2025-26 ANNUAL REPORT

Foreign Economic Assistance

Ministry of Economic Affairs
Government of Pakistan

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List of Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
DMFAS	Debt Management and Financial Analysis System
EU	European Union
FEA	Foreign Economic Assistance
IMF	International Monetary Fund
IsDB	Islamic Development Bank
IFAD	International Fund for Agriculture Development
IBRD	International Bank for Reconstruction & Development
MoEA	Ministry of Economic Affairs
NPC	Naya Pakistan Certificate
OECD	Organization for Economic Co-operation & 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

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Executive Summary

Foreign Economic Assistance (FEA) serves a vital role in supporting the economic development and welfare of developing countries. The FEA is channelized primarily through two sources a) multilateral and b) bilateral development partners to support developing economies in addressing fiscal imbalances, enhancing foreign exchange reserves, and financing development initiatives aimed at sustainable economic growth.

This report presents an overview of FEA committed and disbursed to the Government of Pakistan from multilateral and bilateral development partners for the period July – June 2025-26, encompassing both loans and grants. Data/information is obtained from the Debt Management & Financial Analysis System (DMFAS) maintained by the Ministry of Economic Affairs.

In terms of new commitments, the Government of Pakistan signed new agreements worth **US$ 8,951 million** in the period July-June 2025-26. These commitments consist of **US$ 5,884 million** from multilateral development partners, **US$ 359 million** from bilateral development partners, **US$ 1,700 million** from foreign commercial bank and **US$ 1,008 million** from Euro and Panda Bonds. Out of these commitments, **42%** was committed for budgetary support/BoP to address fiscal imbalances, strengthen foreign exchange reserves and stabilize the exchange rate, **16%** as program financing, **31%** as project financing, and **11%** as commodity financing.

From July-June 2025-26, disbursements of **US$ 16,158 million** were mainly under the project and program loans/grants from multilateral development partners, bilateral development partners and international financial institutions (IFIs). The World Bank, ADB, and IsDB have been the largest contributors amongst the multilateral development partners, contributing **US$ 2,025 million** (40% of total multilateral disbursement), **US$ 1,772 million** (35% of total multilateral disbursement), and **US$ 1,087 million** (22% of total multilateral disbursement) respectively. On the bilateral side, Saudi Arabia emerged as the largest contributor to the total disbursement during the specified period, disbursing **US$ 1,013 million** followed by China **US$ 501 million** disbursement.

As of 30th June 2026, Pakistan's total external public debt amounted to **US$ 98,075 million**. The Government paid **US$ 14,436 million** during the period July-June 2025-26 on account of debt servicing of external public loans. Of this, principal repayments were **US$ 11,198 million** and interest payments were **US$ 3,238 million**. Furthermore, the net transfers to the government's external public debt resulted in a positive balance, amounting to **US$ 4,417 million** indicating an increase in the external public debt stock.

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 Foreign Economic Assistance (FEA), both loans and grants received by the Government of Pakistan from multilateral and bilateral development partners from the period July-June 2025-26. The data presented in this report has been obtained from the Debt Management and Financial Analysis System (DMFAS) database, maintained by the Debt Recording and Reporting Centre (DRRC) of the Ministry of Economic Affairs (MoEA).

Government of Pakistan has been receiving foreign economic assistance across diverse sectors mainly to achieve following core 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;

(b) address the fiscal imbalances for enhanced macroeconomic stability;

