

Third Quarterly Report

On Foreign Economic Assistance

July-March
2022-23



Policy Analysis & Development Wing
Ministry of Economic Affairs
Government of Pakistan



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Preface

Preparation of the '*Quarterly Reports on Foreign Economic Assistance*' is a regular feature of the Economic Affairs Division (EAD). These reports contain useful information for researchers, economists, and local and international development partners on the status of external economic assistance to Pakistan. At the end of March, every year, EAD issues "Third Quarterly Report on Foreign Economic Assistance" which provides an overview of Pakistan's external inflows, outflows, external public debt, and debt servicing during the period July to March.

The report is divided into five chapters. Chapter 1 explains the rationale and procedure for obtaining external economic assistance; Chapter 2 discusses the total commitments from the developing partners with the Government of Pakistan during the period; Chapter 3 narrates the total disbursements made by the development partners during the period; Chapter 4 deals with external public debt and its servicing and Chapter 5 presents the conclusion.

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

We hope readers will find this report useful. Comments and suggestions for further improvements are welcomed and may be emailed to policy-1@ead.gov.pk

Dr. Muhammad Arshad
Chief (Policy)

Islamabad, 21st August 2023

Executive Summary

Foreign Economic Assistance (FEA) promotes economic development and provides 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 received by the Government of Pakistan from bilateral and multilateral development partners, as loans and grants, in the period from July 2022 to March 2023. Data for the report is obtained from the Debt Management & Financial Analysis System (DMFAS).

In terms of new commitments, the Government of Pakistan signed new agreements, worth USD 7,228 million, during the period under review. These commitments comprised of financing agreements signed with foreign commercial banks and multilateral & bilateral development partners. Of these commitments, the largest share was committed by the multilateral partners i.e. USD 5,289 million, followed by bilateral development partners (USD 1,039 million) and the foreign commercial banks (USD 900 million). In terms of sectoral project financing, USD 2,767 million was committed for physical planning & housing, governance, research & statistics, Floods-2022, agriculture, transport & communication, energy & power, and health & nutrition sectors.

During this period (i.e. July 2022 to March 2023), total disbursements of USD 7,765 million have been realized from multilateral and bilateral development partners. Major disbursements were made under program financing (USD 3,818 million) followed by project financing (USD 1,374 million), and commodity financing (USD 1,061 million). ADB, World Bank, AIIB, and IsDB were the largest contributors amongst the multilateral development partners. In the bilateral category, Saudi Arabia, China, Japan, France, and USA were the major contributors. In terms of project financing, energy & power, environment, and physical planning & housing sectors received the largest share of disbursements.

As of 31st March 2023, Pakistan's total external public debt stood at USD 85.18 billion, in comparison to USD 86.56 billion on 31st December 2022.

In terms of debt servicing of external public loans, the Government has repaid USD 12,922 million during the first three quarters of FY 2022-23. Of this, repayments of the principal amount stood at USD 10,834 million, whereas, repayments on account of interests were USD 2,087 million. Furthermore, the net transfers to the Government were negative, amounting to USD 3,190 million. This indicates that the Government was able to repay more against its external public loans during the first three quarters of FY 2022-23.

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
CDWP	Central Development Working Party
DMFAS	Debt Management and Financial Analysis System
EAD	Economic Affairs Division
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
PA&D Wing	Policy Analysis & Development Wing
SAFE	State Administration of Foreign Exchange of the People's Republic of China
SBP	State Bank of Pakistan
UK	United Kingdom
UN	United Nations
USA	United States of America

Chapter 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 ordinary and concessional loans, grants, and technical assistance, provided bilaterally or through multilateral institutions such as the World Bank, the Asian Development Bank (ADB), Islamic Development Bank (IsDB), Asian Infrastructure Investment Bank (AIIB), United Nations (UN), etc. The purpose of obtaining FEA is to undertake social and economic development projects with a larger and more sustainable impact on public welfare. Foreign-assisted programs also help developing countries to achieve higher and more sustainable economic growth through the adoption of economic reforms and greater economic integration. It provides immediate relief to developing countries facing fiscal imbalances and facilitates them in achieving their intended development objectives.

The Government of Pakistan has been receiving foreign assistance mainly to achieve two major strategic objectives: (a) sustainable social and economic growth as envisioned in its development plans as well as for achieving SDGs targets to reduce poverty and inequality; and (b) to address the fiscal imbalances for enhanced macroeconomic stability.

This report intends to provide first-hand information about the FEA (both in the form of loans and grants) received by the Government of Pakistan from multilateral and bilateral development partners from July to March 2023. Data is obtained from the Debt Management and Financial Analysis System (DMFAS) maintained by the Debt Recording and Reporting Centre of the Economic Affairs Division² (EAD).

