# Pakistan's Experiences with IMF Programs, 1958-2021: Stagnation or Development?

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***Abstract***

*Pakistan is among the most regular clients of the International Monetary Fund (IMF). Currently too, Pakistan is part of an on-going IMF program which is suspended due to differences of opinions between Pakistani and IMF officials on policy actions. In addition, the trajectory of Pakistan's key economic indicators after IMF programs over seven decades has been highly mixed. Overall, the main IMF conditions of currency depreciation, indirect tax, interest, utility and energy rate hikes and privatization have failed to deliver sustainable growth or even fiscal or external deficit reduction. There is little in IMF conditions focused on growth-inducing policies by increasing exports or foreign direct investment as IMF has no expertise in these areas. But then many analysts ask why global powers have created an entity to bail out developing states in crisis which specializes only in growth-reducing policies. Thus, IMF programs/conditions may look necessary from a narrow, short-term view as in their absence, states may face even greater pain. However, from a broader, long-term perspective, they clearly seem as a poor basis for ensuring sustainable growth in developing states, which requires structural changes in the global economic system.*

JEL classifications: A1; F0; H0;

**Key words:** IMF, Pakistan; Structural Adjustment; Sustainable Development; Economic Development

## Introduction

Pakistan is among the most regular clients of the International Monetary Fund (IMF). Since taking its first loan from the IMF in 1958, it has utilized IMF loans 23 times. Currently too, Pakistan is part of an on-going IMF program which is suspended due to differences of opinions between Pakistani and IMF officials on policy actions. The current situation is an apt reflection of the nature of the relationship between Pakistan and IMF. Nine out of the 23 programs were terminated mid-way due to differences of opinion on policy actions and Pakistan's inability and unwillingness to meet IMF conditions.

At the same time, there are serious differences about the impact that IMF programs conditions have had on the Pakistani economy. The large number of programs, the premature cancellation of most programs and Pakistan's weak economic performance in the last three decades when most IMF program

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were implemented by Pakistan raise serious questions of the efficacy of IMF programs in Pakistan. These concerns reflect the broader concerns about the impact of IMF programs globally.

This paper looks at the root-causes that forced Pakistan to become a regular IMF client, the nature of IMF programs in Pakistan and their short-term and long-term impact. The next section provides a brief overview of the different types of IMF programs globally and the general critique of such programs in terms of their impact on the economies of developing countries. The third section provides an overview of Pakistan's history of IMF programs and the base situation, conditions and impact of each program on major economic indicators. The last section provides major conclusions and recommendations.

## Nature of IMF Programs

The IMF was conceived in July 1944, when representatives of 45 countries meeting in the town of Bretton Woods, New Hampshire, United States, agreed on a framework for international economic cooperation to be established after the Second World War. They believed that such a framework was necessary to avoid a repetition of the disastrous economic policies that had contributed to the Great Depression. The IMF came into formal existence in December 1945, when its first 29 member countries signed its Articles of Agreement. It began operations on March 1, 1947. Later that year, France became the first country to borrow from the IMF. During the 1950s and 1960s, IMF lending mainly consisted of the Stand-by lending facility that provided loans to countries facing short-term balance of payment problems. There were no policy conditions attached to the loans.

**Table 1: Non-concessional Financing Activity**

| Credit Facility/Year Set-up | **Stand-By Arrangements (SBA) 1952** | **Extended Fund Facility (EFF) 1974** | **Flexible Credit Lines (FCL) 2009** | **Precautionary and Liquidity Line (PLL) 2011** | **Rapid Financing Instrument (RFI) 2011** |
|---|---|---|---|---|---|
| Purpose | Short- to medium-term assistance for countries with short-term balance of payments difficulties | Longer- term assistance to support structural reforms to address long-term balance of payments difficulties | Flexible instrument in the credit tranches to address all balance of payment needs, potential or actual | Instrument for countries with sound economic fundamentals and policies | Rapid financial assistance to all member countries facing an urgent balance of payments need |
| Conditions | Adopt policies that provide confidence that the member's balance of payments difficulties will be resolved within a reasonable period | Adopt up to 4-year program, with structural agenda and annual detailed statement of policies for the next 12 months | Very strong ex ante macroeconomic fundamentals, economic policy framework, and policy track record | Sound policy frameworks, external positions, and market access, including financial sector soundness | Efforts to solve balance of payments difficulties (may include prior actions) |

| | | | | | |
|---|---|---|---|---|---|
| Repayment Schedule (years) | 3 ¼ - 5 | 4 ½ - 10 | 3 ¼ - 5 | 3 ¼ - 5 | 3 ¼ - 5 |

IMF website

The oil shocks of the 1970s, which forced many oil-importing countries to borrow from commercial banks, and the interest rate increases in industrial countries trying to control inflation led to an international debt crisis. The IMF responded to these challenges by adapting its lending instruments. To help oil importers deal with anticipated current account deficits and inflation in the face of higher oil prices, it set up the first of two oil facilities. From the mid-1970s, the IMF sought to respond to the balance of payments difficulties confronting many of the world's poorest countries by providing concessional financing through what was known as the Trust Fund. When a crisis broke out in Mexico in 1982, the IMF coordinated the global response, even engaging the commercial banks. It realized that no one would benefit if country after country failed to repay its debts. The IMF's initiative calmed the initial panic and defused its explosive potential. But a long road of painful reform in the debtor countries, and additional cooperative global measures, would be necessary to eliminate the problem. In March 1986, the IMF created a new concessional loan program called the Structural Adjustment Facility. The SAF was succeeded by the Enhanced Structural Adjustment Facility in December 1987. IMF now has two main types of lending which each consist of several different types of lending arrangements. Non- concessional financing activity consists of loan programs provided to countries at non- concessional interest rates. There are five arrangements under this type of lending. Table 1 shows a detailed explanation for each and the differences among them. On the other hand, Concessional Financial Activity consists of loan programs provided to countries at concessional interest rates. There are a total of three different arrangements under this lending as shown in Table 2.

