

22 expensive loans to be repaid quickly

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By Ihtasham ul Haque

ISLAMABAD, Aug 24: The government has identified 22 expensive foreign loans worth \$1 billion to be repaid to the World Bank, IMF and Asian Development Bank (ADB) during 2003-04.

Talking to *Dawn* here, Dr Ashfaq Hasan Khan, Economic Adviser to the ministry of finance, who is also the Director General of Debt Coordination Office, said that during the next three years, Pakistan would repay a total of \$4.5 billion expensive debt.

"And once this debt, which carries 6 to 11 per cent interest rate, is paid off, the country's debt burden would significantly get reduced."

He said issues like cost of loans, fee and the expected pre-payment charges had been carefully examined and finalized by the debt office.

The Paris Club, he pointed out, had already rescheduled Pakistan's \$12.5 billion debt for 23 to 38 years.

Responding to a question, Dr Khan said that after retiring the most expensive debt, it would

become easy to pay off the remaining \$15.5 billion relatively inexpensive debt.

"This whole exercise will culminate in substantially reducing our foreign debt servicing," he said, adding that the amount of Pakistan's annual debt servicing would come down from \$6-7 billion to \$2 billion after three years.

He said the export earnings over the last many years had averaged \$8.5 billion, with \$1 billion remittances supplementing it. "And out of this total \$9.5 billion, an estimated \$6 billion to \$7 billion had been going into debt servicing, forcing Pakistan to seek an annual lending of \$4 billion, including \$2 billion from the now defunct Aid-to-Pakistan Consortium."

He said the re-profiling of \$12.5 billion debt by the Paris Club and the decision to retire expensive foreign debt had reduced Pakistan's external vulnerability.

The country's balance of payment position, he said, had been strengthened and financial sovereignty restored during the last three years.