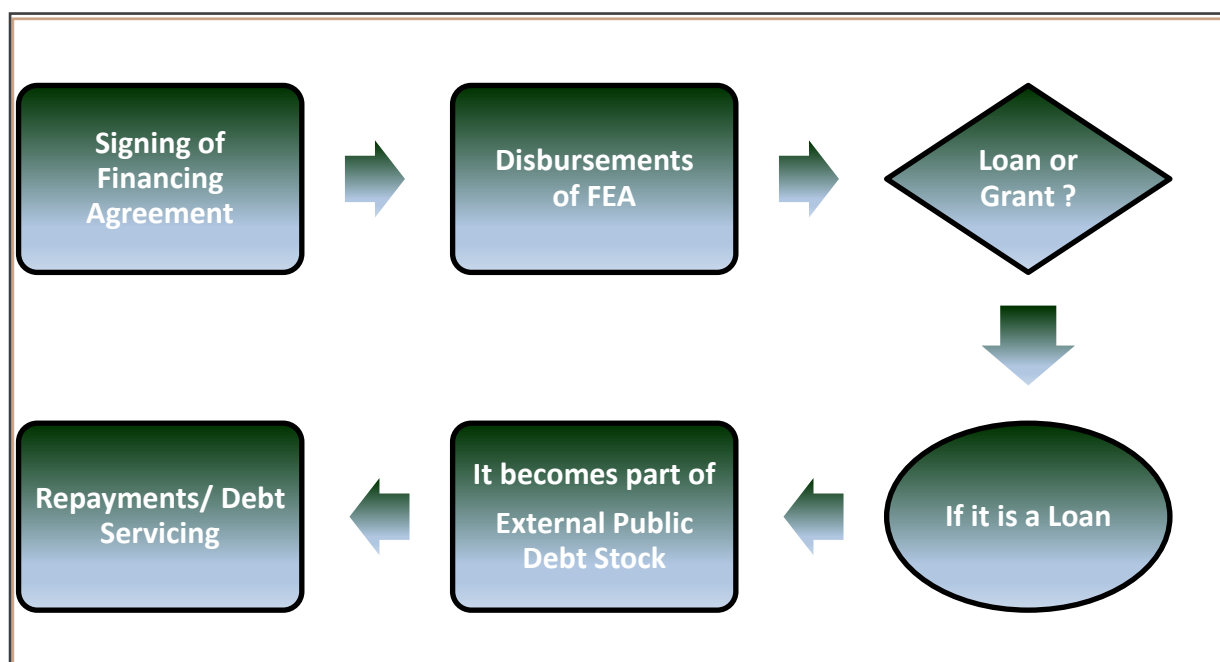
1.1. Recording Procedure

The Rules of Business, 1973, empower EAD to compile and maintain all record related to FEA and to analyze the FEA obtained from all foreign governments and organizations. Accordingly, EAD maintains a database, 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:

¹ OECD (2020), Net ODA (indicator). doi: 10.1787/33346549-en (Accessed on 18 August 2020)

² The report does not contain data of Pakistan Banao Certificates (PBC) and foreign portfolio investment in GoP's domestic securities.

Figure 1: Procedure of External Public Debt Recording



Source: PA&D Wing

- Upon approval of a foreign-funded project/program from the competent forum (i.e. CDWP or ECNEC), a Financing Agreement is signed by EAD with the respective development partner(s);
- The Agreement provides details of the amount of the loan or grant that will be disbursed during the tenure of the Agreement which broadly covers project/program activities, terms and conditions of loan/grant including interest rates, commitment or other charges if any, and amortization schedule;
- Once the Agreement is signed, it is recorded in EAD's database as a "Commitment". The Executing Agency, depending upon the requirements of the project/program, initiates a withdrawal application and sends it to the respective development partner;
- After scrutiny, the development partner disburses the amount directly to the project assignment account maintained by the Executing Agency and intimates EAD accordingly; and
- Upon confirmation by the development partner or the Executing Agency, the amount is entered in EAD's database as "Disbursements".

If the disbursed amount is against a grant, no repayment is involved, and it does not become part of the external public debt stock. However, in the case of a loan, the disbursed amount becomes part of the external public debt stock. Based on the amortization schedule, the repayment of the loan is managed by EAD and it coordinates with the relevant

sponsoring/executing agency, 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 and optimal utilization as well as to facilitate the sponsoring/executing agency for timely completion of projects/programs.

