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Current Affair
Test #3

QNo: 3

IMF's loan and
Pakistan

1. Introduction:

International monetary fund (IMF) has always been a driving tool of Pakistan's economic journey. The economic stability in Pakistan oscillates between IMF's bailout programs and external loans. The persistent economic challenges faced by Pakistan are corruption, tax evasion, low rates of foreign direct investment, short-term governments and recurrent changes in policy are deeply rooted in economic, structural and political failures of the state. These challenges have undermined state's progress resulting in stagnant economic growth, low GDP, economic defaults and heavy loans.

2. Cross-over between IMF and Pakistan;

IMF, since its development has been the supporter of unstable economy of Pakistan. Multiple loans and bailout programmes by IMF has backed Pakistan when it was at the brink of default. So far, Pakistan has availed 5 bailout programs by IMF to stabilize its economy. During 20s, loans provided by international monetary fund has pulled Pakistan from economic collapse.



3. Current status of IMF and Pakistan;

In contemporary times, Pakistan is still availing the 5th bailout program provided by IMF. During 2022, when economy of Pakistan lost its balance and GDP was lowest at 0.56, the PMLN government signed a bailout program with IMF with strict conditions and targets imposed by IMF.

4. Short-term relief by IMF: a miraj of stability;

The economic support provided by IMF is meant to stabilize the economy of states that are at the brink of default. The economic support of IMF is never meant to provide long-term support or stability to an economically weak state. The key assumption of international monetary fund is to provide short-term reliefs to struggling economies. Being completely reliable on IMF's support or their loan programs is itself a miraj to believe. The structural weakness rooted in the economic system of Pakistan can only be fixed by state and its people and not by any monetary organization. Pakistan's economy will not remain stable in a long run if it completely relies on IMF programs. IMF is just a short-term relief to states.

5. Structural challenges within economic system of Pakistan:

The economic instability in Pakistan is marked by structural weaknesses within economic system of Pakistan such as,

- Massive corruption
- Tax evasion
- Institutional gaps
- Stagnant development in agriculture and industries.

(a) Massive corruptions:

IMF itself has highlighted massive corruptions in the economic system of Pakistan. As per latest report by IMF on corruption and governance failures in Pakistan almost 12% of Pakistan's economy is usurped by corruption and that becomes 6 billion out of bailout programs provided by IMF. Such huge amount of corruption is a great void in the economic system of Pakistan hindering its growth and development.

(b) Tax evasion;

Another ill highlighted by IMF in its latest report about Pakistan is tax evasion. A huge population and industrialist are refrained by tax. IMF highlighted the poor tax rates in Pakistan hindering its economic growth.

(c) Institutional gaps;

The persistent institutional gaps in Pakistan such as inefficiency of NAB and FBR has undermined the economic growth of Pakistan providing an escape to corrupt mafia and tax evaders.

(d) Stagnant growth of agriculture and industries;

Pakistan being an agrarian country with largest exporter of textile is still lagging in its economy due to stagnant growth of its industries and agriculture.

6. Political challenges hindering economic growth of Pakistan;

The deeply rooted malfunctions in the political system of Pakistan is hindering the economic development of Pakistan, making the state highly reliable on short-term relief provided by IMF.

(a) Short-term governments:

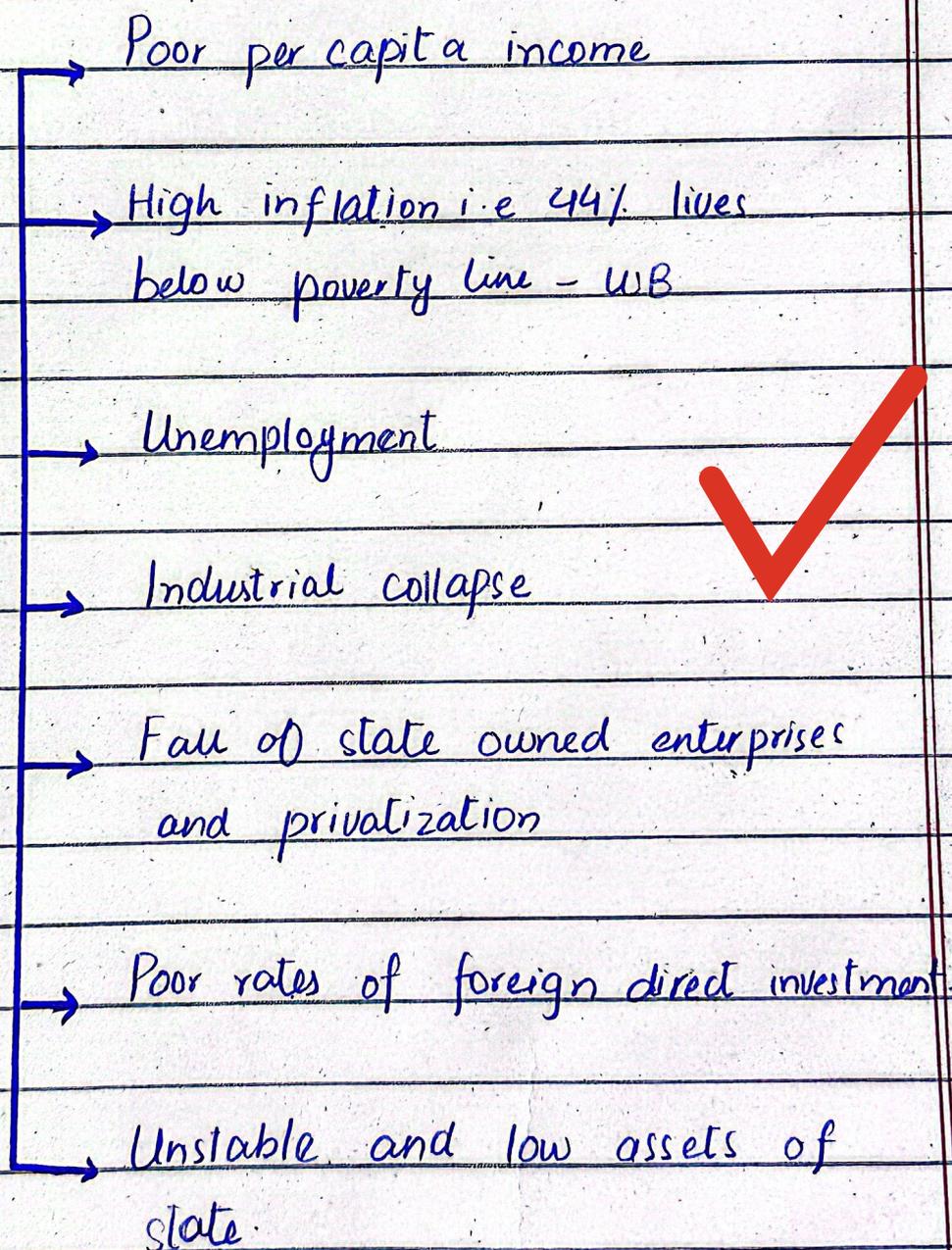
The short-term governments in Pakistan has hindered the economic stability in the state. The transition of government from PTI to PMLN had highly destabilized the economy of state.

(b) Poor policy frameworks:

Different policy frameworks by different governments create hinderances for our struggling economy, undermining its growth.

7. Impacts on sustainable growth:

The structural and political failures within Pakistan has deep and forseen impacts on the sustainable economic growth of Pakistan,



8. Conclusion

In a nutshell, the Pakistan's journey with IMF is bound by interdependency, short-term reliefs and economic cooperation.

Pakistan relies on IMF for its economic stability due to the persistent voids provided by structural and political failures within state.

