

Pakistan to seek at least \$6 billion in new IMF loan program. The government will need funding to avoid debt default. Discuss the effectiveness of various IMF programs and suggest ways to lessen the dependency on IMF Program in Pakistan.

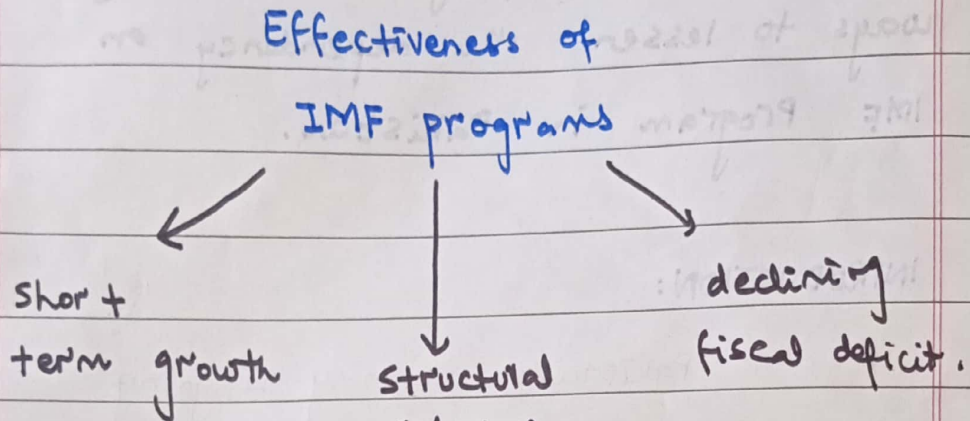
### INTRODUCTION:

Pakistan's economy is going through a boom burst cycle. In order to avoid the debt default, the country sought new IMF loan program. Jeffery

Franks in his report highlighted the effectiveness of various IMF programs which includes short term growth, increase in tax to GDP growth and also decline <sup>in</sup> the fiscal deficit.

However, in addition to this he also suggested some ways in which Pakistan can lessen the dependency on IMF programs in Pakistan which includes domestic resource

mobilization, investing on human capital development, diversifying exports and foreign direct investment.



ways to lessen the dependency on  
 Improving Pakistan stock exchange capitalization

IMF Program in Pakistan.

← Improving Governance
→ Diversifying exports and FDI

Domestic resource mobilization

investing on human capital development

Date: \_\_\_\_\_  
2. IMF STAND BY AGREEMENT :

A DOUBLE EDGE SWORD FOR  
PAKISTAN'S ECONOMY.

IMF Executive Board has recently approved 9-month stand by agreement of Pakistan of about \$3 billion. As per the recent IMF agreement an immediate disbursement of \$1.2 billion will be done and other would be disbursed as per the continuation of program. Many argues that IMF deal will help stabilize the currency and inflation in short to medium term. But as per some opinion this will worsen the dependency of Pakistan.

"IMF Program will impoverish the masses."

- Center for Research  
on Globalization.

### 3. EFFECTIVENESS OF IMF PROGRAMS

#### 3a. Short term growth.

The IMF Programs provides a short term economic growth.

"Pakistan foreign reserves improve to \$8.1 billion in december 2023 from \$4.5 billion in June 2023,"  
- SBP

#### 3b. Structural reforms improves the tax to GDP ratio

By analysizing the past statistics, one can depict that IMF program can help to improve the tax to GDP ratio.

"Pakistan tax to GDP ratio improves from 9.1% in 2013 to 11.1% in 2016" - world Economic FORUM.

### 3c. Declining Fiscal deficit

IMF can play a crucial role in macro economic management. It is can be observed by analysing past statistics.

"Fiscal deficit was reduced from 8.8 % of GDP in 2013 to 4.6 % of GDP in 2016."

- Economic survey of Pakistan.

### 4. Ways to lessen the dependency on IMF Programs in Pakistan

#### 4a. Domestic resource mobilization.

The country needs to improve its tax base which will then help the government to generate revenue.

"The country tax to GDP ratio is 9.1% as per the Foreign minister they want to try to improve it to 11.1% in next 3 years."

#### 4b. Investing in human capital development

The country needs to invest in human capital such as education, jobs etc. The investment on human capital development will equip the workforce with relevant skills, reducing its reliance on financial assistance.

"Pakistan rank 118 out of 130 in human capital index, emphasizing on the need to increase public investment." — world bank.

#### 4c. Diversifying exports and Foreign direct investment

A boost in exports and Foreign direct investment will lessen the country's dependency on IMF loans.

"The country export is improve to 25.8% year by year in May 2024, reaching to about \$ 2.8 billion." - Pakistan Economic Survey.

#### 4d. Improving Governance.

There is a dire need to improve the Governance and political stability of the country. As the economic condition of the country is directly linked with the political stability.

Day \_\_\_\_\_ Date \_\_\_\_\_  
"political instability heightens  
the economic challenges."

- State Bank  
of Pakistan.

4e - Improving Pakistan stock  
exchange say market capitalization

In order  
to lessen the reliance of  
IMF programs the country  
needs to improve its  
stock exchange market capitalization.

"Pakistan stock exchange  
market capitalization is  
\$ 30 billion whereas India's  
stock exchange market  
capitalization is \$ 3 trillion"  
- world  
Bank report



## Conclusion:

In conclusion, the IMF stand by agreements can provide a short term relief to the country, increase its tax to GDP ratio for a short period of time and reduce the fiscal deficit. However, in order to lessen the dependency the country needs to invest on human capital development, diversifying exports and FDI.