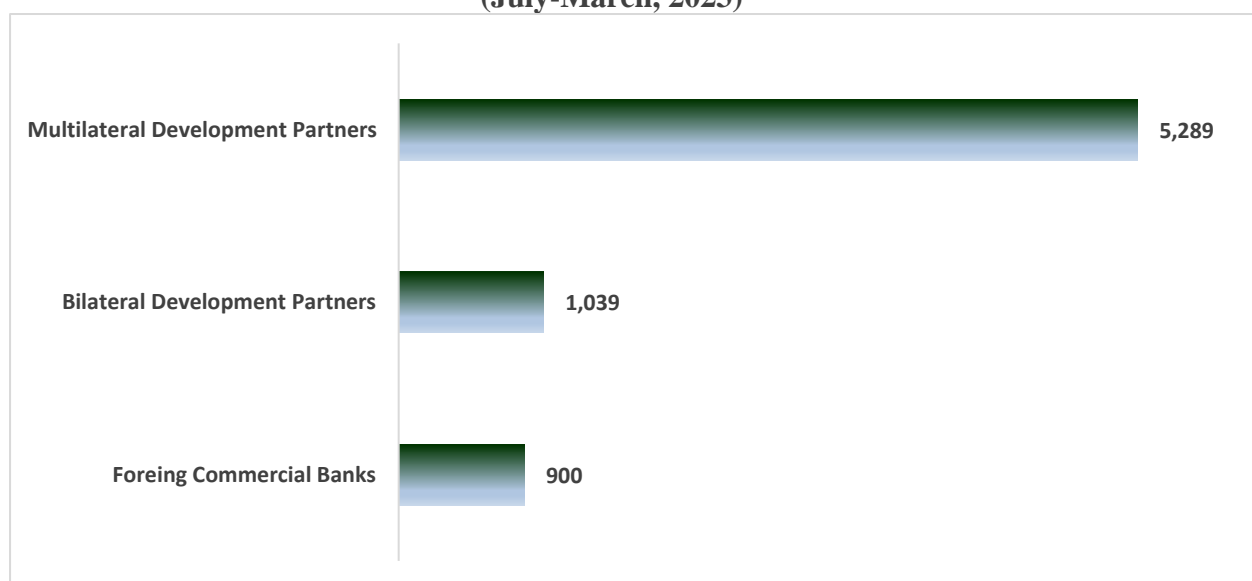
Chapter 2

New Commitments

The amount in FEA committed by the development partners during the period under review is referred to as ‘New Commitments’ and is likely to be disbursed in the next five to six years³. The new commitments are recorded by EAD after signing of “financing instruments” with the development partners. EAD signs each instrument after rigorous consultations and negotiations with the stakeholders including the Finance Division, Law and Justice Division, and relevant sponsoring/executing agencies of Federal/Provincial Governments. In addition to this, the foreign loans signed by the Finance Division are also recorded in the EAD’s database as “Commitments”. The Finance Division raises funds from international financial institutions and capital markets in the shape of foreign commercial loans and through the issuance of Eurobonds/Sukuk to stabilize foreign exchange reserves and provide budgetary/balance of payments support.

During the first three-quarters of FY 2022-23, the Government of Pakistan signed new agreements worth USD 7,228 million with development partners. Out of the total new agreements, USD 5,289 million worth of financing agreements were signed with multilateral development partners, USD 900 million with foreign commercial banks, and USD 1,039 million with bilateral partners. (see **Figure 2**).

**Figure 2: Composition of New Commitments (USD Million)
(July-March, 2023)**



Data Source: DMFAS Database

³ The disbursement period is dependent upon the execution period of the project/program

Table 1 compares new commitments made by the government with various development partners including foreign commercial banks and international investors during FY 2022-23 with the comparative period last year (i.e. FY 2021-22). It is evident from **Table 1** that during July-March 2023, the government made total new commitments worth USD 7,228 million, whereas, in the corresponding period last year, the new commitments were USD 11,321 million. The main reasons for higher commitments during FY 2021-22 were the issuance of USD 2,000 million worth of Eurobonds in the international capital markets, larger commitments with foreign commercial banks, and obtaining a deposit worth USD 3,000 million from the Kingdom of Saudi Arabia (as a deposit). However, in July-March 2023 the government was able to make higher commitments with its multilateral development partners (USD 5,289 million) as compared to the corresponding period last year (USD 2,440 million).

While comparing the new commitments made during the third quarter only, **Table 1** reveals that the government was able to make larger commitments with multilateral development partners (USD 1,594 million) and foreign commercial banks (USD 700 million) in July-March 2023 as compared to the corresponding period last year (July-March 2022). In contrast, the government made relatively larger commitments with the bilateral development partners (USD 1,397 million) and was able to issue Eurobonds worth USD 1,000 million in the third quarter of FY 2021-22.

Table 1: Comparative Composition of New Commitments (USD Million)

Financing Source	FY 2022-23		FY 2021-22	
	Q3 (Jan-Mar)	Cumulative (Jul-Mar)	Q3 (Jan-Mar)	Cumulative (Jul-Mar)
Multilateral Development Partners	1,594	5,289	484	2,440
Bilateral Development Partners	1,030	1,039	1,397	1,397
Foreign Commercial Banks	700	900	-	2,484
Eurobonds	-	-	1,000	2,000
Time Deposit	-	-	-	3,000
Total	3,324	7,228	2,881	11,321

Source: DMFAS Database

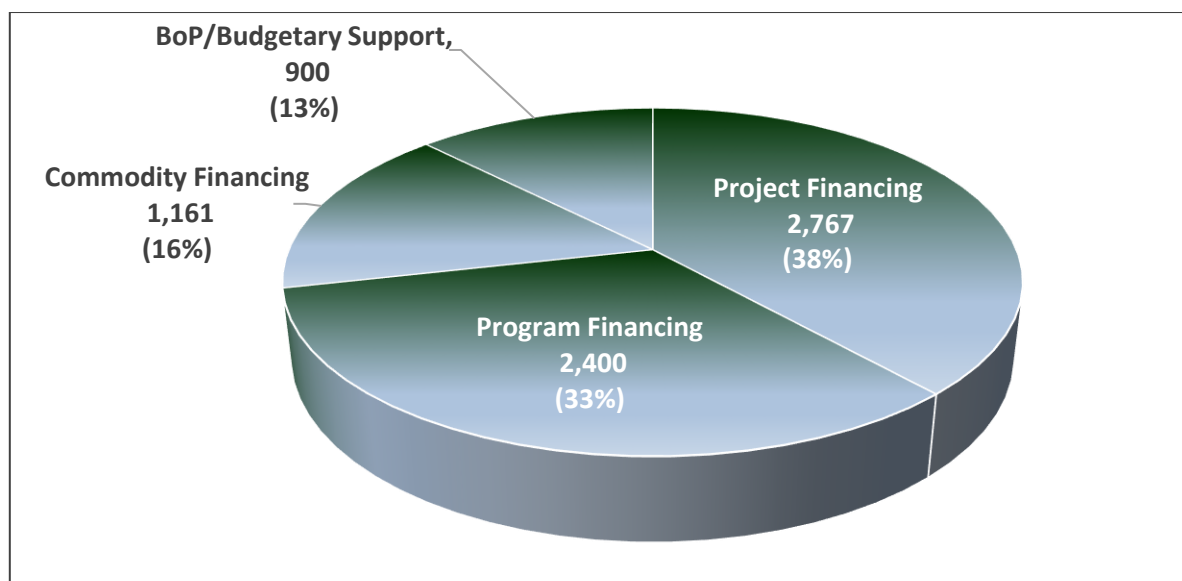
2.1. Modes of Financing of New Commitments

