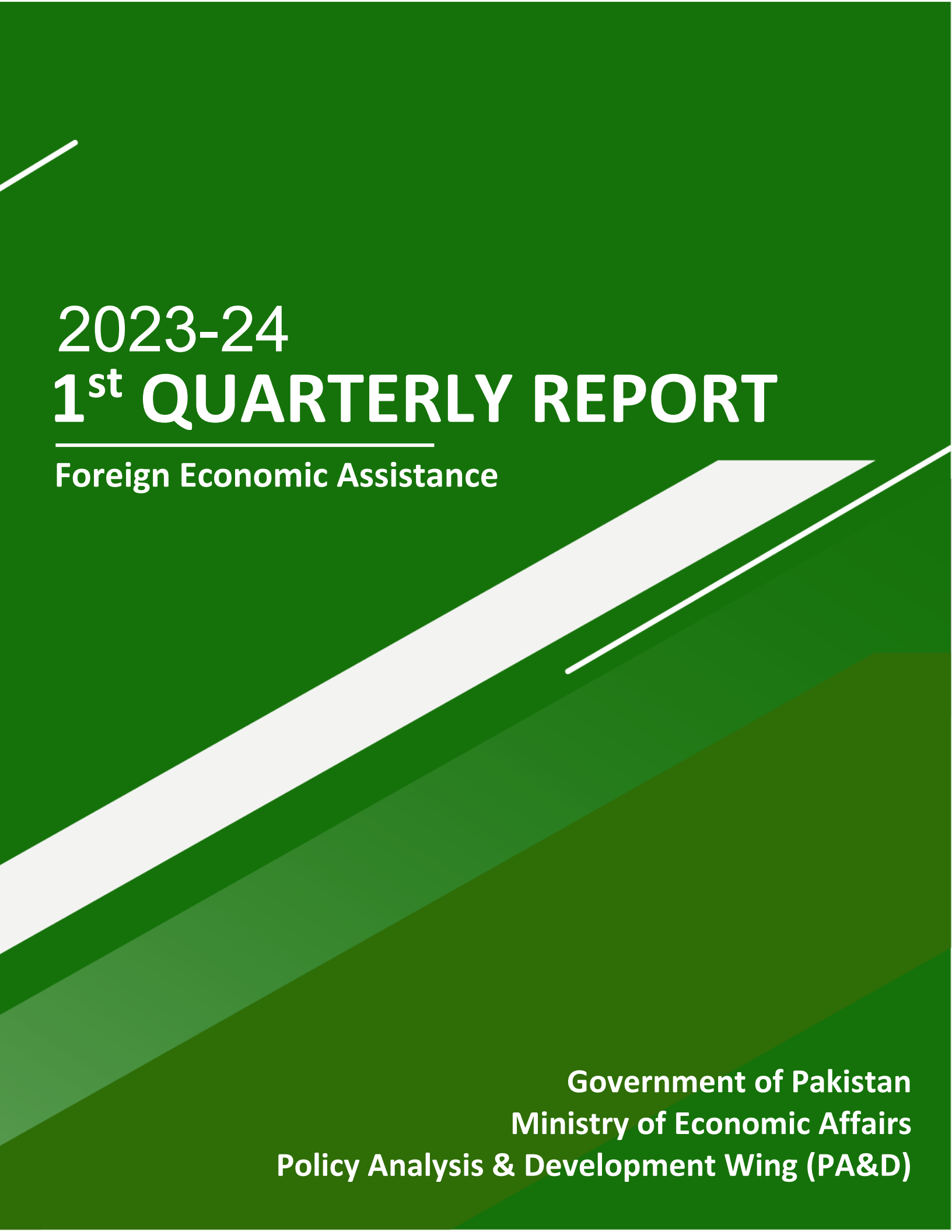




2023-24 1st QUARTERLY REPORT

Foreign Economic Assistance

Government of Pakistan
Ministry of Economic Affairs
Policy Analysis & Development Wing (PA&D)

Preface

Ministry of Economic Affairs (MoEA) regularly prepares ‘*Quarterly Report on Foreign Economic Assistance*’, that provides an overview of Pakistan’s external inflows, outflows, external public debt and debt servicing. The report provides useful information for academia, researchers, economists, policy makers and local & international development partners on the external economic assistance position of Pakistan.

The report comprises of four chapters. Chapter 1 explains the rationale and procedure for obtaining external economic assistance; Chapter 2 depicts the total commitments from the developing partners with the Government of Pakistan during the first quarter Jul-Sep 2023-24; Chapter 3 narrates the total disbursements made by the development partners during the period and Chapter 4 deals with external public debt and its servicing.