**Table 2: Concessional Financing Activity**

| Credit Facility | **Extended Credit Facility (ECF)** | **Standby Credit Facility (SCF)** | **Rapid Credit Facility (RCF)** |
|---|---|---|---|
| Purpose | Address protracted balance of payments problems | Resolve short-terms balance of payments needs | Low-access financing to meet urgent balance of payment needs |
| Eligibility | Countries eligible under the Poverty Reduction and Growth Trust (PRGT) | | |
| Qualification | Protracted balance of payments problem; actual financing need over the course of the arraignment, though not necessarily when lending is approved or disbursed | Potential (precautionary use) or actual short-term balance of payments need at the time of approval; | Urgent balance of payments need when upper-credit-tranche (UCT) program is either not feasible or not needed |

| | | | |
|---|---|---|---|
| Conditionality | UCT; flexibility on adjustment path and timing | UCT; aim to resolve balance of payments need in the short term | No UCT and no conditions based on ex post review; track record used to qualify for repeat use |
| Financing Terms | Interest Rate: 0<br>Repayment Terms: 5 ½ – 10 years | Interest Rate: 0.25%<br>Repayment Terms: 4-8 years. Available Fee: 0.15 % on availability | Interest Rate: 0<br>Repayment Terms: 5 ½ – 10 years |
| Length and Repeated Use | 3-4 Years (extendable to 5); can be used repeatedly | 12-24 months; use limited to 2 ½ of any 5 years | Outright disbursements; repeated use possible subject to access limits and other requirements |

IMF website

Since the 1980s, IMF lending to developing countries has become linked to policy conditions related to exchange rate, monetary, fiscal and other policies with the aim to solving the balance of payment problems faced by developing countries on a sustainable basis. Some of these conditions are required prior to the disbursement of loans whereas the others are to be followed over the course of the loan program for the withdrawal of all the installments approved by IMF.

IMF often puts conditions affecting the fiscal, monetary and tax policy, following are some examples:

- Reduction in government borrowing – Higher taxes and lower spending
- Increase in interest rates to stabilize the currency.
- Allow failing firms to go bankrupt.
- Structural adjustment. Privatization, deregulation, reducing corruption and bureaucracy.

However, these prescriptions have been criticized for failing to put developing countries on the path to sustainable development. The basic criticism is that countries facing recessions need fiscal, monetary and exchange rate stimuli to regain growth. However, at precisely the time that they need such stimuli, IMF austerity-focused conditions further cut growth and diminish the long-term industrial and institutional capacities of such countries. The more specific criticisms are as follows (Dreher and Walter, 2010; Sproas, 1986; McKinley, 2010; Sherani, 2019, Sareen, 2019):

- Fiscal contractions dictated by IMF programs lead to cut-backs in social and development expenditures related to health, education and social services, putting higher burden on the poor.
- Higher interest rates increase the costs of borrowing for businesses, leading to lower growth, deindustrialization, and governments, leading to higher fiscal deficits.
- Market-driven exchange rates lead to inflation, dampen investment and make planning difficult.

- The fall in the exchange rate often does not increase exports as the other factors constraining exports remain unchanged.
- The short durations of IMF programs make it difficult to focus on long-term policy reforms and lead to short-term reforms which may be detrimental to long-term reform.
- Bureaucratic reforms dictated by IMF programs undermine governmental capacities IMF programs do not focus on critical policies needed to boost exports and foreign direct investment and industrial growth.
- The IMF has been implementing neo-liberal policies such as privatization,[1]which in some countries can lead to private monopolies that exploit consumers.
- IMF often fails to consult the borrowing countries about the policy reforms, leading to wrong policy prescriptions and lack of ownership.

**Overview of Pakistan's IMF Programs**

Since its first loan in 1958, Pakistan has used IMF loans 23 times for a total of around SDR 25 billion. Until 1971, it just availed three stand-by loans ranging between 25 and 75 million. The next four loans in the 1970s were also stand-by loans. Thus, the bulk of Pakistan's loans were availed beginning in the 1980s, i.e., the era of high oil prices and debt and external balance problems globally. This phase also coincided with the emergence of policy conditions in IMF lending. Since the 1980s, Pakistan has taken IMF loans 15 times, including its biggest ever programs of SDR 7.2 billion during the 2008 global financial crisis. It has only completed nine programs to-date, while 11 programs were terminated prematurely. Twelve loans were Stand-by loans and six were Extended Fund Facility loans. In the last 50 years since 1971, Pakistan has https://www.tandfonline.com/doi/full/10.1080/13600826.2011.577032?casa_token=G0NKaJkTX9YAAAAA%3AdC1HR2pvDhUxRkupZCcgoOpdgKMsAXLRS0RLALvfAWJh2_UxhtHRgfEX1kMV73mlvkZUDiv_BOTP

taken 20 loans at an average of one loan every 2.5 years. Except for three Extended Credit Facility loans, the rest of the loans have been non-concessional loans.