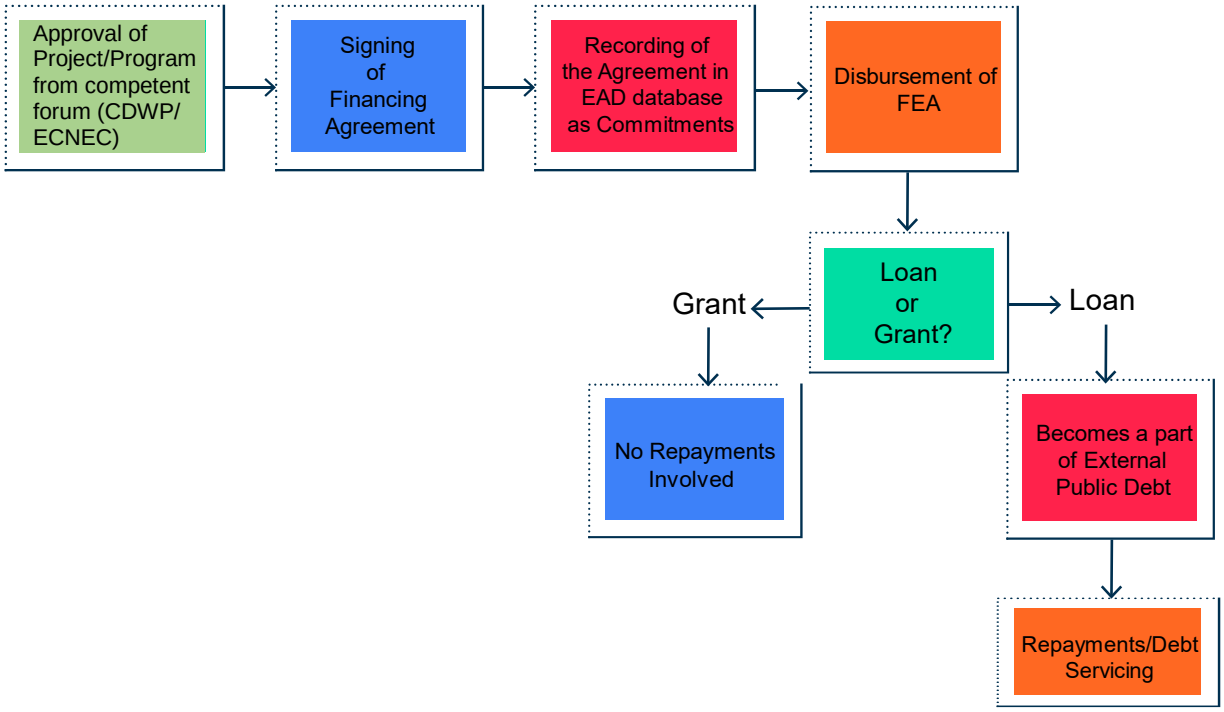
(c) to support oil import requirements through concessional oil-financing arrangements

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

1.1 Recording Procedure

The Rules of Business, 1973, empowers 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: Ministry of Economic Affairs

Based on the amortization schedule, 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). MoEA also regularly conduct 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 refer to the amounts of FEA committed by the development partners during the observed time, which are expected to be disbursed in the short to medium term[2]. The new commitments are recorded by MoEA after the signing of "financing instrument" with each of the development partner. MoEA signs each instrument after due diligence and extensive consultations with all key 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 MoEA's database as "Commitments". The Finance Division mobilizes funds from the international financial institutions and capital markets in the mode of foreign commercial loans and through issuance of Eurobonds/Sukuk so as to stabilize foreign exchange reserves and provide budgetary/balance of payments support.

For the period July–June 2025–26, the Government of Pakistan signed new financing agreements amounting to **US$ 8,951 million** in commitments. Of this, **US$ 6,809 million** was committed for federal projects/ programs, while **US$ 2,142 million** was committed for provincial projects/programs.

The total commitments comprised:

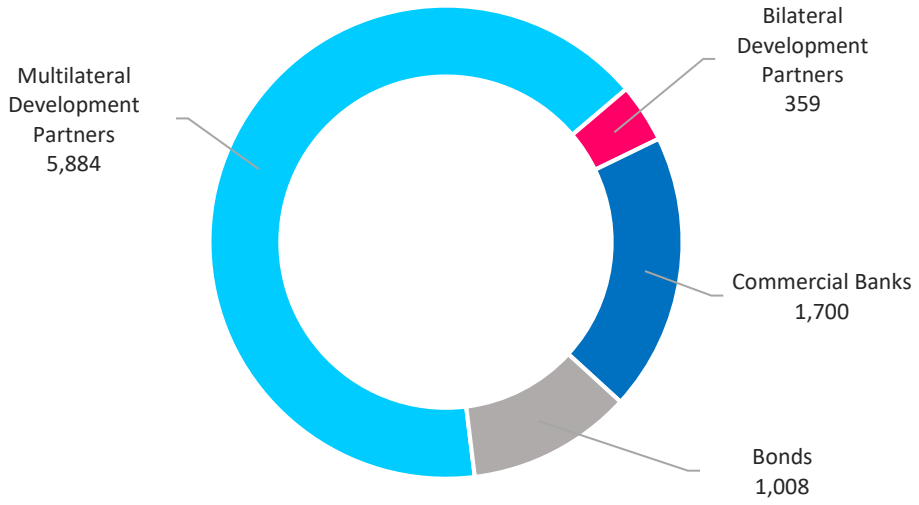
- US$ 5,884 Mn from Multilateral Development Partners
- US$ 359 Mn from Bilateral Development Partners
- US$ 1,700 Mn from Commercial Banks
- US$ 1,008 Mn from Euro and Panda Bonds