Data for the bulletin is obtained from the Debt Management and Financial Analysis System (DMFAS) Database managed by the Debt Recording and Reporting Center, MoEA. An electronic copy of the bulletin is also available on MoEA’s Website (www.ead.gov.pk).

We hope that this report will be useful for all the readers/stakeholders. Comments and suggestions for further improvements of this Report are welcome and may be emailed to policy-1@ead.gov.pk

**Muhammad Asif
Chief (Policy)**

Islamabad, February 2024

Executive Summary

Foreign Economic Assistance (FEA) promotes economic development and welfare of developing countries, provided bilaterally or through multilateral agencies. The main purpose of FEA is to provide relief and assistance to developing economies in minimizing fiscal imbalances and promoting growth and development.

The purpose of this report is to highlight the FEA disbursed to the Government of Pakistan from bilateral and multilateral development partners for the first Quarter of FY Jul-Sep 2023-24, both loans and grants. For this purpose, data is obtained from the Debt Management & Financial Analysis System (DMFAS) database.

In terms of new commitments, the Government of Pakistan signed new agreements worth US\$ 642 million in the 1st Quarter Jul-Sep FY 2023-24. During the period under review, all new commitments have been funded by multilateral development partners. Out of these commitments, 69% were committed for project financing, 15% as program financing, and 16% as commodity financing. In the first quarter of FY 2023-24, securing financing for mitigation of the devastating effects of Floods-2022 was the key priority of the Government.

From Jul-Sep 2023-24, disbursements of US\$ 3,536 million were mainly under the project and program loans/grants from multilateral development partners, bilateral development partners and financial institutions. The World Bank and IsDB were amongst the largest contributors among multilateral development partners. On the bilateral side, China emerged as the primary contributor to the total disbursements during the specified period disbursing US\$ 509 million followed by Saudi Arabia with US\$ 300 million for the import of oil and petroleum products.

External financing plays a pivotal role in the advancement of developing nations like Pakistan, serving as a catalyst for sustainable economic growth and progress. External debt is the total external debt owed by the country, whereas external public debt is the total external debt owed by the government. As of 30th September 2023, Pakistan's total external public debt amounted to US\$ 86,358 million.

The Government paid US\$ 2,404 million during the first quarter of FY 2023-2024 on account of debt servicing of external public loans. Of this, principal repayments were US\$ 1,627 million and interest payments were US\$ 777 million. Furthermore, the net transfers to the government's external public debt resulted in a positive balance, amounting to US\$ 1,870 million.

Table of Contents

Preface	i
Executive Summary	iii
List of Abbreviations	iv
List of Figures	v
List of Tables	v

Chapters

1	1	Introduction	1
	1.1	Recording Procedures	2
2	2	New Commitments	3
	2.1	Mode of Financing of New Commitments	4
	2.2	Sectoral Distribution of New Commitments	5
3	3	Disbursements	6
	3.1	Composition of Disbursements	6
	3.2	Mode of Disbursements	7
	3.3	Sectoral Distribution of Disbursements	8
4	4	External Public Debt	9
	4.1	Composition of External Public Debt	10
	4.2	External Public Debt Servicing	11
	4.3	Net Transfers	11
	4.4	Conclusion	12

List of Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
CDWP	Central Development Working Party
DMFAS	Debt Management and Financial Analysis System
MoEA	Ministry of Economic Affairs
ECNEC	Executive Committee of the National Economic Council
EU	European Union
FEA	Foreign Economic Assistance
IMF	International Monetary Fund
IsDB	Islamic Development Bank
IFAD	International Fund for Agriculture Development
OECD	Organization for Economic Co-operation & Economic Development
IBRD	International Bank for Reconstruction & Development
SAFE	State Administration of Foreign Exchange of the People's Republic of China
SBP	State Bank of Pakistan
SFD	Saudi Fund for Development
UK	United Kingdom
UN	United Nations
USA	United States of America
WB	World Bank

List of Figures & Tables

Figure 1: Procedure of External Public Debt Recording	2
Figure 2: Composition of New Commitments (US\$ Million)	4
Figure 3: Mode of Commitments.....	5
Figure 4: Sector-wise Composition of New Commitments (Project Financing).....	5
Figure 5: Composition of Disbursements (US\$ Million)	6
Figure 6: Donor-wise Disbursements of Foreign Economic Assistance (US\$ Million).....	7
Figure 7: Mode of Disbursements.....	7
Table 1: Sector-wise Composition of Disbursement (Project Assistance)	8
Figure 8: Composition of External Public Debt (as of 30 th September 2023).....	10
Table 2: Total External Public Debt (US\$ Million)	10
Table 3: External Public Debt Servicing (US\$ Million)	11
Table 4: Net Transfers (US\$ Million)	12

