3</td>
<td>(2.3)</td>
<td>2.6</td>
<td>7.9</td>
<td>2.3</td>
</tr>
<tr>
<td>Fishing</td>
<td>3.2</td>
<td>1.2</td>
<td>1.6</td>
<td>0.8</td>
<td>0.6</td>
</tr>
</tbody>
</table>

(1) Final  
(2) Revised  
(3) Provisional  
Source: Pakistan Economic Survey 2019-20

Livestock over the years has emerged as the largest sub-sector in agriculture. It is a source of foreign exchange earnings and contributes about 3.1 per cent in total exports. More than eight million rural families are engaged in livestock production and derive more than 35-40 per cent of their income from this sector. The Government is now focusing on this sector for economic growth, food security and poverty alleviation in the country. Over the years, livestock as subsector has surpassed the crops subsector as the biggest contributor to value addition in agriculture. It contributed 60.6 per cent to the overall agriculture and 11.7 per cent to GDP during 2019-20. Gross value addition of livestock has increased from Rupees 1,429 billion in 2018-19 to Rupees 1,465 billion in 2019-20, showing an increase of 2.6 per cent between the two years.
There are two principal crop seasons in Pakistan, namely the "Kharif" – which begins with sowing in April-June and ends with harvesting in October-December – and "Rabi", which begins in October-December and ends in April-May. Rice, sugarcane, cotton, maize, moong, mash, bajra and jowar are "Kharif" crops, while wheat, gram, lentil (masoor), tobacco, rapeseed, barley and mustard are "Rabi" crops.

The crops sub-sector includes important crops, other crops and cotton ginning. The following table sets out information regarding the production volumes of Pakistan's important crops for the periods indicated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton (thousand bales)</td>
<td>9,917</td>
<td>10,671</td>
<td>11,946</td>
<td>9,861</td>
<td>9,152</td>
<td>(17.5)</td>
<td>(7.2)</td>
</tr>
<tr>
<td>Sugarcane</td>
<td>65,482</td>
<td>75,482</td>
<td>83,333</td>
<td>67,174</td>
<td>66,380</td>
<td>(19.4)</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Rice</td>
<td>6,801</td>
<td>6,849</td>
<td>7,450</td>
<td>7,215</td>
<td>7,206</td>
<td>(3.2)</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Maize</td>
<td>5,271</td>
<td>6,134</td>
<td>5,902</td>
<td>6,826</td>
<td>7,883</td>
<td>15.7</td>
<td>15.5</td>
</tr>
<tr>
<td>Wheat</td>
<td>25,633</td>
<td>26,674</td>
<td>25,076</td>
<td>24,358</td>
<td>25,249</td>
<td>(2.9)</td>
<td>3.7</td>
</tr>
</tbody>
</table>

(1) Provisional
Source: Pakistan Bureau of Statistics

With respect to other crops, which accounted for an 11.53 per cent share in the agricultural sector, the production of gram increased by 21.9 per cent in 2019-20 as compared to 2018-19 on account of higher yield due to favourable weather conditions at the time of sowing. The production of bajra and tobacco increased by 9.7 per cent and 5.8 per cent, respectively, in 2019-20 as compared to 2018-19. The production of jawar decreased by 19.5 per cent in 2019-20 as compared to 2018-2019. The production of barley, rapeseed and mustard remained unchanged between the two years.

During 2019-20, the performance of the agriculture sector improved as compared to 2018-19 and it also performed better than the other sectors of the economy. However, the challenges due to climate change, pest attacks and shortage of water kept agriculture production below its potential. One key issue related to agriculture is that the farmers have limited direct access to the market, due to which the role of middleman remains crucial. Farmers normally do not receive fair market price for their produce. In terms of potential, the agriculture sector has the capacity to not only produce for the domestic population, but to have surplus production for exports, which can ensure food security as well as contribute towards foreign exchange earnings.

**Industrial Sector**

Pakistan's industrial sector accounted for 19.29 per cent of GDP in 2019-20. It is a major source of tax revenue for the Government and contributes significantly to the provision of jobs in the labour force. It has four main sub-components: (i) mining and quarrying, (ii) manufacturing, (iii) electricity generation and distribution and gas distribution and (iv) construction.

LSM accounted for 9.5 per cent of the GDP and 49.26 per cent of the industrial sector in 2019-20. LSM decreased by 7.78 per cent in 2019-20 as compared to a decrease of 2.56 per cent in 2018-19.

There are a number of factors which have contributed to the negative growth in LSM in 2019-20. Pakistani Rupee depreciated by 3.9 per cent during the July 2019 to March 2020 period, which increased the cost structure of industries in general and for those relying on imported raw materials in particular. Furthermore, policy rate was kept high to contain inflation, which discouraged investment. Subdued demand further hampered the overall production and performance of the industry. Certain sector-specific issues also contributed to the decline in LSM. Automobile sector alone accounted for major portion of contraction in LSM. Its prices witnessed multiple upward revisions due to Pakistani Rupee depreciation, which held the
potential buyers from making purchases. The shift in power generation away from furnace oil has reduced the demand for furnace oil and adversely affected the coke and petroleum industry output. Upward adjustment in electricity prices dented domestic steel producers' margins.

However, during the July 2020 to January 2021 period, LSM grew by 7.9 per cent as compared to 3.4 per cent decline in the July 2019 to January 2020 period, in large part due to various measures taken by the Government to support the industrial sector. Such measures include the special package for the construction sector and Rupees 33 billion subsidy for the Naya Pakistan Housing Scheme, electricity tariff reduction for industrial customers, relaxation of excise duties on textile items, additional support in the amount of Rupees 190 billion for exporters and investors announced by the SBP and certain exemptions from custom duties.

The following table sets out the growth of several major LSM groups and such groups' points contribution to LSM for the periods indicated. The Pakistan Bureau of Statistics' data in the table below is based on a total weight of 70.32 assigned to 112 items, which are distributed into 15 major groups shown in the table below.

<table>
<thead>
<tr>
<th>Groups</th>
<th>Weights</th>
<th>2018-19 (% growth)</th>
<th>2019-20 (% growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles</td>
<td>20.915</td>
<td>(0.05)</td>
<td>(10.37)</td>
</tr>
<tr>
<td>Food, beverages and tobacco</td>
<td>12.370</td>
<td>(5.60)</td>
<td>(2.69)</td>
</tr>
<tr>
<td>Coke and petroleum products</td>
<td>5.514</td>
<td>(8.35)</td>
<td>(20.10)</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>3.620</td>
<td>(8.32)</td>
<td>(2.69)</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1.717</td>
<td>(3.60)</td>
<td>(3.60)</td>
</tr>
<tr>
<td>Non-metallic mineral products</td>
<td>5.364</td>
<td>(2.39)</td>
<td>(2.16)</td>
</tr>
<tr>
<td>Automobiles</td>
<td>4.613</td>
<td>(11.78)</td>
<td>(43.78)</td>
</tr>
<tr>
<td>Iron and steel products</td>
<td>5.392</td>
<td>(11.21)</td>
<td>(17.36)</td>
</tr>
<tr>
<td>Fertilisers</td>
<td>4.441</td>
<td>7.68</td>
<td>4.39</td>
</tr>
<tr>
<td>Electronics</td>
<td>1.963</td>
<td>59.37</td>
<td>(34.82)</td>
</tr>
<tr>
<td>Leather products</td>
<td>0.859</td>
<td>(2.43)</td>
<td>(9.09)</td>
</tr>
<tr>
<td>Paper and board</td>
<td>2.314</td>
<td>(3.73)</td>
<td>2.25</td>
</tr>
<tr>
<td>Engineering products</td>
<td>0.400</td>
<td>8.93</td>
<td>(18.71)</td>
</tr>
<tr>
<td>Rubber products</td>
<td>0.262</td>
<td>4.19</td>
<td>2.91</td>
</tr>
<tr>
<td>Wood products</td>
<td>0.588</td>
<td>18.58</td>
<td>(44.25)</td>
</tr>
</tbody>
</table>

Source: Pakistan Bureau of Statistics

The textiles sector is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing. The sector contributes nearly one-fourth of industrial value-added and provides employment to about 40 per cent of industrial labour force. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of approximately 59 per cent in national exports.

According to the International Cotton Advisory Committee, Pakistan is the fifth largest producer of cotton and third largest consumer of cotton in the world. In addition, Pakistan is the world's second largest cotton yarn exporter and third largest cotton cloth manufacturer and exporter.

Unlike some other textiles and clothing producing countries, Pakistan is unique as it has a self-reliant production chain. From cotton growing to ginning, weaving, processing and finishing, and from fabrics to home textiles and apparel, all have links in the textiles and clothing value chain that have been developed by Pakistan’s own industry.
Since 1 January 2014, all of the products of interest to Pakistan for export purposes have duty free access to all member states of the EU. This duty free access for many products is available under the EU's "Special incentive arrangement for Good Governance and Sustainable Development", which is also popularly known as GSP+. The EU Parliament confirmed GSP+ status for Pakistan in December 2013, which was renewed in 2020. As a result of this arrangement, Pakistan total trade volume with the EU increased from U.S.$11,960.59 million in 2013-14 to U.S.$14,158.29 million in 2018-19. Despite strict lockdowns the EU area caused by the outbreak of COVID-19, exports from Pakistan to the EU reached U.S.$6,296.1 million in 2019-20 as compared to U.S.$6,077.8 million in 2018-19. Because of GSP+, Pakistan has access to the EU market which is similar to what Bangladesh, Vietnam and Turkey have and is better than market access India and China have.

The textile sector was showing signs of stability in the pre-COVID-19 period of 2019-20 as it posted positive growth. During the July 2019 to February 2020 period, textile production rose by 0.4 per cent, as compared to 0.1 per cent contraction in the same period of the prior fiscal year. Market-based exchange rate regime, continued concessionary access to the EU and U.S.-China trade tensions all played a crucial role in supporting the competitiveness of the domestic textile industry.

The signs of recovery in the textile sector were evident further from exports data, which showed the highest growth in the first half of the fiscal year 2019-20 since fiscal year 2013-14. In particular, activities in the apparel segment picked up considerably. Since China faced the onset of COVID-19 and subsequent lockdowns earlier than other countries, Pakistan, along with a few other textile exporters, managed to increase its share in some western markets at the start of the first quarter of fiscal year 2019-2000. However, this proved to be short-lived, as the Government imposed lockdowns to contain the spread of the virus by late March 2020. Export orders eventually dried up. With both demand and supply affected, the textile sector could not keep up its growth momentum and hence contracted sharply. The adverse impact of COVID-19 resulted in an output contraction of 10.4 per cent in 2019-20, compared to the almost zero-growth in the previous fiscal year.

In the July 2020 to January 2021 period, the output of the textile sector increased by 8.2 per cent as compared to an increase of 3.7 per cent in the same period of 2019-2020.

Pakistan is one of the world's top ten exporters of textiles according to the World Trade Organisation's World Trade Statistical Review 2020, where it ranked ninth with a 2.3 per cent share in world exports in 2019.

**Energy in Pakistan**

Energy is an integral part of the economic order of Pakistan because energy demand and economic growth share a tight bond. Pakistan is overcoming a severe energy crisis that has directly and indirectly affected all sectors of the economy especially in terms of the evolving energy mix. The energy-side bottlenecks have corroded the economy of the country in the past. To fix such congestions and bottlenecks for the smooth delivery of energy services, massive projects were added to the supply side in between 2013 and 2020, adding a cumulative power generation capacity of 15,924 MW. Although the added capacity has helped to ease the bottlenecks in generation, the transmission and distribution-side congestion and inefficiencies have hampered the sustained delivery of energy services. In addition, the higher energy prices at present as well as in the near future are a by-product of such aggressive capacity additions during the 2013 to 2020 period.

The Prime Minister formed task force on energy to work on immediate, medium-term and long-term policy measures with the aim of providing affordable and sustainable energy for all. In addition, the National Transmission and Dispatch Company has prepared and submitted an Indicative Generation Capacity Expansion Plan 2020-30 to the National Electric Power Regulatory Authority (NEPRA), the electricity regulator. This expansion plan is a part of the Integrated Energy Plan, which will include power, as well as petroleum demand and supply plans for the period until 2030. The plan envisages transformation of power generation sector from thermal production to renewables and nuclear power.

The following table sets forth Pakistan's installed capacity, dependable capacity and peak supply of energy for the years stated:
Circular Debt. Circular debt refers to the debt owed by the Government to power sector companies. There are several factors which contribute to the build-up of circular debt, including: (i) the difference between the costs of generating and providing electricity and the revenue generated by the bills to consumers; (ii) the shortfall in the collection of billed amounts; (iii) higher losses than allowed by NEPRA in tariff; (iv) delay in tariff determination by NEPRA and (v) other costs incurred but not allowed under the NEPRA tariff. This revenue shortfall cascades through the entire energy supply chain – from electricity generators to fuel suppliers, refiners and producers – resulting in a shortage of fuel supply to the power generating companies, a reduction in power generated by independent power producers and an increase in load shedding.

Circular debt was estimated to be approximately Rupees 2.3 trillion as at 31 December 2020. In recent years, it has significantly constrained the availability of electricity and slowed Pakistan's economic growth.

Pakistan has successfully removed bottlenecks in electricity generation in 2013-20 with adding a cumulative power generation capacity of 15,924 MW. However, congestion, inefficiency and lack of infrastructure on the transmission and distribution side of the supply chain have hampered sustained delivery of electricity and energy services.

The Government is preparing a comprehensive circular debt management plan in collaboration with international partners with quarterly targets for loses, collection and accumulation of arrears (flow) by DISCOs. Elements of this plan include: (i) a monitoring and incentive framework for strengthening the sector's performance, including bill collection and distribution losses; (ii) improving distribution companies' governance; (iii) reducing or eliminating implicit government subsidies to particular economic sectors; (iv) assessing investment needs in the sector and designing an investment plan and (v) addressing the stock of circular debt to service the interest on accumulated power sector debt. The Government intends to use this plan as a blueprint for future reforms in the sector.


Power Projects. The Government aims to achieve a less oil-dependent power generation mix by developing other energy resources, particularly hydro-electric, nuclear and coal. In 2013-2020, a significant additional generation capacity has been brought online. These additions have significantly reduced the electricity shortfall situation and reduced load-shedding.

The following table sets out the details of the approved and recently completed power projects and other projects that have financial arrangements in place (see "Overview of Pakistan's Economy – China-Pakistan Economic Corridor (CPEC)" above for CPEC project details):
<table>
<thead>
<tr>
<th>Project</th>
<th>Net Capacity (MW)</th>
<th>Source</th>
<th>Estimated Cost (U.S. million)</th>
<th>Scheduled Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-II and K-III Nuclear Projects</td>
<td>2,200</td>
<td>Nuclear</td>
<td>4,000</td>
<td>2021</td>
</tr>
<tr>
<td>Neelum-Jhelum Hydro Electric Project</td>
<td>969</td>
<td>Hydro-electric</td>
<td>2,570</td>
<td>Completed</td>
</tr>
<tr>
<td>Tarbela IV extension</td>
<td>1,410</td>
<td>Hydro-electric</td>
<td>700</td>
<td>Completed</td>
</tr>
<tr>
<td>Tarbela V extension</td>
<td>1,250</td>
<td>Hydro-electric</td>
<td>Under estimation</td>
<td>-</td>
</tr>
<tr>
<td>Mangla power station upgrade</td>
<td>310</td>
<td>Hydro-electric</td>
<td>484</td>
<td>2023</td>
</tr>
<tr>
<td>Keyal Khwar Hydropower project</td>
<td>128</td>
<td>Hydro-electric</td>
<td>316</td>
<td>2021</td>
</tr>
<tr>
<td>Chashmu Nuclear Power Plant Units III &amp; IV</td>
<td>680</td>
<td>Nuclear</td>
<td>1,809</td>
<td>Completed</td>
</tr>
<tr>
<td>Dasu (Phase I)</td>
<td>2,160</td>
<td>Hydro-electric</td>
<td>8,500</td>
<td>2023</td>
</tr>
<tr>
<td>Jamshoro Coal Power Plant</td>
<td>1,320</td>
<td>Coal</td>
<td>1,700</td>
<td>2021</td>
</tr>
<tr>
<td>Balloki</td>
<td>1,200</td>
<td>LNG</td>
<td>798</td>
<td>Completed</td>
</tr>
<tr>
<td>Haveli Bahadur Shah</td>
<td>1,200</td>
<td>LNG</td>
<td>854</td>
<td>Completed</td>
</tr>
<tr>
<td>Bhikki</td>
<td>1,180</td>
<td>LNG</td>
<td>770</td>
<td>Completed</td>
</tr>
<tr>
<td>Diamer Bhasha Dam</td>
<td>4,500</td>
<td>Hydro-electric</td>
<td>13,800</td>
<td>2024</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,507</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance

Energy Supply and Consumption

Primary Energy Supply. Total primary energy supply was at 86.3 million tons of oil equivalent (MMTOE) in 2018, registering growth of 8.4 per cent from 2017 due to the introduction of newer energy supplies such as LNG imports, renewable energy, coal and nuclear power projects. Indigenous natural gas is the biggest source of primary energy in the country with a share of 34.6 per cent (29.8 MMTOE), LNG imports continue the increasing trend with an 8.7 per cent share of the energy mix in 2018 up from 5.6 per cent in 2017. Oil remained second with 31.2 per cent (26.9 MMTOE) showing a decrease of 1.68 per cent from 2017 supply of 27.36 MMTOE.

Other major sources are hydro and coal with 6.6 per cent and 12.7 per cent share of the energy mix, respectively. Coal supplies have increased to record high of 10.9 MMTOE, the increase is to meet coal demand of new coal power plants built as part of CPEC projects and the cement industry. Nuclear also increased its share in the energy mix to 2.7 per cent, with an energy supply of 2.36 MMTOE. The share of hydro, nuclear and renewables is expected to continue to increase based on Government's plans of establishing a rational energy mix of cheaper, cleaner and sustainable energy supplies.

In terms of consumption, primary energy has mostly been consumed by the power sector (38 per cent), followed by the transport sector (22 per cent) and the industrial sector (16 per cent). The residential sector accounted for 8 per cent. The fertiliser sector consumed 5 per cent of the primary energy.

Oil and Gas Resources. As at 30 June 2019, Pakistan's oil proven and probable reserves (balance recoverable) amounted to 568 million U.S. barrels, an increase of approximately 64 per cent from 347 million U.S. barrels in 2018. Gas proven and probable reserves (balance recoverable) amounted to 21.45 trillion cubic feet, up from 19.54 trillion cubic feet in 2018, an increase of approximately 10 per cent. The increase in Pakistan's oil and gas reserves is a result of the Government's policy of aggressive exploration and production in the country, the advent of 3D seismic surveying and advanced exploration techniques and tools. The average success rate has increased gradually from 16 per cent to 33 per cent in 66 years of petroleum exploration history of the country, this has been greatly supported by 3D seismic data in lower Indus basin post 2005.
Pakistan offers a very significant potential for the exploration and production of oil and gas. Around 96 per cent of the country's exploration wells have been drilled in two basins that are the "Kohat and Potwar Basin" and the "Lower and Middle Indus Basin". Only 4 per cent of the remaining exploration wells have been drilled in other basins. Vast areas in the provinces of Balochistan, Punjab and Khyber Pakhtunkhwa remain unexplored.

