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Abstract

This research paper investigates the profound influence of the International Monetary Fund on the economy of Pakistan from 2013 to 2022. Pakistan has been engaged with the International Monetary Fund (IMF) since 1958. Over this period, Pakistan has entered multiple agreements with the IMF, shaping its economic policies significantly. This study employs a comprehensive analysis of IMF programs and their impact either negative or positive on Pakistan's economic landscape. By employing a case study approach, historical analysis, quantitative assessments, and qualitative perspectives, this paper aims to unveil the intricate dynamics between the IMF's directives and Pakistan's economy. It explores how IMF policies, often linked to loan agreements, have influenced Pakistan's autonomy in economic policymaking, impacted sectors like education and healthcare, and shaped the nation's fiscal policies. The research seeks to offer insights into the multifaceted relationship between international economic organizations, particularly the IMF, and the economy of Pakistan.

Keywords: International Monetary Fund (IMF), Austerity Measures, Free Trade, Gross Domestic Product (GDP), Foreign direct investment (FDI)

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Title

Policies of International Monetary Fund (IMF) and Its Impact on the Economy of Pakistan: An Analysis of 2013-2023

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Abstract

This research paper investigates the profound influence of the International Monetary Fund on the economy of Pakistan from 2013 to 2022. Pakistan has been engaged with the International Monetary Fund (IMF) since 1958. Over this period, Pakistan has entered multiple agreements with the IMF, shaping its economic policies significantly. This study employs a comprehensive analysis of IMF programs and their impact either negative or positive on Pakistan's economic landscape. By employing a case study approach, historical analysis, quantitative assessments, and qualitative perspectives, this paper aims to unveil the intricate dynamics between the IMF's directives and Pakistan's economy. It explores how IMF policies, often linked to loan agreements, have influenced Pakistan's autonomy in economic policymaking, impacted sectors like education and healthcare, and shaped the nation's fiscal policies. The research seeks to offer insights into the multifaceted relationship between international economic organizations, particularly the IMF, and the economy of Pakistan.

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Introduction

The IMF is a global financial institution that was founded in 1944 to foster international monetary

cooperation, exchange rate stability, balanced trade growth, and financial stability. It is a specialized agency of the United Nations and has



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190 member countries (Tahir, 2020). The IMF helps member countries that face balance of payments problems by providing them with financial assistance and policy advice to deal with macroeconomic challenges. The IMF does more than just provide financial support; it also monitors the economic situation, offers technical assistance and training, and gives policy advice to member countries (International Monetary Fund, 2024). Whenever a developing country faces a balance of payment issue, it demands loans from the IMF (International Monetary Fund). As a result, the IMF gives loans to developing states. However, these states have to follow a set of economic policies that the IMF prescribes in order to receive them.

Any type of member country whether it is developed, developing, or poor can seek assistance from IMF in times of economic distress. The IMF offers both types of concessional and non-concessional loans to its member countries to deal with balance of payment issues. In order to make the IMF program effective, the receiving country makes sure to implement the strategies suggested by it. IMF gives loans in the form of installments and these installments are attached with quarterly periodic reviews by the IMF staff. IMF has the right to discontinue the program if the receiving country does not follow the conditions imposed by it. IMF makes sure that receiving countries pay their loans on time. As the IMF has limited financial resources, loan payments must be completed on time.

The policies imposed by the IMF are criticized by most scholars (Editors, 2023). They argue that IMF policies have little impact on the economy of the receiving country. To justify the loans and policies of the IMF, a twin-deficit concept is used. According to the twin-deficit concept, domestic savings are not enough to meet the country's demands in low-income countries and profit from exports is not enough to meet the demand of imports. Before finalizing the amount of the loan IMF demands to abide by some conditions such as tax raise, privatization of state-owned enterprises, adoption of liberal policies, decrease in

government spending, deregulation, and structural adjustments.