1. Introduction

Foreign Economic Assistance (FEA) can be defined as “government aid designed to promote the economic development and welfare of developing countries”¹. It includes concessional loans, grants and technical assistance which is provided bilaterally or through multilateral agencies such as the World Bank, Asian Development Bank (ADB), Islamic Development Bank (IsDB), Asian Infrastructure Investment Bank (AIIB), United Nations (UN), European Union etc. The purpose of obtaining FEA is to undertake social and economic development projects with a larger and sustainable impact on public welfare. Foreign assisted programs also help developing countries in achieving higher and sustainable economic growth through adoption of economic reforms and greater economic integration. It provides immediate relief to the developing countries facing fiscal imbalances and facilitates them in achieving their intended development objectives.

This report intends to provide first-hand information about the FEA (both loan/grant) received by the Government of Pakistan from multilateral and bilateral development partners from Jul-Sep 2023-2024. Data is obtained from the Debt Management and Financial Analysis System (DMFAS) database maintained by the Debt Recording and Reporting Centre of the Ministry of Economic Affairs (MoEA).

The Government of Pakistan has been receiving foreign assistance mainly to achieve two major objectives:

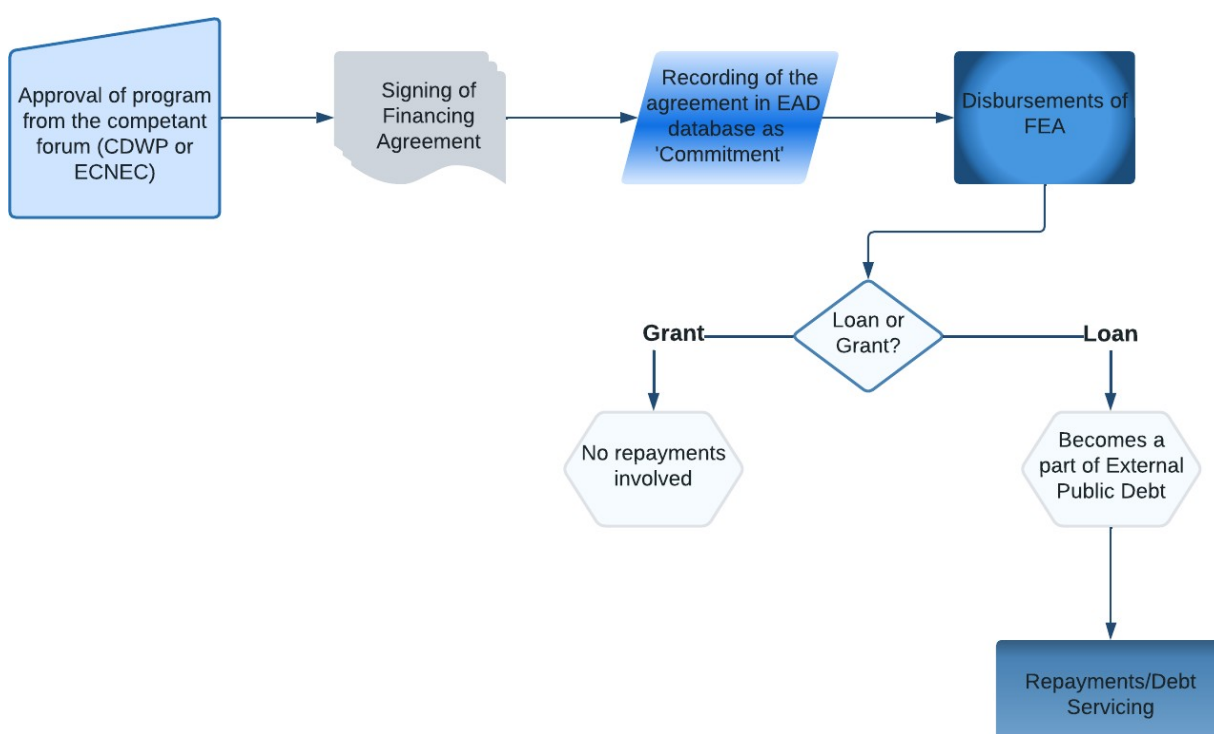
- (a) sustainable social and economic growth as envisioned in its development plans as well as to meet SDGs targets specifically to reduce poverty and inequality; and*
 - (b) address the fiscal imbalances for enhanced macroeconomic stability.*
-