FEA in Pakistan is broadly categorized as (a) Project financing; (b) Program financing; (c) Commodity financing; and (d) Balance of Payments (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 positions and is generally obtained from multilateral development partners such as ADB, World Bank, AIIB, etc. (on concessional terms with longer maturity). Commodity financing is arranged for the procurement of crude oil, mainly from the IsDB and Saudi Arabia. Through BoP/Budgetary support, the Government raises funds from international financial institutions and capital markets to meet its immediate foreign exchange and liquidity requirements.

During the first three quarters of FY 2022-23 (July-March 2023), out of the total commitments of USD 7,228 million, an amount of USD 2,767 million was earmarked as project financing, USD 2,400 million for program financing, USD 1,161 million was secured for commodity financing and USD 900 million for budgetary support to meet the liquidity requirements of the government (**Figure 3**).

**Figure 3: Mode of Commitments
(July – March 2023)**



Data Source: DMFAS Database

Table 2 shows the comparative position of the different modes of financing. It reveals that from July to March 2023, the government put more reliance on securing project and program financing; while in the corresponding period last year, more reliance was on BoP/Budgetary support. While comparing the commitments made during the third quarter only (January-March), larger amount was secured through project financing and program financing (USD 1,224 million and USD 400 million respectively) as compared to the corresponding quarter of the previous year (USD 381 million and USD 300 million). Whereas, commodity financing

and BoP/Budgetary support secured a relatively smaller amount in the third quarter of FY 2022-23 (USD 1,000 million and USD 700 million respectively).

Table 2: Comparison of Mode of Commitments (USD Million)

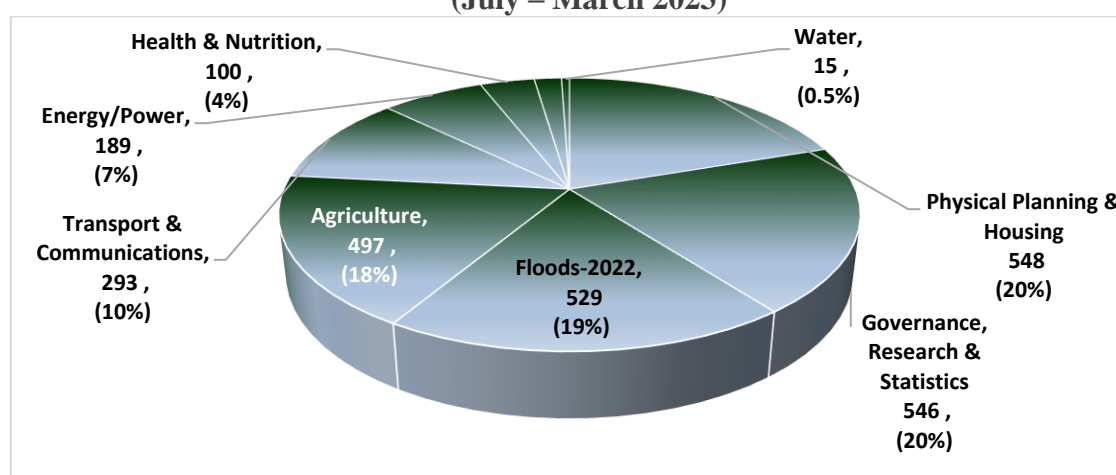
<i>Mode of Financing</i>	FY 2022-23		FY 2021-22	
	Q3 (Jan-Mar)	Cumulative (Jul-Mar)	Q3 (Jan-Mar)	Cumulative (Jul-Mar)
Project Financing	1,224	2,767	381	1,275
Program Financing	400	2,400	300	600
BoP/Budgetary Support	700	900	1,000	7,484
Commodity Financing	1,000	1,161	1,200	1,962
Total	3,324	7,228	2,881	11,321

Data Source: DMFAS Database

2.2. Sectoral Distribution of New Commitments⁴

During the period from July to March 2023, the Government made commitments of USD 2,767 million as project financing. Of which, USD 548 million was against physical planning & housing sector, USD 546 million for governance, research & statistics, USD 529 million for flood-affected areas, USD 497 million for agriculture, USD 293 million for transport & communication, USD 189 million for energy & power and USD 165 million for health & nutrition, rural development & poverty reduction, and water sectors. The sectoral composition of the new commitments reflects the priority objectives of the Government and is reflected in Figure 4.

**Figure 4: Sector-wise Composition of New Commitments (Project Financing)
(July – March 2023)**



Data Source: DMFAS Database

⁴ Since program and commercial financing are mainly for the budgetary support, this section only analyzed the sectoral distribution of project financing.