**Table 3: List of IMF Programs to Pakistan (IMF website)**

| Facility | Date of Arrangement | Expiration Date | Amount Agreed (SDR 000) | Amount Drawn (SDR mln) | Status |
|---|---|---|---|---|---|
| Rapid Credit Facility | 16-Apr-20 | | 1,015 | 1,015 | In Progress |
| Extended Fund Facility | 3-Jul-19 | 2-Oct-22 | 4,268 | 1,044 | In progress |
| Extended Fund Facility | 4-Sep-13 | 30-Sep-16 | 4,393 | 4,393 | Complete |
| Standby Arrangement | 24-Nov-08 | 30-Sep-11 | 7,236 | 4,936 | Incomplete |
| Extended Credit Facility | 6-Dec-01 | 5-Dec-04 | 1,034 | 861 | Incomplete |
| Standby Arrangement | 29-Nov-00 | 30-Sep-01 | 465 | 465 | Complete |
| Extended Fund Facility | 20-Oct-97 | 19-Oct-00 | 455 | 113 | Incomplete |
| Extended Credit Facility | 20-Oct-97 | 19-Oct-00 | 682 | 265 | Incomplete |
| Standby Arrangement | 13-Dec-95 | 30-Sep-97 | 563 | 294 | Incomplete |
| Extended Credit Facility | 22-Feb-94 | 13-Dec-95 | 607 | 172 | Incomplete |
| Extended Fund Facility | 22-Feb-94 | 4-Dec-95 | 379 | 123 | Incomplete |
| Standby Arrangement | 16-Sep-93 | 22-Feb-94 | 265 | 88 | Incomplete |
| Structural Adjust Facility | 28-Dec-88 | 27-Dec-91 | 382 | 382 | Complete |
| Standby Arrangement | 28-Dec-88 | 30-Nov-90 | 273 | 194 | Incomplete |
| Extended Fund Facility | 2-Dec-81 | 23-Nov-83 | 919 | 730 | Incomplete |
| Extended Fund Facility | 24-Nov-80 | 1-Dec-81 | 1,268 | 349 | Incomplete |
| Standby Arrangement | 9-Mar-77 | 8-Mar-78 | 80 | 80 | Complete |
| Standby Arrangement | 11-Nov-74 | 10-Nov-75 | 75 | 75 | Complete |
| Standby Arrangement | 11-Aug-73 | 10-Aug-74 | 75 | 75 | Complete |
| Standby Arrangement | 18-May-72 | 17-May-73 | 100 | 84 | Incomplete |
| Standby Arrangement | 17-Oct-68 | 16-Oct-69 | 75 | 75 | Complete |
| Standby Arrangement | 16-Mar-65 | 15-Mar-66 | 37 | 37 | Complete |
| Standby Arrangement | 8-Dec-58 | 22-Sep-59 | 25 | 0 | Incomplete |

As Table 4 shows, Pakistan has taken the most IMF loans among South Asian countries followed by Sri Lanka (16) and Bangladesh (12). India has taken seven loans and seems to have weaned itself off IMF dependency, having taken its last loan in 1991. Even Bangladesh's last loan was in 2012 before it had to take an emergency loan in 2020 due to Covid-19.

**Table 4: IMF Programs to South Asia**

| Country | Total Arrangements | Latest Arrangement |
|---|---|---|
| Afghanistan | 11 | 6 November 2020 |
| Bangladesh | 12 | 29 May 2020 |
| Bhutan | - | - |
| India | 7 | 13 October 1991 |
| Maldives | 3 | 22 April 2020 |
| Nepal | 7 | 7 May 2020 |
| Pakistan | 23 | 16 April 2020 |
| Sri Lanka | 16 | 13 May 2019 |

IMF website

**Programs from 1950s to 1970s**

During the 1950s and1960s, Pakistan took IMF loans thrice, in1958, 1965 and 1968. The amounts were small ranging from 25 million to 75 million SRDs. The 1958 loan was approved but seemingly not drawn upon. All the loans were Standby facility loans, the only IMF facility available in those years, which carried no conditions. Detailed program documents are not available for these loans. The data available for Pakistan's key economic indicators for those decades is also limited. However, the available data shows that the loans were taken in response to short-term falls in foreign exchange reserves. Thus, foreign exchange reserves fell from $269 million in 1956 and $228 million in 1957 to $160 million in 1958, i.e., a fall of nearly 30%.

Reserves started increasing gradually after that but never reached the peak of $269 million in 1956 throughout the 1950s and 1960s. The 1965 loan was taken after reserves fell from $249 million in 1963 to $206 million in 1964 and $147 million in 1965, i.e., a nearly 25% fall from 1964 to 1965. This fall was caused by a spike in imports and fall in exports as the imports/GDP ratio increased from 15.4% to 16.9% in 1965 while the exports/GDP ratio fell from 7.7% to 7%. As a result, the trade deficit increased from 7.7% to 9.9%. The fall was brief, as the trade deficit reduced to 5.4% in 1966 as imports fell sharply and foreign reserves increased to $212 million. However, they fell to $114 million in 1967 and $128 million in 1968, which necessitated a third loan in 1968. This was despite the fact that the trade deficit in 1968 was only 4.1%. Throughout these years, the dollar rate remained at Rs. 4.767 despite the falls in reserves multiple times.