**Upstream (Exploration and Production) Sector.** Pakistan's exploration and production sector has a mix of national and international companies (24 active companies as of June 2019) operating independently. Seismic activities have increased with approximately 2,064 line kilometres of 2-D seismic data and 1,596 square kilometres of 3-D seismic data acquired in 2019. Similarly, 37 exploratory wells and 67 appraisal/development wells were spudded in 2019.

Oil and gas production in 2019 amounted to 89,030 barrels per day and 3,936 million cubic feet per day. Oil and Gas Development Company Limited remains the largest exploration and production company in the country, with a 45.3 per cent and 29.2 share of the total annual oil and gas production in the country. MOL is the largest private and second largest oil producing company in the country with a production share of 24 per cent. Pakistan Petroleum Limited – a pioneer of exploration and production in Pakistan – is the second highest gas producing company in the country with a 19.3 per cent production share. Other major companies include Eni, Mari Petroleum Company Limited and United Energy Pakistan Limited.

The following table sets forth Pakistan's oil and gas production in 2019-20 by province:

<table>
<thead>
<tr>
<th>Province</th>
<th>Barrels per day</th>
<th>Oil Barrels per day</th>
<th>Share in total (%)</th>
<th>Gas Million cubic feet per day</th>
<th>Share in total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Punjab</td>
<td>5,369,073</td>
<td>14,670</td>
<td>19.12</td>
<td>43,425</td>
<td>119</td>
</tr>
<tr>
<td>Sindh</td>
<td>9,082,979</td>
<td>24,817</td>
<td>32.34</td>
<td>941,660</td>
<td>2,300</td>
</tr>
<tr>
<td>Balochistan</td>
<td>27,445</td>
<td>75</td>
<td>0.10</td>
<td>285,000</td>
<td>780</td>
</tr>
<tr>
<td>Khyber Pakhtunkhwa</td>
<td>13,607,252</td>
<td>37,178</td>
<td>48.45</td>
<td>145,950</td>
<td>399</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,086,649</strong></td>
<td><strong>70,739</strong></td>
<td><strong>100.00</strong></td>
<td><strong>1,316,635</strong></td>
<td><strong>3,597</strong></td>
</tr>
</tbody>
</table>

*Source: Petroleum Division*

**Pakistan Oil and Gas Imports.** Indigenous resources of oil are not sufficient to satisfy the needs of a growing economy of Pakistan. Pakistan imports most of its oil, as local oil accounts for only 16 per cent of its total oil consumption. Further, the oil refinery sector only covers approximately 50 per cent of the local petroleum products demand, while the rest is imported.

The total import volume of oil reached 17.97 million tons in 2019, including 9.2 million tons of imported crude oil and 8.76 million of imported refined oil. International oil prices rebounded after 2016 and the cost of importing oil into Pakistan increased in 2017 and 2018. However, in 2020 the prices have decreased drastically principally due to the impact of the COVID-19 pandemic. Compared with 2017, the import cost of crude oil had increased significantly in 2019, reaching U.S.$4,952 million, up more than 45 per cent, in large part due to the increase in crude oil import by 18 per cent. The import cost of petroleum products in 2019 amounted to U.S.$6,283 million as compared to U.S.$7,497 million in 2018 and U.S.$6,184 million in 2017.

The import of Pakistan refined oil principally consists of automobile gasoline, high-speed diesel and high-sulfur fuel oil. With the development of economy and the attention to environmental protection, the import of high-octane gasoline and low-sulfur fuel oil has been increasing in recent years. In 2018, the largest imports were vehicle gasoline, high-speed diesel, high-sulfur fuel oil, low-sulfur fuel oil and aviation gasoline.
Pakistan started importing gas in the form of LNG to meet gas demands particularly in the power sector. At present, there are four long-term LNG supply agreements. In addition, as and when required, LNG is also imported on spot basis. In addition to LNG imports, transnational pipeline projects are also in different stages of development. Pakistan's LNG imports have grown rapidly since the first LNG terminal was built in 2015.

Pakistan has signed a total of four long-term LNG supply contracts with Qatar (two contracts), Eni and Gunvor, with Qatar as major supplier. The latest of these contracts – 10-year LNG supply contract with Qatar for 200 million cubic feet a day – was signed in February 2021.

**Iran-Pakistan Gas Pipeline Project.** In 2009, Pakistan and Iran signed an initial agreement with respect to the construction of a natural gas pipeline that would bring natural gas from Iranian natural gas fields through an on-land route to Pakistan. The project would be undertaken on a segmented basis, with each country undertaking to develop their infrastructure independently, but in a coordinated manner. The construction work on the Pakistani section of the pipeline had been inaugurated in March 2013 and it was initially planned to be completed within 22 months. Pakistan, however, has not yet commenced construction of its section of the pipeline due to international sanctions against Iran.

From 2017 to August 2019, there were no development updates to the project. In September 2019, the Inter State Gas Systems of Pakistan and the National Iranian Gas Company drafted a new agreement for the construction of the pipeline. Under the new agreement, construction of its part of the project by Pakistan has been delayed to 2024.

**Turkmenistan–Afghanistan–Pakistan–India Pipeline Project (TAPI).** TAPI is a 1,814 kilometre natural gas pipeline being financed by the Asian Development Bank that is expected to carry over 30 billion cubic meters of Turkmen gas through Afghanistan to consumers in Pakistan and India. Construction on the project started in Turkmenistan in December 2015 and TAPI is expected to be operational in December 2025. Pakistan formally launched surveying work in respect of the section to be constructed in Pakistan in 2016-17 and key construction agreements have now been entered into. This project has not yet achieved financial close.

**Shale Oil and Gas.** Pakistan is considered to have vast untapped shale gas potential. Lower Indus basin has, to date, sourced significant volumes of conventional oil and gas and is now believed to be home to very significant shale resources as well. According to U.S. Energy Information Administration estimates, Pakistan has technically recoverable shale gas reserves of 105 trillion cubic feet. In addition, southern Pakistan is estimated to hold shale oil reserves of over 9 billion barrels. At the end of 2015, Pakistan's Ministry of Energy (Petroleum Division) completed a study on evaluation of shale oil and gas resources in the Lower Indus Basin and the Middle Indus Basin with the help of USAID. The results turned out that Pakistan's shale gas geological resources amounted to 95 trillion cubic feet risked recoverable reserves and 14 billion barrels risked technical recoverable oil reserves.

**Tight Gas.** Pakistan's major exploration and production companies have presented their work at various forums estimating tight gas resources as 35-40 trillion cubic feet in the Middle – Lower Indus Basin alone based on geological prognosis. Tight gas programme could be implemented in the near future to add considerable resources to the country's declining gas production. It is a faster approach to improve the country's energy security by reliance on indigenous resources in the backdrop of depleting conventional hydrocarbon resources.

**Challenges Faced by Pakistan Oil and Gas Industry.** The development of the oil and gas industry faces a number of challenges at present:

- Pakistan's major oil and gas fields have embarked on the later stage of development, with their production declining gradually and insufficient resource potential;
- insufficient financial strength to develop the petroleum sector;
- technology gaps that require capital and human resource investments;
• domestic production of crude oil and refining capacity are far less than demand and, therefore, a large amount of foreign exchange is spent to import crude oil and refined oil; and

• domestic oil and gas pipeline network requires upgrading.

Coal. Coal import volumes rose in 2019-20 as coal replaced LNG as the second-largest fuel source for electricity generation in the country. This shift came as two major CPEC power projects – a 1,320 MW plant at Hub and 660 MW plants in Thar – became operational in the first half of the fiscal year 2019-20; whereas another 1,320 MW imported coal plant at Sahiwal had started operations a few weeks before the start of the fiscal year 2019-20. As a result, coal-based power generation surged 56.7 per cent in fiscal year 2019-20.
Pakistan's balance of payments witnessed a significant improvement under the IMF Extended Fund Facility programme completed in 2016 despite weak export performances and low foreign direct investment. The current account deficit decreased from 1.3 per cent of GDP in 2013-14 to 1.0 per cent of GDP in 2014-15. Financial inflows into the country were also strong, pushing the country's total liquid foreign exchange reserves to U.S.$23.1 billion by the end of the 2015-16 fiscal year (of which net reserves with the SBP accounted for U.S.$18.1 billion).

However, with the pick-up in real economic activity, the current account deficit also increased. In 2015-16, the current account deficit was U.S.$5.0 billion, which further increased to U.S.$12.3 billion in 2016-17, primarily due to a higher trade deficit and a small reduction in workers' remittances. Strong growth in imports of capital goods (power and construction machinery), petroleum products and CPEC-related imports also contributed in pushing the current account deficit higher, to 4.0 per cent of GDP, in 2016-17 as compared to 1.8 per cent of GDP in 2015-16. This higher current account deficit put pressure on total liquid foreign exchange reserves, which decreased to U.S.$21.4 billion (of which net reserves with the SBP accounted for U.S.$16.1 billion) as at 30 June 2017.

In order to reduce the trade deficit, the previous Government announced an incentive package to facilitate exports in January 2017. These new incentives, together with better energy supplies, a significant improvement in security conditions, improved investor sentiment and growing external demand contributed to an improvement in exports. Pakistan's exports of goods increased to U.S.$24.8 billion in 2017-18, up from U.S.$22.0 billion in 2016-17. In addition, net foreign direct investment grew to U.S.$2.8 billion in 2017-18, up from U.S.$2.3 million in 2016-17, while workers' remittances also returned to growth. However, the overall situation with the balance of payments deteriorated in 2017-18 and the current account deficit reached 6.1 per cent of GDP, reflecting the fiscal stimulus together with an accommodative monetary policy. Imports of goods increased by 16.0 per cent as compared to 2016-17 and reached the highest ever level of U.S.$55.7 billion. As a result, the trade deficit widened to U.S.$30.9 billion, which was the highest in the last decade. Historically, workers' remittances have been providing support to sustain current account deficit as a buffer against trade deficit, but in 2017-18 workers' remittances grew by only 2.9 per cent as compared to 2016-17, while the trade deficit growth reached 18.9 per cent in the same year.

The Government and the SBP have taken various corrective measures to address the growing current account deficit, including the implementation of a market based exchange rate system, monetary and fiscal policies tightening and imposition of regulatory duties. To support its home-grown stabilisation measures, Pakistan has also entered into the IMF EFF programme on 3 July 2019. Under this programme, IMF is expected to extend approximately U.S.$6.0 billion over the period of 39 months to support the Pakistan's authorities' economic reform programme. See "Overview of Pakistan's Economy – Recent Finance Programmes with the IMF".

Pakistan's current account deficit decreased to 4.8 per cent of GDP in 2018-19 and further decreased to 1.1 per cent in 2019-20. Lower imports of goods and higher remittances contributed to the narrower deficit. Imports of goods decreased by 6.8 per cent in 2018-19 as compared to 2017-18 to U.S.$51.9 billion, largely due to the impact of policy measures ranging from exchange rate depreciation and policy rate hikes to higher import duties on non-essential items, while workers' remittances increased by 9.2 per cent to U.S.$21.7 billion. In 2019-20, imports declined by a further 18.2 per cent to U.S.$42.4 billion as a result of the continuation of stabilisation measures and COVID-19-related reduction in demand, while workers' remittances increased by 6.4 per cent to U.S.$23.1 billion. The largely positive dynamics in the current account has not been supported by higher exports of goods, the value of which decreased by 2.1 per cent in 2018-19 as compared to 2017-18. Exports of goods declined by a further 7.2 per cent in 2019-20 as compared to 2018-19. Pakistan's total liquid foreign exchange reserves were adversely affected by significant current account deficit in recent years and decreased to U.S.$14.5 billion (of which net reserves with the SBP accounted for U.S.$7.3 billion) as at 30 June 2019. However, with the significant reduction in the current account deficit, Pakistan's total liquid foreign exchange reserves increased to U.S.$18.9 billion (of which net reserves with the SBP accounted for U.S.$12.1 billion).
billion) as at 30 June 2020 and U.S.$20.2 billion (of which net reserves with the SBP accounted for U.S.$13.0 billion) as at 12 March 2021.

The following table sets out information in relation to Pakistan's balance of payments for the periods stated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance on trade in goods</strong></td>
<td>(U.S.$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance on trade in goods</td>
<td>(19,146)</td>
<td>(25,998)</td>
<td>(30,903)</td>
<td>(27,612)</td>
<td>(19,910)</td>
<td>(11,598)</td>
<td>(13,742)</td>
</tr>
<tr>
<td>Exports of goods</td>
<td>21,972</td>
<td>22,003</td>
<td>24,768</td>
<td>24,257</td>
<td>22,507</td>
<td>14,446</td>
<td>13,897</td>
</tr>
<tr>
<td>Imports of goods</td>
<td>41,118</td>
<td>48,001</td>
<td>55,671</td>
<td>51,869</td>
<td>42,417</td>
<td>26,044</td>
<td>27,639</td>
</tr>
<tr>
<td><strong>Balance of trade in services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance of trade in services</td>
<td>(3,546)</td>
<td>(4,661)</td>
<td>(6,426)</td>
<td>(4,970)</td>
<td>(2,827)</td>
<td>(1,893)</td>
<td>(1,115)</td>
</tr>
<tr>
<td>Exports of services</td>
<td>5,456</td>
<td>5,915</td>
<td>5,851</td>
<td>5,966</td>
<td>5,440</td>
<td>3,345</td>
<td>3,366</td>
</tr>
<tr>
<td>Imports of services</td>
<td>9,002</td>
<td>10,576</td>
<td>12,277</td>
<td>10,936</td>
<td>8,267</td>
<td>5,238</td>
<td>4,481</td>
</tr>
</tbody>
</table>

of which:

- Transportation: 3,272, 3,808, 3,956, 3,639, 3,091, 1,973, 1,553
- Travel: 1,839, 2,000, 2,289, 1,709, 1,236, 902, 454

**Balance on primary income**

<table>
<thead>
<tr>
<th>Balance on primary income</th>
<th>(5,345)</th>
<th>(5,014)</th>
<th>(5,437)</th>
<th>(5,610)</th>
<th>(5,682)</th>
<th>(3,612)</th>
<th>(3,060)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance secondary income</td>
<td>23,076</td>
<td>23,403</td>
<td>23,571</td>
<td>24,758</td>
<td>25,449</td>
<td>14,559</td>
<td>18,829</td>
</tr>
</tbody>
</table>

of which workers' remittances:

<table>
<thead>
<tr>
<th>Workers' remittances</th>
<th>19,917</th>
<th>19,351</th>
<th>19,914</th>
<th>21,740</th>
<th>23,120</th>
<th>13,278</th>
<th>16,477(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current account balance</td>
<td>(4,961)</td>
<td>(12,270)</td>
<td>(19,195)</td>
<td>(13,434)</td>
<td>(2,970)</td>
<td>(2,544)</td>
<td>912(3)</td>
</tr>
<tr>
<td>Capital account balance</td>
<td>273</td>
<td>375</td>
<td>376</td>
<td>229</td>
<td>290</td>
<td>203</td>
<td>153</td>
</tr>
<tr>
<td>Financial account</td>
<td>(6,878)</td>
<td>(9,855)</td>
<td>(13,611)</td>
<td>(11,759)</td>
<td>(7,693)</td>
<td>(6,996)</td>
<td>311</td>
</tr>
<tr>
<td>Direct investment (net)</td>
<td>(2,374)</td>
<td>(2,320)</td>
<td>(2,772)</td>
<td>(1,436)</td>
<td>(2,524)</td>
<td>(1,314)</td>
<td>(901)</td>
</tr>
<tr>
<td>Direct investment in Pakistan</td>
<td>2,393</td>
<td>2,406</td>
<td>2,782</td>
<td>1,362</td>
<td>2,561</td>
<td>1,520</td>
<td>1,092</td>
</tr>
<tr>
<td>Portfolio investment (net)</td>
<td>429</td>
<td>250</td>
<td>(2,257)</td>
<td>1,274</td>
<td>400</td>
<td>1,976</td>
<td>406</td>
</tr>
<tr>
<td>Portfolio investment in Pakistan</td>
<td>(329)</td>
<td>(251)</td>
<td>2,209</td>
<td>(1,418)</td>
<td>(521)</td>
<td>1,860</td>
<td>(390)</td>
</tr>
</tbody>
</table>

Net acquisition of financial assets:

| Net acquisition of financial assets | 96 | 1,180 | 273 | (67) | (244) | 778 | 1,717 |
| Net incurrence of liabilities | 5,029 | 8,965 | 8,855 | 11,530 | 5,317 | 4,273 | 722 |
| Net errors and omissions | 462.2 | 94 | (933) | (58) | 286 | 621 | (37) |
| Reserves and related items | 2,652 | (1,946) | (6,141) | (1,504) | 5,299 | 5,276 | 717 |

(1) Provisional
(2) Workers’ remittances increased to U.S.$18,743 million in the July 2020 to February 2021 period as compared to U.S.$15,104 million in the July 2019 to February 2020 period.
(3) Current account surplus was U.S.$881 million in the July 2020 to February 2021 period as compared to a current account deficit of U.S.$2,741 million in the July 2019 to February 2020 period.

Source: State Bank of Pakistan

The following table sets out the components of balance of payments (as per cent of GDP) for the periods stated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Exports</strong></td>
<td>7.9</td>
<td>7.2</td>
<td>7.9</td>
<td>8.7</td>
<td>8.5</td>
</tr>
<tr>
<td><strong>Imports</strong></td>
<td>14.8</td>
<td>15.8</td>
<td>17.7</td>
<td>18.6</td>
<td>16.0</td>
</tr>
<tr>
<td><strong>Trade balance</strong></td>
<td>(6.9)</td>
<td>(8.5)</td>
<td>(9.8)</td>
<td>(9.9)</td>
<td>(7.5)</td>
</tr>
<tr>
<td>Worker's remittances</td>
<td>7.1</td>
<td>6.4</td>
<td>6.3</td>
<td>7.8</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Current account balance</strong></td>
<td>(1.8)</td>
<td>(4.0)</td>
<td>(6.1)</td>
<td>(4.8)</td>
<td>(1.1)</td>
</tr>
</tbody>
</table>

Sources: Pakistan Bureau of Statistics, State Bank of Pakistan
In response to the deterioration in Pakistan's balance of payments position, the SBP and the Government took a number of measures, including macro adjustment policies, such as monetary tightening, exchange rate adjustments and cuts in development spending. The key measures are as follows:

- Accommodative monetary policy contributed to the rapid increase in Pakistan's current account deficit in the past. The SBP reversed its policy stance from accommodative to contractionary monetary policy since January 2018 to curb excessive aggregate demand. The policy rate in the pre-COVID-19 period was gradually increased by cumulative 750 bps to 13.25 per cent.

- As the defence of an overvalued exchange was one of the key reasons driving growth in the current account deficit, the SBP addressed this issue by allowing the exchange rate to be market determined since 16 May 2019. The SBP now only intervenes in the foreign exchange market to prevent disorderly market conditions, while at the same time not suppressing an underlying trend and in a manner consistent with rebuilding foreign exchange reserves.

- Development expenditures were decreased from Rupees 1,152 billion in the 2018-19 budget to Rupees 830 billion in the revised 2018-19 budget and, from this low base, increased to Rupees 950 billion in the 2019-20 budget.