Chapter 3

Disbursements

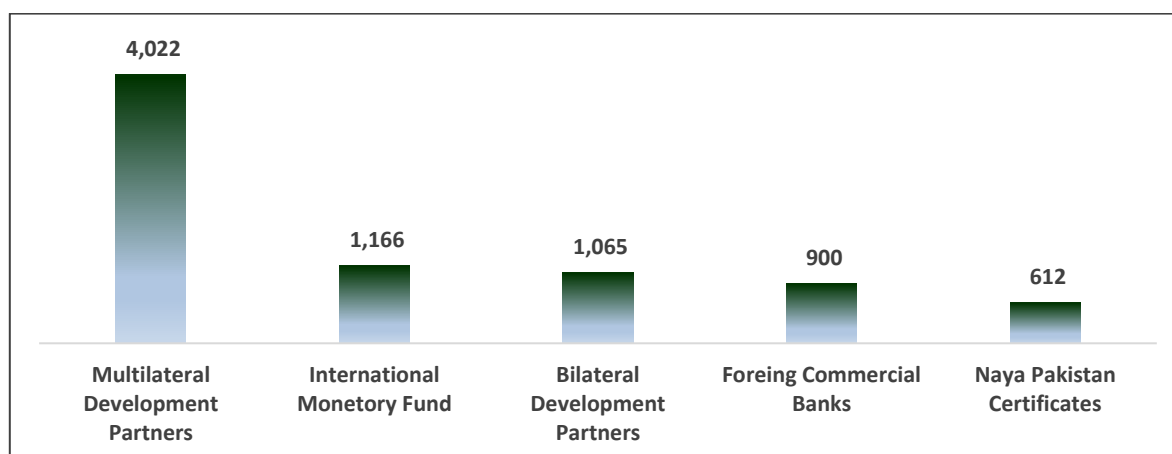
Disbursements of FEA represent the total amount of funds received by the Government from the international development partners. Direct comparison of past and current disbursements with new commitments is methodologically counterintuitive as the new commitments are planned to be disbursed in the future over five to six years, whereas, disbursements during a given period are the cumulative sum of current disbursements against new and old commitments.

3.1. Composition of Disbursements

During the period from July to March 2023, disbursements amounting to USD 7,765 million were received from multilateral & bilateral development partners as well as from financial institutions (see **Figure 5**). The composition of disbursements is as follows:

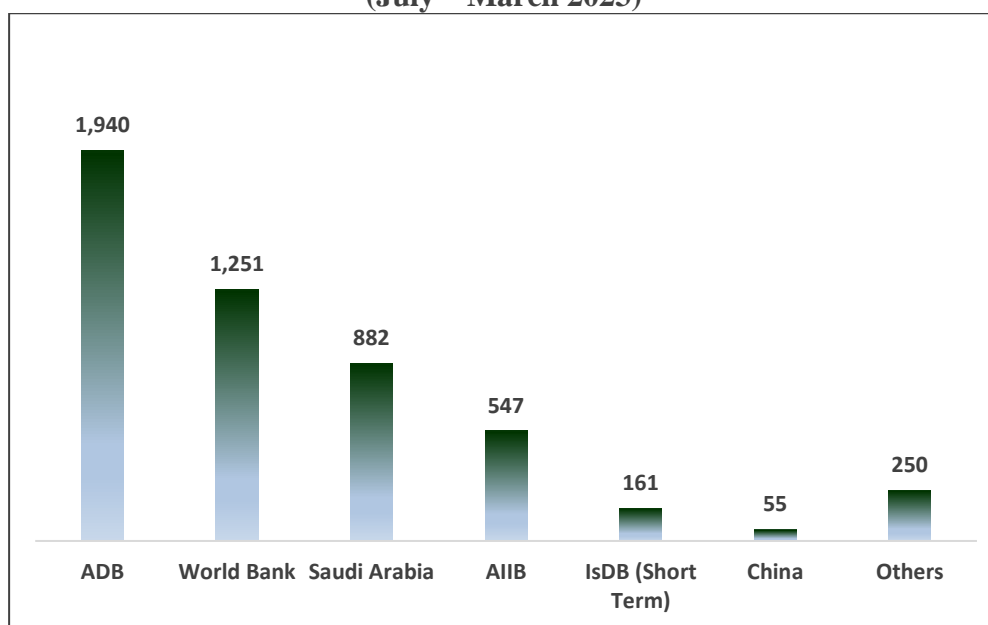
- a) USD 4,022 million or 52% of total disbursements from multilateral development partners, mainly from ADB, World Bank, and AIIB;
- b) USD 1,166 million or 15% of total disbursements from International Monetary Fund (IMF);
- c) USD 1,065 million or 14% of the total disbursement from bilateral development partners; mainly from Saudi Arabia, China, Japan, USA, and Korea.
- d) USD 900 million were received from foreign commercial banks and USD 612 million under Naya Pakistan Certificates (NPC).

Figure 5: Composition of Foreign Economic Assistance (USD Million)
(July – March 2023)



Donor-wise disbursements are depicted in **Figure 6**. Amongst the multilateral development partners, the ADB disbursed USD 1,940 million (38% of the total disbursements) followed by the World Bank (USD 1,251 million), AIIB (USD 547 million), and IsDB, under commodity financing, (USD 161 million). Similarly, amongst the bilateral development partners, Saudi Arabia disbursed USD 882 million followed by China (USD 547 million). The others category include disbursements from ECO Trade Bank (USD 54 million); IFAD (USD 38 million); Japan (USD 34 million); France (USD 30 million); USA (USD 24 million); Korea (USD 21 million), IsDB (USD 17 million); EU (USD 13 million) and other European & Gulf countries like Germany (USD 5 million); Belgium (USD 5 million), Italy (USD 5 million) and Oman (USD 2 million).