Among Multilateral Development Partners, following emerged as the largest partners in terms of new commitments of FEA:

- Asian Development Bank committed US$ 2,053 million (35% of multilateral partners)
- IsDB committed US$ 1,571 million (27% of multilateral partners)
- World Bank committed US$ 1,547 million (26% of multilateral partners)

[2] The disbursement period is dependent upon the execution period of the project/program. Short term refers disbursement expected within 12 months; medium term refers 1-3 years extendable up to 5 years.

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



Source: Ministry of Economic Affairs

2.1. Mode of Commitments

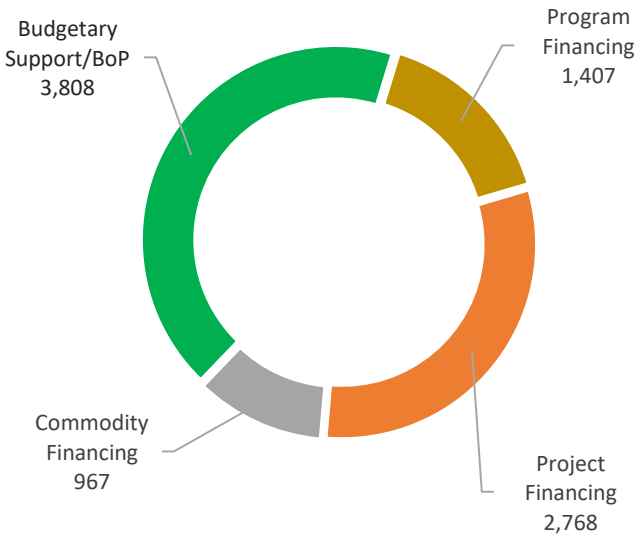
FEA in Pakistan is broadly categorized as project financing, program financing, commodity financing and BoP/ budgetary support. Project financing is obtained for funding socio-economic and infrastructure development projects. Program financing is secured to support the wide-ranging economic reforms and 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 of **US$ 8,951 million** agreed during the period July-June 2025-26, US$ **3,808 million**, constituting 42% of the total commitments, were committed for budgetary support/BoP to support fiscal imbalances and stabilize exchange

Rate. An amount **of US$ 2,768 million** (31% of the total commitments) was earmarked for project financing. **US$ 1,407 million** (16% of the total commitments) has been committed as program financing through contributions from Asian Development Bank and World Bank followed by commodity financing of **US$ 967 million** (11% of the total commitments) from International Islamic Trade Finance Corporation (ITFC) see Figure 3.

Figure 3: Mode of Commitments (US$ Million)

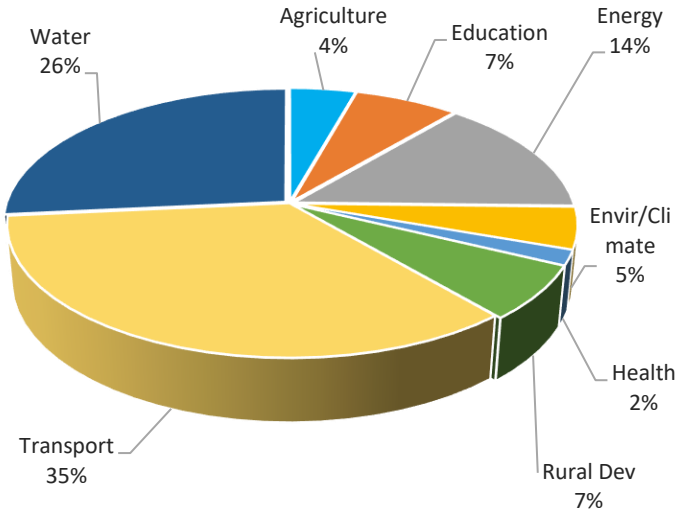


Source: Ministry of Economic Affairs

2.2. Sectoral Distribution of Commitments

The sectoral composition of new commitments reflects the priority development objectives of the Government. During the period July-June 2025–26, the Government successfully secured project financing amounting to **US$ 2,768 million**. These funds were primarily allocated to finance, oil imports, water, environment and climate change, energy, transport/communication, education, agriculture, health, and social sector/rural development (Figure 4).