- The Government has taken steps to restrict unnecessary imports, which started eroding the competitive edge of domestic industry including the exports-oriented businesses. A number of measures have been taken in this regard, which helped in reducing the overall size of imports and simultaneously formed a stimulus for sustainable economic growth by improving competitiveness and efficiency of the industry, especially export-oriented and import-substituting businesses and reducing anomalies and cost of doing business. In addition, in the 2019-20 budget, the Government has provided relief to export-oriented sectors which can now import more than 1,600 raw materials items at reduced/zero tariff rates. See also “– Foreign Trade – Exports and Imports – Imports” for the Government's measures to support import substitution.

- The SBP has reduced the lending rates under Long-Term Finance Facility from 6.0 per cent to 5.0 per cent for non-textile sectors, while for textile sectors it was already 5.0 per cent. The SBP has kept the lending rates unchanged for its export finance scheme at 3.0 per cent.

- The Government has implemented a number of initiatives to increase workers' remittances, for instance through allowing banks to offer new remittance services, providing an incentive scheme for financial institutions and launching a media/awareness campaign to promote remittances through formal channels.

**Foreign Trade**

Since its formation in 1947, Pakistan has been committed to multilateral trade; Pakistan is a founding member of the General Agreement on Tariffs and Trade (GATT) and the WTO and actively participates in multilateral trade negotiations. Export-led growth has been actively encouraged by all recent governments and trade and investment regime has been liberalised in recent years.

The review of Pakistan's trade policy conducted by the WTO in March 2015 noted favourably Pakistan's economic performance, improvements in customs procedures, considerable reduction in overall tariff protection and strengthened intellectual property rights.

With respect to its trade regime, Pakistan has lowered its tariffs both on agricultural and non-agricultural goods. Pakistan has been supportive of the latest Agreement on Trade Facilitation that was concluded in December 2013 and entered into force in February 2017 following its ratification by two-thirds of the WTO membership.

Pakistan is a member of the Trade Preferential System of the OIC and the Asia Cooperation Dialogue and is a Sectoral Dialogue Partner of ASEAN. In addition, Pakistan has also entered into preferential and free trade
agreements with certain countries (for example, Indonesia and Phase II of the free trade agreement with China). These measures are expected to boost Pakistan's regional trade in such countries in the medium and long term.

**Exports and Imports**

**Exports.** Merchandise exports totalled U.S.$22.5 billion in 2019-20, which is a 7.2 per cent decrease from U.S.$24.3 billion in 2018-19. A slowdown in global economic growth due to COVID-19 as well as spill overs from U.S.-China trade tensions were largely responsible for this decrease in exports. Merchandise exports have decreased slightly by U.S.$0.6 billion (4.8 per cent) during the first half of 2020-21 as compared to the same period in 2019-20.

The current Government is focusing on making exports a driver of sustainable economic growth. It is seeking to improve competitiveness and efficiency of the industry, especially export-oriented and import-substituting businesses.

The following table sets out details of the composition of Pakistan's exports for the periods stated. Total exports in this table are based on data compiled by State Bank of Pakistan that differs from exports data compiled by the Pakistan Bureau of Statistics using customs records.

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food group</td>
<td>3,722</td>
<td>3,618</td>
<td>4,818</td>
<td>4,639</td>
<td>4,534</td>
<td>2,691</td>
<td>2,403</td>
<td>(2.3)</td>
<td>20.1</td>
<td>(10.7)</td>
</tr>
<tr>
<td>Textile group</td>
<td>12,756</td>
<td>12,457</td>
<td>13,377</td>
<td>13,565</td>
<td>12,783</td>
<td>8,007</td>
<td>7,821</td>
<td>(5.8)</td>
<td>56.8</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Petroleum group</td>
<td>450</td>
<td>411</td>
<td>575</td>
<td>676</td>
<td>369</td>
<td>290</td>
<td>114</td>
<td>(45.5)</td>
<td>1.6</td>
<td>(60.8)</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>3,805</td>
<td>3,659</td>
<td>4,134</td>
<td>3,811</td>
<td>3,502</td>
<td>2,188</td>
<td>2,105</td>
<td>(8.1)</td>
<td>15.6</td>
<td>(3.8)</td>
</tr>
<tr>
<td>All other items</td>
<td>1,084</td>
<td>1,219</td>
<td>1,392</td>
<td>1,304</td>
<td>1,311</td>
<td>840</td>
<td>1,070</td>
<td>0.5</td>
<td>7</td>
<td>5.8</td>
</tr>
<tr>
<td>Total</td>
<td>21,972</td>
<td>22,003</td>
<td>24,768</td>
<td>24,224</td>
<td>22,507</td>
<td>14,446</td>
<td>13,897</td>
<td>(7.1)</td>
<td>100.0</td>
<td>(3.8)</td>
</tr>
</tbody>
</table>

(1) Provisional
Source: State Bank of Pakistan

The following table sets out details of the principal destinations of Pakistan's exports for the periods stated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>3.7</td>
<td>3.7</td>
<td>3.9</td>
<td>4.0</td>
<td>3.9</td>
<td>2.4</td>
<td>2.7</td>
</tr>
<tr>
<td>China</td>
<td>1.9</td>
<td>1.6</td>
<td>1.8</td>
<td>1.9</td>
<td>1.7</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1.6</td>
<td>1.6</td>
<td>1.8</td>
<td>1.8</td>
<td>1.6</td>
<td>1.0</td>
<td>1.1</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1.1</td>
<td>1.1</td>
<td>1.4</td>
<td>1.4</td>
<td>1.6</td>
<td>1.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Germany</td>
<td>1.2</td>
<td>1.2</td>
<td>1.4</td>
<td>1.3</td>
<td>1.3</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Afghanistan</td>
<td>1.2</td>
<td>1.1</td>
<td>1.5</td>
<td>1.2</td>
<td>0.9</td>
<td>0.6</td>
<td>0.5</td>
</tr>
<tr>
<td>Spain</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.6</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Italy</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.7</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.4</td>
<td>0.3</td>
</tr>
</tbody>
</table>

(1) Provisional
Source: State Bank of Pakistan

**Imports.** Merchandise imports decreased to U.S.$42.4 billion in 2019-20 as compared to U.S.$51.9 billion in 2018-19, driven in particular by decreases in imports during 2019-2020 in the petroleum group (by U.S.$4.7
billion, or 33.6 per cent), agricultural and other chemical group (by U.S.$1.3 billion, or 16.1 per cent), transport group (by U.S.$0.8 billion, or 34.6 per cent) and machinery group (by U.S.$0.6 billion, or 8.5 per cent). The main reason for the decrease in imports was reduced demand for a wide range of energy and non-energy products. Volume-led import decreases were observed across all product categories of most of Pakistan's principal import commodities and were complemented by lower international prices of most of Pakistan's principal import commodities. Merchandise imports in the first half of 2020-21 increased to U.S.$23.2 billion as compared to U.S.$22.1 billion in the first half of 2019-20, with the largest increases in the food group (by U.S.$1.1 billion, or 50.7 per cent) and textile group (by U.S.$0.6 billion, or 44.9 per cent) and the largest decrease in the petroleum group (by U.S.$1.1 billion, or 19.7 per cent).

The following table sets out details of the composition of Pakistan's imports for the periods stated:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>8.8</td>
<td>10.1</td>
<td>11.5</td>
<td>10.2</td>
<td>9.6</td>
<td>5.8</td>
<td>6.8</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>6.1</td>
<td>7.2</td>
<td>8.9</td>
<td>8.9</td>
<td>6.4</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>3.0</td>
<td>4.1</td>
<td>4.5</td>
<td>3.3</td>
<td>2.4</td>
<td>1.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2.1</td>
<td>2.4</td>
<td>3.1</td>
<td>3.0</td>
<td>1.3</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>U.S.</td>
<td>1.5</td>
<td>2.1</td>
<td>2.1</td>
<td>2.1</td>
<td>2.3</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Qatar</td>
<td>0.3</td>
<td>1.1</td>
<td>1.6</td>
<td>2.0</td>
<td>1.6</td>
<td>1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>India</td>
<td>1.8</td>
<td>1.7</td>
<td>1.8</td>
<td>1.6</td>
<td>0.4</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Japan</td>
<td>1.4</td>
<td>1.7</td>
<td>1.9</td>
<td>1.5</td>
<td>1.0</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Kuwait</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.0</td>
<td>0.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.2</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.0</td>
<td>0.6</td>
<td>0.6</td>
</tr>
</tbody>
</table>

(1) Provisional

Source: State Bank of Pakistan
The Office of Foreign Assets Control of the U.S. Department of Treasury (OFAC) administers regulations that restrict the ability of U.S. persons to invest in, or otherwise engage in business with, certain countries, including Iran, and specially designated nationals (together Sanction Targets). Pakistan exports to Iran food, medical instruments and other items that are exempt from trade sanctions. The volume of Pakistan's trade with Iran came down from U.S.$1,169 million in 2009-10 to U.S.$103 thousand in 2019-20 (with exports of U.S.$55 thousand and imports of U.S.$48 thousand).

Pakistan has historically imported crude oil from Iran. However, as a result of the increasing sanctions, Pakistan reduced crude oil imports from Iran and then stopped them completely after 2013-14. As Pakistan is not a Sanction Target, OFAC regulations do not prohibit U.S. persons from investing in, or otherwise engaging in business with, Pakistan. However, to the extent that Pakistan invests in, or otherwise engages in business with, Sanction Targets directly or indirectly, U.S. persons investing in Pakistan may incur the risk of indirect contact with Sanction Targets. Non-U.S. persons from jurisdictions with similar sanctions may similarly incur the risk of indirect contacts with Sanction Targets.

Workers' Remittances

The SBP, the Ministry of Overseas Pakistanis and the Ministry of Finance launched a joint initiative called the Pakistan Remittance Initiative (PRI) in 2009 with the aim of (i) facilitating and supporting the efficient flow of remittances and (ii) providing investment opportunities in Pakistan for overseas Pakistanis. Geographically, Saudi Arabia, the United Arab Emirates, other countries in the GCC region (Oman, Qatar, Bahrain and Kuwait), the U.S. and the UK are the principal sources of workers' remittances.

The establishment of the PRI has contributed positively to the flow of workers' remittances to Pakistan, which grew by 106.5 per cent from 2010-11 to 2019-20. In 2019-20, workers' remittances increased by 6.4 per cent as compared to 2018-19 to US$23.1 billion. In the July 2020 to January 2021 period, workers' remittances have increased by 24.1 per cent as compared to the July 2019 to January 2020 period, with monthly remittances exceeding US$2 billion for eight consecutive months.

The Government has implemented a number of initiatives to increase workers' remittances, for instance allowing banks to offer new remittance services, providing incentive schemes for financial institutions and launching a media/awareness campaign to promote remittances through formal channels. The SBP and PRI are encouraging, and working with, financial institutions with respect to end-to-end digitisation of remittance services to help customers to send as well as to receive funds, particularly at the time of lockdowns related to the COVID-19 pandemic.

To further improve international workers' remittances, the Pakistan Post has partnered with the National Bank to join the PRI for the delivery of international remittances through post offices. Under PRI, the overseas workers will send their remittances free of service charges. Pakistan Post has starting making payments through its postal counters. This service has already been launched in approximately 500 post offices.

The SBP and PRI have conducted various awareness sessions related to home remittances in collaboration with Ministry of Foreign Affairs/Pakistan Mission Abroad for the promotion of home remittances through legal channels. 22 sessions have been conducted online covering 38 countries and/or associations.

Information on total workers' remittances and in workers' remittances from certain countries and regions is summarised in the table below:

<table>
<thead>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>19.9</td>
<td>19.4</td>
<td>19.9</td>
<td>21.7</td>
<td>23.1</td>
<td>13.3</td>
<td>16.5</td>
</tr>
<tr>
<td>USA</td>
<td>2.5</td>
<td>2.5</td>
<td>2.8</td>
<td>3.3</td>
<td>1.7</td>
<td>1.0</td>
<td>1.4</td>
</tr>
<tr>
<td>UK</td>
<td>2.6</td>
<td>2.3</td>
<td>2.9</td>
<td>3.4</td>
<td>2.6</td>
<td>1.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>6.0</td>
<td>5.5</td>
<td>4.9</td>
<td>5.0</td>
<td>6.6</td>
<td>3.7</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Foreign Direct Investment

Pakistan has a liberal foreign investment regime, which generally allows for 100 per cent foreign ownership of companies and for full repatriation of capital, capital gains, dividends and profit in most sectors of the economy.

To promote the ease of doing business in the country, SBP has further liberalised foreign exchange controls related to trade and investment policies by, for example, reducing its role in the remittance authorisation of disinvestment proceeds by delegating this function to the banks. In order to facilitate business where foreign exchange approvals are required, SBP has launched an online portal to provide such approvals. To attract international investors that prefer to invest indirectly, start-up/technology companies are permitted to use a non-resident holding company. In addition, resident Pakistanis have also been allowed to acquire sweat equity from abroad.

Foreign private investment amounted to U.S.$2.3 billion in 2019-20 as compared to U.S.$0.9 billion in 2018-19. Foreign direct private investment increased significantly in 2019-20 to U.S.$2.6 billion as compared to U.S.$1.4 billion in 2018-19. In the July 2020 to January 2021 period, foreign direct investment amounted to U.S.$1.1 billion as compared to U.S.$1.6 billion in the same period in 2019-20.

In 2019-20 U.S.$844 million, or 33.0 per cent, of net foreign direct investment inflows were from China, with the balance coming principally from Norway (U.S.$401.9 million), Malta ($222.2 million), Hong Kong (U.S.$191 million), the Netherlands ($133.2 million) and the UK (U.S.$117.3 million). Major recipient sectors of foreign direct investment in 2019-20 included power, communications, financial businesses, oil and gas exploration and electrical machinery. Insofar as net foreign private portfolio investment is concerned, it experienced an outflow of U.S.$281.7 million in 2019-20 as compared to an outflow of U.S.$415.2 million in 2018-19.

The following table summarises the net inflow of foreign investment in Pakistan for the periods stated:

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign private investment</th>
<th>Direct investment</th>
<th>Inflow</th>
<th>Outflow</th>
<th>Portfolio Investment</th>
<th>Equity securities</th>
<th>Debt securities</th>
<th>Convertible bonds of Pace</th>
<th>International bonds of PMCL</th>
<th>Foreign public investment</th>
<th>Portfolio investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015-16</td>
<td>2,073.2</td>
<td>2,392.9</td>
<td>3,256.3</td>
<td>863.4</td>
<td>(319.7)</td>
<td>(319.7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016-17</td>
<td>1,893.8</td>
<td>2,406.6</td>
<td>3,110.8</td>
<td>704.2</td>
<td>(512.8)</td>
<td>(512.8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017-18</td>
<td>2,539.6</td>
<td>2,780.3</td>
<td>3,494.5</td>
<td>714.2</td>
<td>(240.7)</td>
<td>(240.7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2018-19</td>
<td>947.2</td>
<td>1,362.4</td>
<td>2,785.2</td>
<td>1,422.8</td>
<td>(415.2)</td>
<td>(415.2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2019-20</td>
<td>2,279.5</td>
<td>2,561.2</td>
<td>3,285.8</td>
<td>724.6</td>
<td>(281.7)</td>
<td>(281.7)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jul-Jan 2019-20</td>
<td>1,598.6</td>
<td>1,557.0</td>
<td>2,040.9</td>
<td>463.9</td>
<td>21.5</td>
<td>21.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jul-Jan 2020-21</td>
<td>908.4</td>
<td>1,145.3</td>
<td>1,792.5</td>
<td>647.2</td>
<td>(236.9)</td>
<td>(236.9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: State Bank of Pakistan
**Foreign Reserves**

Principally due to the widening of the current account deficit and insufficient financial inflows, Pakistan's liquid foreign reserves decreased to U.S.$14.5 billion as at 30 June 2019 from U.S.$16.4 billion as at 30 June 2018, U.S.$21.4 billion as at 30 June 2017 and U.S.$23.1 billion as at 30 June 2016. However, as a result of recent stabilisation measures and support under the IMF EFF programme, Pakistan's liquid foreign exchange reserves increased to U.S.$18.9 billion as at 30 June 2019 and U.S.$20.2 billion as at 12 March 2021.

The following table sets out the total liquid foreign exchange reserves (excluding gold), as well as the gold reserves, as at 30 June for the years stated:

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquid Foreign Exchange Reserves</td>
<td>23,098.5</td>
<td>21,402.9</td>
<td>16,383.6</td>
<td>14,481.6</td>
<td>18,886.4</td>
</tr>
<tr>
<td>Gold reserves</td>
<td>2,739</td>
<td>2,578</td>
<td>2,598</td>
<td>2,928</td>
<td>3,674</td>
</tr>
</tbody>
</table>

(1) Provisional

**Inflation, Money and Monetary Policy**

**Inflation.** Consumer Price Index (CPI) inflation witnessed high volatility and remained in double digits during the period from 2008-09 to 2011-12, but decreased in the subsequent years. It reached a record high level of 25.3 per cent in August 2008, largely due to the significant rise in international commodity prices. Although inflation decelerated following the decrease in international commodity prices in early 2009, devastating floods in 2010 severely disrupted the supply chain resulting in significant inflationary pressures. In 2014-15, 2015-16, 2016-17 and 2017-18, average CPI inflation eased significantly to 4.5 per cent, 2.9 per cent, 4.2 per cent and 3.9 per cent (in each case using base year 2007-08), respectively, from 8.6 per cent in 2013-14, reflecting the positive impact of monetary policy, fall in global commodity prices, particularly that of crude oil, and exchange rate stability. Using base year 2015-16, average CPI was 4.7 per cent in 2017-18.

However, principally due to the recovery in global commodity prices, significant depreciation of the Rupee and upward adjustment in power tariffs, average CPI increased to 6.8 per cent in 2018-19 and to 10.7 per cent in 2019-20 (in each case using base year 2015-16). Inflation declined to 8.3 per cent in the July 2020 to February 2021 period.

In the medium term, the SBP aims to keep inflation low and stable in the range of five to seven per cent.

The following table sets out headline and core inflation for the periods stated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>203.82</td>
<td>212.29</td>
<td>220.62</td>
<td>236.81</td>
<td>263.15</td>
<td>139.62</td>
</tr>
<tr>
<td>Food</td>
<td>224.78</td>
<td>233.37</td>
<td>237.59</td>
<td>248.44</td>
<td>283.54</td>
<td>NA</td>
</tr>
<tr>
<td>Non-food</td>
<td>191.25</td>
<td>199.65</td>
<td>210.45</td>
<td>229.84</td>
<td>250.93</td>
<td>NA</td>
</tr>
<tr>
<td>Core†</td>
<td>190.71</td>
<td>200.61</td>
<td>212.34</td>
<td>229.53</td>
<td>247.55</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Source:** State Bank of Pakistan
Annual Inflation

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>2.9</td>
<td>4.2</td>
<td>3.9</td>
<td>7.3</td>
<td>11.1</td>
<td>8.25</td>
</tr>
<tr>
<td>Food</td>
<td>2.1</td>
<td>3.8</td>
<td>1.8</td>
<td>4.6</td>
<td>14.1</td>
<td>NA</td>
</tr>
<tr>
<td>Non-food</td>
<td>3.4</td>
<td>4.4</td>
<td>5.4</td>
<td>9.2</td>
<td>9.2</td>
<td>NA</td>
</tr>
<tr>
<td>Core(2)</td>
<td>4.2</td>
<td>5.2</td>
<td>5.9</td>
<td>7.9</td>
<td>7.8</td>
<td>NA</td>
</tr>
</tbody>
</table>

(1) Provisional
(2) Core inflation is defined as overall inflation adjusted for food and energy. The base year is 2007-08 for 2014-15 to 2019-2020 whereas inflation numbers for the July 2020 to February 2021 period are calculated as per the new base (National CPI - 2015-16).