When a country approaches the IMF for a loan, it usually has two motives such as to increase foreign currency reserves and to stabilize the current account deficit and fiscal deficit. Most of the time developing countries face a constant risk of default because of their limited resources and minimal foreign reserves. So, these countries have no option other than to move to the IMF

Pakistan is a South Asian country with a mixed economy that includes agriculture, manufacturing, and services sectors. The country's political economy has been marked by a history of political instability, periodic military rule, and difficulties in implementing consistent economic policies. Pakistan has faced recurring challenges with external debt, leading to the need for financial assistance from international organizations like the IMF. Pakistan, like many other developing countries, has been relying on the IMF for years to cope with its balance of payment problems. Pakistan has been a member of the International Monetary Fund (IMF) since 1950 (Salman & Ali, 2022). Due to the unpredictable economic situation and the heavy reliance on imports, the IMF has granted Pakistan loans twenty-two times since becoming a member, most recently in 2023 (Ibrahim, 2023). This study particularly focuses on the case of Pakistan and its interaction with the International Monetary Fund (IMF). In this case study we explore whether the economic policies of the IMF influence the economy of Pakistan. We also analyze and investigate how IMF policies, affect Pakistan's ability to independently formulate and implement economic policies and the degree of influence exerted by IMF directives on the decisions made by the Pakistani government, considering factors such as austerity measures, subsidy removals, and structural reforms.

Statement of Problem

Pakistan is among the many economies that face crisis before receiving IMF funds. It often resorts

to IMF support during severe economic downturns and adheres to its policies strictly. These policies can have both negative and positive implications for Pakistan's economic growth. So, it is important to investigate the impact of these policies on the economy of Pakistan.

Research Questions

- What were the particular economic conditions or challenges that made Pakistan get assistance from the IMF during [2013-2022]?
- What have been the ramifications of the IMF's policies on the economy of Pakistan?
- What are the determinants of IMF loans and programs in Pakistan?

Research Methodology

Research methodologies used to conduct the research smoothly include qualitative, quantitative, case study approach, and content analysis. An in-depth examination of specific IMF programs in Pakistan during the mentioned period by analyzing official documents, agreements, policy statements, and media reports related to IMF programs has been conducted. Moreover, primary and secondary methods for data collection are used. Data has been collected from different research articles, books, newspapers, and official documents and agreements.

Literature Review

The book LEADING ISSUES IN THE ECONOMY OF PAKISTAN: Agenda for Reforms by Hafiz A. Pasha is divided into four parts. A part of this book discusses the IMF program that Pakistan resumed in September 2022. It highlighted the impact of this program and the reforms committed by the government. The Government presented two bills, the Finance (Supplementary) Bill, 2021, and the State Bank of Pakistan (Amendment Bill), 2021, in the Parliament. This was a necessary step for fulfilling the conditions that were required for the successful completion of

the review of the IMF program with Pakistan. After these bills were successfully passed, the IMF Executive Board approved the release of \$1 billion to Pakistan on the 12th of January 2022. While it provides insights into Pakistan's economic landscape and the recent IMF program it lacks a detailed analysis of the specific terms and conditions of the IMF program resumed in September 2022, and misses a deeper understanding of the implications of these conditions on Pakistan's governance. (Hafiz, 2023)

The 2013 staff report by IMF "The Article IV Consultation and Request for an Extended Arrangement under the Extended Fund Facility", focuses on the discussions that took place in Islamabad, Karachi, and Lahore respectively to approve the request for 36 months extended agreement. It discusses some of the challenges that prompted Pakistan to take assistance from the IMF. It also mentions the terms and conditions that Pakistan will have to comply with to receive the funds. The background and key challenges of Pakistan's economy are also mentioned in this report. The macroeconomic policies and structural adjustments are also discussed which will help Pakistan to avoid crises and improve its economic growth. This report does not address the challenges faced by Pakistan after receiving funds. It also does not address the role of government in shaping the economy. It also does not address the conditions that prodded Pakistan to go to the IMF. It also does not address the alternatives that could help in boosting Pakistan's economy (IMF, 2013).

