# IMF and Pakistan : Road to Stability or Recipe for Disaster

1. Introduction

2. Reasons to always Blame IMF as a Recipe for Disaster

2.1 IMF is always engaged in deep crisis situation and it demands conditionalities; these conditions often critisize without acknowledging that these come as a result of years of economic misgovernance
(Recent IMF Program and Pakistan's vulnerability to accept the demands)

2.2 IMF exposes structural flaws and government's failures which government wants to hide; blamming IMF helps to divert focus from internal failures
(IMF report in November 2015. Huge corruption and misgovernance exposed)

2.3 Political parties often use IMF as a tool for narrative building and political maneuvering
(PTI agenda before 2018 election in comparison to post election bailout)

3 IMF is the Road to Stability: if Persistent Policy ~~making~~ and their Implementation exists

3.1 Reducing expenditures and increasing revenue generation are always remain the top Conditions of IMF; Indeed these are prerequisite for economic growth
(Case Study of Ghana)

3.2 IMF demands structural reforms in the economic model, unless economy is on the right trajectory sustainable growth is impossible
(Book: Issue in Pakistan economy by Akbar S. Zaidi)

3.3 IMF highlights ~~structural~~ governance issues and demands effective policy making with implementation
(Book: Governing the ungovernable by Ishrat hussain)

3.4 IMF suggests institutional sovereignty and criticizes the political interference; a deep rooted challenge in Pakistan
(Theory: Political economy of institutions by Acemoglu)

3.5 IMF demands widening the tax net and regularization of informal economy (Narrow tax net in Pakistan and almost 60% of economy is informal according to IPRI report)

3.6 IMF demands transparency in institutional and bureaucratic process and emphasizes to overcome the menace of corruption (Recent IMF report exposed 5.3 trillion rupees of corruption)

4. Conclusion

# The Essay

"IMF acts as a external Commitment device; helping the government to do what they already know must be done but cannot politically manage it alone," Sabastian Mallaby said. This quote holds the reality. Governments often know about what they must have to be done for economic growth but they are unable to implement policies because of domestic politics. Pakistan's Conditions is also not different from it. Since the first program of 1958, Pakistan went 25 times to IMF. Despite knowing the flaws and structural issue, the country never reformed them sometime to protect political space and often to give incentive ~~or~~ priviledges to elites. These unadopted policies and reforms forced the country into vicious cycle where to pay interest of already taken loan the country takes more tranches. Due to policy failures, growth remains stagnated, trade deficit increased, reserves starts depleting, and the country again engaged the IMF for next program. This cycle repeats after every bailout. This policy incosistency and misgovernance often hided by blaming IMF for the economic disasters. IMF is always engaged at the time when country is at the brink of collapse, as always the IMF exposes the structural flaws in economy and give loans at strict conditionalities to implement. These conditionalities are termed as economic disaster without even acknowledging the fact that these comes as a result of years of policy failures. IMF only proposes the effective policies by analysing the loopholes of the country in order to overcome economic crisis. IMF conditions are oftenly based on: Reducing expenditures and increasing revenue generation, structural reforms in economic structure, highlights governance issues and demand effective policy making, institutional sovereignty and political interference, expansion of narrow tax net, and transparency in institutional and bureaucratic processes. If critically analyze these suggestions, indeed these are the loopholes that bounds the country for recurring loans from IMF. The IMF bailouts and ~~recov~~ policies are declared as recipe for disaster, rather these are the core conditionalities if implied properly they can be the road to stability as many countries in the world have proved this.

First of all, those reasons need to be highlighted upon which IMF is blamed as a recipe for disaster that eventuality leads the country into more crisis rather than stability. First among them is the time of IMF bailout program. Pakistan or even any other country engages the IMF ~~for~~ at the time of severe crisis. Then the IMF demands to implement strict policies and to reforms the structural issues in economy. On the basis of those harsh conditionalities, not only from government side but also the masses also blame IMF for challenges. As economists say, "IMF conditionalities exist because the government often ~~postpost~~ postapones the hard decision; without external pressure, reforms are hard to implement." As pakistan is in its 25th program with IMF, and IMF conditions are even more harsher than that of previous one. This time again all credit is trying to be put on IMF without acknowledging and correcting internal failures.

Secondly, the IMF is criticises in order to divert the people's attention from elite capture, policy failures, and misgovernance. IMF time by

Conduct research and evaluate the performance of ongoing program recipient, and it ultimately exposes the government failures infront of people. These reports damage the political space and credibility of the government and they want to hide those facts from people. In November 2025, when IMF highlighted the corruption, elite capture, and institutional compromization, several tactis 'again' tried to divert the attention from ~~the~~ the report which is already delayed by the government end. In the result, the governments criticizes the external factor, which is IMF in this case, for hard policy implementation. The rhetoric is made by them that the government has no hand in these hard policies as these are IMF's conditions and we are not in a position to deny them.