Source: Pakistan Bureau of Statistics

Money and Monetary Policy: The broad money (M2) increased by 17.5 per cent in 2019-20, which is the highest rate of growth since 2016-17. Nearly two-thirds of the expansion in M2 came from net domestic assets of the banking system, which expanded by Rupees 2,119 billion in 2019-20. In contrast to previous few years, owing to external sector improvements, net foreign assets also expanded significantly to Rupees 991 billion during this period. The Government's net budgetary borrowing from the banking system was Rupees 2,152, billion in 2019-20, and the flow of credit to private sector was Rupees 196 billion in the same year.

After raising the key policy rate by 100 basis points in early 2019-20 and maintaining status quo for several months until March 2020, the Monetary Policy Committee cut the key policy rate by a cumulative 625 basis points from 17 March 2020 to 25 June 2020 to counter the contractionary impact of COVID-19 on the economy. Consequently, this substantial monetary easing helped increase demand for private sector credit, which grew by Rupees 344 billion during the 1 July 2020 to 31 December 2020 period. This, along with net budgetary borrowing from banks and continued expansion in net foreign assets owing to country's improved external position, led to an expansion in M2 by Rupees 1,163 billion during the 1 July to 31 December 2020 period.

The following table provides an overview of components of monetary assets as at 30 June for the periods stated and as at 31 December 2020:

<table>
<thead>
<tr>
<th>Stocks (Rupees billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Stock 1. Currency issued</td>
</tr>
<tr>
<td>Stock 2. Currency held by SBP</td>
</tr>
<tr>
<td>Stock 3. Currency in tills of Scheduled Banks</td>
</tr>
<tr>
<td>Stock 4. Currency circulation (1-2-3)</td>
</tr>
<tr>
<td>Stock 5. Other deposits with SBP</td>
</tr>
<tr>
<td>Stock 6. Scheduled banks' total deposits(2)</td>
</tr>
<tr>
<td>Stock 7. Resident foreign currency deposits (RFCD)</td>
</tr>
<tr>
<td>Stock 8. Monetary assets (4+5+6)</td>
</tr>
<tr>
<td>Stock 9. Growth rate (%)</td>
</tr>
<tr>
<td>Stock 10. Currency/money ratio</td>
</tr>
<tr>
<td>Stock 11. Demand deposits/money ratio</td>
</tr>
<tr>
<td>Stock 12. Time deposits/money ratio</td>
</tr>
</tbody>
</table>
Exchange Rates

Pakistan moved from a managed floating exchange rate policy to a composite exchange rate system in July 1998. The composite exchange rate was then replaced with a market based unitary exchange rate system in May 1999. Under the unitary exchange rate system, the floating inter-bank rate applies to all foreign exchange receipts and payments both in public and private sectors.

All foreign exchange requirements for all approved purposes, including imports, services and debt repayment are met by the authorised dealers that form the inter-bank market. The authorised dealers are not required to approach the SBP for release of foreign exchange for any purpose, nor are they required to surrender it to the SBP. While each authorised dealer is free to fix its own buying and selling rates, the spread between the spot buying and selling rate should not exceed 50 paisa per U.S. dollar. The SBP does not provide forward cover to the authorised dealers. However, authorised dealers may provide forward cover for exports, imports and other permitted transactions.

The exchange rate for Rupees against other currencies is determined through cross rates based on the movement of the U.S. dollar against these currencies in the foreign exchange markets.

As an overvalued exchange was one of the key reasons driving growth in the current account deficit, the SBP addressed this issue by allowing the exchange rate to be market determined since 16 May 2019. The SBP now only intervenes in the foreign exchange market to prevent disorderly market conditions, while at the same time not suppressing an underlying trend and in a manner consistent with rebuilding foreign exchange reserves. The interbank foreign exchange market has adjusted well to the market based flexible exchange rate regime and the transition remained relatively smooth.

The Rupee depreciated against the U.S. dollar by 4.8 per cent in 2019-20. During the first half of 2020-21, the Rupee has appreciated against U.S. dollar by 5.1 per cent.

The following table sets out the average exchange rates between the Rupee and the currencies of Pakistan's principal trading partners:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Dollar</td>
<td>76.0249</td>
<td>79.0809</td>
<td>85.2462</td>
<td>97.354</td>
<td>106.2858</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>Taka</td>
<td>1.3347</td>
<td>1.3171</td>
<td>1.3289</td>
<td>1.6192</td>
<td>1.8666</td>
</tr>
<tr>
<td>Canada</td>
<td>Dollar</td>
<td>78.7672</td>
<td>78.9813</td>
<td>86.6132</td>
<td>102.883</td>
<td>118.0313</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Dollar</td>
<td>13.4517</td>
<td>13.497</td>
<td>14.0535</td>
<td>17.3807</td>
<td>20.3048</td>
</tr>
<tr>
<td>India</td>
<td>Rupee</td>
<td>1.5731</td>
<td>1.5775</td>
<td>1.6892</td>
<td>1.9315</td>
<td>2.1861</td>
</tr>
<tr>
<td>Iran</td>
<td>Rial</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>Yen</td>
<td>0.8981</td>
<td>0.961</td>
<td>0.9976</td>
<td>1.2269</td>
<td>1.4638</td>
</tr>
<tr>
<td>Kuwait</td>
<td>Dinar</td>
<td>345.3067</td>
<td>344.9283</td>
<td>364.8187</td>
<td>448.7933</td>
<td>517.6728</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Ringgit</td>
<td>25.2657</td>
<td>24.4449</td>
<td>27.0628</td>
<td>33.0171</td>
<td>37.6417</td>
</tr>
<tr>
<td>------------</td>
<td>----------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Nepal</td>
<td>Rupee</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Singapore</td>
<td>Dollar</td>
<td>75.1182</td>
<td>75.2259</td>
<td>81.9931</td>
<td>99.8234</td>
<td>114.4476</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Franc</td>
<td>106.5144</td>
<td>105.6945</td>
<td>113.3216</td>
<td>136.9096</td>
<td>162.0581</td>
</tr>
<tr>
<td>S.Arabia</td>
<td>Riyal</td>
<td>27.8271</td>
<td>27.9436</td>
<td>29.3237</td>
<td>36.3311</td>
<td>42.1739</td>
</tr>
<tr>
<td>Thailand</td>
<td>Baht</td>
<td>2.9393</td>
<td>3.0023</td>
<td>3.3937</td>
<td>4.2299</td>
<td>5.1012</td>
</tr>
<tr>
<td>UAE</td>
<td>Dirham</td>
<td>28.4165</td>
<td>28.534</td>
<td>29.9494</td>
<td>37.0981</td>
<td>43.0852</td>
</tr>
<tr>
<td>UK</td>
<td>Pound</td>
<td>154.7033</td>
<td>132.8218</td>
<td>148.2579</td>
<td>176.323</td>
<td>199.6347</td>
</tr>
<tr>
<td>U.S.</td>
<td>Dollar</td>
<td>104.2551</td>
<td>104.6971</td>
<td>109.9713</td>
<td>136.2657</td>
<td>158.2561</td>
</tr>
<tr>
<td>EMU</td>
<td>Euro</td>
<td>115.8746</td>
<td>114.1654</td>
<td>131.3192</td>
<td>155.3411</td>
<td>175.0581</td>
</tr>
<tr>
<td>IMF</td>
<td>SDR(1)(2)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Special Drawing Rights (SDR) or supplementary foreign exchange reserve assets defined and maintained by the IMF. SDRs are not a currency, instead they represent a claim to a currency held by IMF member countries for which they may be exchanged (i.e. euros, Japanese Yen, Pounds Sterling or U.S. dollars).

(2) Up to 1 September 2015

Note: the Exchange Rates are Mid Points of Interbank Buying and Selling.

Source: State Bank of Pakistan
PUBLIC FINANCE AND TAXATION

Background

Pakistan's fiscal year begins on 1 July and ends on the following 30 June. A Budget Strategy Paper is formulated by the Budget Wing of Ministry of Finance and Revenue for each fiscal year by 15 April. The Budget Strategy Paper sets out quantified macroeconomic and fiscal projections for the medium term, indicates strategic priorities of the Government revenue and spending policies and specifies indicative levels of spending for various ministries and divisions. The Budget Strategy Paper is presented to the Federal Cabinet for approval and, following approval, the Budget Wing of Ministry of Finance issues indicative budget ceilings to ministries and divisions. The provinces also formulate their respective budget strategy papers including their revenue and spending levels in the medium term. In 2021, the Macro Fiscal Unit was established in the Ministry of Finance, in which a national macro medium-term fiscal framework will be developed and, after finalisation, shared with the respective governments for formulation of their budget strategy papers to be presented to the parliaments.

Budgetary process

The Constitution governs Pakistan's budgetary process. The executive branch prepares the national budget and presents it to the National Assembly. The National Assembly has the opportunity to review the budget but does not have the power to amend that part of the budget which relates to expenditure described by the Constitution as expenditure charged to the Federal Consolidated Fund. Parliamentary rules allow for three types of motions with respect to a proposed demand for grant: (i) a disapproval of policy cut, which allows for a member to present his disapproval to a specified policy and advocate an alternative policy; (ii) an economy cut, which allows for the reduction in a budgetary item or the omission or reduction of a budgetary item; and (iii) a token cut, which allows for the reduction by Rupees 100 in light of a specific grievance. Thereafter, the Prime Minister authenticates a schedule of authorised expenditure. No expenditure is deemed authorised unless it is presented before the National Assembly.

2020-21 Budget. The 2020-21 budget is a crisis budget and its preparation has required a well thought out philosophy and approach. The following are the main features of the 2020-21 budget:

- striking a balance between the COVID-19 related expenditures and fiscal deficit;
- keeping primary balance at a sustainable level;
- protection of social spending under the Ehsaas programme to support the vulnerable segments of the society;
- resource mobilisation without unnecessary changes in tax structure;
- successful continuation of the IMF programme;
- carrying forward of the stimulus package approved in March 2020;
- keeping development budget at an adequate level to stimulate economic growth;
- defence and internal security of the country;
- housing initiatives, including Naya Pakistan Housing project, have been funded;
- funding for special areas, such as the former Federally Administered Tribal Areas, Azad Jammy and Kashmir and Gilgit Baltistan, has been secured to support their development;
- several special initiatives led by the Prime Minister, including Kamyab Jawan (youth entrepreneurship scheme), Sehat Card (providing access to healthcare for the underprivileged) and Billion Tree Tsunami reforestation project, have been protected;
• austerity and rationalisation of expenditures are to be continued;
• subsidy regime is to be rationalised to provide targeted subsidy to the deserving segments of the society; and
• NFC award is to be revisited. Moreover, the provinces will be asked to fulfil their funding commitment made at the time of merger of the former FATA.

The main features of the 2020-21 budget are set out in the table below:

<table>
<thead>
<tr>
<th>RECEIPTS</th>
<th>EXPENDITURE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax revenue</strong></td>
<td><strong>6,346</strong></td>
</tr>
<tr>
<td>- FBR Taxes</td>
<td>4,963</td>
</tr>
<tr>
<td>- Other Taxes</td>
<td>501</td>
</tr>
<tr>
<td><strong>Non-tax revenue</strong></td>
<td><strong>1,109</strong></td>
</tr>
<tr>
<td>a. Gross revenue receipts</td>
<td>6,573</td>
</tr>
<tr>
<td>b. Less provincial share</td>
<td>2,874</td>
</tr>
<tr>
<td>I. Net revenue receipts (a-b)</td>
<td>3,700</td>
</tr>
<tr>
<td>II. Non-bank borrowing</td>
<td>1,395</td>
</tr>
<tr>
<td>III. Net external receipts</td>
<td>810</td>
</tr>
<tr>
<td>IV. Estimated provincial surplus</td>
<td>242</td>
</tr>
<tr>
<td>V. Bank borrowing (treasury bills, PIBs, Sukuk)</td>
<td>889</td>
</tr>
<tr>
<td>VI. Privatisation proceeds</td>
<td>100</td>
</tr>
<tr>
<td><strong>TOTAL RESOURCES (I to VI)</strong></td>
<td><strong>7,137</strong></td>
</tr>
</tbody>
</table>

**Source:** Budget in Brief 2020-21

The comparative position of 2019-20 (budget and revised) and 2020-21 (budget) is set out below:

<table>
<thead>
<tr>
<th></th>
<th>Budget 2019-20</th>
<th>Revised 2019-20</th>
<th>Change between original and revised budgets</th>
<th>Budget 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>(Rupees billion, except as stated otherwise)</strong></td>
<td>(%)</td>
<td>(Rupees billion, except as stated otherwise)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FBR revenue</td>
<td>5,555</td>
<td>3,908</td>
<td>(29.6)</td>
<td>4,963</td>
</tr>
<tr>
<td>Other revenues</td>
<td>1,162</td>
<td>1,596</td>
<td>37.3</td>
<td>1,610</td>
</tr>
<tr>
<td>Gross revenue</td>
<td>6,717</td>
<td>5,504</td>
<td>(18.1)</td>
<td>6,573</td>
</tr>
<tr>
<td>Less: transfer to provinces</td>
<td>(3,255)</td>
<td>(2,402)</td>
<td>(26.2)</td>
<td>(2,874)</td>
</tr>
<tr>
<td>Net revenue for federal government</td>
<td>3,462</td>
<td>3,102</td>
<td>(10.4)</td>
<td>3,700</td>
</tr>
<tr>
<td>Expenditure</td>
<td>7,022</td>
<td>6,830</td>
<td>(2.7)</td>
<td>7,137</td>
</tr>
<tr>
<td>Federal budget deficit</td>
<td>(3,560)</td>
<td>(3,728)</td>
<td>4.7</td>
<td>(3,437)</td>
</tr>
<tr>
<td>Provincial surplus/(deficit)</td>
<td>423</td>
<td>(8.1)</td>
<td>n/a</td>
<td>242</td>
</tr>
<tr>
<td>Overall budget deficit</td>
<td>(3,137)</td>
<td>(3,809)</td>
<td>21.4</td>
<td>(3,195)</td>
</tr>
<tr>
<td>% of GDP (in percentages)</td>
<td>(7.1)</td>
<td>(9.1)</td>
<td>28.2</td>
<td>(7.0)</td>
</tr>
</tbody>
</table>
Fiscal position of Pakistan

The following table summarises the consolidated federal and provincial governments' revenues and expenditures for 2017-18, 2018-19 and 2019-21 as well as budget estimates for 2020-21:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue (I + II)</td>
<td>5,228</td>
<td>4,901</td>
<td>6,272</td>
<td>28</td>
<td>7,261</td>
</tr>
<tr>
<td>I. Tax revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>4,467</td>
<td>4,473</td>
<td>4,747</td>
<td>6</td>
<td>5,999</td>
</tr>
<tr>
<td>of which FBR revenue</td>
<td>4,066</td>
<td>4,072</td>
<td>4,334</td>
<td>6</td>
<td>5,822</td>
</tr>
<tr>
<td>Provincial</td>
<td>401</td>
<td>402</td>
<td>414</td>
<td>3</td>
<td>535</td>
</tr>
<tr>
<td>II. Non-tax revenue (federal and provincial)</td>
<td>761</td>
<td>427</td>
<td>1,524</td>
<td>257</td>
<td>1,261</td>
</tr>
<tr>
<td>Total expenditure (I + II)</td>
<td>7,488</td>
<td>8,346</td>
<td>9,648</td>
<td>16</td>
<td>10,445</td>
</tr>
<tr>
<td>I. Current expenditure</td>
<td>5,854</td>
<td>7,104</td>
<td>8,532</td>
<td>20</td>
<td>9,113</td>
</tr>
<tr>
<td>Federal</td>
<td>3,790</td>
<td>4,776</td>
<td>6,016</td>
<td>26</td>
<td>6,261</td>
</tr>
<tr>
<td>Of which: interest</td>
<td>1,500</td>
<td>2,091</td>
<td>2,620</td>
<td>25</td>
<td>2,946</td>
</tr>
<tr>
<td>Of which: defence</td>
<td>1,030</td>
<td>1,147</td>
<td>1,213</td>
<td>6</td>
<td>1,289</td>
</tr>
<tr>
<td>Provincial</td>
<td>2,065</td>
<td>2,328</td>
<td>2,516</td>
<td>8</td>
<td>2,853</td>
</tr>
<tr>
<td>II. Development expenditure and net lending</td>
<td>1,622</td>
<td>1,219</td>
<td>1,204</td>
<td>(1)</td>
<td>1,342</td>
</tr>
<tr>
<td>PSDP</td>
<td>1,456</td>
<td>1,008</td>
<td>1,090</td>
<td>8</td>
<td>1,252</td>
</tr>
<tr>
<td>Other development</td>
<td>128</td>
<td>170</td>
<td>65</td>
<td>(62)</td>
<td>70</td>
</tr>
<tr>
<td>Net lending</td>
<td>38</td>
<td>41</td>
<td>49</td>
<td>19</td>
<td>20</td>
</tr>
<tr>
<td>III. Statistical discrepancy</td>
<td>12</td>
<td>22</td>
<td>(87)</td>
<td>(5)</td>
<td>-</td>
</tr>
<tr>
<td>Overall fiscal balance</td>
<td>(2,260)</td>
<td>(3,445)</td>
<td>(3,376)</td>
<td>(2)</td>
<td>(3,194)</td>
</tr>
<tr>
<td>As % of GDP</td>
<td>(6.5)</td>
<td>(9.1)</td>
<td>(8.1)</td>
<td>(7.0)</td>
<td></td>
</tr>
<tr>
<td>Financing of fiscal deficit</td>
<td>2,260</td>
<td>3,445</td>
<td>3,376</td>
<td>2</td>
<td>3,194</td>
</tr>
<tr>
<td>External sources</td>
<td>785</td>
<td>417</td>
<td>896</td>
<td>115</td>
<td>810</td>
</tr>
<tr>
<td>Domestic sources (I + II + III)</td>
<td>1,475</td>
<td>3,028</td>
<td>2,481</td>
<td>(18)</td>
<td>2,384</td>
</tr>
<tr>
<td>I. Bank</td>
<td>1,120</td>
<td>2,263</td>
<td>1,941</td>
<td>(14)</td>
<td>889</td>
</tr>
</tbody>
</table>

Source: Budget in Brief 2020-21
## Revenue and Expenditure

Pakistan's fiscal performance in the past few years, and especially since 2016-17, has been adversely affected due to unproductive expenditures on the one hand and lower than expected tax revenues on the other hand. This has narrowed the space for public investment and social safety nets. High fiscal deficit has therefore become the norm for Pakistan's governments, with high interest payments, untargeted subsidies, including energy subsidies, loss-making public sector enterprises and security-related expenditure all contributing to the expanding fiscal deficit.