During the 1970s, Pakistan took four standby loans without conditions in 1972, 1973, 1974 and 1977. The amounts ranged from SDR 75 to 84 million. The 1972-74 period represented the years of the first oil shock in 1973. However, in 1972 and 1973, foreign reserves had increased sharply compared to their levels in the late 1960s and the trade deficit was also much lower than in the late 1960s, actually being positive in 1973. In 1974, there was a fall in foreign reserves from$396 million in 1973 to $336 million in 1974. This was caused by a sharp increase in imports and the trade deficit in 1974 with the trade balance going from a surplus of 0.4% in 1973 to -3.7% in 1974 due to the oil shock in 1973. In 1977, there was again a sharp fall in reserves although the current account deficit actually reduced.

**Table 5: Key Economic Indicators from 1950s to 1970s**[2]

| Variable | GDP growth (%) | Inflation (%) | Fiscal Balance | CAD/ Trade Deficit | Exports | Percentage of GDP Imports | FDI | Remittances | External Debt | Foreign Res ($ Million) | USD/PKR rate |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1955 | 2.0 | | | | | | | | | 186 | 4.7 |
| 1956 | 3.5 | | | | | | | | | 269 | 4.7 |
| 1957 | 2.9 | | | | | | | | | 228 | 4.7 |
| 1958 | 2.5 | | | | | | | | | 160 | 4.7 |
| 1959 | 5.4 | | | | | | | | | 169 | 4.7 |
| 1960 | 0.8 | | | -6 | 7.2 | 13.2 | | | | 194 | 4.7 |
| 1961 | 4.8 | 3.6 | | -7.8 | 6.2 | 14 | | | | 204 | 4.7 |
| 1962 | 6.0 | 0.2 | | -7.6 | 6.7 | 14.3 | | | | 184 | 4.7 |
| 1963 | 7.1 | -1.1 | | -7.6 | 8.2 | 15.8 | | | | 249 | 4.7 |
| 1964 | 6.4 | 4.5 | | -7.7 | 7.7 | 15.4 | | | | 206 | 4.7 |
| 1965 | 9.3 | 3.2 | | -9.9 | 7 | 16.9 | | | | 147 | 4.7 |
| 1966 | 7.5 | 4.6 | | -5.4 | 6.9 | 12.3 | | | | 212 | 4.7 |
| 1967 | 3.0 | 7.9 | | -6.1 | 6.9 | 13.6 | | | | 114 | 4.7 |
| 1968 | 6.7 | 0.5 | | -4.1 | 7.5 | 11.6 | | | | 128 | 4.7 |
| 1969 | 6.4 | 2.3 | | -3.7 | 6.9 | 10.6 | | | | 245 | 4.7 |
| 1970 | 9.7 | 3.7 | | -3.7 | 7.6 | 10.4 | | | 34.3 | 233 | 4.7 |
| 1971 | 1.2 | 5.8 | | -2.8 | 7.7 | 10.5 | | | 35.8 | 168 | 4.7 |
| 1972 | 2.3 | 6.9 | | -1.4 | 7.2 | 8.6 | 0.2 | | 43.9 | 249 | 4.7 |
| 1973 | 6.8 | 15.3 | | 0.4 | 14.8 | 14.2 | 0.0 | | 72.4 | 396 | 11 |
| 1974 | 7.4 | 26.1 | | -3.7 | 13.6 | 17.3 | 0.1 | | 58 | 336 | 9.9 |
| 1975 | 3.8 | 21.1 | | -9 | 11.7 | 20.7 | 0.2 | | 51.7 | 419 | 9.9 |
| 1976 | 3.2 | 11.5 | -9.6 | -5.7 | 10.6 | 18.3 | 0.1 | 3.1 | 52.2 | 546 | 9.9 |
| 1977 | 2.8 | 10.5 | -8.6 | -4.8 | 9.3 | 17.9 | 0.1 | 5.7 | 50.6 | 363 | 9.9 |
| 1978 | 7.7 | 9.0 | -7.9 | -4.0 | 9.4 | 18.5 | 0.2 | 7.4 | 47.2 | 696 | 9.9 |
| 1979 | 5.5 | 6.5 | -8.9 | -5.6 | 11 | 21.8 | 0.3 | 7.6 | 45.8 | 414 | 9.9 |

[2] From 1976 onwards, the trade deficit column shows the balance of current account/GDP ratio. Years in red are program loan years.

Sources: Please see Table 7.

