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## Pakistan's Soaring Debt: \$26.7 Billion in Foreign Loans Signals Deeper Dependency

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Pakistan secured a staggering \$26.7 billion in foreign loans during the 2024 to 2025 fiscal year, marking the highest-ever borrowing in the nation's history. The record amount reflects Pakistan's growing reliance on external financing to meet budgetary needs and manage its economic challenges. According to data compiled by the Ministry of Economic Affairs, the State Bank of Pakistan (SBP), and the Ministry of Finance,

nearly half of these loans were rollovers of previously acquired debts, raising concerns over sustainability and long-term economic independence.

Of the total borrowed amount, only 13 percent roughly \$3.4 billion was allocated toward project financing, which typically includes infrastructure development, energy, and education. The remainder was channelled into budget support, balance of payments management, and other non-development activities. This reveals a troubling trend: the lion's share of foreign inflows is being used to keep the economy afloat rather than to generate productive assets or long-term growth. The data, released on Tuesday, adds to growing scrutiny over the government's economic management and dependency on bilateral and multilateral creditors.

The heavy reliance on external loans comes amid fragile macroeconomic fundamentals, including a large fiscal deficit, falling exports, and chronic inflation. Rather than pursuing structural reforms or encouraging domestic revenue generation, successive administrations have leaned on quick financial fixes that delay hard decisions. Economists warn that such borrowing patterns create a dangerous cycle of dependency, where fresh loans are taken to repay older ones. The lack of meaningful progress in areas such as tax reform, governance, and industrial development has only amplified Pakistan's vulnerability to external shocks.

While short-term liquidity might have been restored through this borrowing, the long-term cost to sovereignty and fiscal stability is steep. The challenge facing policymakers now is not simply about raising more funds, but using them responsibly to break free from the debt trap. Without tangible reforms and a shift in spending priorities, Pakistan risks mortgaging its future for short-lived relief. As the numbers show,

borrowing is easy, but building a self-reliant economy is the real task and it remains woefully unfulfilled. The time has come to ask hard questions about where this money is going, and whether the nation is on a path to true economic independence or perpetual external reliance.