Amid mounting pressures on public spending, the previous Government implemented certain corrective measures to rationalise expenditure and to broaden the tax base. The fiscal deficit was brought down to 4.6 per cent of GDP in 2015-16 as compared to 5.3 per cent of GDP in 2014-15. But this temporary success could not be maintained and fiscal deficit increased to 5.8 per cent and 6.5 per cent in 2016-17 and 2017-18, respectively. In these two years, total revenue growth experienced a slowdown (5.9 per cent in 2017-18 as compared to 11.0 per cent in 2016-17), while total expenditure growth was reduced to 10.1 per cent in 2017-18 as compared to 17.3 per cent in 2016-17.

Pakistan's fiscal deficit in 2018-19 amounted to 9.1 per cent of GDP. It was not only higher than fiscal deficits in both 2017-18 and 2016-17, but also higher than the revised target for fiscal deficit of 7.2 per cent of GDP (published in April 2019), which resulted in exceeding the targeted deficit by Rupees 686 billion. The single biggest reason for the increase in fiscal deficit was the shortfall in Federal Board of Revenue (FBR) tax revenues in the amount of Rupees 321 billion in 2018-19. This shortfall was principally driven by (i) a fall in imports in 2018-19, which typically account for 45 per cent of total FBR tax collections in customs duties, general sales tax and excise duties, and (ii) the decision of the Government to shield domestic consumers from rising oil prices, which resulted in over Rupees 100 billion shortfall in general sales tax collections. On the expenditures side, the rise in interest rates and a weaker Rupee have led to a significant increase in the Government's debt servicing costs. Expenditure overruns were also necessitated by the need to expand social safety nets and higher investment spending under the PSDP. If the Government had decided to curtail these expenditures further, it could have led to further slowdown in GDP growth and caused a hard landing for the economy already undergoing major monetary and exchange rate adjustments.

The fiscal consolidation efforts to reduce the deficit during the first eight months of 2019-20 largely paid off as, despite the COVID-19 shock, the budget deficit declined from 9.1 per cent of GDP in 2018-2019 to 8.1 per cent in 2019-20. This performance owes to multiple policy measures to enhance the FBR's tax collection, along with one-off gains from non-tax revenues and prudent management of expenditures in the first eight months of 2019-20. In effect, the primary surpluses accumulated during this period largely compensated for the adverse impact of COVID-19-related additional expenditure on health and cash transfers and resulted in relatively better fiscal outcomes than in the fiscal year 2018-19.

The Government rolled out a number of tax and administrative measures in the budget for 2019-20 to enhance revenue mobilisation. These included reversal of earlier tax exemptions to certain sectors, increasing income tax rates and upward revision in sales tax and federal excise duty rates on selected items. On the administrative front, e-filing and refund systems were improved to help businesses and other taxpayers and promote the filing

### Table: Revenue and Expenditure 2017-18 to 2019-20

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Rupees billion, except as stated otherwise)</td>
<td>(Rupees billion, except as stated otherwise)</td>
<td>(%)</td>
<td>(Rupees billion, except as stated otherwise)</td>
<td></td>
</tr>
<tr>
<td>II. Non-bank</td>
<td>353</td>
<td>765</td>
<td>540</td>
<td>(29)</td>
<td>1,395</td>
</tr>
<tr>
<td>III. Privatisation proceeds</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td></td>
<td>100</td>
</tr>
<tr>
<td>GDP at market price</td>
<td>34,396</td>
<td>37,972</td>
<td>41,727</td>
<td></td>
<td>45,563</td>
</tr>
</tbody>
</table>

*Source: Budget Wing, Ministry of Finance*
culture. The Government also took measures to enhance documentation in the economy and reduce informality.

On the expenditures side, despite a decline in development spending, total expenditures grew by a sizable 17 per cent during 2019-20, as compared to an 11.3 per cent increase in 2018-19. This was mainly due to a high COVID-19-related growth in current expenditures. Although a better fiscal performance was seen in the first nine months of 2019-20, the last quarter saw pressures on public finances due to higher COVID-19-related expenditures on health and social transfers.

Current expenditures in 2019-20 increased by 25.3 per cent as compared to 39.4 per cent in 2018-19. This was principally due to higher payments on domestic debt in the wake of higher interest rates during 2018-19 and most of 2019-20. Another factor was the substantial increase in grants for spending on social fronts, such as the Benazir Income Support Programme under the umbrella of the Ehsaas programme.

Development expenditures remained subdued as the relevant government departments – that were delegated the responsibility to execute PSDP spending as part of the public financial management reforms – could not initiate the committed projects in the earlier part of 2019-20. Later on, when COVID-19 hit, these projects were delayed further. As a result, the Government was able to record a cumulative primary surplus of Rupees 193.5 billion in the first three quarters of 2019-20. The following table sets forth fiscal indicators as a per cent of GDP for the periods stated:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP growth</strong></td>
<td>4.6</td>
<td>5.2</td>
<td>5.5</td>
<td>1.9</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Overall fiscal deficit</strong></td>
<td>4.6</td>
<td>5.8</td>
<td>6.5</td>
<td>9.1</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19.9</td>
<td>21.3</td>
<td>21.6</td>
<td>22.0</td>
<td>23.1</td>
</tr>
<tr>
<td><strong>Current</strong></td>
<td>16.1</td>
<td>16.3</td>
<td>16.9</td>
<td>18.7</td>
<td>20.4</td>
</tr>
<tr>
<td><strong>Development and net lending</strong></td>
<td>4.5</td>
<td>5.3</td>
<td>4.7</td>
<td>3.2</td>
<td>2.9</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15.3</td>
<td>15.5</td>
<td>15.1</td>
<td>12.9</td>
<td>15.0</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>12.6</td>
<td>12.4</td>
<td>12.9</td>
<td>11.6</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Non-tax</strong></td>
<td>2.7</td>
<td>3.0</td>
<td>2.2</td>
<td>1.1</td>
<td>3.7</td>
</tr>
</tbody>
</table>

(1) Provisional. Source: Budget Wing, Ministry of Finance

**Tax Collection.**

Despite progress in recent years, Pakistan has low tax revenues, which constrains its ability to meet the spending needs arising from the social security system, security challenges and infrastructure required to support economic growth. The tax-to-GDP ratio increased from 10.2 per cent in 2013-14 to 12.9 per cent in 2017-18. However, Pakistan's tax-to-GDP ratio decreased to 11.6 per cent in 2018-19 and then slightly further decreased to 11.4 per cent in 2019-20. With respect to the FBR tax-to-GDP ratio, it increased from 9.0 per cent in 2013-14 to 11.1 per cent in 2017-18, but then decreased to 10.1 per cent in 2018-19 and then further decreased to 9.6 per cent in 2019-20. The significant decrease in tax collections in 2018-19 was principally due to the suspension of withholding tax on telecommunications companies by the Supreme Court, reduced Government spending, reduced rates on salary income and a decrease in imports. The decrease in tax collections in 2019-20 was principally due to the impact of the COVID-19 pandemic.

The FBR's tax collection weakened from March 2020 onwards, with all the major revenue categories reporting year-on-year declines during the March to June 2020 period. As the bulk of revenue collection typically occurs at quarter-ends, even the third quarter of 2019-20 witnessed a substantial fall in revenue growth, whereas the revenue growth in the fourth quarter plummeted into negative territory. In overall terms, COVID-19 resulted in an estimated loss of approximately one trillion Rupees in tax revenue, as the full year collection stood at Rupees 3,997.9 billion. The expenditure side also took a similar hit, as the Government spent heavily on health and cash transfers in the fourth quarter of 2019-20 to control the disease spread and alleviate unfavourable
The FBR tax revenue increased by 4.4 per cent in 2019-20 as compared to a decrease of 0.4 per cent in 2018-19. The tax revenue growth recorded during the July 2019 to February 2020 period principally resulted from the measures announced in the 2019-20 budget. Revenue mobilisation increased following the elimination of the preferential tax treatment for certain sectors (for example, sugar, steel and edible oil) and withdrawal of the zero-rating regime for five export-oriented sectors (textile, leather, carpets, sports goods and surgical goods). Similarly, measures such as the increase in sales tax rates, especially on petroleum products and sugar; upward revision in income tax rates for both salaried and non-salaried persons; reinstatement of withholding tax and sales tax on mobile top-ups; increased excise duty on cement and cigarettes and upward adjustment in power tariffs supported the revenue collection. Keeping in view the encouraging growth in tax revenues during the July 2019 to February 2020 period, it was expected that the FBR would meet its revised revenue target of Rupees 4,803 billion. However, the target had to be substantially revised down to Rupees 3,907 billion because of the COVID-19-related developments.

Direct taxes increased by 5.4 per cent during 2019-20, as compared to a decrease of 5.9 per cent in 2018-19. This was principally due to higher growth in withholding taxes, which offset the decreases in voluntary payments and collection on demand. Indirect taxes, constituting more than 60 per cent of the overall FBR taxes, increased by 3.8 per cent in 2019-20 as compared to a 3.3 per cent increase in 2018-19. After recording a double-digit growth in the first and second quarters of 2019-20, the collections deteriorated in the third quarter of 2019-20 because of the impact of the COVID-19 pandemic.

The FBR tax collection target for 2020-21 is set at Rupees 4,963 billion, a decrease over the target in the 2019-20 budget (Rupees 5,555 billion). The most significant increases as compared to FBR taxes in the revised 2019-20 budget are expected to come from custom duties (by Rupees 361 billion) and sales tax (by Rupees 189 billion).

Allocation of Revenue between the Federal Government and Provinces. The Constitution governs the relationship between the federal government and the provinces with respect to the distribution of a divisible pool of taxes. According to the Constitution, at intervals not exceeding five years, the President forms a National Finance Commission (NFC) consisting of the Minister of Finance of the federal government, the Ministers of Finance of each of the provincial governments and such other persons as may be appointed by the President after consultation with the governors of the provinces. The NFC then recommends to the President the distribution to be made between the federation and the provinces with respect to the divisible pool of taxes consisting of income tax, sales tax, export duties on cotton, excise duties and any other tax that may be specified by the President. The President then, in accordance with the recommendation of the NFC, specifies the share of the taxes to be allocated to the federation and provinces. The recommendations of the NFC, together with an explanatory memorandum of action taken thereon, are required to be sent to both houses of Parliament and to provincial assemblies. Under the Constitution, the President has the power to amend or modify the distribution of revenues prior to making the aforementioned order. The Award delivered by the NFC in December 2009 (the seventh NFC Award) and signed by the then President of Pakistan in March 2010 was the first such Award by a democratically elected government in 19 years. The 18th Constitutional Amendment inserted new provisions in the Constitution stipulating that the share of the provinces in each NFC Award shall not be less than the share given to the provinces in the previous Award, and that the federal and the provincial finance ministers shall monitor the implementation of the Award biannually and lay their reports before both houses of Parliament and the provincial assemblies.

From 1997 to 2006, the share of the federal government in the divisible pool of taxes was fixed at 62.5 per cent while the share of the provincial governments was fixed at 37.5 per cent. From 2006-07, the share of the provincial governments in the divisible pool rose annually to 41.5 per cent, 42.5 per cent, 43.75 per cent and 45.0 per cent (in 2009-10) through an amendment in the fifth NFC Award made by President's Order No. 1 of 2006.

The NFC Award was historically based on the single criteria of population. In December 2009, the seventh NFC Award adopted, by consensus, a set of multiple criteria for determining horizontal distribution of
resources comprising population (82.0 per cent), poverty (10.3 per cent), revenue collection / generation (5.0 per cent) and inverse population density (2.7 per cent). Under the seventh NFC Award, the share of the provinces increased from 45 per cent in 2009-10 to 56 per cent in 2010-11 and further increased to 57.5 per cent from 2011-12 onwards. The share of the federal government in the net proceeds of the divisible pool was 44 per cent for 2010-11, but decreased to 42.5 per cent for 2011-12 onwards. According to the current seventh NFC Award, divisible pool transfers to provinces amounted to Rupees 1,429.6 billion in 2014-15, Rupees 1,760.3 billion in 2015-16, Rupees 1,834.0 billion in 2016-17, Rupees 2,122.9 billion in 2017-18, Rupees 2,302.6 billion in 2018-19 and Rupees 2,404.5 billion in 2019-2020.

In accordance with the framework for distribution of resources laid down by the seventh NFC Award, the provincial share in divisible pool transfers to the provinces in the 2020-21 budget is set at Rupees 2,873.9 billion.

The eighth NFC Award was constituted on 21 July 2010, but did not give an Award as the seventh Award had been implemented shortly before. The ninth NFC was constituted on 24 April 2015 and met for the first time on 28 April 2015 when it created four working groups to undertake thematic studies to assist the NFC deliberations.

After the July 2018 elections, the ninth NFC was reconstituted in consultation with provincial governments. The reconstituted NFC has held two meetings on 6 February 2019 and 29 March 2019 at Islamabad and Lahore, respectively. The ninth NFC also could not give Award and, after the expiration of its term, the tenth NFC was set up on 12 May 2020. The first meeting of the tenth NFC Award was held on 18 February 2021. Six sub-groups were created at this meeting to prepare sectoral recommendations. The meeting did not set a schedule for future meetings or deadlines for completion of studies on six thematic topics.

The following table sets out divisible pool transfers:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees billion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,264.3</td>
<td>1,429.5</td>
<td>1,760.3</td>
<td>1,834.0</td>
<td>2,122.9</td>
<td>2,302.6</td>
<td>2,404.5</td>
<td></td>
</tr>
</tbody>
</table>

Fiscal Position in July to December 2020 Period of the Fiscal Year 2020-21

For 2020-21, the overall fiscal deficit was projected at 7.0 per cent of GDP. The mid-year fiscal indicators have demonstrated encouraging results as considerable growth in net revenue and effective expenditure control measures have helped to contain the overall fiscal deficit to 2.5 per cent of GDP. Primary surplus of 0.7 per cent of GDP has been achieved.

The comparative position of 2020-21 budget and actual performance in the first half of 2020-21 (July to December 2020 period) is set out below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Budget Estimates 2020-21</th>
<th>Mid-Year Actual 2020-21(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees billion, except as stated otherwise)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gross federal revenue receipts</td>
<td>6,573</td>
<td>3,072</td>
</tr>
<tr>
<td>Less: provincial share</td>
<td>2,874</td>
<td>1,280</td>
</tr>
<tr>
<td>Net federal revenue receipts</td>
<td>3,700</td>
<td>1,792</td>
</tr>
<tr>
<td>Total federal expenditure</td>
<td>7,136</td>
<td>3,185</td>
</tr>
<tr>
<td>current</td>
<td>6,346</td>
<td>2,915</td>
</tr>
<tr>
<td>Development and net lending</td>
<td>791</td>
<td>270</td>
</tr>
<tr>
<td></td>
<td>2020-21</td>
<td>2021-22</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Federal budget deficit</td>
<td>(3,437)</td>
<td>(1,393)</td>
</tr>
<tr>
<td>Federal fiscal deficit (% of GDP)</td>
<td>7.5</td>
<td>3.1</td>
</tr>
<tr>
<td>Primary balance</td>
<td>(491)</td>
<td>82</td>
</tr>
<tr>
<td>Primary balance (% of GDP)</td>
<td>(1.1)</td>
<td>0.2</td>
</tr>
<tr>
<td>Less provincial surplus</td>
<td>242</td>
<td>255</td>
</tr>
<tr>
<td>Overall fiscal deficit</td>
<td>(3,194)</td>
<td>(1,138)</td>
</tr>
<tr>
<td>Overall fiscal deficit (% of GDP)</td>
<td>7.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Overall primary balance</td>
<td>(248)</td>
<td>337</td>
</tr>
<tr>
<td>Overall primary balance (% of GDP)</td>
<td>(0.5)</td>
<td>0.7</td>
</tr>
<tr>
<td>GDP</td>
<td>45,567</td>
<td>45,567</td>
</tr>
</tbody>
</table>

(1) Provisional.

*Source: Budget Wing, Ministry of Finance*
PUBLIC DEBT

Public debt is a measure of governmental indebtedness. It represents the portion of Pakistan's total debt that has a direct charge on government revenues as well as debt owed to the IMF. Pakistan's public debt has two main components, namely domestic debt (which has been incurred principally to finance fiscal deficits) and external debt (which has been raised primarily to finance development expenditure).

Gross public debt as at 30 June 2020 was Rupees 36,399 billion as compared to Rupees 32,708 billion as at 30 June 2019, an increase of Rupees 3,691 billion, or 11.3 per cent. The increase in public debt during 2019-20 was less than half the increase recorded during 2018-19. Lower revaluation losses on the existing outstanding stock of public debt and utilisation of accumulated government deposits to finance a similar level of fiscal deficit in Rupee terms, as last year, contained the overall rise in public debt during 2019-20. In terms of GDP, the gross public debt rose by 1.1 percentage points to 87.2 per cent of GDP by 30 June 2020. A decline in economic activity and rising fiscal deficit, particularly in the later part of the fiscal year 2019-20 amid the outbreak of the COVID-19 pandemic led to an increase in this ratio.

Total debt of the government (gross public debt minus deposits of the government (including the federal government and the provincial governments) with the banking system) amounted to Rupees 33,252 billion as at 30 June 2020 as compared to Rupees 29,521 billion as at 30 June 2019. The composition of Pakistan's public debt has been weighted in favour of domestic debt over the past few years. As at 30 June 2020, government domestic debt was Rupees 23,283 billion (55.8 per cent of GDP) as compared to Rupees 20,732 billion (54.6 per cent of GDP) as at 30 June 2019. Government external debt and debt from the IMF amounted to Rupees 13,116 billion (31.4 per cent of GDP) as at 30 June 2020 as compared to Rupees 11,976 billion (31.5 per cent of GDP) as at 30 June 2019.

The following table sets for the composition of Pakistan's Gross public debt as at 30 June for the periods stated and as of 31 December 2020:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government domestic debt</strong></td>
<td>13,626</td>
<td>14,849</td>
<td>16,416</td>
<td>20,732</td>
<td>23,283</td>
<td>24,310</td>
</tr>
<tr>
<td><strong>Government external debt (including debt from the IMF)</strong></td>
<td>6,051</td>
<td>6,559</td>
<td>8,537</td>
<td>11,976</td>
<td>13,116</td>
<td>13,146</td>
</tr>
<tr>
<td><strong>Gross public debt</strong></td>
<td>19,677</td>
<td>21,409</td>
<td>24,953</td>
<td>32,708</td>
<td>36,399</td>
<td>37,456</td>
</tr>
<tr>
<td><strong>Total debt of the government(2)</strong></td>
<td>17,823</td>
<td>19,635</td>
<td>23,024</td>
<td>29,521</td>
<td>33,252</td>
<td>33,984</td>
</tr>
<tr>
<td><strong>Government domestic debt</strong></td>
<td>46.9</td>
<td>46.5</td>
<td>47.4</td>
<td>54.6</td>
<td>55.8</td>
<td>-</td>
</tr>
<tr>
<td><strong>Government external debt (including debt from the IMF)</strong></td>
<td>20.8</td>
<td>20.5</td>
<td>24.7</td>
<td>31.5</td>
<td>31.4</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross public debt</strong></td>
<td>67.7</td>
<td>67.1</td>
<td>72.1</td>
<td>86.1</td>
<td>87.2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total debt of the government(2)</strong></td>
<td>61.3</td>
<td>61.5</td>
<td>66.5</td>
<td>77.7</td>
<td>79.7</td>
<td>-</td>
</tr>
<tr>
<td><strong>Government domestic debt</strong></td>
<td>306</td>
<td>301</td>
<td>314</td>
<td>423</td>
<td>371</td>
<td>-</td>
</tr>
<tr>
<td><strong>Government external debt (including debt from the IMF)</strong></td>
<td>136</td>
<td>133</td>
<td>163</td>
<td>244</td>
<td>209</td>
<td>-</td>
</tr>
<tr>
<td><strong>Gross public debt</strong></td>
<td>442</td>
<td>434</td>
<td>477</td>
<td>667</td>
<td>580</td>
<td>580</td>
</tr>
<tr>
<td><strong>Government domestic debt</strong></td>
<td>69</td>
<td>69</td>
<td>66</td>
<td>63</td>
<td>64</td>
<td>65</td>
</tr>
<tr>
<td><strong>Government external debt (including debt from the IMF)</strong></td>
<td>31</td>
<td>31</td>
<td>34</td>
<td>37</td>
<td>36</td>
<td>35</td>
</tr>
</tbody>
</table>

(1) As of 31 December 2020 (2) As of 30 June
In 2019-20, the Government prepared its Medium-Term Debt Management Strategy for a period of four years (fiscal year 2019-20 to fiscal year 2022-23), in which certain benchmarks and indicative risk ranges were set to monitor the risks of the gross public debt portfolio and ensure its sustainability. The Government was able to remain within the stated benchmarks and risk indicators and achieved all targets set for the fiscal year 2019-20.