During the 1970s, remittances were significant, ranging up to 7.6% of GDP in 1979 and helped to finance growing imports which jumped from below 15% of GDP in 1960s to closer to 20% in the 1970s. No clear impact of IMF loans on GDP growth or inflation can be seen. Inflation in the mid-1970s was high due to oil shocks while growth was low in 1971 in certain years in these decades but seemingly due to other factors, e.g., in 1971 and 1972 due to the 1971 war.

| | | | | Percentage of GDP | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Variable** | GDP growth (%) | Inflation (%) | Interest Rate (%) | Fiscal Balance | Education expenses | Health expenses | Develop expenses | Defense expenses | Current Account/ Trade Deficit | Exports | Imports | FDI | Remit - tances | External Debt | Foreign Reserves ($Million ) | Prior to Loan Reserves Fall (%) | USD / PKR rate |
| 1958 | 2.8 | | | | | | | | | | | | | | 227 | 30% | 4.7 |
| | 2.9 | | | | | | | | | | | | | | 174 | | 4.7 |
| 1965 | 6.5 | 1.7 | | | | | | | -7.7 | 7.5 | 15.2 | | | | 213.0 | 25% | 4.7 |
| | 6.6 | 6.5 | | | | | | | -7.4 | 6.9 | 14.3 | | | | 157.7 | | 4.7 |
| 1968 | 6.6 | 6.5 | | | | | | | -7.4 | 6.9 | 14.3 | | | | 157.7 | 45% | 4.7 |
| | 7.6 | 2.9 | | | | | | | -3.6 | 7.3 | 10.9 | | | | 202.0 | | 4.7 |
| 1972 | 5.8 | 4.4 | | -9.1 | | | | | -3.1 | 7.4 | 10.5 | 0.1 | 4.4 | 35.1 | 215.3 | Up & | 4.7 |
| 1973 | 5.5 | 18.3 | | | | | | | -1.6 | 11.9 | 13.4 | 0.1 | | 58.1 | 327.0 | down | 8.5 |
| 1974 | 3.3 | 12.7 | | | | | | | -6.5 | 10.5 | 19.0 | | | 51.5 | 442.7 | | 9.9 |
| 1977 | 4.8 | 18.3 | | -9.6 | | | | | -6.8 | 12.0 | 18.8 | 0.1 | 3.1 | 54.0 | 433.7 | 30% | 9.9 |
| | 5.3 | 8.2 | | -8.5 | | | | | -9.5 | 9.9 | 19.4 | 0.2 | 6.9 | 47.9 | 491.0 | | 9.9 |
| 1980 | 5.3 | 8.2 | | -8.5 | | | | | -4.8 | 9.9 | 19.4 | 0.2 | 6.9 | 47.9 | 491.0 | 40% | 9.9 |
| 1981 | 6.9 | 9.5 | | -5.8 | | | | | -3.5 | 12.7 | 22.8 | 0.4 | 8.0 | 40.3 | 955.5 | | 9.9 |
| | 6.0 | 8.1 | | -6.1 | | | | | -2.1 | 11.2 | 21.9 | 0.2 | 8.9 | 40.3 | 1,541.7 | | 12.9 |
| 1988 | 6.9 | 4.1 | | -8.0 | | | | | -2.3 | 12.2 | 20.6 | 0.3 | 7.8 | 47.7 | 827.3 | 60% | 16.7 |
| x2 | 5.2 | 8.2 | | -7.5 | | | | | -3.7 | 14.2 | 20.0 | 0.5 | 8.6 | 48.3 | 582.3 | | 20.4 |
| 1993 | | | | | | | | | | | | | | | | | |
| 1994 | 5.8 | 10.1 | 13.0 | -7.5 | | | | | 3.5 | 16.3 | 19.7 | 0.6 | 7.2 | 52.6 | 836.3 | 40% | 24 |
| x2 | 3.8 | 11.5 | 15.5 | -6.5 | 2.4 | 0.6 | 4.4 | 5.6 | -4.3 | 16.3 | 20.1 | 0.8 | 2.9 | 51.4 | 1,728.7 | | 29.6 |
| 1995 | 3.9 | 9.8 | 17.2 | -6.8 | 2.4 | 0.7 | 3.9 | 5.3 | -5.5 | 16.4 | 19.9 | 1.1 | 2.2 | 50.9 | 1,331.0 | | 40 |
| 1997 | 5.3 | 11.6 | 16.2 | -6.0 | 2.4 | 0.7 | 4.4 | 5.6 | -4.9 | 16.6 | 19.9 | 1.1 | 2.7 | 51.4 | 1,892.0 | 50% | 32.2 |
| x2 | 3.1 | 8.9 | 15.8 | -6.7 | 2.3 | 0.7 | 3.6 | 5.1 | -4.5 | 15.9 | 18.4 | 0.9 | 2.0 | 53.3 | 1,730 | | 45.6 |
| | 3.1 | 8.9 | 15.8 | -6.7 | 2.3 | 0.7 | 3.6 | 5.1 | -4.5 | 15.9 | 18.4 | 0.9 | 2.0 | 53.3 | 1,730 | | 45.6 |
| 2001 | 3.8 | 6.9 | 12.5 | -4.9 | 1.8 | 0.7 | 2.3 | 3.6 | -1.2 | 12.7 | 13.7 | 0.4 | 1.6 | 41.4 | 2,603 | | 57.7 |
| 2002 | 5.2 | 4.8 | 8.0 | -3.4 | 1.8 | 0.7 | 2.7 | 3.3 | 2.2 | 14.3 | 13.9 | 0.8 | 4.1 | 39.8 | 9,865 | Up | 58.6 |
| | | | | | | | | | | | | | | | 13,78 | | 60. |
| | | | | | | | | | | | | | | | 9 | | 1 |
| | 6.1 | 8.1 | 9.1 | -3.4 | 1.9 | 0.5 | 4.5 | 3.1 | -3.4 | 13.9 | 19.7 | 2.8 | 3.7 | 28.4 | 13,52 | | 77. |
| 2008 | 2.6 | 15.0 | 12.8 | -6.2 | 1.9 | 0.5 | 4.0 | 2.6 | -5.3 | 12.7 | 20.7 | 1.8 | 4.9 | 27.8 | 4 | 33% | 9 |
| | 3.3 | 12.2 | 12.8 | -6.5 | 1.9 | 0.4 | 3.7 | 2.5 | -1.4 | 13.2 | 19.5 | 0.7 | 5.8 | 26.4 | 16,738 | | 88.4 |
| 2013 | 3.9 | 6.2 | 8.7 | -6.3 | 2.1 | 0.7 | 4.7 | 2.5 | -1.1 | 12.0 | 18.5 | 0.6 | 6.8 | 20.1 | 14,797 | 33% | 99.0 |
| | 5.1 | 2.3 | 6.5 | -5.6 | 2.3 | 1.0 | 4.8 | 2.8 | -3.9 | 8.7 | 17.9 | 0.7 | 6.8 | | 20,295 | 30% | 109 |
| | | | | | | | | | | | | | | | 19,255. | | |

