

What are various types of assistance Program IMF offered to Pakistan since 2000? Critically evaluate their efficacy.

## INTRODUCTION

International Monetary Fund was established at United Nation Bretton Wood Conference. 44 countries wanted to grow International monetary cooperation so that situation like great depression 1930 can be avoided. The main agenda of IMF is to promote International monetary cooperation, to promote trade and economic growth, and to stop policies that humpers prosperity.

## PROGRAMS OF IMF OFFERED TO PAKISTAN SINCE 2000

Following programs are included in Pakistan-IMF cooperation since 2000.

Pakistan has knocked upon the door of IMF 22 times since it came into being.

### Stand by Agreement

Stand by Agreement are give to emerging and advanced markets that are facing problems with balance of payments. Its duration is flexible, usually between 12 to 24 months but not more than 36 months.

### b. Extended Credit facility

Extended credit facility are given to those countries that are facing protracted balance of payment. This agreement's aim is to promote economic stability of country and to promote financial development with poverty reduction. Its duration can be upto 5 years.

### c. Extended Fund facility

Extended fund facility are for those countries that are facing serious balance of payment due to structural weaknesses. IMF gives policies adjustment recommendations to cope with structural and economic weaknesses. Its duration is 3 years but can be extended to 4 years. Under this programme, a long time is given to countries for structural reforms and implementing policies.

### d. Requirements for Extended fund facilities

Country has to commit some policies with IMF under this agreement. The executive board monitors regularly progress of program and <sup>adjust it</sup> adopt it to adopt development growth.

# DETAIL AND CRITICAL ANALYSIS OF IMF Program FOR PAKISTAN SINCE 2000

## 1) Pervaiz Musharraf (2000-2008)

Pervaiz Musharraf approached IMF twice, 2001 and 2000 in his tenure. He secured stand by agreement first time and secured extended credit facility second time. This time was 18<sup>th</sup> time to go IMF for bailout package. He agreed \$1.33bn loan

### a. Aftermath of loan

These loans were acquired to deal with problem of balance of payment and fiscal deficit, but problems did not solve after acquiring these loan.

## 2) PPP (2008-2013)

Asif Ali Zardari acquired largest loan in the history of Pakistan, \$4.64bn, it was a stand by agreement

### a. Intentions behind acquiring loan

As per IMF, state was to make improvement in economic sectors including improvement in tax administration, eradicating of tax exemption, and introduction of interest rate corridor.

### b. Aftermath of loan

Economic reforms were expansionary. For that reason, economic and financial weaknesses were not tackled

successfully.

### 3) PML(N) 2013-2018

PML(N) secured second largest loan of \$4.399bn; it was an extended fund facility.

#### a. Aim of loan

As per IMF, this loan, completed in 3 years, was acquired to enhance macroeconomic resilience. According to IMF, this program succeeded in reducing fiscal deficit, increasing development ~~ground~~ growth, and stabilizing foreign reserve.

#### b. Aftermath of loan

Although improvement during the implementation of IMF recommended policies could be observed throughout these three years, after the completion of 3 years program, economic adjustments had proved weak and all problems emerged again.

### 4) Imran Khan 2019-2022

Imran Khan acquired larger loan than the previous two governments. He acquired extended fund facility of \$6bn.

#### a. Aim of loan

Loan was acquired to deal with serious balance of payment problem and policies weaknesses.

## b. Fate of loan after 6<sup>th</sup> review

After 6<sup>th</sup> review, economic condition of Pakistan had worsen, IMF was not ready to 7<sup>th</sup> review due to some reasons; political turmoil reversal of all commitments <sup>economic</sup> and repealment of agreed & adjustment policies.

## c. 7<sup>th</sup> and 8<sup>th</sup> review

At the end of August 2022, Executive Board of IMF completed combined 7<sup>th</sup> and 8<sup>th</sup> review of Pakistan extending Fund facility; as a result, tranche of \$1.7bn was aimed to release. This tranche was the part of 2019 (EFF). After this tranche, \$4.2bn out of \$6bn will be fulfilled. Its duration was 3 years; nonetheless, duration can be increased to 5 years.

## d. Aftermath of \$1.7bn tranche

The tranche was approved on severe and strict conditions: desired budget was passed to increase growth surplus, policy rate was increased, post-tax subsidies on hydrocarbons were removed, tax on petrol was increased, tariffs on electricity was increased, and supervision on economic departments of state was increased.

### e. Impacts on Public

Due to petroleum and electricity price hike, poor masses have lost access to their basic necessities of life, middle class is being forced to spend life of poors. Latest IMF Tranche has proved disaster for public of Pakistan.