The IMF report "Request for an Extended Arrangement Under the Extended Fund Facility" issued in 2019, covers the press release, staff report, and statement by the executive director of Pakistan on 39 months of Extended Fund Facility Arrangement for the time period 2019-2022. This report covers the conditions that deteriorated Pakistan's economy such as mismanaged economic policies, structural weaknesses, and robust tax administration. It also highlights the methods which will help Pakistan to mitigate economic vulnerabilities and sustain suitable economic growth. It also discusses the key

elements of programs such as energy sector reforms, structural adjustments, fiscal reforms, and expanding safety nets. It also gives a detailed insight into program objectives and policies, program issues, and program risks. but this report does not give an insight into the harmful impacts of austerity measures of IMF policies on the economic health of Pakistan and what conditions compel Pakistan to take loans from monetary institutions like the IMF (IMF, [2019](#)).

The research paper titled Analyzing the Impact of IMF Policies on the Economic Health of Pakistan written by Imran Khan Bozdar, Nazir Hussain, Irfan Ali Lashari, Ali Raza Lashari, and Abdullah Shah describes IMF's role as a lender of last resort is designed to help countries stabilize their economies by providing financial assistance and policy advice. It also indicates that while IMF programs have led to economic growth, it has been at a slower pace, and the trajectory of Pakistan's economy has not been satisfactory. The conditions attached to IMF loans, such as fiscal austerity measures, tax increases, and subsidy cuts, have often been associated with short-term economic hardships, including inflation, unemployment, and social decline. These measures are intended to stabilize the economy but can also lead to a decline in growth and an increase in the debt-to-GDP ratio, creating a cycle of borrowing. To break free from the cycle of dependency on IMF bailouts, it is suggested that Pakistan needs to implement alternative solutions, such as overhauling its export policy, aggressive privatization, issuing international bonds, and investing in agriculture, livestock, and dairy sectors for inclusive growth. The research gap lies in the comprehensive evaluation of long-term outcomes and the effectiveness of the IMF's prescribed reforms. It is not focused on identifying the root causes of this cyclical dependency and viable solutions for breaking the cycle. There is also no information provided for successful reform implementation of IMF programs. (Bozdar, Hussain, Lashari, Lashari & Shah, [2023](#))

The research paper "The Stability of Pakistan Economy and IMF Deals: An Analysis" written by

Nouman Faraz Khan, Amber Zahra, and Jawad Khan in 2024 highlights the historical relationship between the IMF and Pakistan. It also analyzes the economic factors that force Pakistan to get assistance from the IMF. The mentioned factors include foreign reserves, imports-to-export ratio, and current account deficit. This study asserts that the main aim of taking loans from the IMF is to stabilize the crumbling economy of Pakistan. It also examines how IMF policies help Pakistan to raise taxes, roll down government expenditures, and stabilize imports and exports. It also describes that despite taking loans from the IMF repeatedly, Pakistan's economy remains weak. However, it does not highlight the direct effect of IMF policies on economic conditions. It does not describe the long-term impact of the IMF conditionalities. There is also a gap regarding the detailed analysis of policy actions (Khan, Zahra, & Khan, [2024](#)).

Impact of International Monetary Fund (IMF) Policies on the Economy of Pakistan (2013-2023)

Economic Conditions and Determinants that Led to Borrowing from the IMF:

In case of a severe economic crisis, most countries consider the IMF as a weapon of last resort (HORTON & EL-GANAINY, [2024](#)). They go to the IMF and agree to abide by all its terms and conditions for taking loans. The same goes for Pakistan. Nowadays, Pakistan is going through one of the worst economic crises in its history. The reason is that the country is grappling with a large fiscal and current account deficit. As we saw in the last chapter the IMF and Pakistan share a long history of relations and Pakistan is a regular customer of the IMF. So, to tackle these economic circumstances Pakistan seeks assistance from the IMF in the form of loans and policy advice. Let's delve into the major conditions that make Pakistan go to the IMF and also the determinants upon which a country's selection and loan size are based.