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



Source: Ministry of Economic Affairs

[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.

For FY 2025-26, the Government finalized an annual disbursement target of **US$ 19,923 million**. Against this target, the actual disbursements recorded till 30th June, 2026 were US$ **16,158 million**, representing **81%** of the annual target.

3.1. Composition of Disbursements

Disbursements of **US$ 16,158 million** (inclusive of guaranteed loan of USD 392.82 million from China) during July-June 2025-26 were mainly from multilateral development partners, bilateral development partners, foreign commercial banks, time deposits from friendly countries, NPC, and IMF. The targeted and actual disbursements are summarized below:

Table 1: Composition of Targeted and Actual Disbursement of FEA 2025-26

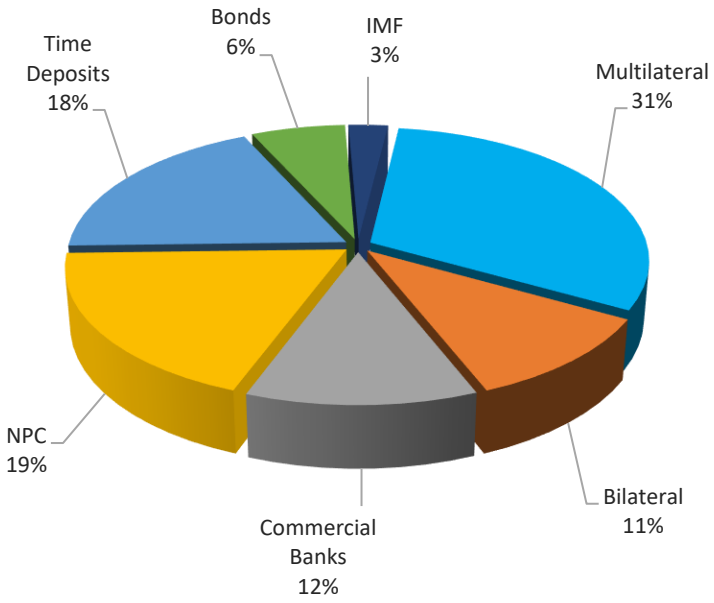
(US$ Million)

Source of FEA	Budget Estimate	Actual Disbursement
Multilateral Development Partners	5,042	5,035
Bilateral Development Partners	1,362	1,748
Bilateral + Multilateral	**6,404***	**6,783**
Commercial Banks	3,100	1,903
Time Deposits	9,000	3,000
NPC	609	3,049
Bonds	400	1,000
IMF	410	421
Total	**19,923***	**16,158**

Source: Ministry of Economic Affairs

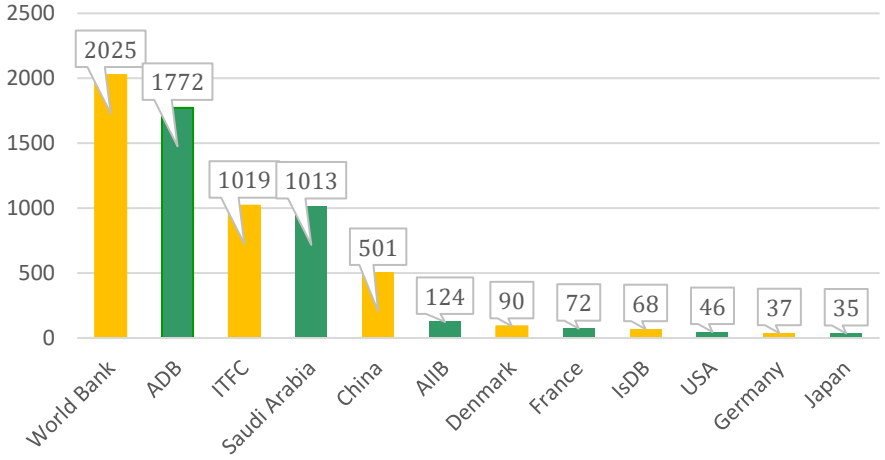
* This includes ***ADB's proposed US$500 Mn Climate and Disaster Resilience Enhancement Program (CDREP) – Sub Program-2***, which was expected to be disbursed only upon occurrence of any climate-related disaster.