¹ OECD (2020), Net ODA (indicator). doi: 10.1787/33346549-en

1.1 Recording Procedure

The Rules of Business, 1973, empowers the MoEA to compile and analyze FEA obtained from all multilateral and bilateral sources. Accordingly, MoEA maintains a database, namely DMFAS, to record the details of FEA committed or disbursed by the development partners from time to time. The complete cycle of data recording of FEA can be seen in the following flow chart:

Figure 1: Procedure of External Public Debt Recording



Source: PA & D Wing

Based on the amortization schedule, the repayment of the loan is managed by MoEA which coordinates with the relevant sponsoring/executing agencies, development partners, Finance Division and State Bank of Pakistan (SBP). EAD also regularly conducts portfolio reviews of foreign funded projects/programs to ensure quick disbursements, optimal utilization and facilitate the sponsoring/executing agency for timely completion of projects/programs.

2. New Commitments

New commitments are the amounts of FEA which have been committed by the development partners during the observed time and are likely to be disbursed in the next five to six years². The new commitments are recorded by the MoEA after the signing of the “financing instruments” with the development partners. MoEa signs each instrument after rigorous consultations and negotiations with the stakeholders including Finance Division, Law and Justice Division and relevant sponsoring/executing agency of Federal/Provincial Governments. In addition to this, the foreign loans signed by the Finance Division are also recorded in the 's database as “Commitments”. The Finance Division raises funds from the international financial institutions and capital markets in the shape of foreign commercial loans and through issuance of Eurobonds/Sukuk to stabilize foreign exchange reserves and provide budgetary/balance of payments support.



New Commitments

- In First Quarter Jul-Sep 2023-2024, Government of Pakistan signed new agreements worth US\$ 642 million as commitments
- During the period under review, all new commitments have been financed by multilateral development partners

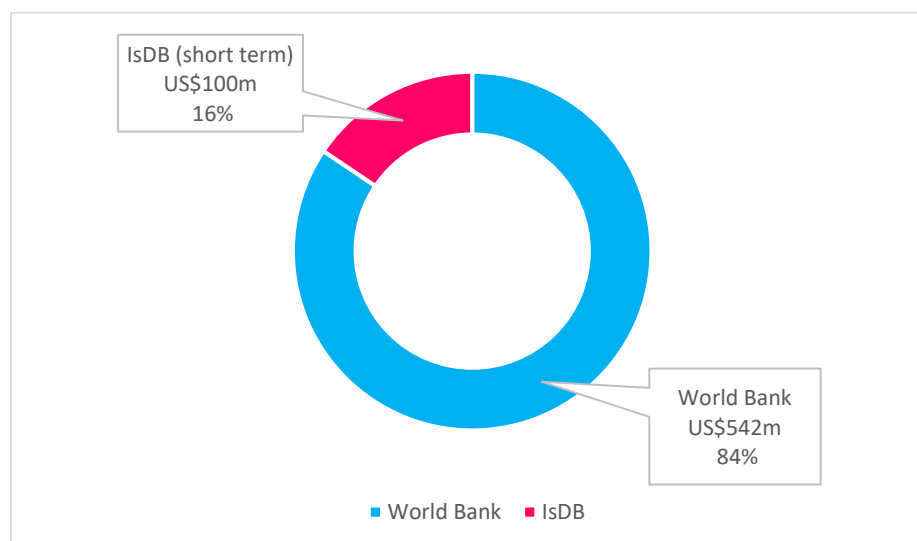


Amongst multilateral development partners, the following emerged as the largest partners in terms of new commitments of FEA, during the period under review:

- World bank committed US\$ 542 million (84% of total commitments)
- IsDB committed US\$ 100 million (16% of total commitments)

² The disbursement period is dependent upon the execution period of the project/program.