Constant Trade Deficit

Pakistan has been facing a persistent trade deficit

for decades and it has emerged as a major blow to its foreign reserves. The low level of exports has made Pakistan rely on IMF's funding to pay import bills. The trade deficit of Pakistan in 2013 was 15.67 billion dollars putting extreme pressure on foreign exchange reserves (Nakhoda, 2018). Pakistan is facing a trade deficit because of a lack of product diversification and competition. Pakistan's exports are increasing and imports are decreasing because of high import tariffs, low productivity, access to a limited number of markets, lack of innovation, high prices of commodities in international markets, and rising consumer demands.

Overdependence on Imports Such as Oil

Pakistan's overdependence on imported oil is a major contributor to the balance of payment crisis. Oil makes up approximately 25 percent of Pakistan's total energy supply and over 30 percent of electricity generation is based on oil (George, 2023). Successive regimes have failed to cut down Pakistan's reliance on oil despite energy security risks. Energy policies should focus on renewable energy sources like hydropower, geothermal, and solar. Moreover, Pakistan should search and opt for diverse markets for cheaper oil. So, in order to mitigate Pakistan's overreliance on expensive imported oil, intensive policy and institutional reforms are required.

Inefficient Tax System

If we look at the tax rebate system, the entire sector is receiving tax rebates without making a distinction between larger and smaller businessmen (Khan, 2023). Moreover, there is a huge untaxed sector that hampers the economic and social development. This sector includes agriculture, retail trade, transportation, construction, services, domestic labor, and small manufacturing enterprises. A large number of people associated with farming do not pay taxes. It is evident from the fact that farmers constitute 20 percent of GDP but only 1 percent of farmers pay taxes (George, 2023). The more dangerous is

that only 1.45 percent of the population pays direct taxes and is a filer (Sarfraz, 2023). Unregistered small enterprises are making the situation even worse. These tax evasions are hindering governments' ability to tackle the economic crises and forcing them to rely on monetary institutions for the revival of the economy.

Decrease in Investment

Pakistan has been experiencing a growth crisis because of declining investments in both public and private sectors. The factors responsible for this decline in investment include energy shortages, absurd regulations, political and policy uncertainty, and high business costs. Moreover, Pakistan receives low foreign investment because of security challenges, macroeconomic instability, and weak contract enforcement.

Negation of Skills Development

In Pakistan, the government merely focuses on skills development. In Pakistan, people mostly go after government jobs following the completion of their degrees as the government has not created enough room for skills and technical development. The failure to modernize or expand industries and equip labor with skills is preventing development. So, to increase exports and enhance productivity, the government should focus on skill development.

Currency Devaluation

Currency devaluation is one of the major causes of Pakistan's dwindling economy (Mamchii, 2023). Currency devaluation contributes to high inflation. It also increases the overall cost of imports. Pakistan cannot avoid rupee devaluation because of its large current account, trade deficit, and low foreign reserves.

Unfixed Structural Problems

The severe and unfixed structural problems

within Pakistan's economy are the main reasons for the macroeconomic crisis and this led to going to the IMF. The main structural problems that Pakistan's economy is facing are differences in the spending and income of public sector enterprises, unemployment, and low exports. The persistent losses in public sector enterprises and energy industries cause Pakistan to repeatedly approach monetary institutions to address the fiscal deficit.

External Debt

High external debt from various sources such as multilateral organizations, Paris Club nations, private and commercial lenders, and China makes the economic crisis of Pakistan even worse. The rise in debt led to various factors like excessive borrowing, slow growth, weak exports, and currency devaluation.