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | 1.8 | 9.5 | 9.6 | -8.1 | 1.9 | 1.1 | 2.9 | 2.9 | -2.4 | 9.8 | 18.1 | 0.8 | 8.9 | | 3 | | 158 |

## Table 6: Key Economic Variables 3 Years before and 3 Years after 13 IMF Program Sets[3]

### Table 7: Economic Indicators from 1980s to 1990s[4]

| Variable | GDP growth (%) | Inflation (%) | Interest Rate (%) | Fiscal Balance | Education expenses | Health expenses | Development expenses | Defense expenses | Percentage of GDP | | Exports | Imports | FDI | Remittances | External Debt | Foreign Reserves ($ Million) | USD/ PKR rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | Debt servicing | Current Account Deficit | | | | | | | |
| 1980 | 7.3 | 9 | | -6.3 | | | | | 3.7 | -3.7 | 12.6 | 23.3 | 0.3 | 8.6 | 42.5 | 831 | 9.9 |
| 1981 | 6.4 | 10 | | -5.3 | | | | | 3.3 | -3.2 | 12.8 | 22.3 | 0.4 | 7.4 | 38 | 1080 | 9.9 |
| 1982 | 7.5 | 9.4 | | -5.3 | | | | | 2.9 | -2.6 | 10.2 | 21.1 | 0.2 | 8.4 | 38.5 | 862 | 11.9 |
| 1983 | 6.7 | 5.3 | | -7 | | | | | 4.7 | 0.2 | 12.2 | 22.5 | 0.1 | 10.2 | 42.5 | 1,975 | 13 |
| 1984 | 3.9 | 9.7 | | -6 | | | | | 4.0 | -3.8 | 11.3 | 22 | 0.2 | 8.2 | 39.8 | 1,788 | 13.9 |
| 1985 | 8.7 | 4.5 | | -7.8 | | | | | 4.6 | -3.4 | 10.5 | 22.6 | 0.4 | 7.3 | 44 | 595 | 15.8 |
| 1986 | 6.3 | 3.3 | | -8.1 | | | | | 5.1 | -1.9 | 12.2 | 20.1 | 0.3 | 7.6 | 47.8 | 968 | 16.9 |
| 1987 | 5.8 | 4.5 | | -8.2 | | | | | 5.5 | -1.6 | 13.8 | 19 | 0.3 | 8.6 | 51.4 | 919 | 17.4 |
| 1988 | 6.4 | 9.6 | | -8.5 | | | | | 4.9 | -3.6 | 13.8 | 19.4 | 0.4 | 7.3 | 45.3 | 479 | 17.9 |
| 1989 | 4.6 | 8.6 | | -7.4 | | | | | 4.7 | -3.3 | 14 | 20.3 | 0.5 | 8.4 | 46.7 | 502 | 21.1 |
| 1990 | 4.5 | 6.5 | | -6.5 | | | | | 4.8 | -4.1 | 14.7 | 20.2 | 0.6 | 10.2 | 52.9 | 766 | 21.9 |
| 1991 | 5.4 | 13.5 | 12.0 | -8.7 | | | | | 4.4 | -2.7 | 16.9 | 18.4 | 0.5 | 8.2 | 52.6 | 674 | 24.9 |
| 1992 | 7.5 | 10.2 | 14.0 | -7.4 | | | | | 4.8 | -3.8 | 17.2 | 20.4 | 0.6 | 3.2 | 52.3 | 1,069 | 25.1 |
| 1993 | 2.1 | 8.8 | 15.0 | -8 | | | | | 4.7 | -5.5 | 16.2 | 22.2 | 0.6 | 2.7 | 48.8 | 602 | 27.1 |
| 1994 | 4.3 | 13.0 | 15.0 | -5.9 | | | | | 6.7 | -3.4 | 16.1 | 18.8 | 0.8 | 3.3 | 54 | 2,545 | 30.7 |
| 1995 | 5.0 | 13.0 | 16.5 | -5.6 | 2.4 | 0.6 | 4.4 | 5.6 | 5.4 | -4.1 | 16.7 | 19.4 | 1.1 | 2.8 | 51.4 | 2,039 | 31 |
| 1996 | 6.6 | 8.4 | 17.0 | -6.5 | 2.4 | 0.8 | 4.4 | 5.6 | 5.3 | -7.2 | 16.9 | 21.4 | 1.4 | 2 | 48.7 | 1,092 | 35 |
| 1997 | 1.7 | 13.4 | 18.0 | -6.4 | 2.5 | 0.7 | 3.5 | 5.2 | 6.8 | -6.2 | 16 | 20.7 | 1.1 | 2.7 | 50 | 1,567 | 40.5 |
| 1998 | 3.4 | 7.5 | 16.5 | -7.6 | 2.3 | 0.7 | 3.9 | 5.1 | 3.8 | -3.1 | 16.4 | 17.5 | 0.8 | 1.8 | 54 | 1,334 | 44.5 |
| 1999 | 4.1 | 5.9 | 13.0 | -6.1 | 2.2 | 0.7 | 3.3 | 4.9 | 4.8 | -4.1 | 15.3 | 16.9 | 0.8 | 1.5 | 55.9 | 2,289 | 51.7 |