The Government's domestic borrowing came entirely from the financial markets and more than 90 per cent of the borrowing needed to finance the fiscal deficit in 2019-20 was made through longer-term debt such as Pakistan Investment Bonds (PIBs) and National Savings Schemes. The Government has not borrowed from the SBP since July 2019 and repaid Rupees 569 billion of the debt owed to the SBP during the fiscal year 2019-20. This reflects the Government's commitment to greater fiscal discipline, macroeconomic stability and development of domestic financial markets. In addition, the Government has begun to issue Shari'ah-compliant Government Ijara Sukus, which contribute towards the development of Shari'ah-compliant debt markets in Pakistan and help to lower the borrowing costs of the Government. In April 2020, 15-year fixed rate PIBs were reintroduced by the Government to allow it to issue more long-term debt to investors and three and five year floating rate PIBs were introduced to provide the investors with suitable substitutes to treasury bills and to lengthen the average maturity of domestic debt.

With effect from 1 July 2020, institutional investors can no longer invest in National Saving Schemes. Such institutional investors will have to invest in government debt securities through the competitive primary (auction) and secondary markets, which is expected to deepen the financial markets and lower the Government's long-term borrowing costs by creating more competition for long-term debt.

**Domestic Debt**

Domestic debt is primarily obtained to finance the fiscal deficit and also to lend support to the PSDP. It is broadly classified into three main categories being (i) permanent debt (medium and long-term); (ii) floating debt (short-term); and (iii) unfunded debt (primarily made up of the various investments available under National Savings Schemes). In accordance with the Public Debt Act 1944, the Government issues three broad types of marketable securities in order to raise debt. These marketable securities include treasury bills (short-term securities with maturities of less than 12 months), PIBs (longer-term securities with maturities of more than 12 months and with either a fixed or floating profit rate) and Shari'ah compliant government securities (primarily in the form of Government Ijara Sukuk). The Government intends to increase the number of Shari'ah compliant securities to 10 per cent of total Government securities by 30 June 2023 (as compared with two per cent of total Government securities as at 30 June 2020).

The following table provides a summary of outstanding domestic debt as at the end (30 June) of the periods stated or as at 31 December 2020:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(Rupees billion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent debt(2)</td>
<td>5,941</td>
<td>5,533</td>
<td>4,659</td>
<td>12,087</td>
<td>14,031</td>
<td>15,596</td>
</tr>
<tr>
<td>Floating debt(3)</td>
<td>5,002</td>
<td>6,551</td>
<td>8,889</td>
<td>5,501</td>
<td>5,578</td>
<td>5,043</td>
</tr>
</tbody>
</table>

---

(1) Provisional
(2) Gross public debt minus deposits of the government (including the federal government and the provincial governments) with the banking system

*Source: State Bank of Pakistan and Ministry of Finance*
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic outstanding debt (Rupees billion)</td>
<td>13,626</td>
<td>14,849</td>
<td>16,416</td>
<td>20,732</td>
<td>23,283</td>
</tr>
<tr>
<td>Interest payments (Rupees billion)</td>
<td>1,151</td>
<td>1,220</td>
<td>1,323</td>
<td>1,821</td>
<td>2,313</td>
</tr>
<tr>
<td>Domestic interest payment as % of GDP</td>
<td>26</td>
<td>25</td>
<td>25</td>
<td>37</td>
<td>42</td>
</tr>
<tr>
<td>Current expenditure</td>
<td>25</td>
<td>24</td>
<td>23</td>
<td>26</td>
<td>31</td>
</tr>
<tr>
<td>GDP</td>
<td>4.0</td>
<td>3.8</td>
<td>3.8</td>
<td>4.8</td>
<td>5.5</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance
External Debt

Pakistan's External Debt and Liabilities (EDL) include all foreign currency debt contracted by the public and private sector, as well as foreign exchange liabilities of the SBP.

EDL increased by U.S.$6.5 billion during the fiscal year 2019-20 as compared to the increase of U.S.$11.1 billion in 2018-19. This slowdown in external debt accumulation was attributed to a marked contraction in the current account deficit, revaluation gains of U.S.$ 0.4 billion on the outstanding stock of external debt and higher debt repayments during the year. The share of short-term debt increased marginally during 2019-20, which was primarily attributed to foreign investment in local government securities. On a positive note, share of multilateral loans increased, whereas the share of commercial loans, which are typically relatively expensive, decreased. The share of loans from the IMF also increased during 2019-20, which not only included the tranches received under the Extended Fund Facility (EFF), but also the inflow of U.S.$1.4 billion under the Rapid Financing Instrument (RFI) following the outbreak of the COVID-19 pandemic.

As at 30 June 2020, Pakistan's external debt was derived from four key sources (multilateral loans, bilateral loans, Eurobonds/international Sukuk and commercial loans), with 51 per cent coming from multilateral loans, 31 per cent from bilateral loans and 18 per cent from commercial sources (including Eurobonds/international Sukuk). Multilateral and bilateral sources cumulatively constituted 82 per cent of external public debt portfolio as at 30 June 2020. These multilateral and bilateral loans are primarily used to remove structural growth anomalies and promote reforms in the areas of energy, taxation, business, trade and education.

The following table summarises Pakistan's external debt as at the end (30 June) of the periods stated and as at 31 December 2020:

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(U.S.$ million)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. Public external debt (1 + 2)</td>
<td>57,757</td>
<td>62,539</td>
<td>70,237</td>
<td>73,449</td>
<td>77,994</td>
<td>82,372</td>
</tr>
<tr>
<td>1. Government external debt</td>
<td>51,714</td>
<td>56,430</td>
<td>64,142</td>
<td>67,800</td>
<td>70,314</td>
<td>74,894</td>
</tr>
<tr>
<td>(a) Medium and long term (&gt;1 year)</td>
<td>50,026</td>
<td>55,547</td>
<td>62,525</td>
<td>66,536</td>
<td>68,773</td>
<td>73,863</td>
</tr>
<tr>
<td>(b) Short term (&lt;1 year)</td>
<td>1,688</td>
<td>882</td>
<td>1,617</td>
<td>1,264</td>
<td>1,542</td>
<td>1,030</td>
</tr>
<tr>
<td>2. IMF</td>
<td>6,043</td>
<td>6,109</td>
<td>6,095</td>
<td>5,648</td>
<td>7,680</td>
<td>7,479</td>
</tr>
<tr>
<td>B. Foreign exchange liabilities</td>
<td>3,600</td>
<td>3,564</td>
<td>5,121</td>
<td>10,488</td>
<td>9,891</td>
<td>8,188</td>
</tr>
<tr>
<td>C. Public sector enterprises (1+2)</td>
<td>2,807</td>
<td>2,719</td>
<td>2,671</td>
<td>4,013</td>
<td>4,900</td>
<td>5,501</td>
</tr>
<tr>
<td>1. Guaranteed debt</td>
<td>1,265</td>
<td>1,214</td>
<td>1,384</td>
<td>2,800</td>
<td>4,244</td>
<td>4,929</td>
</tr>
<tr>
<td>2. Non-guaranteed debt</td>
<td>1,541</td>
<td>1,505</td>
<td>1,287</td>
<td>1,213</td>
<td>656</td>
<td>572</td>
</tr>
<tr>
<td>D. Banks</td>
<td>2,695</td>
<td>4,522</td>
<td>4,417</td>
<td>4,706</td>
<td>4,637</td>
<td>4,389</td>
</tr>
<tr>
<td>E. Private Sector Debt</td>
<td>4,073</td>
<td>6,759</td>
<td>9,195</td>
<td>10,414</td>
<td>11,072</td>
<td>11,260</td>
</tr>
<tr>
<td>F. Debt liabilities to direct investors / intercompany debt(2)</td>
<td>3,013</td>
<td>3,375</td>
<td>3,597</td>
<td>3,278</td>
<td>4,365</td>
<td>4,046</td>
</tr>
<tr>
<td>Total external debt (A + B + C + D + E + F)</td>
<td>73,945</td>
<td>83,477</td>
<td>95,237</td>
<td>106,348</td>
<td>112,858</td>
<td>115,756</td>
</tr>
<tr>
<td>Official liquid reserves</td>
<td>23,099</td>
<td>21,403</td>
<td>16,384</td>
<td>14,482</td>
<td>18,886</td>
<td>20,545</td>
</tr>
</tbody>
</table>

(% of GDP)
## Total External Debt (A + B + C + D + E + F)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>26.5</td>
<td>27.4</td>
<td>30.2</td>
<td>38.1</td>
<td>42.8</td>
<td>-</td>
</tr>
<tr>
<td>A. Public External Debt (1 + 2)</td>
<td>20.7</td>
<td>20.5</td>
<td>22.3</td>
<td>26.3</td>
<td>29.6</td>
<td>-</td>
</tr>
<tr>
<td>1. Government External Debt</td>
<td>18.5</td>
<td>18.5</td>
<td>20.4</td>
<td>24.3</td>
<td>26.7</td>
<td>-</td>
</tr>
<tr>
<td>(a) Medium and Long Term (&gt;1 year)</td>
<td>17.9</td>
<td>18.2</td>
<td>19.8</td>
<td>23.8</td>
<td>26.1</td>
<td>-</td>
</tr>
<tr>
<td>(b) Short Term (&lt;1 year)</td>
<td>0.6</td>
<td>0.3</td>
<td>0.5</td>
<td>0.5</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>2. IMF</td>
<td>2.2</td>
<td>2.0</td>
<td>1.9</td>
<td>2.0</td>
<td>2.9</td>
<td>-</td>
</tr>
<tr>
<td>B. Foreign Exchange Liabilities</td>
<td>1.3</td>
<td>1.2</td>
<td>1.6</td>
<td>3.8</td>
<td>3.8</td>
<td>-</td>
</tr>
<tr>
<td>C. Public Sector Enterprises (1+2)</td>
<td>1.0</td>
<td>0.9</td>
<td>0.8</td>
<td>1.4</td>
<td>1.9</td>
<td>-</td>
</tr>
<tr>
<td>1. Guaranteed Debt</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>1.0</td>
<td>1.6</td>
<td>-</td>
</tr>
<tr>
<td>2. Non-Guaranteed Debt</td>
<td>0.6</td>
<td>0.5</td>
<td>0.4</td>
<td>0.4</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>D. Banks</td>
<td>1.0</td>
<td>1.5</td>
<td>1.4</td>
<td>1.7</td>
<td>1.8</td>
<td>-</td>
</tr>
<tr>
<td>E. Private Sector Debt</td>
<td>1.5</td>
<td>2.2</td>
<td>2.9</td>
<td>3.7</td>
<td>4.2</td>
<td>-</td>
</tr>
<tr>
<td>F. Debt Liabilities to Direct Investors / Intercompany Debt(2)</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.7</td>
<td>-</td>
</tr>
</tbody>
</table>

### Notes:

GDP (Rupees trillion)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral</td>
<td>29.1</td>
<td>31.9</td>
<td>34.6</td>
<td>38.0</td>
<td>41.7</td>
</tr>
</tbody>
</table>

30 June Weighted Average Exchange Rate (Rupees/U.S.$)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral</td>
<td>104.8</td>
<td>104.9</td>
<td>121.5</td>
<td>163.1</td>
<td>168.2</td>
</tr>
<tr>
<td>Bilateral</td>
<td>278.9</td>
<td>304.9</td>
<td>315.2</td>
<td>279.0</td>
<td>263.5</td>
</tr>
</tbody>
</table>

The following table shows information on inflows and outflows with respect to public external debt and on public external debt servicing for the periods stated:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral</td>
<td>5,766</td>
<td>3,166</td>
<td>2,813</td>
<td>2,021</td>
<td>8,329</td>
</tr>
<tr>
<td>Bilateral</td>
<td>1,040</td>
<td>1,941</td>
<td>1,971</td>
<td>4,377</td>
<td>1,398</td>
</tr>
<tr>
<td>Bonds</td>
<td>500</td>
<td>1,000</td>
<td>2,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Commercial/Short Term</td>
<td>1,387</td>
<td>4,426</td>
<td>3,716</td>
<td>4,098</td>
<td>3,347</td>
</tr>
<tr>
<td><strong>Total Inflows (A)</strong></td>
<td><strong>8,693</strong></td>
<td><strong>10,533</strong></td>
<td><strong>11,000</strong></td>
<td><strong>10,496</strong></td>
<td><strong>13,074</strong></td>
</tr>
<tr>
<td>Multilateral</td>
<td>1,274</td>
<td>1,255</td>
<td>1,403</td>
<td>1,750</td>
<td>2,199</td>
</tr>
<tr>
<td>Bilateral</td>
<td>480</td>
<td>1,240</td>
<td>813</td>
<td>970</td>
<td>784</td>
</tr>
<tr>
<td>Bonds</td>
<td>500</td>
<td>750</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Commercial/Short Term</td>
<td>960</td>
<td>1,882</td>
<td>1,975</td>
<td>3,634</td>
<td>5,060</td>
</tr>
<tr>
<td><strong>Total Repayments (B)</strong></td>
<td><strong>3,213</strong></td>
<td><strong>5,127</strong></td>
<td><strong>4,190</strong></td>
<td><strong>7,355</strong></td>
<td><strong>9,043</strong></td>
</tr>
</tbody>
</table>
--- | --- | --- | --- | --- | ---
Multilateral | 5,480 | 5,406 | 6,809 | 3,140 | 4,031
Bilateral | 290 | 381 | 485 | 584 | 637
Bonds | 380 | 441 | 444 | 541 | 485
Commercial/Short term | 354 | 366 | 423 | 503 | 396
Total Interest Payments (C) | 1,127 | 1,313 | 1,684 | 2,103 | 2,032
Total Debt Servicing (B+C) | 4,340 | 6,440 | 5,874 | 9,458 | 11,075

Note: Data excludes disbursements from Pakistan Banao Certificates and non-resident investment in government securities

Source: Economic Affairs Division and State Bank of Pakistan

Total expenditure on public external debt servicing amounted to U.S.$11,075 million in 2019-20, of which U.S.$9,043 million was accounted for by principal repayments and U.S.$2,032 million by interest payments. Public external debt servicing increased significantly in 2019-20 as compared to 2018-19. Given the level of foreign exchange reserves at the start of the fiscal year 2019-20, maturing obligations appeared to be high as compared to foreign exchange reserves.

The following table sets forth scheduled or projected repayments of public external debt for the periods stated, which reflects debt service suspensions under the Debt Service Suspension Initiative, under which principal and interest payments were suspended for a period of eight months from 1 May 2020 to 31 December 2020, but does not reflect possible debt suspensions under DSSI-II (as defined below) since negotiations on this initiative are still ongoing:

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>2020-21</th>
<th>2021-22</th>
<th>2022-23</th>
<th>2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Paris Club</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>425</td>
<td>1,024</td>
<td>1,235</td>
<td>1,300</td>
</tr>
<tr>
<td>Interest</td>
<td>101</td>
<td>213</td>
<td>176</td>
<td>145</td>
</tr>
<tr>
<td>Sub-total (A)</td>
<td>526</td>
<td>1,236</td>
<td>1,411</td>
<td>1,445</td>
</tr>
<tr>
<td><strong>Non-Paris Club</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>351</td>
<td>889</td>
<td>1,585</td>
<td>1,609</td>
</tr>
<tr>
<td>Interest</td>
<td>299</td>
<td>366</td>
<td>330</td>
<td>287</td>
</tr>
<tr>
<td>Sub-total (B)</td>
<td>650</td>
<td>1,255</td>
<td>1,916</td>
<td>1,896</td>
</tr>
<tr>
<td><strong>Multilateral</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>3,406</td>
<td>2,765</td>
<td>2,905</td>
<td>3,647</td>
</tr>
<tr>
<td>Interest</td>
<td>636</td>
<td>470</td>
<td>489</td>
<td>407</td>
</tr>
<tr>
<td>Sub-total (C)</td>
<td>4,042</td>
<td>3,236</td>
<td>3,394</td>
<td>4,055</td>
</tr>
<tr>
<td><strong>Commercial Banks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>3,284</td>
<td>2,221</td>
<td>2,100</td>
<td>75</td>
</tr>
<tr>
<td>Interest</td>
<td>166</td>
<td>90</td>
<td>74</td>
<td>14</td>
</tr>
<tr>
<td>Sub-total (D)</td>
<td>3,450</td>
<td>2,311</td>
<td>2,174</td>
<td>89</td>
</tr>
<tr>
<td><strong>Bonds</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Interest</td>
<td>365</td>
<td>338</td>
<td>282</td>
<td>254</td>
</tr>
<tr>
<td>Sub-total (E)</td>
<td>365</td>
<td>1,338</td>
<td>1,282</td>
<td>1,254</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>7,466</td>
<td>7,899</td>
<td>8,825</td>
<td>7,631</td>
</tr>
<tr>
<td>Interest</td>
<td>1,567</td>
<td>1,477</td>
<td>1,350</td>
<td>1,107</td>
</tr>
<tr>
<td>Total (A+B+C+D+E)</td>
<td>9,033</td>
<td>9,376</td>
<td>10,175</td>
<td>8,738</td>
</tr>
</tbody>
</table>
Participation in the Debt Service Suspension Initiative.

In April 2020, the Debt Service Suspension Initiative (DSSI) was launched to grant a limited-time debt service suspension to the poorest countries to help them in managing the adverse impact of the COVID-19 pandemic. The key objective of the DSSI is to enable an effective crisis response, in which borrowers are required to utilise the freed-up resources to increase social and health expenditures. Furthermore, countries are also committed to limit their non-concessional borrowings, other than the agreements under this initiative or in compliance with limits agreed under an IMF programme or the World Bank’s policy on non-concessional borrowing. This implies that access to commercial and bilateral loans is limited for participating countries. Initially, principal and interest payments were suspended for a period of eight months from 1 May 2020 to 31 December 2020. The repayment period for this restructuring is four years including one-year grace period. G-20 countries in November 2020 have further extended the suspension period for another six months until 30 June 2021. Under this second initiative (DSSI-II), the repayment period is six years including one-year grace period.