Impact of IMF Policies During Nawaz Regime (2013-2016)

The 2013 elections were a big win for the Pakistan Muslim League-Nawaz (PML-N) and it was the first time a government changed to another through elections. This electoral victory paved the way for PML-N to form a government alone with Nawaz Sharif as the new Prime Minister. During the PML-N's tenure, the economy began to flourish. Most of the security challenges were neutralized during the previous regimes. During the PML-N's tenure, a significant amount of progress was made in fighting against terrorism. Oil prices decreased and the agreement related to Gwadar Port has transformed into the China-Pakistan Economic Corridor. Nonetheless, the government was also facing numerous economic challenges. The major challenges included the energy crisis, dwindling foreign exchange reserves, and the widening fiscal deficit. Additionally, the confidence of investors was also lost due to the initiation of operations against terrorists after the 2014 Army Public School attack. To tackle these economic challenges the premier Nawaz decided to go to the IMF and entered into a 36 months extended arrangement under the

Extended Fund Facility (EFF) for US\$6.68 billion (Buzdar, Hussain, & Shah, 2023).

As we all know the International Monetary Fund (IMF) plays an important role in shaping the economic landscape of countries, including Pakistan. Despite claims by all the Pakistani governments that they would be the last to get loans from the IMF, the country's dependence on IMF assistance has remained unchanged over time. The International Monetary Fund gives loans to Pakistan with certain conditions. These requirements are becoming more and more demanding with the passage of time. Several of these policies and conditions have adverse effects on Pakistan's economy. Despite the rigorous and stringent conditions from the IMF, Pakistan's economy has also experienced some benefits.

As far as the positive impacts of the IMF are concerned, it helped Pakistan in solving the issues of balance of payments, stabilized foreign exchange reserves, improvement in the export sector, and many more. Throughout this program, economic growth has gradually improved and, with the support of advantageous global circumstances such as decreased oil prices, the government has successfully decreased inflation and increased foreign reserves.

The GDP growth expanded from 3.7% in 2012-13 to 4.5% in 2015-2016 (IMF, 2016). This was all supported by large-scale manufacturing, the China-Pakistan Economic Corridor (CPEC), the recovery of credit from the private sector, and improvement in the supply of gas and electricity. The fiscal balance was -8.5% of GDP during the fiscal year of 2012-13 and it reduced to -4.6 % in 2015-16 (Buzdar, Hussain, & Shah, 2023). Tax revenue in the context of the GDP ratio increased from 10.1 to 12.42 from 2013 to 2016 (Buzdar, Hussain, & Shah, 2023). Foreign direct investment (FDI) increased from 1447.3 million US\$ in 2013 to 2479 million US\$ in 2016 (Naeem & Naveed, 2023). The nation had experienced remarkable poverty reduction, decreasing from 35% in 2001 to fewer than 10% by 2014 (Naeem, Rahman, & Shah, 2023). Inflation dropped from 9.6 percent in 2012 to 4.1

percent in 2017 (Dohadwala, Khalid, & Nachiappan, 2020). The amount of imports has decreased from 19 billion dollars to 14.65 billion dollars. The current account deficit decreased due to a troubling economic slowdown, not due to significant improvements in exports. The country's current account deficit has decreased by 36% (Naeem, Rahman, & Shah, 2023). The nation experienced remarkable poverty reduction, decreasing from 35% in 2001 to below 10% by 2014. The ownership of items such as motorcycles had risen from just 2 percent to 18 percent, with families having refrigerators, televisions, ovens, and stoves (Naeem, Rahman, & Shah, 2023). International reserves increased and reached an all-time high of 18.258 USD billion in 2016 from 2.2 USD billion in 2013 (IMF, 2016). The banking system has remained profitable.

IMF Conditionalities, in addition to yielding positive results for Pakistan's economy, have also demonstrated certain adverse effects. Pakistan's position in the World Bank Doing Business report dropped from 136 in 2015 to 138 in 2016. Significant challenges consist of hindrances to establishing new companies, time-consuming processes for tax payments, deficiencies in contract enforcement, restricted credit availability, and expensive cross-border trade (IMF, 2016). Public debt in relation to the percentage of GDP increased 62.4 % to 64.81 % from 2013 to 2016. The value of exports continued to decrease from the period of 2013 to 2016 (Buzdar, Hussain, & Shah, 2023).