Figure 5: Composition of FEA Disbursement FY 2025-26



Amongst multilateral development partners, World Bank, ADB, and IsDB were the largest contributors with disbursements of **US$ 2,025 million** (44% of total multilateral disbursement), **US$ 1,772 million** (37% of total multilateral disbursement), and **US$ 1,087 million** (15% of total multilateral disbursement) respectively. On the bilateral side, Saudi Arabia disbursed the largest amount i.e., **US$ 1,013 million** during July-June 2025-26. China emerged as the second largest disbursement partner disbursing **US$ 501 million** followed by Denmark **US$ 90 million** (Figure 6).

Figure 6: FEA Disbursements by Major Development Partners (US$ Million)



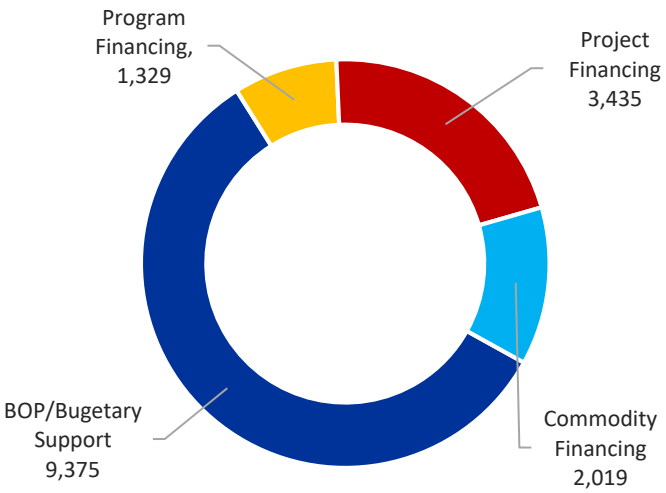
Source: Ministry of Economic Affairs

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 period July-June FY 2025-26, **US$ 9,375 million** were obtained for budgetary support/balance of payment to address fiscal imbalances, strengthen foreign exchange reserves and stabilize the exchange rate. The total disbursements realized under project financing were recorded at **US$ 3,435 million** followed by program financing of **US$ 1,329 million** and commodity financing of **US$ 2,019 million** (Figure 7).

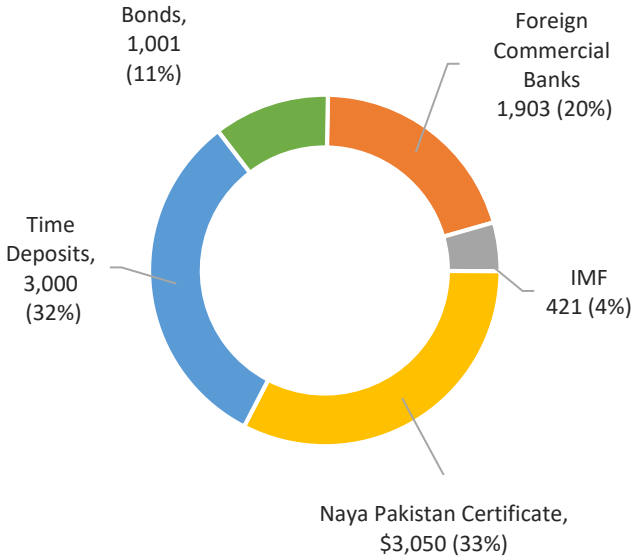
Out of the total disbursements of **US$ 9,375 million** for budgetary support/balance of payments, Naya Pakistan Certificates accounted for 33% (US$ 3,050 million), followed closely by Time Deposits at 32% (US$ 3,000 million). Foreign commercial Banks and Bonds jointly contributed 31%, while the IMF accounted for 4% (US$ 421 million) (Figure 7-A).