**Figure 2: Composition of New Commitments
(US\$ Million)**



Source: MoEA

2.1. Mode of Commitments

FEA in Pakistan is broadly categorized as project financing, program financing, commodity financing and BoP/ budgetary support. Project financing is obtained for funding socio-economic and infrastructure development projects. Program financing is secured to support the wide-ranging economic reforms and balance of payments, generally obtained from multilateral development partners such as ADB, World Bank, AIIB, etc. (on concessional terms and conditions with longer maturity). Commodity financing is arranged for the procurement

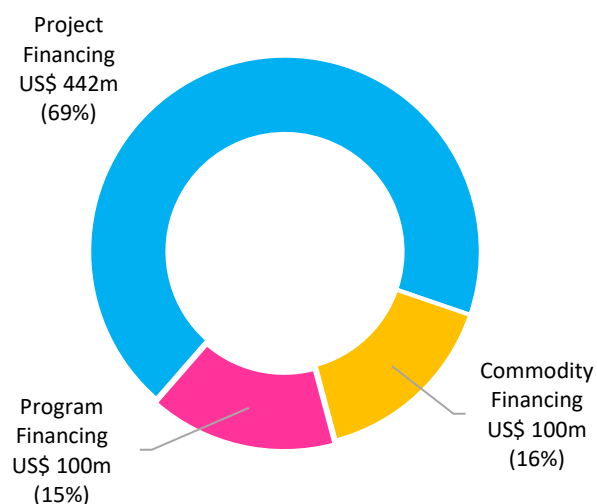
of crude oil mainly from IsDB and SFD oil facility.

Through BOP/Budgetary support, the government raises funds from international financial institutions and capital markets to meet its immediate foreign exchange and liquidity requirements.

Out of the total commitments (US\$ 642 million) agreed during the 1st Quarter Jul-Sep 2023-2024, US\$ 100 million (15% of the total commitments) were committed for program financing under Punjab Family Planning Program.

US\$ 442 million (69% of the total commitments) were earmarked for project financing followed by commodity financing of US\$ 100 million (16% of the total commitments). (Figure 3).

Figure 3: Mode of Commitments (US\$ Million)



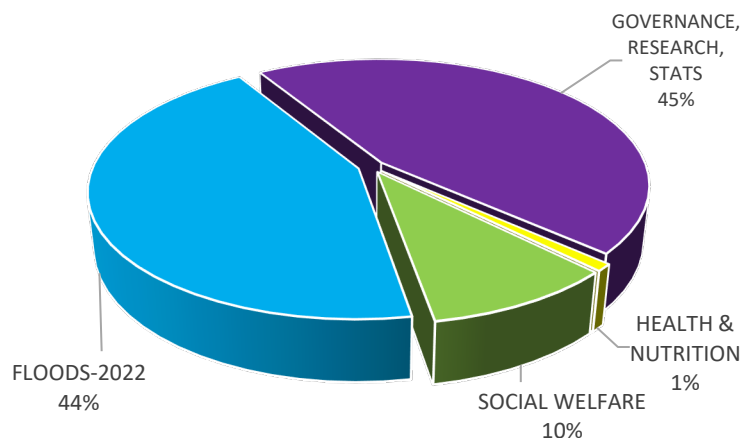
Source: MoEA

2.2. Sectoral Distribution of Commitments

The sectoral composition of the new commitments reflects the priority development objectives of the Government.

During the period under review, the Government secured US\$ 442 million as project financing focusing mainly on Governance, Research & Statistics, Floods-2022, Social Welfare and Health Sector² (Figure 4).

Figure 4: Sector wise Composition of New Commitments (Project Financing)



Source: MoEA

² Since program and commercial financing are mainly for the budgetary support, this section only analyzed the sectoral distribution of project financing.