The IMF bailout in 2013 required Pakistan to implement austerity measures such as reducing government spending and subsidies. These actions resulted in decreased government funding and social welfare spending, affecting welfare programs and public services. The IMF package required structural changes, including tax reforms and adjustments to interest rates. These changes frequently placed a heavy load on the average citizens by raising taxes and lowering their ability to buy goods.

Impact of IMF Policies During Imran Khan Regime (2018-2022)

In 2018, Imran Khan took the oath as the 22nd Prime Minister of Pakistan (Najam, 2023). He formed a coalition government with other political parties due to not having a majority. The Imran Khan government was in a severe economic crisis from the very beginning. The main challenges faced by Imran Khan's government were fiscal deficit, unpaid government bills, the balance of payment crisis, trade deficit, inflation, currency devaluation, tax collection and circular debt, power shortage, and high prices in the energy sector. In the beginning, the Imran Khan Government was very reluctant to go to the IMF under any circumstances. They want to try alternate economic strategies before taking an IMF bailout. Some of the key alternative measures or initiatives taken by Imran Khan to address economic challenges beyond the IMF bailout were seeking aid from friendly countries such as Saudi Arabia, China, and the United Arab Emirates, bilateral loans (\$2 billion from China and another \$4.5 billion from KSA), and reduction in fuel prices to control inflation (petrol prices by almost Rs 10 per liter and electricity by Rs 5 per unit). Although these actions brought some relief, they also came with negative effects and presented new difficulties for the economy (Sam, 2022).

Finally in 2019, in order to stabilize the economy, Imran Khan's government signed an agreement of about \$6 billion bailout with the IMF (IMF, 2019). The duration of this bailout package was 39 months and it was decided that an amount of US\$1 billion would be provided immediately (IMF, 2019). The remaining amount was to be provided after several reviews. The program was placed on hold in January 2020, after the government did not follow the IMF's advice to raise electricity rates and implement more taxes. Nevertheless, the IMF gave a \$500 million tranche in March 2021 and in February 2022, decided to resume the program (Khan, 2022)

The impact of this program on the economy of Pakistan was not satisfactory. The international

food and oil price hike led to the current account deficit, a decline in reserves, and the depreciation of the Pakistani rupee. Moreover, the record inflation in Pakistan affected greatly the poor and vulnerable segments of Pakistani society.

The deteriorated political landscape of Pakistan also played a negative role. International reserves fell into a dangerous zone and Pakistan had to face fiscal, trade, and budget deficits. Additionally, a number of goals and targets of structural adjustment plans were not achieved. Moreover, a number of subsidies were removed and energy taxes increased too much.

This program did not help to preserve Pakistan's economy from deteriorating external conditions such as the Covid-19 pandemic and the Russia-Ukraine war. In FY22, the trade deficit was widened to a record amount of US\$40.1 billion (IMF, 2022). The current account deficit of Pakistan was US\$13.5 billion in 2019 which further increased to US\$15 billion in 2022. The reserves of Pakistan also declined drastically from US\$17.6 billion to US\$ 9.8 billion.

The real GDP percentage of Pakistan increased from 3.1 percent in FY19 to 6 percent in FY22. The inflation rate in Pakistan increased from 11 percent in 2019 to 20 percent in 2022. The public debt was US\$73.4 billion which surged to a record level of US\$ 88.84 billion (Economic Affairs Division, 2022). The tax to GDP ratio was 9 in 2019 and 10.4 in 2022(FBR).

In 2019, one US\$ was equal to 138 PKR (Pakistani Rupee) and in 2022 it was from 204PKR to 240 PKR. The percentage of depreciation PKR against \$ was 11.51 % in 2019 to 23% in 2022.

State Bank of Pakistan increased the interest rate to five percentage points. The bank's capital adequacy ratio (CAR) was 10.25 percent in 2019. Despite COVID-19, it remained strong at 16.4 percent.