Figure 7: Mode of Disbursements (US$ Million)



Source: Ministry of Economic Affairs

Figure 7-A: BOP/Budgetary Support Decomposition (US$ Million)



Source: Ministry of Economic Affairs

3.3. Sectoral Distribution of Disbursements

Sectoral distribution of the disbursements under project financing i.e., **US$ 3,435 million** represents the sectoral priorities of the Government and mirrors the sectoral composition of the active portfolio of total project assistance coming in Pakistan. During the period July-June 2025-26, Energy & Power sector received the largest share of disbursements at US$ 1,149 million, followed by Environment, Climate & Resilience at US$ 691 million; disbursements for Water sector stood at US$ 300 million, Transport & Communication at US$ 271 million, Education at US$ 235 million, Urban & Rural Development at US$ 179 million, Health at US$ 153 million, Social Sector/Human Development at US$ 120 million, Finance, Revenue & Governance at US$ 113 million, Science & Technology at US$ 108 million, Agriculture at US$ 107 million, and Information Technology at US$ 9 million see **Table-2**.

Table 2: Sector-wise Composition of Project Financing Disbursement (US$ Million)

Economic Sector	Disbursements July-June (2025-26)
Energy & Power	1,149
Environment, Climate & Resilience	691
Water	300
Transport & Communication	271
Education	235
Urban & Rural Development	179
Health	153
Social Sector/Human Development	120
Finance, Revenue & Governance	113
Science & Technology	108
Agriculture	107
Information Technology	9
Total	**3,435**

Source: Ministry of Economic Affairs

4. External Public Debt

The achievement of Government's development objectives is associated with availability of both domestic and foreign economic assistance. It not only improves efficiency of resource allocation and fosters economic growth but also helps the Government supplement its limited financial resources for providing essential public goods and services, including healthcare, education, and social safety nets. On one hand, it finances large-scale development projects such as dams, power transmission networks, roads, railways, and other critical infrastructure while on the other hand, it supports the economy by addressing balance-of-payments challenges and reducing the savings-investment gap. Most of the economies world-wide rely on debt inflows to meet shortfall in existing resources and to cover 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 external debt and improving 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.

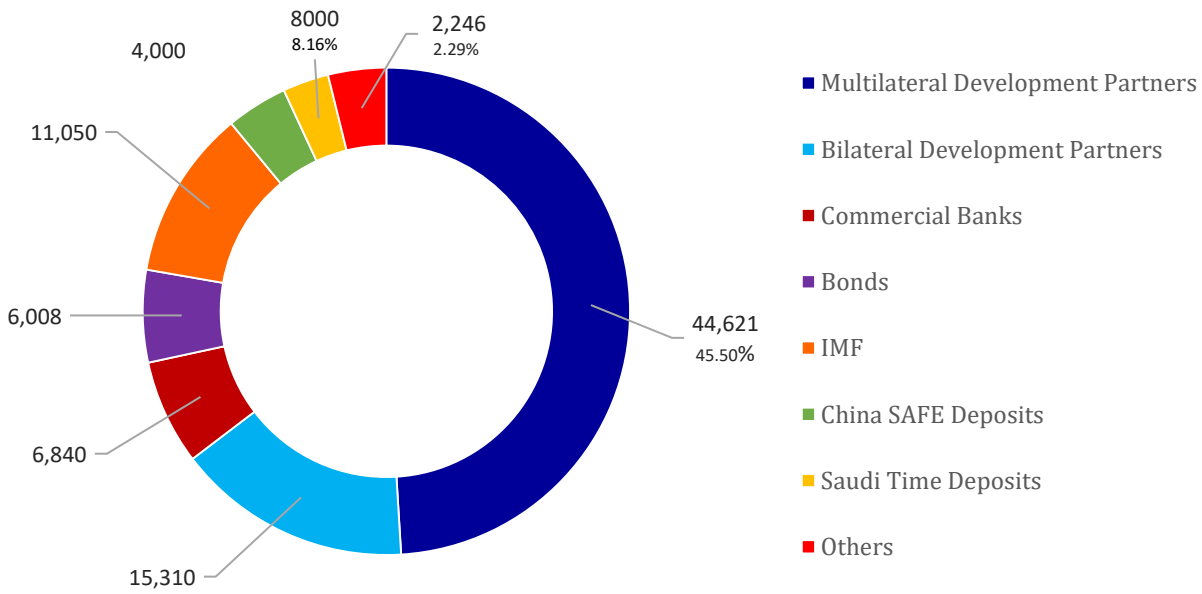
4.1. Composition of External Public Debt

As of 30th June 2026, the total external public debt stood at **US$ 98,075 million** (Table 3). Of this amount, **US$ 59,931 million** was obtained from multilateral and bilateral development partners (Figure 8).

