

Pakistan Affairs

Q² Pakistan to seek at least \$6 billion in new IMF loan. The government will need funding to avoid debt default. Discuss the effectiveness of various IMF programs and suggested ways to lessen the dependency on IMF programs in Pakistan.

Introduction:

The International Monetary Fund (IMF) is an international world wide organisation that assists countries with financial stability and monetary cooperation through economic surveillance, financial aid, and capacity building support. Pakistan has benefited from IMF, but these have also negatively impacted its socio-political structure.

The effects of IMF on Pakistan are mixed both positive as well as negative. Pakistan has sought IMF bailouts 23 times in 75 years and now new bailout of \$6 billion dollars seek. To end Pakistan dependence on IMF it is recommended to implement comprehensive economic reforms addressing the root causes of its fiscal programme.

Historical Background:

IMF Programmes have become a recurring cycle for Pakistan, with the country repeatedly seeking assistance from the IMF. This dependence on the IMF has developed over the course of more than six decades.

Pakistan's association with IMF dates back to 1958 when

General Ayub Khan
signed a standby agreement
for SPR 25 million dollars.
Zulfikar Ali Bhutto seeking
IMF assistance three
times.

From 1988 to 1997 Pakistan
visited the IMF
eight times. In General
Pervez Musharraf's government
secured \$1.33 billion from
the IMF during nine year
tenure.

In 2008 PPP government
take largest bailout package
\$4.94 billion.

From 1988 to 2023
till now Pakistan has been
taken IMF bailout ~~from~~
~~the~~ last bailout in 2023
is _____.

Theoretical Analysis:

Dependency theory posits
that underdeveloped countries
like Pakistan are economically

economically and politically dependent on more developed countries and institutions like the IMF. In this framework, the IMF is seen a tool of developed countries to maintain their dominant position in the global economy and to control the economic policies of developing countries. The IMF programmes have reinforced Pakistan's economic dependence on the developed countries and international institutions. The conditions attached to these programmes have constrained Pakistan's economic policy autonomy and limited its ability to pursue policies that are in its best interests.

Effects of IMF Programs:

In case of Pakistan the effects of IMF programmes from 1988 to till now have both positive and negative.

On the one hand, at same time IMF programmes helped Pakistan to stabilise its economy, and restore investor confidence and boost economic growth. Yet, on the other hand, the IMF programme have also led toward inflation, high unemployment rates, and immeasurable poverty.

Besides, the IMF programme have also had a impact on Pakistan's social welfare. The austerity measures often suggested, have led to decrease in public sectors like health care and education.

Internally, this dependency is keeping the country delicately under developed and with an inability to break free from foreign economic aid. The situation is reinforced with each IMF tranche.

Way forward:

To end its dependence on the IMF, Pakistan needs to implement comprehensive economic reforms that address the root causes of its fiscal problems. Since political instability remains the main component of the solution for every problem.

- ① Increase Tax Revenue:
Pakistan need to broaden its tax base and improve tax collection systems to increase revenue generation. This can be done by improving

tax compliance, reducing tax exemptions, and expanding the formal economy.

- ② Energy Sector Reforms:
The energy sector need to be reformed by reducing subsidies and improving efficiency to reduce the burden on the budget.
- ③ State-owned Enterprise Reforms:
The government needs to restructure state-owned enterprises and reduce their losses by improving their management and governance.
- ④ Rationalise Expenditures:
The government needs to rationalise its expenditures, prioritise spending on development and social services and reduce wasteful spending.
- ⑤ Attract foreign investment:
Pakistan needs to attract foreign investment by improving the business environment

Reducing bureaucratic hurdles,
and providing incentives to
investors.

⑥ Diversify Exports?
Pakistan should focus on
diversifying its export base
to reduce dependence on
a few sectors, and
also promote value-added
exports.