**Figure 6: Donor-wise Composition of Foreign Economic Assistance (USD Million)
(July – March 2023)**



Data Source: DMFAS Database

Table 3 compares quarterly disbursements as well as cumulative disbursements of FY 2022-23 with the corresponding period of the previous year. It reveals that cumulative as well as quarterly disbursements during the FY 2022-23 were significantly lower than the corresponding period of the last year. In July-March 2023, the disbursements from multiple financing sources were USD 7,765 million, whereas the disbursements during the corresponding period were USD 11,935 million. The major difference arises due to higher disbursements in July-March 2022 from foreign commercial banks, issuance of Eurobonds worth USD 2,042, and securing a deposit worth USD 3,000 million from a friendly country. While comparing the quarter-wise disbursements, it is noted that during the 3rd quarter of FY 2022-23, the government was able to disburse a higher amount from its bilateral development partners (USD 329 million vs. USD 171 million) and foreign commercial banks (USD 700

million vs. USD 591 million). However, overall disbursement during the third quarter was lower than the corresponding quarter last year (USD 1,918 million vs USD 2,804 million).

Table 3: Comparative Composition of Disbursements (USD Million)

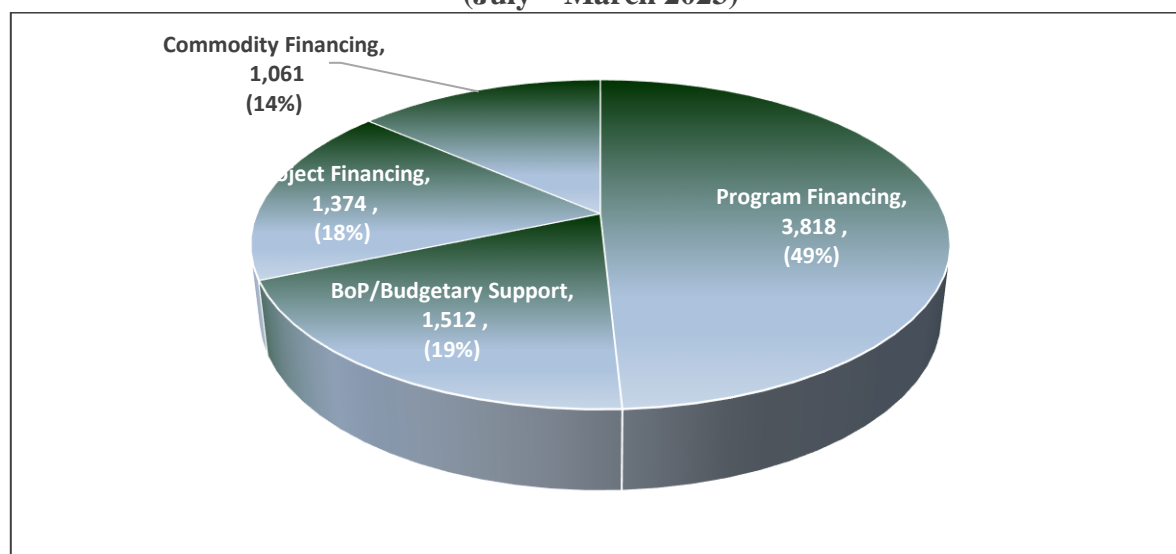
Financing Source	FY 2022-23		FY 2021-22	
	Q3 (Jan-Mar)	Cumulative (Jul-Mar)	Q3 (Jan-Mar)	Cumulative (Jul-Mar)
Multilateral Development Partners	672	4,022	1,042	3,949
Bilateral Development Partners	329	1,065	171	321
Foreign Commercial Banks	700	900	591	2,623
Eurobonds	-	-	1,000	2,042
International Monetary Fund (IMF)	-	1,166	-	-
Time Deposit	-	-	-	3,000
Naya Pakistan Certificates (NPC)	217	612	-	-
Total	1,918	7,765	2,804	11,935

Data Source: DMFAS Database

3.2. Mode of Disbursements

FEA is mainly received in the shape of project financing, program financing, commodity financing, and BoP/Budgetary support. During the period under review i.e. July-March 2023, USD 3,818 million, or 49% of the total disbursements were disbursed under program financing, USD 1,374 million, or 18% were for project financing, USD 1,061 million, or 14% were for the commodity financing and the remaining USD 1,512 million were meant to provide the balance of payments/budgetary support to the government (see **Figure 7**).

**Figure 7: Mode of Disbursements (USD Million)
(July – March 2023)**



Data Source: DMFAS Database

Table 4 shows a comparative position of the mode of disbursements. It reveals that the government was able to disburse more under program financing (USD 3,818 million) in July-

March, 2023. Whereas, in the corresponding period, the disbursements under program financing were USD 1,142 million. Similarly, in the third quarter of FY 2022-23, disbursements under project financing were higher than in the corresponding quarter last year (USD 509 million vs. USD 314 million). However, quarterly disbursements under commodity financing and BoP/Balance of Payments were higher in FY 2021-22.