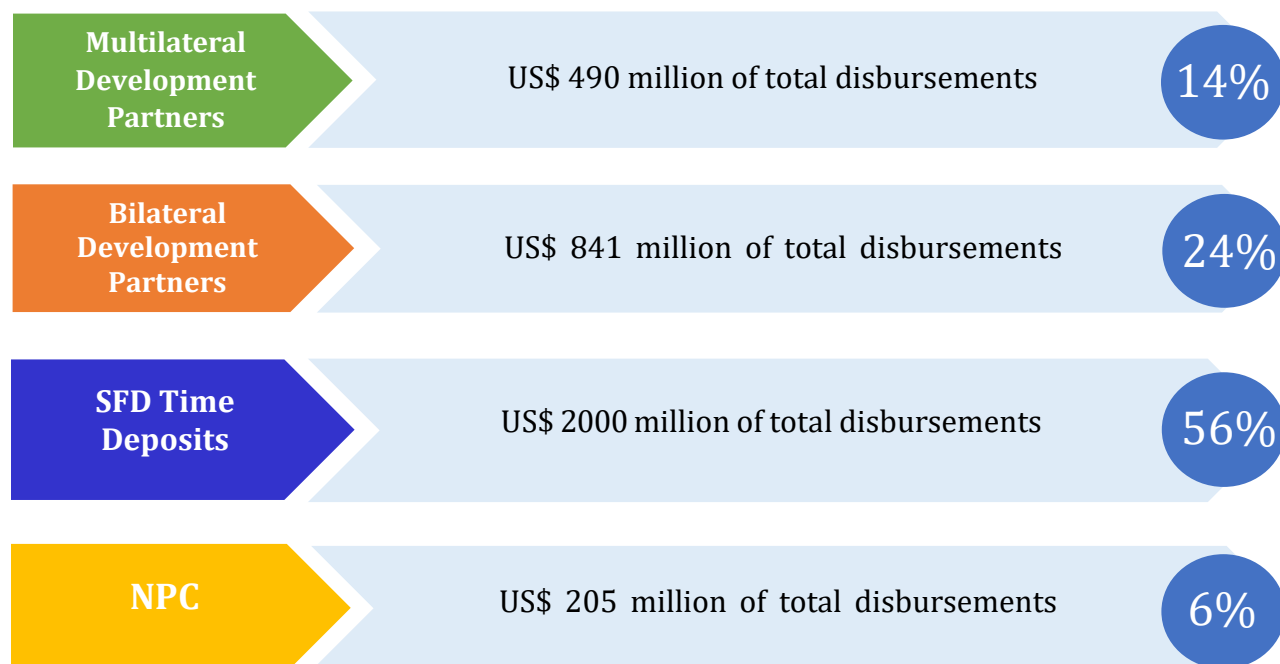
3. Disbursements

Disbursements of FEA represent the total amount of funds received by the Government from its development partners. Direct comparison of past and current disbursements with new commitments is not advisable as the new commitments are planned to be disbursed in the future over the time span of five to six years, whereas disbursements during a period are the cumulative sum of current disbursements against new and old commitments.

3.1. Composition of Disbursements

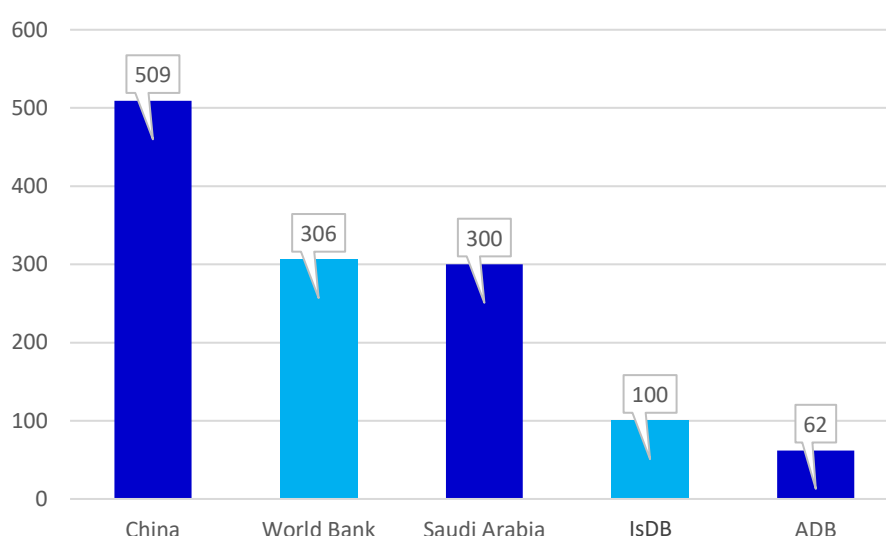
Disbursements of US\$ 3,536 million during 1st Quarter Jul-Sep 2023-2024 were mainly under the projects and programs loans/grants from multilateral development partners, bilateral development partners and international financial institutions (IFIs).

**Figure 5: Composition of Disbursements of Foreign Economic Assistance
(US\$ Millions)**



Amongst multilateral development partners, World Bank and IsDB were the largest development partners with disbursements of US\$ 306 million (62% of total multilateral disbursement) and US\$ 100 million (20% of total multilateral disbursement) respectively. On the bilateral side, China disbursed the largest amount, totaling US\$ 509 million. Saudi Arabia emerged as the second largest disbursement partner dispensing US\$ 300 million for the import of oil and petroleum products. **(Figure 6).**

Figure 6: Donor-wise Disbursements of Foreign Economic Assistance (USD Million)