### f. Overall Impact on Pakistan

It can be seen that every new government acquires more loan than its previous one. The situation forces Pakistan into further debt. According to Data released by state bank of Pakistan, Pakistan total external and domestic debt, along with liabilities increased upto 25 trillion in first 9 months of fiscal year 2022. Total debt with liabilities was Rs 59 trillion in 2022 as compare to Rs 47 trillion in 2021.

### Conclusion

History of Pakistan's debt story started in 1956; This was exacerbated with time. Every new government must try to take bail-out package from IMF. Pakistan has acquired three largest loans in <sup>last</sup> three government that has deprived ~~poors~~ of their basic needs.

Relate your headings with the statement of the question.

Also, add more arguments on efficacy of these programs offered by IMF.

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Critically evaluate the reasons for Islamabad-Kabul tension. Analyze its implications and give policy recommendations for Islamabad.

## INTRODUCTION

Pakistan and Afghanistan are immediate neighbours. Pakistan shares its long western border with Afghanistan. Laffer was the only muslim that did not recognise Pakistan as Independent state and did not accept Durand line as border between both countries. In fact, Afghanistan claimed Indus river as a border between both countries and still have claim, although, Pakistan has been trying to maintain good relation immediate Islamic neighbour country since independence.

## REASONS OF TENSION BETWEEN KABUL and ISLAMABAD

### Expectations of Pakistan

In 2021, Kabul was captured by Afghan Taliban after withdrawal of American troop. Pakistan expected Afghan Taliban that their soil would not be used for attacks against Pakistan, but in between January and mid november 2022, 70 verified attacks have been launched by TTP against paramilitary, military, and police personnel, and 106 fatalities have occurred.

### Conflicts between TTP and Pakistan's government

TTP has increased its footprints

in Swat, Dara Ismail Khan, North Waziristan and South Waziristan districts of KP. Negotiations were started in Oct 2021 but ended in Dec 2021. Negotiations against started in 2022, but TTP recently unilaterally annulled. Accordingly, TTP demands reversal of merger of FATA, but government can not fulfil this demand and TTP does not ready to talk anything beyond that. Merger of FATA is finalised and closed chapter for Pakistan government.

### 3- Pakistan's conflicts with Taliban government

a. Taliban's demand of Law and Shariah in Pakistan

Taliban demands imposition of Law and Shariah in Pakistan as Taliban have imposed in Afghanistan. In fact, Taliban have announced their own government in Swat based on Law and Shariah. Accordingly to them, they do not accept the federal government of Pakistan.

b. Taliban's demand of recognition of <sup>their</sup> government from Pakistan

Taliban converted from non-state Actors to government official. They imposed various restriction on female either in education or in job. They want Pakistan's recognition for their government but Pakistan does not want to repeat its mistake as it did in 1992, although, Pakistan is trying to coordinate with International government to find a way to recognize



Taliban government.

## IMPLICATIONS ON PAKISTAN Threat To The Nation-State System of Pakistan

TTP and ISKP are the existential threat for Pakistan. TTP and Afghan Taliban can break Pakistan as state. They have continued their terrorist activities and exploited youth on the name of religion.

### Strikes in Swat

Massive strikes have been launched in Swat and other parts of KP. Citizens want security and safety from terrorism. Currently, Analysts are thinking that cooperation can be developed between TTP and Sindh Liberation Army.

Sectarian divide can be increased due to insurgence of Afghan Taliban in Balochistan, KP, and Sindh.

### Revival of Terrorism

Pakistan removed the threat of Terrorism in between 2015-2019, but terrorism has increased after the revival of Afghan Taliban government.

### Tension on Western border

Skirmishes have occurred several times on Chaman border that join southeastern border of Afghanistan, Kohat with southwestern border of Pakistan, Balochistan. In Dec, Pakistan military said that Afghanistan opened fires indiscriminately and suddenly. Skirmishes are going on.

Process.

## RECOMMENDATIONS FOR ISLAMABAD

### Use force against TTP

TTP is not going to eradicate by its own because they people are not ready to talk beyond reversal of merger of FATA.

only it is possible for Pakistan's military forces launched massive operations against TTP.

TTP fled to Afghanistan. Pakistan has an opportunity to same attack, although Afghan government promised Pakistan that they would not let TTP and ISId to use their land against Pakistan.

### Cooperation with Afghan Government

Pakistan has tried to make good relations with Afghanistan. Former must continue these efforts because Taliban will not go anywhere, so that Pakistan have to deal with them.

Pakistan should try to cooperate with Afghan Taliban's government in bilateral trade, security concerns, counter-terrorism and people-to-people contact.

### Conclusion

Relations between Pakistan and Afghanistan have not remained good. Pakistan always try to maintain effective relations. Pakistan should continue these efforts.

Short answer.

Add around 5 arguments under each section (causes, implications, recommendations) by giving subheadings.

Attempt each question on 7-9 sides of a page.

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