Table 4: Comparison of Mode of Disbursements (USD Million)

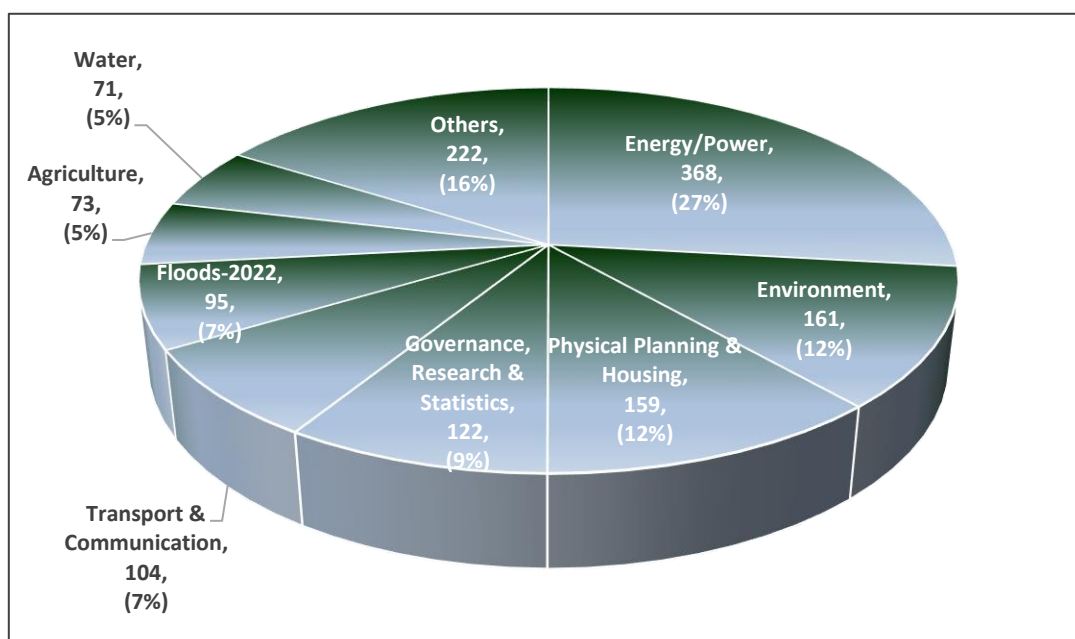
Mode of Disbursements	FY 2022-23		FY 2021-22	
	Q3 (Jan-Mar)	Cumulative (Jul-Mar)	Q3 (Jan-Mar)	Cumulative (Jul-Mar)
Project Financing	509	1,374	314	1,820
Program Financing	192	3,818	392	1,142
Commodity Financing	300	1,061	507	1,308
BoP/ Budgetary Support	917	1,512	1,591	7,665
Total	1,918	7,765	2,804	11,935

Data Source: DMFAS Database

3.3. Sectoral Distribution of Disbursements

Sectoral distribution of the disbursements under project financing of USD 1,374 million in July-March, 2023 is reported in **Figure 8**. The energy/power sector constitutes the largest disbursement share (27% of the total project disbursements) followed by the environment and physical planning & housing sector (12% each), and the governance, research & statistics sector (9%). Similarly, the transport & communication and Floods-20222 have a 7% each share in total project financing, followed by the agriculture & water sectors (5% each). The other category includes rural development & poverty reduction (5%), health & nutrition (4.6%), education (1.6%), social welfare (1.1%), and other sectors.

**Figure 8: Sector-wise Composition of FEA (Project Assistance)
(July – March 2023)**



Data Source: DMFAS Database

Chapter 4

External Public Debt

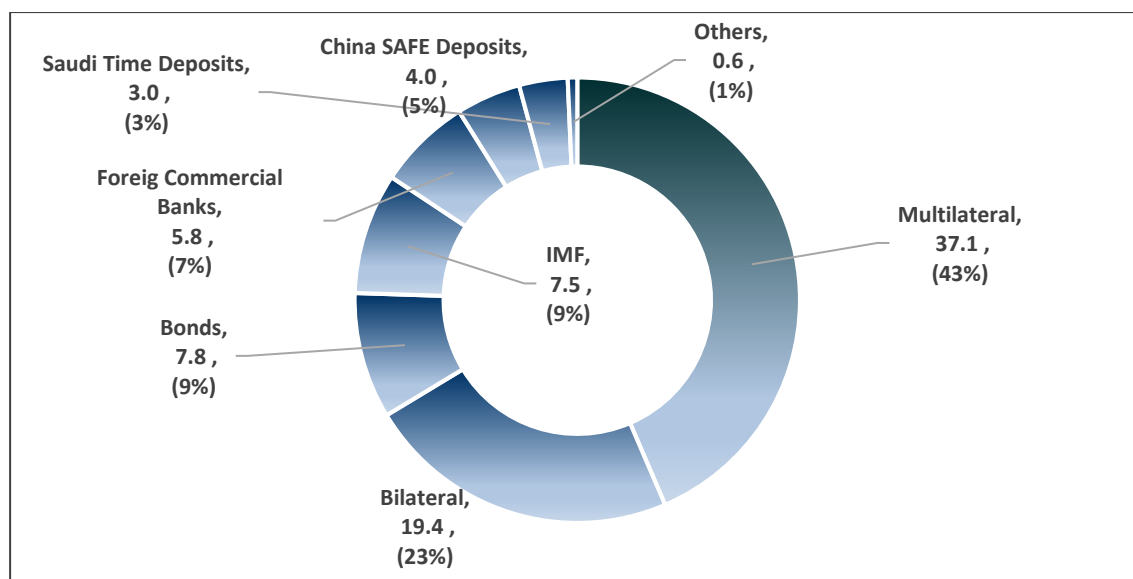
External financing has become an important source for developing countries including Pakistan, for financing development interventions and generating economic activity in the economy. It not only improves the efficiency in resource allocation and economic growth but also helps the Government in augmenting 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, rail networks, and other infrastructure projects while on the other hand, it provides support to the economy for balance of payments and narrows investment-saving gaps. Most economies worldwide rely on debt inflows to meet the shortfall in existing resources and to cover budget deficits.