Table 3: Total External Public Debt (US$ Million)

Source	Amount
Multilateral Development Partners	44,621
Bilateral Development Partners	15,310
Commercial Banks	6,840
Bonds	6,008
IMF	11,050
China SAFE Deposits	4,000
SFD Time Deposits	8,000
Others	2,246
Total	**98,075**

Figure 8: Composition of External Public Debt (US$ Million) (As of 30th June 2026)



Source: Ministry of Economic Affairs

4.2. External Public Debt Servicing

The Government paid an amount of **US$ 14,436 million** from July - June 2025-26 on account of debt servicing of external public loans. This consists of principal repayment of **US$ 11,198 million** and interest payments of **US$ 3,238 million** (see Table 4).

Table 4: External Public Debt Servicing (US$ Million)

Lender/Creditor	Debt Servicing		
	Principal	**Interest**	**Total**
Foreign Commercial Banks	2,390	405	2,795
IMF	318	159	477
ADB	1,256	594	1,850
World Bank	892	456	1,348
Saudi Arabia	289	18	307
Bonds	1,800	480	2,280
China	290	229	519
Japan	253	41	294
China Safe Deposits	-	241	241
AIIB	107	90	197
France	107	34	141
KSA Deposits	-	204	204
IsDB (long-term)	111	40	151
IsDB (short-term)	587	51	638
NPC	2,562	148	2,710
Others	236	48	284
Total	**11,198**	**3,238**	**14,436**

Source: Ministry of Economic Affairs

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 period July-June 2025-26, net transfers to the Government's external public debt resulted in a positive balance, totaling **US$ 4,417 million**, indicating an increase in the external public debt stock[3] (see Table 4).

Table 5: Net Transfers (US$ Million)

Financial Source	External Loan Inflow	External Loan Outflow	Net Transfers
Multilateral	**4,939**	**3,005**	**1,934**
ADB	1,757	1,256	501
World Bank	1,947	892	1,055
IsDB	1,087	698	389
AIIB	124	107	17
IFAD	23	16	7
Others	1	36	-35
Bilateral	**1,305**	**1,122**	**183**
Saudi Arabia	1,010	289	721
China	97	290	-193
Denmark	90	-	90
France	68	107	-39
Japan	4	253	-249
Others	36	183	-147
Foreign Commercial Banks	**1,900**	**2,391**	**-491**
IMF	**421**	**318**	**103**
NPC	**3,050**	**2,562**	**488**
Time Deposits	**3,000**	**-**	**3,000**
Bonds	**1,000**	**1,800**	**-800**
Grand Total	**15,615**	**11,198**	**4,417**

Source: Ministry of Economic Affairs

4.4. Conclusion

During July–June 2025–26, Foreign Economic Assistance (FEA) continued to play an important role in supporting Pakistan's development priorities, macroeconomic stability, and balance of payments requirements. The government signed new financing agreements amounting to US$ 8,951 million, while actual FEA disbursements stood at US$ 16,158 million, representing 81% of the annual disbursement target of US$ 19,923 million. These disbursements supported budgetary and balance of payments requirements, development projects, economic reform programmes, and commodity financing.

[3] Since 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.

Project financing remained focused on key development sectors and significant disbursements directed towards Energy & Power, Environment, Climate & Resilience, Water, Transport & Communication, Education and other social and economic sectors. Continued engagement with multilateral and bilateral development partners also supported climate change mitigation and adaptation, resilience building, rehabilitation and reconstruction, and disaster risk reduction.

At the same time, the level of external public debt and associated debt-servicing obligations highlights the importance of prudent management and effective utilization of external resources. As of 30th June 2026, Pakistan's external public debt stood at US$ 98,075 million, while US$ 14,436 million was paid during the year for external public debt servicing, comprising US$ 11,198 million in principal repayments and US$ 3,238 million in interest payments. Net transfers amounted to US$ 4,417 million, indicating an increase in the external public debt stock during the period.

Going forward, greater emphasis on effective portfolio management, timely implementation of foreign-funded projects and optimal utilization of committed resources will remain important for maximizing the development impact of FEA. FEA remains an important source of financing for Pakistan's development and macroeconomic requirements. Its effectiveness will depend on ensuring that external resources are aligned with national development priorities, utilized efficiently, and managed within a prudent framework of external debt sustainability and repayment capacity.