Thirdly, IMF is also be blamed for political maneuvering and narrative building. By blaming the external factor, the government or political parties divert the forcus toward IMF. while these parties are in opposition, they criticizes both the government and the IMF for strict policies, considering them as threat to sovereignty and interference in Country's economic system. For example, Pakistan Tehreek-e-Insaf while had in opposition, it strongly used to critices the IMF and narrative building as external interference in Country's affairs; when PTI holds the government, it also went to IMF for the relief program. By analyzing broader picture, these are the political tactics of every political party in order to strong their political narratives and attract the illiterate people of pakistan.

These are the major agendas on which the IMF is always criticized by people and government as well. upcoming are those stance and experts analysis that proves that the IMF itself is not involved in the disaster of economy, rather ~~these~~ its policies are historically proven, it is actually the inconsistency and policy failure of the government that results in even more deep crisis.

∴ One of the ~~top~~ highests demand of IMF before every program, that the country must reduce its expenditure and increase revenue collection. This is the condition which is the prerequisite for further economic stability. prerequisite in terms that if the country does not limit its spending and generate revenue collection policies, how would further economic model be structured. Ghana, once in severe economic deficit back in 2015, went to IMF and implemented IMF proposed monetory policy. In result, the country pulled itself out of economic crisis where economic growth increased from 2% to 9% and inflation decline from 18% to 9% in 3 years. Without limiting the expenditures, Pakistan would fall into more deeper crisis as the fiscal space is continuesly in decline.

Secondly, the IMF demands the structural reform in economic system. If structure is weak or in wrong direction, whole economic model will not grow unless it turns toward the right trajectory. Akbar S. Zaidi while explaining the trajectory of Pakistan's economy in his book, "Issues in Pakistan Economy." He stated that the issue lies in structural weaknesses: weaker institutions, import oriented economy, agriculture depedency, and dependency on foreign assistance.

This proves that IMF demand is valid and exactly addresses the core issues of Pakistan's economy. Current structural flaws are: agriculture decline, weaker institutions, ~~weaker~~ bureaucratic hurdles, misgovernance, decline in exports, fiscal deficit, and narrow tax base. unless these reforms are not taken, as IMF proposed, the sustainable growth is unable to achieve.

Thirdly, IMF highlighted the governance issues and flawed policies. Ishrat Hussain has highlighted this matter in his book, "Governing the Ungovernable." He stated that ineffective policies and more on this poor governance remained one of biggest hurdle in economic growth, since the inception of Pakistan. The IMF has also rightly picked up this issue and make it a part of conditionalities towards Pakistan. In the current IMF reassessment report, it highlighted that despite Pakistan has agreed to work on governance, real improvement and work is still not started on it. Legislative bodies make policies it is the governance that decide the effective result of them. unfortunately, Pakistan also strucked in this vicious cycle where policies exist but implementation is bare minimum. This further proves that if this IMF's ~~conditions~~ condition is implemented, this will definitely lead to economic stability.

Moving forward, IMF highlights the political interference in institutional process and policy making. These intervention in institutional internal matter eventuality lead them toward more weaknesses. Political economy of institution theory by Acemoglu also stated that weaker institutions and elite capture results in economic and institutional downfall. Political interference challenge exists in deep in the roots of pakistan. Good governance, transparency, and people centric policy making will only come into force when these institutions work on merrit rather than giving political favor to influencials. ~~unless~~ ~~were Despite~~ instead of working on to improve the weaknesses in institutional domain, the recent amendment in Constitution has further raised concerns about the Judicial pillar of the state.

Similarly, IMF has been continuesly stressing pakistan for taxation

The current tax net of Pakistan is very narrow, burdening the already regularised filers especially salaried class while exempting the informal sector. Two of the major sector Real estate and agriculture are mostly and largely exempted for taxation. This further raised concerns about that how feudals and elite class have exempted themselves from tax net while burdening the existent participant. Economic decline is largely because of agriculture and real estate that holds almost one third of the total GDP of Pakistan do not even included in tax net.

Last but not least, IMF has also raised the neglected and consci-ously ignored issue of corruption in Pakistan. Recent IMF reports, which published after a long delay by govern-ment, has raised alarming challenge in instutional and bureaucratic model. The report says that the country has recovered 5.3 trillion rupees in terms of corruption and stated that Pakistan is facing 5 to 6% of loss in GDP because of corruption. The delay in publishing of report also shows that how goverments tries to hide failure, instead of solving them. This effort by the IMF clearly illustrates that if independent institutions ~~are~~ not focus, the governments would not even publish their failure. Indeed this Cheque and balance helps to stabilize the economy.

To summarize the discussion, the IMF role always remain contro-versial not merely in pakistan. But the data of those Countries which implemented IMF proposed policies with Consistency and preseverance have achieved remarkable results. IMF after analyzing the deep rooted and structural problems of Pakistan has suggested rational policy measure if implemented properly will definitely pulled pakistan out of economic crisis. IMF policies are applied and followed by multiple Countries in the world with the assurance of Consistency and long term policy implementation and they overcome economic challenges. Same goes with pakistan as Ishrat hussain said,

"~~Pakistan~~ IMF is not the Cause of pakistan's problems; they are caused by year of poor eco-nomic governance."