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 of the IMF, whereas, External Debt is the sum of external public debt, external debt owed by the public sector enterprises, and external debt owed by the private sector including multinational corporations, banks, and other private institutions.

4.1. Composition of External Public Debt

As of 31st March 2023, Pakistan's total external public debt stood at USD 85.18 billion, whereas it was USD 86.56 billion on 31st December 2022, showing USD 1.38 billion reduction in total external public debt. The composition of external public debt is depicted in **Figure 9**. Out of the total external public debt of USD 85.18 billion, the government owed USD 64 billion to multilateral and bilateral development partners including IMF. Meaning, more than two-thirds (i.e. 75%) of the total external public debt is on concessional terms with a longer maturity, 16% (i.e. USD 13.5 billion) from international capital markets and foreign commercial banks, and 7% (i.e. USD 7.0 billion) of the total external public debt constitutes deposits from friendly countries (China & Saudi Arabia).

**Figure 9: Composition of External Public Debt – USD 85.18 Billion
(As of 31st March 2023)**



Data Source: DMFAS Database

4.2. External Public Debt Servicing

The Government paid an amount of USD 12,922 million during the period July – March 2023 on account of debt servicing of external public loans. This consists of principal repayment of USD 10,835 million and interest payments of USD 2,087 million (see **Table 1**). Whereas, in the corresponding period last year (i.e. July-March, 2022) the government paid USD 9,436 million (principal repayment of USD 8,137 million and interest payments of USD 1,299 million). The largest payments were made to foreign commercial banks (USD 4,865 million), followed by bondholders (USD 1,392 million), IsDB commodity financing investors (USD 1,246 million), China (USD 1,110 million), and IMF (USD 948 million).

**Table 5: External Public Debt Servicing (USD Million)
(July – March 2023)**

Lender/creditor	Debt Servicing		
	Principal	Interest	Total
Foreign Commercial Banks	4,542	322	4,865
Bondholders	1,000	392	1,392
IsDB (Short Term)	1,208	38	1,246
China	880	229	1,110
IMF	686	262	948
ADB	636	178	814
World Bank	565	225	790
Saudi Arabia	318	27	344
Japan	220	35	255
France	118	38	156
Others	661	341	1,002
Total	10,835	2,087	12,922

Data Source: DMFAS Database

4.3. Net Transfers

The net transfer is one of the important concepts in debt management. It is estimated by taking the difference between the receipt and repayment of external public loans. A positive balance shows an increase in external debt stock while a negative balance shows a reduction in external debt stock. Implication for positive or negative balance varies from country to country and depends upon the country's macroeconomic condition. If a country is in a balance of payments crisis and faces a shortage of foreign exchange, a positive balance helps the country to manage its crisis up to some extent and strengthen foreign exchange reserves. Further, net transfers are a flow concept whereas external debt is a stock concept, therefore, these two are not directly comparable. However, net transfers give us a fair idea of how external public debt will change during the period under review.

In July-March, 2023, net transfers to the Government were negative USD -3,349 million⁵ (see **Table 6**). It reflects the government paid more than the acquisition of new loans. More specifically, the government during July-March 2023 acquired USD 900 million in loans from foreign commercial banks and repaid USD 4,542 million, which helps the government to reduce the expensive stock of commercial loans. However, net transfers from multilateral development partners were positive of USD 1,468 million, which reflects improvement in the composition of external public debt as funds from multilateral development partners are concessional and have a longer maturity.

Table 6: Net Transfers (USD Million)

Source	External Loan Inflow	External Loan Outflow	Net Transfers
Multilateral Development Partners	3,970	2,502	1,468
Bilateral Development Partners	995	1,772	(777)
Foreign Commercial Banks	900	4,542	(3,642)
International Bondholders	-	1,000	(1,000)
International Monetary Fund (IMF)	1,166	686	480
Naya Pakistan Certificates (NPC)	612	332	280
Total	7,644	10,835	(3,190)

Data Source: DMFAS Database

⁵ 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.

Chapter 5

Conclusion

Foreign economic assistance is being obtained to undertake the socio-economic development of the country. During the period July-March 2023, the government continued to engage its development partners for improving the energy/power, environment, transport and communication, and rural development and poverty reduction sectors. 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.

Borrowing can be productive for the economic growth of developing countries if the economic returns are higher than the cost of borrowed funds, with a special focus on the creation of income-generating assets. The composition of external public debt remains satisfactory as more than two-thirds of the total external public debt is on concessional terms with a longer maturity. However, a small portion (i.e. one-fifth) of the external public debt (commercial borrowings and bonds) entails higher interest rates. A prudent external debt management strategy coupled with strong institutional arrangements is necessary for managing external debt and improving the repayment capacity of the country.