Although the GDP and tax-to-GDP ratio increased during this EFF program. However, Pakistan failed to accumulate international foreign reserves and caught foreign direct investment. The fiscal balance and trade deficit widened

throughout the program. The IMF package required structural changes, including tax reforms and adjustments to interest rates. These changes frequently placed a heavy load on the average citizens by raising taxes and lowering their ability to buy goods.

As IMF suggested Pakistan increased the interest rate and SBP did the same. However, the increased interest rate damages the economy. When the interest rate increases the capital cost also increases. This rise in cost halts investments, slows down the pace of economic growth, increases unemployment, causes poverty, and ultimately results in an unstable economy.

IMF also demanded Pakistan to cut down the subsidies and to raise taxes on the power sector particularly. Due to these actions, small businesses come under extreme pressure. This also affects the purchasing power of people and causes poverty and economic decline. Moreover, high prices of fuel and electricity, a large number of taxes particularly indirect taxes, and removal of subsidies hinder investment in the private sector and increase the cost of production.

Last but not least, the devaluation of PKR added a lot of debt even without borrowing a single dollar. So, the IMF policies have fewer merits and more demerits (Abdullah, 2022).

Conclusion and Recommendations

IMF and Pakistan have been sharing long-lasting ties since 1958. Pakistan is one of the most frequent borrowers of the IMF. Every new government in Pakistan claims that it would be the last to take any loan from the IMF but this vicious circle seems impossible to break. This report examines the positive and negative consequences of the policies of the IMF on the economy of Pakistan along with the conditions that compel Pakistan to go to the IMF and the loan determinants of the IMF. This study also examines both elements and objectives of the EFF during the tenure of both Nawaz Sharif and Imran Khan. the IMF played a crucial role in stabilizing the economy in the short term but led to a serious

economic downturn in the long term. The policies of the IMF are particularly harsher for the underprivileged and middle-income segments of society. The impact of IMF funding helped Pakistan's economy during the Nawaz regime to a great extent but it failed to do so during the Imran regime. Moreover, due to the unstable political environment and the inappropriate implementation of policies of IMF, Pakistan is unable to meet sustainable economic growth. Every time the IMF provides a loan to Pakistan there are a number of conditions attached to it. With the passage of time, the conditions are becoming more and worse. Some of the conditions have positive implications for the economy while some have detrimental effects. Most of the IMF conditions are associated with Fiscal deficit, privatization, increase in taxes, and structural adjustments. It also sounds robust that every time Pakistan takes a loan from the IMF to repay the previous loans and then enters into a new loan scheme. One can say for Pakistan IMF is like a bitter pill to swallow. If Pakistan really wants to get rid of the IMF and achieve sustainable growth it has to take robust policy measures and structural adjustments.

Recommendations

The economy of Pakistan has been declining continuously. The main causes of this decline are flawed policies, overemphasis on imports and international economic institutions, and political instability. The IMF policies are not even bad but we have to fix our problems on our own through proper planning and policies. There are a number of recommendations and alternatives to IMF

mentioned below to achieve sustainable economic growth;

- Pakistan must take into account structural adjustments for sustainable economic development. These adjustments include improving governance; mitigating corruption, and promoting accountability and transparency. Creation of a business-friendly environment by simplifying regulations and cutting barriers for smooth investments.
- Pakistan must give priority to the declining agricultural sector. Pakistani farmers receive very low protection from the import tariffs. Actions must be taken by the government to ensure the protection of farmers against excessive tariffs. Moreover, there is a need to replace the traditional methods of farming with the new ones. There is a dire need for subsidies in this sector. Last but not least strict actions must be taken by the government against the persons who do hoarding of agricultural products.
- There should be proper reforms in the trade sector as the trade deficit is a major reason for the economic downturn. policies must be introduced that support exports such as reducing trade barriers and tariffs, diversification of economic markets, trade diversification by signing new free trade agreements with countries having large markets for exports and supporting small and medium scale enterprises by giving them subsidies as they can generate a number of exports.

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