[3] The 23 programs signed by Pakistan can be reduced to 13 sets of programs as shown in Table 6 when multiple programs in the same or consecutive years are treated as one set of programs. Two years only after the 2019-29 program for some fiscal variables. For years with consecutive year programs, figures are provided for years before, during and after programs.

[4]

**Sources:** GDP and fiscal information: Pakistan Economic Survey; Inflation data: World Bank; Current Account Deficit (%GDP): Pakistan Economic Survey, World Bank; Interest Rate End of year (%): State Bank of Pakistan; Exports/Imports/FDI/Remittances (%GDP): World Bank; Foreign Debt (% GNI): Pakistan Economic Survey from 2008 onwards; earlier figures from World Bank; Foreign Res ($ Million): State Bank of Pakistan; year-end USD/PKR rate: SBP

Compared with the performance in the three years before and after each program, GDP growth remained about the same after first two programs, increased by 0.5% or more after two programs and fell by 3.5% after one program (Table 6). GDP growth increased marginally by 0.1% on average in the three years after the 1958 and 1965 programs started, by 1% on average after the 1968 program, fell from 5.8% in the three years before the three programs from 1972-74 to 3.3% average in the three years after them and increased from 4.8% average to 5.3% after the 1977 program. Similarly, inflation increased after two programs and fell after two programs. It increased from 1.7% to 6.5% on average in the three years after the 1965 program and 4.4% to 12.7% after the 1972-74 programs. It fell from 6.5% before to 2.9% after the 1968 program and from 18.3% to 8.2% after the 1977 program. The trade deficit fell after the two programs in the 1960s but increased more significantly after the two program sets in the 1970s. External debt increased after the 1972-74 programs but fell after the 1977 programs to a lesser extent. Foreign reserves fell after the first two programs but increased after the remaining three programs.

Thus, overall, while almost the programs were necessitated by falls in foreign reserves that ranged from 25% to 45% (except the 1972-74 loans where reserves show and up and down patterns), the trajectory of key economic variables during 1950-70s after the IMF programs was mixed, improving in some cases but deteriorating in other cases. There were no conditions attached with these programs. Thus, the only impact was through the stabilization effect on foreign reserves due to the money availed under the programs. There were also major external factors that affected these economic indicators, such as the 1971 war and the 1970s oil shocks and it is not possible to separate the impact of those factors and the IMF money.

**Programs from 1980s to 1990s**

During the 1980s Pakistan took 4 loans, one each in 1980 and 1981, and two loans in 1988. The amounts (SDR 382-1,268 million) agreed during these programs were comparatively greater than the previous programs. The 1980 and 1981 loans were made through the Extended Fund Facility introduced in 1974. The remaining two programs of 1988 were on Standby Arrangement and Structural Adjustment Facility Commitment respectively. Out of these four programs only the last program of 1988 through Structural Adjustment Facility was completed. All these programs, except the Standby one, entailed conditions. However, the program documents are not available.

Thus, the conditions and their impact cannot be reviewed. For these programs with a few exceptions data for the major economic indicators is available. The available data shows that all four programs were preceded by short-term falls in foreign exchange reserves. Prior to the 1980 and the 1981 program, the foreign reserves declined from $696 million in 1978 to $414 million in 1979, i.e., a fall of over 30%. As a result of the arrangements the foreign reserves increased sharply and by 1983 the amount had reached $1,975 million. However, the following years experienced a gradual fall until 1988. This fall in foreign reserves during 1978-1979 was caused by the increase in imports being greater than the increase of exports as the import/GDP ratio increased from 18.5 in1978 to 21.8 in 1979 while the export/GDP ratio only increased from 9.4 in 1978 to 11.0 in 1979. As a result, the trade deficit increased from 4.0 in 1978 to 5.6 in 1979. However, after the two programs of 1980 and 81, an increase in exports and a decrease in imports was experienced, lowering the current account deficit. This decline was short lived and a drastic increase in the deficit in 1988 led to the two loan programs of 1988. The current account deficit increased from 1.6% of GDP in 1987 to 3.6% in 1988 causing fall in foreign reserves. The two loans of 1988 were also preceded by a fall in foreign reserves. The foreign reserves fell from $919 million in 1987 to $479 million in 1988, i.e., a fall of almost 50%. After the programs of 1988 a small increase in foreign reserves was observed in the succeeding years.