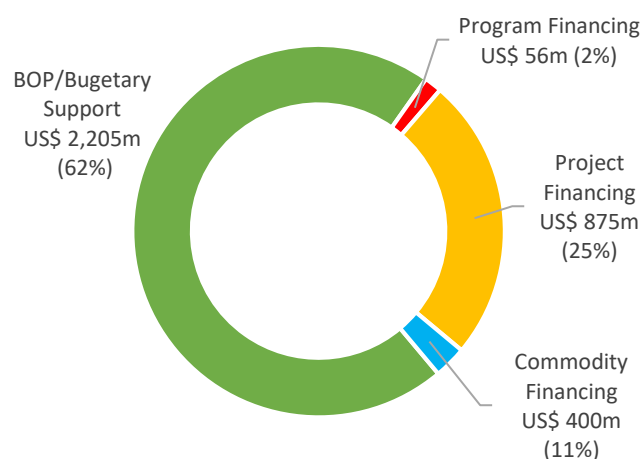
Source: MoEA

3.2. Mode of Disbursements

FEA is mainly received in the shape of project financing, program financing, BOP/budgetary support, and commodity financing.

During the first quarter of FY 2023-24, US\$ 2,205 million (62 percent of the total disbursements i.e., US\$ 3,536 million) were obtained for Balance of Payment/ Budgetary support

Figure 7: Mode of Disbursements (USD Million)



Source: MoEA

comprising of SFD Time Deposits of US\$ 2000 million and US\$ 205 million from Naya Pakistan Certificate (NPC). The total disbursements realized under project financing were recorded as US\$ 875 million followed by program financing of US\$ 56 million and commodity financing of US\$ 400 million **(Figure 7)**.

3.3. Sectoral Distribution of Disbursements

Sectoral distribution of the disbursements under project financing (i.e., US\$ 875 million) represents the sectoral priorities of the Government. Basically, it reflects the sectoral composition of the active portfolio of the total project assistance in the country.

During 1st Quarter Jul-Sep 2023-24, the share of disbursements under Floods-2022 were US\$ 101 million, Energy & Power US\$ 64 million, Water US\$ 52 million, Transport & Communication US\$ 34 million, Health & Nutrition US\$ 29 million, Agriculture US\$ 25 million and Physical Planning & Housing US\$ 22 million in the total project assistance **(Table: 1)**.

**Table 1: Sector-wise Composition of Disbursement
Project Assistance (US\$ Million)**

Economic Sector	Disbursement Jul-Sep (2023-24)
Flood-2022	101
Energy/Power	64
Water	52
Transport & Communication	34
Health & Nutrition	29
Agriculture	25
Physical Planning & Housing	22
Others	548
Total	875

Source: MoEA

4. External Public Debt

External financing has become an important source for developing countries including Pakistan in financing development interventions and generating economic activity in the economy. It not only improves efficiency of resource allocation and economic growth but also helps the Government to augment its limited financial resources allocated for the provision of public goods and services such as health, education, social safety nets, etc. On one hand, it finances mega development projects like dams, power transmissions, roads and rail networks and other infrastructure projects while on the other hand, it provides support to the economy for balance of payments and narrows saving-investment gap. Most of the economies world-wide rely on debt inflows to meet the shortfall in existing resources and to cover the budget deficits.

Borrowing can be productive for economic growth of developing

countries as long as the economic returns are higher than the cost of borrowed funds. While external debt is useful for the growth of the economy, dependence on external debt must be closely monitored and managed. A prudent external debt management strategy coupled with strong institutional arrangements is necessary for managing the external debt and improving the repayment capacity of the country. Debt can be productive if it is used for creating assets that generate positive returns and externalities.

It is important to understand the distinction between external debt and external public debt. External Public Debt represents the external debt owed by the Government including the obligations towards IMF. Whereas, External Debt is the sum of external public debt, external debt owed by the public sector enterprises and the private sector including multinational corporations, banks, and other private institutions.

