OpenVoiceNews Pakistan

Transparent. Unbiased. Yours.

Pakistan Exceeds Foreign Loan Targets with $12.4 Billion in Inflows for FY25

July 24, 2025
— Categories: Finance

Pakistan has secured a total of $12.4 billion in foreign loans during the fiscal year 2024 to 2025 (FY25), surpassing its annual budget estimate by a significant $2.6 billion. The jump in foreign inflows has largely been driven by financing from commercial banks, disbursements under the Saudi Oil Facility (SOF), and other bilateral and multilateral arrangements. However, disbursements from the World Bank fell short of projections, exposing a concerning reliance on short-term external borrowing to plug fiscal gaps.

The Ministry of Economic Affairs revealed that the increased inflows reflect both success in attracting foreign financing and the growing pressure to maintain fiscal stability in the face of domestic economic challenges. Notably, Pakistan received nearly $3 billion in commercial loans, a return to market-based borrowing after a period of reduced engagement. Additionally, the SOF contributed $1.5 billion, reaffirming the Kingdom of Saudi Arabia's strategic financial support. The country also managed to secure funds from other lenders such as China and the United Arab Emirates, further broadening its creditor base.

Despite the headline figures, concerns remain over the quality and sustainability of Pakistan's external borrowing strategy. The underperformance of World Bank disbursements, reportedly due to slow progress on agreed reforms, raises red flags about the country's ability to follow through on structural commitments. Critics argue that while inflows have boosted short-term liquidity, much of the borrowed capital has been used to service previous debts and fund imports, rather than support long-term productive investment. With the current account deficit still under pressure and the rupee showing volatility, such borrowing can only offer temporary relief without deeper economic reform.

In the long run, Pakistan's path to financial resilience depends not just on the volume of borrowed funds but on how effectively those resources are managed. While surpassing loan targets may offer short-term breathing room, the focus must now shift to governance, productivity, and creating an investment climate that attracts sustainable capital. Unless foreign loans are paired with internal reform and institutional strengthening, the country risks being caught in a cycle of debt dependency. The numbers may look positive on paper, but without fundamental changes, they tell a more fragile story.