Pakistan applied for participation in the DSSI in the fourth quarter of 2019-20. Pakistan would be able to defer approximately U.S.$1.6 billion under DSSI and expects to be able to defer approximately U.S.$0.8 billion under DSSI-II, the negotiations on which are still going on. This debt relief is expected to not only ease pressures on debt servicing, but also create the needed fiscal space to mitigate the impact of the COVID-19 pandemic in Pakistan.

Debt Restructuring. Paris Club. In 2001, Pakistan approached the Paris Club to seek debt relief and a rescheduling of its external bilateral debt. Pursuant to the resulting agreement, U.S.$12.7 billion (principal plus accumulated arrears) was restructured so as to provide repayment over 38 years, with a 15-year grace period, at an interest rate at least as favourable as the concessional rates applicable to the original loan. Commercial loans were also agreed to be repaid over 23 years, with a five-year grace period, at appropriate market rates. Bilateral rescheduling agreements were signed with all Paris Club and non-Paris Club creditors. Debt servicing of all loans, including rescheduled loans, is being maintained by the Government.

Issuance of bonds and international Sukuk. Pakistan has issued bonds and international Sukuk in the international capital markets. There are six international issues outstanding: (i) U.S.$1,000 million Sukuk 5.500 per cent due October 2021, (ii) U.S.$1,000 million Sukuk 5.625 per cent due December 2022, (iii) U.S.$1,000 million 8.25 per cent notes due April 2024, (iv) U.S.$500 million 8.250 per cent notes due September 2025, (v) U.S.$1,500 million 6.875 per cent notes due December 2027 and (vi) U.S.$300 million 7.875 per cent notes due March 2036.

Progress on the Medium-Term Debt Management Strategy

In accordance with the Medium-Term Debt Management Strategy (2019/20 – 2022/23), the Government was required to set certain benchmarks and indicative risk ranges in order to monitor the risks of total public debt portfolio and ensure its sustainability. The following table sets forth the indicative benchmarks and targets for key risk indicators during 2019-20:

<table>
<thead>
<tr>
<th>Risk Exposure</th>
<th>Indicators</th>
<th>Indicative Benchmarks (Fiscal Year 2019-20 – Fiscal Year 2022-23)</th>
<th>Fiscal Year 2019-20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency risk</td>
<td>Share of external debt in total public debt</td>
<td>40% (Maximum)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Average time to maturity of domestic debt (Years)</td>
<td>3.5 (Minimum)</td>
<td>4.0</td>
</tr>
<tr>
<td>Refinancing risk</td>
<td>Average time to maturity of external debt (Years)</td>
<td>6.5 (Minimum)</td>
<td>7.0</td>
</tr>
<tr>
<td></td>
<td>Gross financing needs (% of total)</td>
<td>35% (Maximum)</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Share of Shari'ah-compliant instruments in government securities (%)</td>
<td>-</td>
<td>2.0</td>
</tr>
</tbody>
</table>
As at 30 June 2020, the Government had remained within the stated benchmarks of risk indicators and achieved all targets set for the fiscal year 2019-20.

The Government has also been able to reduce the refinancing risk of its public debt portfolio. The average time to maturity of domestic debt portfolio was 4.1 years as at 30 June 2020 as compared with 1.6 years as at 30 June 2018. The average time to maturity of external debt is 7.0 years and the Government intends to maintain this indicator at the same level over the medium to long term.

**Relationship with Multilateral and Bilateral Creditors**

Pakistan receives economic assistance from multilateral and bilateral creditors as follows:

**World Bank.** As reported in October 2020, the World Bank Group had a portfolio of U.S.$11.4 billion in Pakistan (U.S.$7.5 billion through the International Development Association (IDA), U.S.$3.6 billion through the International Bank of Reconstruction and Development (IBRD) and U.S.$235 million in trust funds). This portfolio is supporting reforms and investments to strengthen institutions, particularly in fiscal management and human development. Partnerships are being strengthened at provincial levels, focusing on multi-sectoral initiatives in areas such as children's nutrition, education and skills, irrigated agriculture, tourism, disaster risk management and urban development.

The World Bank's programme in Pakistan is governed by the Country Partnership Strategy for fiscal years 2015-2020 with four priority areas of engagement: energy, private sector development, inclusion and service delivery. The World Bank Group is in the process of preparing a new Country Partnership Framework (CPF) for Pakistan that will outline its strategic support in the country for the period from 2022 to 2026.

As at 31 December 2020, the IBRD had commitments totalling U.S.$3,365 million under 20 grants and 13 non-guaranteed loans, of which U.S.$2,371 million was undisbursed as at that date. As at 31 December 2020, Pakistan's outstanding debt to the IBRD amounted to U.S.$1,745 million.

As at 31 December 2020, the IDA had commitments totalling U.S.$8,364 million under 46 non-guaranteed loans, of which U.S.$4,926 million was undisbursed as at that date. As at 31 December 2020, Pakistan's outstanding debt to the IDA amounted to U.S.$15,562 million.

**Asian Development Bank (ADB).** The Asian Development Bank (ADB) provides various types of financial support to Pakistan, including programme lending, project loans, grants and technical assistance to bridge the financing gap and meet the development needs of the country. The ADB is one of the largest development partners of Pakistan. From 1966 to December 2020, the ADB has committed U.S.$34.4 billion for 785 projects in key priority areas including energy, road and transport, agriculture and water, social sector and economic reforms. Of this committed amount, the ADB has disbursed U.S.$23 billion to Pakistan.


The ADB has an ongoing portfolio of U.S.$6.5 billion for 36 projects in energy, road and transport, water and agriculture, urban development, public-private partnership, disaster risk reduction and social sector. Pakistan's active technical assistance portfolio totals U.S.$72 million and comprises 35 technical assistance projects.
As at 31 December 2020, the ADB had commitments totalling U.S.$9,188 million under 15 grants and 65 non-guaranteed loans, of which U.S.$4,535 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to the ADB amounted to U.S.$13,665 million.

**Islamic Development Bank (IsDB).** Pakistan joined the IsDB on 12 August 1974 as a founding member. Pakistan is the third largest beneficiary of the IsDB Group financing among its 57 member countries. From 1974 up to December 2020, the IsDB Group approved total financing of U.S.$13.3 billion for Pakistan. Over the last five years (2016-20), there has been a significant increase in IsDB Group's approvals, with the total amount of such approvals (U.S.$3.8 billion) accounting for almost 30 per cent of total approvals since 1974.

As at 31 December 2020, the IsDB had medium- and long-term commitments totalling U.S.$1,069 million under four grants and 12 non-guaranteed loans, of which U.S.$520 million was undisbursed as at that date. As at the same date, the IsDB had short-term commitments totalling U.S.$2,987 million under 10 non-guaranteed loans, of which U.S.$218.78 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding medium- and long-term debt to the IsDB amounted to U.S.$942 million, while its outstanding short-term debt to the IsDB amounted to U.S.$575 million.

**Asia Infrastructure Investment Bank (AIIB).** Asian Infrastructure Investment Bank (AIIB) is a multilateral international bank established for finance support to developing countries for infrastructure development in order to promote regional connectivity in the Asia-Pacific region.

Pakistan formally joined the AIIB as one of its founding members after the signing of Instruments of Ratification on 3 December 2015. The Bank started its formal operations on 25 December 2015 after entry into force of its Articles of Agreement.

With respect to the first project of the AIIB in Pakistan, the Shorkot-Khanewal section of the M-4 Motorway, the AIIB has committed U.S.$100 million for this project, of which U.S.$80.3 million was disbursed as at 31 December 2020. The AIIB has approved U.S.$300 million for its second project in Pakistan, the Tarbella-V extension project, of which U.S.$296.2 million remained undisbursed as at 31 December 2020.

In December 2019, the AIIB provided a sovereign-backed loan in the amount of U.S.$40 million to improve access to safe water services in Karachi. It has also approved U.S.$72 million for the Karachi Bus Rapid Transit – Red Line project.

After the outbreak of the COVID-19 pandemic, the AIIB offered a Crisis Recovery facility to support the member countries. Pakistan benefited from this facility through two loans under the Resilient Institutions for Sustainable Economy programme and the COVID-19 Active Response and Expenditure Support programme in the amounts of U.S.$250 million and U.S.$500 million, respectively. These loans were fully disbursed in 2020.

As at 31 December 2020, the AIIB had commitments totalling U.S.$679 million under two grants and four non-guaranteed loans, of which U.S.$346 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to the AIIB amounted to U.S.$831 million.

Pakistan has also received bilateral economic assistance from a large number of countries. The most economically material of these arrangements are as follows:

**China.** China provides extensive economic assistance to Pakistan. As at 31 December 2020, China had commitments totalling U.S.$5,668 million under two guaranteed loans related to the Karachi nuclear power project, of which U.S.$2,202 million remained undisbursed as at that date. In addition, as at 31 December 2020, China had commitments totalling U.S.$5,578 million under six grants and 12 non-guaranteed loans, of which U.S.$1,008 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to China amounted to U.S.$13,758 million.
European Union. The European Union has a large development assistance programme in Pakistan focused on humanitarian work and promotion of democracy and economic growth. The basis of this relationship is the Memorandum of Understanding signed in 1991 between the Commission of the European Communities and Pakistan. The EU provides grant assistance for rural development, natural resources management, education and human resources development. Some other areas of Pakistan-EU development cooperation are trade, economic cooperation, democracy, human rights, counter terrorism, security and humanitarian assistance. The Memorandum of Understanding of the Multi-year Indicative Programme (MIP) 2014-2020 for Pakistan, with total funding amounting to euro 618 million, was signed on 15 December 2015 with respect to development assistance in the areas of rural development, education, good governance, human rights and rule of law.

As at 31 December 2020, the EU had commitments totalling U.S.$893 million under 27 grants, of which U.S.$668 million remained undisbursed as at that date.

France. As at 31 December 2020, France had commitments totalling U.S.$772 million under six grants and ten non-guaranteed loans, of which U.S.$503 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to France amounted to U.S.$1,748 million.

Japan. Japan provides support to Pakistan through its Official Development Assistance programme (ODA). ODA loans are extended mostly for basic economic and social infrastructure projects. As at 31 December 2020, Japan had commitments totalling U.S.$1,526 million under 16 grants and 13 non-guaranteed loans, of which U.S.$343 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to Japan amounted to U.S.$5,810 million.

Saudi Arabia. As at 31 December 2020, Saudi Arabia had commitments totalling U.S.$3,010 million under 10 grants and seven non-guaranteed loans, of which U.S.$2,717 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to Saudi Arabia amounted to U.S.$954 million.

United Arab Emirates. Pakistan has received significant amounts of assistance from the United Arab Emirates since 1974. Funds have been used for, among other things, balance of payments support, drought assistance and infrastructure projects.

The UAE provided U.S.$2.0 billion in financial assistance to Pakistan through two U.S.$1.0 billion deposits made by the Abu Dhabi Fund for Developments with the SBP in January and March 2019. The first of these deposits matured in January 2021 and was rolled over in full. The second deposit is maturing in March 2021 and is also expected to be rolled over.

United Kingdom. Pakistan has a significant bilateral relationship with the UK underpinned by the shared heritage, closely aligned strategic outlook and interests. Pakistan and the UK entered into a long-term development assistance relationship in 2006 by signing a 10-year Development Partnership Arrangement. A draft of a new Development Partnership Arrangement (DPA) was shared by the UK Department for International Development with the Economic Affairs Division of the Ministry of Finance in May 2019. The Government of Pakistan's stakeholders reviewed the draft of the DPA and their feedback has been shared with the UK's Foreign, Commonwealth and Development Office.

As at 31 December 2020, the UK had commitments totalling U.S.$2,454 million under 16 grants, of which U.S.$592 million was undisbursed as at that date. As at 31 December 2020, Pakistan's outstanding debt to the UK amounted to U.S.$5 million.

United States. In September 2010, the U.S. government and Pakistan signed the Pakistan Enhanced Partnership Agreement (PEPA), under which the U.S. government committed to provide Pakistan with U.S.$7.5 billion by 2014 in the form of non-repayable grants. Sectors that benefited from the assistance included energy security, food security, social development and affected areas. Subsequently, the duration of PEPA has been extended to 2023. The U.S. government and Pakistan also signed an Assistance Agreement...
(AAG) in 2009 with a total grant of U.S.$120 million. Since 2010, the U.S. government, through the United States Agency for International Development has provided U.S.$4.3 billion under PEPA and AAG to Pakistan.

As at 31 December 2020, the U.S. had commitments totalling U.S.$2,760 million under 42 grants, of which U.S.$1,685 million was undisbursed as at that date.

As at 31 December 2020, Pakistan's outstanding debt to the U.S. amounted to U.S.$1,108 million.

Other creditors. Other principal sources of bilateral foreign economic assistance include Germany (with commitments of U.S.$590 million as at 31 December 2020, of which U.S.$327 million was undisbursed), South Korea (with commitments of U.S.$308 million as at 31 December 2020, of which U.S.$207 million was undisbursed) and Kuwait (with commitments of U.S.$138 million as at 31 December 2020, of which U.S.$34 million was undisbursed).
BOOK-ENTRY CLEARANCE SYSTEM

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the Clearing Systems) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Agent or Dealer takes any responsibility for the accuracy thereof. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a member of the Federal Reserve System, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (Direct Participants) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (DTCC). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (Indirect Participants and, together with Direct Participants, Participants). More information about DTC can be found at www.dtcc.com and www.dtc.org, but such information is not incorporated by reference in and does not form part of this Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the DTC Rules), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (DTC Notes) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (Owners) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (Beneficial Owner) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial
Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorised representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorised by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorised representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorised representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under “Subscription and Sale and Transfer and Selling Restrictions”.

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC’s records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.
The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system. Investors may hold their interests in Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders or indirectly through organisation which are accountholders therein.

Book-entry Ownership of and Payments in respect of DTC Notes

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. Dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. Dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. Dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.
Transfers of Notes Represented by Registered Global Notes

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant Clearing System clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Subscription and Sale and Transfer and Selling Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (Custodian) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations nor will the Issuer, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant issue date, which could be more than two business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the United States secondary market generally are required to settle within two business days (T+2), unless the parties to any such trade expressly agree otherwise. Accordingly, if an issue date is more than two business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the
United States between the date of pricing and the date that is two business days prior to the relevant issue date will be required, by virtue of the fact that such Notes initially will settle beyond T+2, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, if an issue date is more than two business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is two business days prior to the relevant issue date should consult their own adviser.
TAXATION

General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence, ordinary residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any changes in law that might take effect after such date.

Pakistan Taxation

General

This summary of the principal Pakistani tax consequences of holding Notes is only included as guidance and does not constitute tax advice. Prospective investors should consult their own advisers with regard to their potential tax liabilities resulting from an investment in Notes.

In addition, this summary only addresses the tax consequences to non-residents holding Notes as capital assets, and does not address the tax consequences which may be relevant to other classes of non-resident holders.

The summary is based on present Pakistani tax laws and practices.

Tax on interest payments

Clause 75 of the Second Schedule to the Income Tax Ordinance (2001) exempts from income tax any income of an agency of a foreign Government, a foreign national (company, firm or association of persons), or any other non-resident person approved by the Federal Government for the purposes of this clause, from profit on moneys borrowed under a loan agreement or in respect of a foreign currency instrument approved by the Federal Government.

The issue of Notes under the Programme has been approved on 30 June 2020 by the Finance Division of the Federal Government for purposes of Clause 75 of the Second Schedule of the Income Tax Ordinance (2001).

Withholding tax

Payments by the Issuer of interest and principal under Notes shall not be subject to any withholding or deduction for any taxes under the laws of Pakistan.

Stamp Duty

The Issuer has undertaken to bear the liability for stamp duty in respect of Notes, *inter alia*, in Pakistan. Under the Stamp Act 1899, where the Issuer assumes liability for stamp duty, the instrument to which such assumption relates is exempt from duty.

Stamp Duty on any transfer of Notes

Under the Stamp Act 1899, any transfer of Notes outside Pakistan would not give rise to liability to pay stamp duty in Pakistan provided that the Notes so transferred or any instrument of transfer related thereto are not executed or brought into Pakistan.

U.S. Federal Income Taxation

The following is a summary of certain material U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with purchasers of Registered Notes that are U.S. Holders, acquire such Registered Notes at initial issuance at their
issue price (as defined below) and will hold the Registered Notes as capital assets (generally, property held for investment).

The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors. In particular, this summary does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (including, without limitation: (a) financial institutions; (b) insurance companies; (c) dealers or traders in stocks, securities, or currencies or notional principal contracts; (d) regulated investment companies; (e) real estate investment trusts; (f) tax-exempt organisations; (g) partnerships, pass-through entities, or persons that hold Notes through pass-through entities; (h) investors that hold Notes as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (i) U.S. Holders that have a functional currency other than the U.S. Dollar; (j) accrual basis taxpayers subject to special rules for the taxable year of inclusion under Section 451(b) of the Code (as defined below); and (k) U.S. expatriates and former long-term residents of the United States) all of whom may be subject to tax rules that differ significantly from those summarised below. This summary does not address U.S. federal estate, gift or alternative minimum tax considerations, Medicare contribution tax on net investment income considerations, or non-U.S., state or local tax considerations.

As used herein, the term **U.S. Holder** means a beneficial owner of Registered Notes that is for U.S. federal income tax purposes: (a) a citizen or individual resident of the United States; (b) a corporation created or organised in or under the laws of the United States or any state thereof; (c) an estate the income of which is subject to U.S. federal income tax without regard to its source; or (d) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership (or any other entity or arrangement treated as fiscally transparent for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. Any such partner or partnership should consult their tax advisers as to the U.S. federal income tax consequences to them of the acquisition, ownership and disposition of Notes.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986 (the **Code**), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect and all of which are subject to change at any time, possibly with retroactive effect. No rulings have been or will be sought from the U.S. Internal Revenue Service (the **IRS**) with respect to any of the matters discussed below, and no assurance can be given that the views of the IRS or a court with respect to those matters will not differ from those described below.

**INVESTORS SHOULD CONSULT THEIR TAX ADVISERS TO DETERMINE THE TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF REGISTERED NOTES, INCLUDING THE APPLICATION TO THEIR PARTICULAR SITUATION OF THE U.S. FEDERAL INCOME TAX CONSIDERATIONS DISCUSSED BELOW.**

The Issuer generally intends to treat Notes issued under the Programme as debt, unless otherwise indicated in the supplemental U.S. federal income tax disclosure provided in an offering circular supplement or otherwise.

**U.S. Holders**

*Payment of Interest*

**General**

Interest on a Note held by a U.S. Holder, including the payment of any additional amounts whether payable in U.S. Dollars or a currency other than U.S. Dollars (**foreign currency interest** on a **Foreign Currency Note**), other than interest on a "Discount Note" that is not "qualified stated interest" (each as defined below under
Original Issue Discount

General

The following is a summary of certain U.S. federal income tax consequences to a U.S. Holder of the ownership of Notes issued with OID. The following summary does not discuss Notes that are characterised as contingent payment debt instruments for U.S. federal income tax purposes (CPDIs). If Notes are issued that are characterized as CPDIs, supplemental U.S. federal income tax disclosure may be separately provided in an offering circular supplement or otherwise.