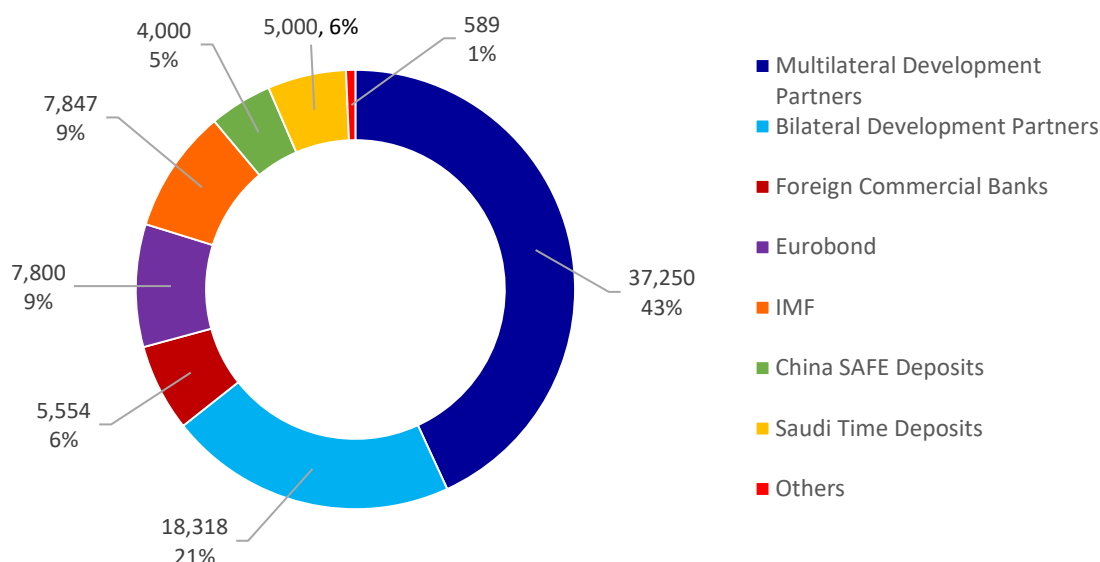
4.1. Composition of External Public Debt

As of 30th September 2023, the total external public debt of the government was US\$ 86,358 million (see **Table 2**). Around 64% of the total external public debt was obtained from multilateral and bilateral sources having concessional terms and longer maturity (**Figure 8**).

Table 2: Total External Public Debt (US\$ Millions)

Source	Amount
Multilateral Development Partners	37,250
Bilateral Development Partners	18,318
Foreign Commercial Banks	5,554
Eurobond	7,800
IMF	7,847
China SAFE Deposits	4,000
Saudi Time Deposits	5,000
Others	589
Total	86,358

Figure 8: Composition of External Public Debt (US\$ Million)
(As of 30th September 2023)



Source: MoEA

4.2. External Public Debt Servicing

The Government paid an amount of US\$ 2,404 million from Jul – Sep 2023-24 on account of debt servicing of external public loans. This consists of principal repayment of US\$ 1,627 million and interest payments of US\$ 777 million (see **Table 3**).

Table 3: External Public Debt Servicing (US\$ Million)

Lender/Creditor	Debt Servicing		
	Principal	Interest	Total
Foreign Commercial Banks	-	98	99
Bonds	-	40	40
IMF	377	147	524
ADB	199	84	283
World Bank	227	104	331
China	93	117	210
Saudi Arabia	391	16	407
Japan	23	3	26
IsDB (ST)	101	7	108
NPC	176	10	186
Others	41	151	190
Total	1,627	777	2,404

Source: MoEA

4.3. Net Transfers

Net transfer is also a critical variable in the analyses of the overall external public debt stock. Net transfers indicate any increase or decrease in the external public debt stock and is calculated as the difference between the external public loans received and their repayments made to the foreign creditors during a specific period. A positive balance reflects an increase in external public debt stock while a negative balance depicts a decrease in external public debt stock.

During the first quarter Jul-Sep 2023-24, net transfers to the Government's external public debt resulted in a positive balance, totaling US\$ 1,870 million, indicating an increase in the external public debt stock³ (see **Table 4**).

Table 4: Net Transfers (US\$ Million)

Financial Source	External Loan Inflow	External Loan Outflow	Net Transfers
Bilateral	817	531	286
Multilateral	474	542	-68
Time Deposits	2000	0	2000
IMF	0	377	-377
NPC	205	176	29
Grand Total	3,496	1,626	1,870

Source: MoEA

4.4. Conclusion

During the first quarter Jul-Sep 2023-24, the disbursed amount in the shape of program financing, project financing, commodity financing and budgetary support helped the Government to support wide-ranging economic reforms, execute development activities and provide support to its balance of payments position. Ongoing collaborations with development partners were also focused on mitigating the devastating effects of Floods-2022.

A significant share, i.e., 64% of the total external public debt, is secured on concessional terms with extended maturities. Hence, a prudent external debt management strategy is being followed to optimize the benefits of foreign economic assistance and bolstering the overall economic resilience of the country.

³Since net transfers are estimated on actual exchange rate whereas external public debt stock is estimated at a point of time, therefore, due to the difference in exchange rate these two numbers may differ.