

Government of Pakistan
Ministry of Economic Affairs
(Debt Management Wing)

No.1(1) SO(DM)/2021

Islamabad, the 8th February, 2021

OFFICE MEMORANDUM

Subject: **Policy for Relending of Foreign Loans 2020**

The undersigned is directed to state that the Economic Coordination Committee (ECC) of the Cabinet in its meeting held on 16th December, 2020, approved revision in Relending Policy 2016 which was later ratified by the Federal Cabinet on 22nd December, 2020. Accordingly, the Relending Policy 2020 will replace the Relending Policy 2016, issued vide Economic Affairs Division O.M. No. 1(1) SO(DM)/2009 dated 8th September 2016.

2. The Relending Policy 2020 would be effective from 22nd December, 2020 and shall apply to all foreign loans/credits borrowed by the Federal Government and relend to Federal and Provincial Government departments, autonomous bodies and Development Financial Institutions (DFIs).

3. Relending to borrowers including Provincial Governments, Federal and Provincial entities, departments, autonomous bodies and DFIs shall be made on the same financing terms and conditions as borrowed by the Federal Government from the foreign lender as follows:

S. No.	Institutions	Relending Policy 2016 (%)	Relending Policy 2020
1	Provincial Governments	Relending shall be made on same terms as borrowed by Federal Government.	Relending to Provincial Governments shall be made on the same financing terms and conditions as borrowed by the Federal Government from the foreign lender.
2	Federal Government Depts. Average borrowing cost Exchange Risk Cost Fixed Administrative Charges Spread	<u>9.00</u> 3.50 5.10 0.40 Nil	Relending to Federal Govt. Depts. shall be made on the same financing terms and conditions as borrowed by the Federal Government from the foreign lender. In addition, a fixed administrative charge of 0.25% shall be charged.

3	Autonomous Bodies Average borrowing cost Exchange Risk Coverage Fixed Administrative Charges Spread	<u>12.00</u> 3.50 5.10 0.75 2.65	Relending to Autonomous Bodies shall be made on the same financing terms and conditions as borrowed by the Federal Government from the foreign lender. In addition, a fixed administrative charge of 0.25% shall be charged.
4	DFI's Average borrowing cost Exchange Risk Coverage Fixed Administrative Charges Relending profit	<u>9.00</u> 3.50 5.10 0.40 3.00	Relending to DFIs shall be made on the same financing terms and conditions as borrowed by the Federal Government from the foreign lender. In addition, a fixed administrative charge of 0.25% shall be charged.

- i. The borrowers shall be liable to bear the exchange risk cost on actual basis and repay the actual amount of principal and interest as paid by the Government of Pakistan to the foreign lender in foreign currency and converted into Rupee equivalent issued by the State Bank of Pakistan.*
- ii. One time fixed administrative charge (FAC) of 0.25% will be applicable on the amount of loan disbursed to the borrower. The FAC shall be paid by the borrower at the time of each disbursement received, within seven (7) days into the Government treasury.*
- iii. All charges and fees, including commitment charges, management fee, front end fee, service charges, etc. if any, payable by the Government of Pakistan to foreign lenders, shall also be paid by the borrower.*
- iv. Where the loan amount is allocated to more than one borrower, the fees & charges shall be collected on pro-rata basis.*
- v. The guarantee fee, commitment charges, management fee, front end fee, service charges, etc. are to be deposited in Government treasury on the due dates along with the interest/principal payments.*
- vi. In case of default by the borrower in payment of due amounts that remain unpaid for 30 days after the due date, penal interest @ 2% per annum will be charged for the period of default.*
- vii. EAD will issue a sanction letter or sign a Subsidiary Loan Agreement with the borrower as the case may be which will specify the terms and conditions of the relented loan along with amortization schedule for repayment. The repayment*

period will be the actual redemption period available in the loan agreement signed by EAD with the foreign lender.

viii. Exchange rate differential, if any, arising due to difference in the date of payment by the GoP to the lender and the date of payment by the borrower to the GoP shall be reconciled at the close of each financial year and the borrower shall be liable to pay such differential.

4. In case of guaranteed loans, a guarantee fee @ 0.5% p.a. will be charged from the borrowers on the outstanding balance of the loan.

5. Clarifications, if any, with respect to the instructions contained in this Office Memorandum may be sought from the Economic Affairs Division.

(Sarmad Jabbar)
Section Officer (DM)

All concerned