A Note, other than a Note with a term of one year or less (a Short-Term Note), will be treated as issued with OID (a Discount Note) if the excess of the Note's "stated redemption price at maturity" (as defined below) over its issue price is at least a de minimis amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity) (or, in the case of a Note that provides for payments other than "qualified stated interest" before maturity (an instalment obligation, its "weighted average maturity")). A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (a) the number of complete years from the issue date until the payment is made multiplied by (b) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note under the applicable Pricing Supplement will be the first price at which a substantial amount of such Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest". A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable in cash or in property (other than in debt instruments of the Issuer) at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "Variable Interest Rate Notes"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note. If a Note has de minimis OID, a U.S. Holder must include the de minimis amount in income as stated principal payments are made on the Note, unless the U.S. Holder makes the election described below under "Election to Treat All Interest as Original Issue Discount". A U.S. Holder can determine the includable amount with respect to each such payment by multiplying the total amount of the Note's de minimis OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or the portion of the taxable year in which the U.S. Holder holds the Discount Note (accrued OID). The daily portion is determined by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Notes as long as: (a) no accrual period is longer than one year; and (b) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess
of: (i) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (ii) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The adjusted issue price of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by: (A) the amount of accrued OID for each prior accrual period and decreased by (B) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being acquisition premium) and that does not make the election described below under "– Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant yield method described above under "– General", with certain modifications. For purposes of this election, interest includes stated interest, OID, de minimis OID, market discount, de minimis market discount and unstated interest, as adjusted by any amortisable bond premium (described below under "– Original Issue Discount – Notes Purchased at a Premium") or acquisition premium. If a U.S. Holder makes this election for the Note, then, when the constant yield method is applied, the issue price of the Note will equal the U.S. Holder's adjusted basis immediately after its acquisition of the Note, the issue date of the Note will be the date of acquisition, and no payments on the Note will be treated as payments of qualified stated interest. This election generally will apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. However, if the Note has amortisable bond premium, the U.S. Holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, held as of the beginning of the taxable year to which the election applies or any taxable year thereafter. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election discussed below under "– Market Discount" to include market discount in income currently over the life of all debt instruments with market discount held or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (Variable Interest Rate Notes) generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if: (a) its issue price does not exceed the total non-contingent principal payments due under the Variable Interest Rate Note by more than an amount equal to the lesser of: (i) 0.015 multiplied by the product of such total non-contingent principal payments and the number of complete years to maturity of the instrument (or, in the case of a Note providing for the payment of any amount other than qualified stated interest prior to maturity, multiplied by the weighted average maturity of the Note); or (ii) 15 per cent. of the total non-contingent principal payments; (b) it provides for stated interest, paid or compounded at least annually: at (i) one or more qualified floating rates; (ii) a single fixed rate and one or more qualified floating rates; (iii) a single objective rate; or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).
A **qualified floating rate** is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (eg, two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (ie, a cap) or a minimum numerical limitation (ie, a floor) may, under certain circumstances, fail to be treated as a qualified floating rate unless the cap or floor is fixed throughout the term of the Note.

An **objective rate** is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (eg, one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A **qualified inverse floating rate** is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (eg, the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A **current value** of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (ie, at a price below the Note's stated principal amount) in excess of a specified de minimis amount. OID on a Variable Interest Rate Note arising from a true discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to: (a) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (b) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and the qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note
must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt instrument. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt may be more fully described in the applicable Pricing Supplement.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but should be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight line basis or, if the U.S. Holder so elects, under the constant yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight line basis (or a constant yield basis if an election is made to accrue the OID under the constant yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.
Market Discount

A Note, other than a Short-Term Note, that is not acquired at its original issue generally will be treated as purchased at a market discount (a Market Discount Note) if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's revised issue price, exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25 per cent. of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of an installment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes de minimis market discount. For this purpose, the revised issue price of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. Holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. Holder.

Market discount will accrue on a straight line basis unless the U.S. Holder elects to accrue the market discount on a constant yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Note will be reduced by the amount of amortisable bond premium allocable (based on the Note's yield to maturity) to that year. Any election to amortise bond premium shall apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. See also "– Original Issue Discount – Election to Treat All Interest as Original Issue Discount" above. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a capital loss when the Note matures.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Note generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID and de minimis market discount included in the U.S. Holder's income with respect to the Note, and reduced by: (a) the amount of any payments other than qualified stated interest payments; and (b) the amount of any amortisable bond premium applied to reduce interest on the Note.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and the tax basis of the Note. Except to the extent described above under "– Original Issue Discount – Market Discount" or "– Original Issue Discount – Short-Term Notes" or attributable to accrued but unpaid interest or changes in exchange rates (as discussed below), gain or loss recognised on the sale or other disposition of a Note will be capital gain or loss and generally will be treated as from U.S. sources for purposes of the U.S. foreign tax credit limitation. In the
case of a U.S. Holder that is an individual, estate or trust, the maximum marginal federal income tax rates applicable to capital gain are currently lower than the maximum marginal rates applicable to ordinary income if the Notes have been held for more than one year at the time of the sale or other disposition. The deductibility of capital losses is subject to significant limitations.

Foreign Currency Notes

Interest and OID

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. Dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. Dollars. An accrual basis U.S. Holder may determine the amount of income recognised with respect to a Foreign Currency Note in accordance with either of two methods.

Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if the last day of the accrual period is within five business days of the date of receipt of the accrued interest, a U.S. Holder that has made such election may translate accrued interest using the spot rate of exchange in effect on the date of receipt. The above election will apply to all debt obligations held by such U.S. Holder and may not be changed without the consent of the IRS. A U.S. Holder will recognize, as ordinary income or loss, foreign currency exchange gain or loss with respect to accrued interest income on the date the interest is actually or constructively received, reflecting fluctuations in currency exchange rates between the spot rate of exchange used to determine the accrued interest income for the relevant accrual period and the spot rate of exchange on the date such interest is actually or constructively received.

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. Dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment of interest or the sale or other disposition of the Note), a U.S. Holder may recognise foreign exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. Dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. Dollars.

Market Discount

Market discount on a Note that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. Dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. Dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income in units of the foreign currency.
On the date bond premium offsets interest income, a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount of offset multiplied by the difference between the spot rate in effect on that date, and the spot rate in effect on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account will recognise a capital loss when the Note matures.

Sale or Other Disposition of Notes

A U.S. Holder's tax basis in a Foreign Currency Note will be determined by reference to the U.S. Dollar cost of the Note. The U.S. Dollar cost of a Note purchased with foreign currency generally will be the U.S. Dollar value of the purchase price on the date of purchase or, in the case of Notes traded on an established securities market, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the purchase.

A U.S. Holder generally will recognise gain or loss on the sale or other disposition of a Note equal to the difference between the amount realised on the sale or other disposition and its tax basis in the Note. The amount realised on a sale or other disposition for an amount in foreign currency will be the U.S. Dollar value of this amount on the date of sale or other disposition or, in the case of Notes traded on an established securities market, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognise U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or other disposition of a Note equal to the difference, if any, between the U.S. Dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note): (a) on the date of sale or other disposition, or, in the case of Notes traded on an established securities market sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), on the settlement date for the sale; and (b) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement.

Foreign Tax Credit Considerations

If Pakistani taxes were to be imposed on payments with respect to the Notes, see "Taxation", subject to applicable limitations and holding period requirements, a U.S. Holder may be eligible to elect to claim a credit against its U.S. federal income tax liability for any such Pakistani taxes. A U.S. Holder that does not claim a U.S. foreign tax credit generally may instead claim a deduction for any such Pakistani taxes, but only for any taxable year in which such U.S. Holder elects to do so with respect to all non-U.S. income taxes. The rules relating to foreign tax credits are very complex, and each U.S. Holder should consult its own tax advisers regarding the application of such rules and the creditability or deductibility of any Pakistani taxes.

Backup Withholding and Information Reporting

In general, payments of principal, interest and accrued OID on, and the proceeds of a sale, redemption or other disposition of, Notes, payable to a U.S. Holder by a U.S. or certain U.S.-related paying agents or intermediaries will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments (including payments of OID) if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise comply with the applicable backup withholding requirements. Certain U.S. Holders are not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS in the manner required. Certain U.S. Holders (including, among others, corporations) are not subject to information reporting or backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from information reporting and/or backup withholding.
Reportable Transaction Reporting

Under certain U.S. Treasury Regulations, U.S. Holders that participate in "reportable transactions" (as defined in the U.S. Treasury Regulations) must attach to their U.S. federal income tax returns a disclosure statement on Form 8886. Under the relevant rules, if the Notes are denominated in a foreign currency, a U.S. Holder may be required to treat foreign currency exchange loss from the Notes as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amount for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A penalty of up to U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases may be imposed in any taxable year on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. U.S. Holders should consult their own tax advisers as to the possible obligation to file Form 8886 with respect to the ownership or disposition of the Notes, or any related transaction, including without limitation, the disposition of any foreign currency received as interest or as proceeds from the sale, exchange or retirement of the Notes.

Specified Foreign Financial Assets

Certain United States persons that own "specified foreign financial assets," including securities issued by any foreign person, either directly or indirectly or through certain foreign financial institutions, may be subject to additional reporting obligations if the aggregate value of all of those assets exceeds U.S.$50,000 on the last day of the taxable year or U.S.$75,000 at any time during the taxable year, or certain other requirements are met. The Notes may be treated as specified foreign financial assets, and U.S. Holders may be subject to this information reporting regime. Significant penalties and an extended statute of limitations may apply to a U.S. Holder that fails to file information reports. U.S. Holders should consult their own tax advisers regarding these potential information reporting obligations.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.
SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Dealers have, in a programme agreement (the Programme Agreement) dated 29 March 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes". In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and, subject to the terms of the Programme Agreement, to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

Transfer Restrictions

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing the Notes for its own account or for the account of one or more QIBs and it is aware, and any person on whose account it is acting has been advised, that any sale to it is being made in reliance on Rule 144A; or (ii) it is outside the United States;

(b) that it, and each account for which it is purchasing, will hold and transfer at least the minimum denomination of Notes;

(c) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

(d) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so prior to the expiration of the applicable required holding period determined pursuant to Rule 144 of the Securities Act from the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only: (i) to the Issuer or any affiliate thereof; (ii) inside the United States to a person whom the seller and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A; (iii) outside the United States in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act; (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(e) it will, and will require each subsequent holder to, notify any purchaser or transferee, as applicable, of the Notes from it of the resale and transfer restrictions referred to in paragraph (d) above, if then applicable;

(f) that Notes initially offered and sold in the United States to QIBs in reliance on Rule 144A will be represented by one or more Rule 144A Global Notes and that Notes offered and sold outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;
it understands that before any interest in Notes represented by a Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, it will be required to provide to each of the Principal Paying Agent and the Registrar a written confirmation substantially in the form set out in the Agency Agreement, amended as appropriate to the effect that such offer, sale, pledge or other transfer is being made in accordance with Regulation S;

that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect, subject as provided in Condition 2.5:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER: (A) REPRESENTS THAT IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) PURCHASING THIS SECURITY FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS; (B) AGREES THAT IT WILL NOT RESELL, PLEDGE OR OTHERWISE TRANSFER THIS SECURITY EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PRIOR TO THE EXPIRATION OF THE APPLICABLE REQUIRED HOLDING PERIOD DETERMINED PURSUANT TO RULE 144 OF THE SECURITIES ACT FROM THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES, OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 OF THE SECURITIES ACT FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY
SEcurities Issued in exchange or substitution therefor, whether or not any notation thereof is made hereon).

(i) if it is outside the United States, that if it should resell or otherwise transfer the Notes, it shall do so in accordance with all applicable U.S. State securities laws; and it acknowledges that the Regulation S Global Notes will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.", and

(j) that the Issuer, each Agent, each Manager and their affiliates or, as the case may be, the relevant Dealer and its affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer and the Managers or, as the case may be, the relevant Dealer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) of Registered Notes.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered, sold or delivered within the United States except in accordance with Regulation S or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Notes in bearer form having a maturity of more than one year (taking into account any unilateral right to extend or rollover the term) are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations promulgated thereunder.

In respect of Bearer Notes where TEFRA D is specified in the applicable Pricing Supplement each Dealer has represented and agreed and each additional Dealer appointed under the Programme will be required to represent, undertake and agree, that:

(a) except to the extent permitted under U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) (the TEFRA D Rules): (i) it has not offered or sold, and during the restricted period it will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person; and (ii) it has not delivered and it will not deliver within the United States or its possessions Definitive Notes that are sold during the restricted period;
(b) it has and throughout the restricted period it will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the TEFRA D Rules;

(c) if it is a United States person, it is acquiring Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(6) (or any substantially identical successor regulations issued for the purposes of Section 4701 of the Code);

(d) with respect to each affiliate that acquires Bearer Notes from a Dealer for the purpose of offering or selling such Notes during the restricted period, such Dealer either (i) repeats and confirms the representations and agreements contained in subparagraphs (a), (b) and (c) on such affiliate's behalf or (ii) agrees that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in subparagraphs (a), (b) and (c); and

(e) it will obtain from any distributor (within the meaning of U.S. Treas. Reg. Section 1.163-5(c)(2)(i)(D)(4)(ii)) (or any substantially identical successor United States Treasury regulation issued for the purposes of Section 4701 of the Code) that purchases any Bearer Notes from it pursuant to a written contract with such Dealer (except a distributor that is one of its affiliates or is another Dealer), for the benefit of the Issuer and each other Dealer, the representations contained in, and such distributor's agreement to comply with, the provisions of subclauses (a), (b), (c) and (d) of this paragraph insofar as they relate to the TEFRA D Rules, as if such distributor were a Dealer hereunder.

Terms used in this paragraph have the meanings given to them by the Code and Treasury regulations thereunder, including the TEFRA D Rules.

In addition, to the extent that the Pricing Supplement or the subscription agreement relating to one or more Tranches of Bearer Notes specifies that the applicable TEFRA exemption is TEFRA C, such Notes must be issued and delivered outside the United States and its possessions in connection with their original issuance. In relation to each such Tranche, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and shall not offer, sell or deliver, directly or indirectly, such Notes within the United States or its possessions in connection with their original issuance. Further, in connection with the original issuance of such Notes, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or it is within the United States or its possessions, or otherwise involve its U.S. office in the offer or sale of such Notes. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder, including TEFRA C.

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Bearer Notes in global form, the Bearer Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the U.S. Internal Revenue Code of 1986, as amended."

Until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the resale of Notes to QIBs pursuant to Rule 144A and each such purchaser of Notes is hereby notified that the Dealers may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A.
This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of Notes outside the United States and for the resale of Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate.

**Public Offer Selling Restriction under the EU Prospectus Regulation**

In relation to each Member State of the EEA (each, a **Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in that Member State except that it may make an offer of such Notes to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the EU Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the EU Prospectus Regulation, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the EU Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the EU Prospectus Regulation.

For the purposes of this provision:

(i) the expression **an offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

(ii) the expression **EU Prospectus Regulation** means Regulation (EU) 2017/1129 (as amended).

**United Kingdom**

**Public Offer Selling Restriction under the UK Prospectus Regulation**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the applicable Pricing Supplement in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated in the United Kingdom by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA, provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.
For the purposes of this provision:

(i) the expression **an offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

(ii) the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

**Other regulatory restrictions**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the UK.

**Islamic Republic of Pakistan**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme or any interests therein will not be offered, sold or transferred directly or indirectly in Pakistan, to residents in Pakistan or to, or for the account or benefit of, such persons. The State Bank of Pakistan has confirmed that non-resident Pakistani citizens are free to purchase Notes and to transfer Notes to other non-resident persons, subject, in each case, to the condition that the purchase price is paid in convertible foreign currency outside Pakistan.

**United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

**Dubai International Financial Centre**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the DFSA) rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.
**Japan**

The Notes to be issued under the Programme have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law № 25 of 1948, as amended, the *FIEA*) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold Notes and will not, directly or indirectly offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act № 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other relevant laws and regulations of Japan.

**Hong Kong**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the *SFO*) and any rules made under the SFO.

**Singapore**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that this Offering Circular has not been and will not be registered as a prospectus with the MAS. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than:

(i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA), (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:
(a) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(c) where no consideration is or will be given for the transfer;

(d) where the transfer is by operation of law;

(e) as specified in Section 276(7) of the SFA; or

(f) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise specified in the applicable Pricing Supplement, all Notes shall be 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will obtain any consent, approval or permission which is, to the best of its knowledge and belief, required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and it will, to the best of its knowledge and belief, comply with such laws and regulations to the extent they are applicable to such Dealer in connection with the offer or sale by it of Notes.

Neither the Issuer nor any of the Dealers represents and agrees that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.
GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes thereunder was approved on 16 July 2019 by the Cabinet of Pakistan, pursuant to Rule 16(1)(d) of the Rules of Business of the Government of Pakistan 1973 (as amended). In addition, the issue of Notes under the Programme was approved on 30 June 2020 by the Finance Division of the Federal Government for purposes of Clause 75 of the Second Schedule of the Income Tax Ordinance.

Listing of Notes

Application has been made to the London Stock Exchange for the Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the ISM. The ISM is not a regulated market for the purposes of UK MiFIR. The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UK Financial Conduct Authority. The London Stock Exchange has not approved or verified the contents of this Offering Circular.

Notes may also be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or that they will be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Documents Available

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published in accordance with the ISM Rulebook, be available for inspection at the specified office of the Principal Paying Agent for the time being in London:

(a) the Agency Agreement (including the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons) and the Deed of Covenant;

(b) a copy of this Offering Circular; and

(c) any supplements to this Offering Circular.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Notes in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of such Registered Notes, together with the relevant ISIN and (if applicable) common code, will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.
**Significant Change**

There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources, income and expenditure figures of the Issuer since 31 December 2020.

**Litigation**

With the exception of a dispute between the Issuer and Tethyan Copper Company Pty Limited, discussed in “The Islamic Republic of Pakistan – Significant Litigation”, the Issuer is not, nor has it been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in such period, a significant effect on the financial position of the Issuer.

**Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business for which they may receive fees and reimbursement of expenses. They have received, or may in the future receive, customary fees and commission for these transactions.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account, for the accounts of their customers or in the capacity of investment advisers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such investments and securities activities may involve securities and/or instruments of the Issuer or its agencies, including the Notes offered under the Programme, and may be entered into at the same time or proximate to offers and sales of Notes under the Programme or at other times in the secondary market and may be carried out with counterparties that are also purchasers, holders or sellers of Notes. The Dealers or their respective affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution. Certain of the Dealers or their affiliates that may, from time to time, have a lending relationship with the Issuer, may routinely hedge their credit exposure to the Issuer and, consistent with their customary risk management policies, take steps to mitigate their risk. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. In addition, any role of the Dealers or their respective affiliates as agents and/or lenders in any existing lending relationship with the Issuer should not be taken as a recommendation to purchase any Notes issued under the Programme.

**Business Address**

The business address of the Issuer is Block S. Pakistan Secretariat, Ministry of Finance, Islamabad, Pakistan and its telephone number is 92 51 920 7124.
ISSUER
The President of the Islamic Republic of Pakistan
for and on behalf of the Islamic Republic of Pakistan

Block S
Pakistan Secretariat
Ministry of Finance
Islamabad
Pakistan

PRINCIPAL PAYING AGENT, EXCHANGE AGENT AND TRANSFER AGENT
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