During the 1990s, Pakistan made six agreements with the IMF. The first program was taken in 1993, followed by two arrangements in 1994, one in 1995 and then two programs in 1997. The programs of 1993 and 1995 were taken through Standby Arrangement, the two programs of 1994 were taken through Extended Credit Facility and Extended Fund Facility respectively while both programs of 1997 were also taken through Extended Credit Facility and Extended Fund Facility.

None of the programs were completed. The range of the programs varied from 250 million SDRs to 700 million SDRs. The programs during the three consecutive years were caused by a decrease in exports and an increase in imports. Exports/GDP decreased from 17.2% in 1992 to 16.2% in 1993. On the contrary, imports/GDP increased from 20.4% in 1992 to 22.2% in 1993.

Hence the current deficit increased from 3.8 in 1992 to 5.5 in 1993. The deficit caused a decrease in Foreign Reserves from $1,069 million in 1992 to $602 million in 1993 i.e., a fall of almost 45%. However, this decrease was short lived and the arrangements over the next couple of years increased the Foreign Reserves to $2,039 million in 1995. However, in 1996 the foreign reserves dropped to $1,092 million leading to the IMF programs of 1997. The foreign exchange rate changed drastically over the decade, starting at 21.9 and ending at 517.

Programs in these two decades affected economic indicators doubly, through the injection of money as well as the conditions, unlike in the earlier decades where IMF conditions were absent. Yet, the trajectory of key economic indicators still remained mixed. GDP growth on average increased in the three years after compared with the three years before the first program in these decades but fell after the remaining three programs (Table 6). Inflation increased after one program (1988) but fell after the remaining three programs. Interest rates increased after the three programs in early 1990s but fell after the two programs towards the end of the 1990s decade. The fiscal deficit fell after the first three programs but increased after the 1997 programs while the current account deficit fell after the first and the last sets of programs but increased after the middle two sets of programs. The external debt and foreign reserves fell after two programs and increased after two programs while the Rupee depreciated by almost 400% over the two decades.

**Programs from 2000s to Present:**

From 2000 to the present Pakistan has taken six loans. Two loans were taken one after the other in the years 2000 and 2001. The third arrangement was agreed in 2008, The fourth arrangement in 2013, the fifth arrangement in 2019, and the most recent in 2020 due to Covid-19. A more detailed analysis of these programs can be done than for previous ones as the program documents are all available and information on key economic indicators is also more comprehensively available.

**Program of 2000 and 2001:**

The first two programs were taken in 2000 and 2001 through Standby Arrangement and Extended Credit Facility respectively. In the 2000 arrangement. A total of 465,000 thousand SDRS was agreed from which the total amount was withdrawn, completing the program. In the second program in 2001, a total of 1,033,700 thousand SDRS were agreed from which only 861,420 thousand SDRS were taken leaving the arrangement incomplete. The first loan was taken to set the economy on a high and sustainable growth path by strengthening the balance of payments position, rebuilding official reserves, and reducing public sector indebtedness, whereas the second loan was taken to improve the growth by reducing poverty and raise the deteriorating social development indicators. Prior to the programs, the current account deficit had increased from 3.1 in 1998 to 4.1 in 1999. This was caused by a decline in exports/GDP from 16.4 in 1998 to 15.3 in 1999. The foreign reserves had decreased from $1,567 million in 1997 to $1,334 million in 1998. However, the foreign reserves increased from year 1998 to

1999, from $1,334 million to $2,173 million. The loan was taken to stabilize the high fluctuating foreign reserves.

The key prior action and structural benchmark conditions were as follows:

**Monetary:**

-Up interest rate by 3%

-Audit of Directorate of National Savings

-Elimination of interest subsidy element of the export finance scheme

-Linking rates on Defense Savings Certificates to market-determined yield

**Exchange rate/Reserves**

-Depreciation of PKR by 12%

-SBP official reserves to reach US$ 1,850 million by November 15, 2001

-Allowing banks to purchase foreign exchange from money changers

**Fiscal**

-Separate tax survey activities from normal sales tax admin

-Publication of the fiscal report

-Formation of the Provincial Public Accounts Committees

-Ban on new GST exemptions/phase out old exemptions

-Publication of quarterly fiscal reports

-Promulgation of a new income tax law

-Reconciliation processes in all provinces

-Establish a fiscal reform unit

-Action plan on CBR reform

-Approve audit program

-Social and poverty-related spending report

-CBR revenue for July-October to reach PRs 109 billion

-No new exemptions on any tax; phase out GST subsidies

-Progress on Tax self-assessment; large tax unit formation

**State enterprises**

-KESC, UBL and PTCL sales

**Others**

-Reduction in import tariffs and slabs

-Enactment of the anti-dumping law

-Action plan on improving national accounts

-Resolve dispute with HUBCO KAPCO

-Quarterly petroleum price adjustment

Unlike previous programs, the trajectory of key economic indicators after the programs was mostly on the positive side (Table 6). GDP increased from an average of 3.1% in the three years before the program to 5.2% in the three years after the programs while inflation fell from 7.2% to 4.5% similarly and interest rate from 16.2% to 9.2%. The fiscal deficit fell from 8.9% to 4.8% while the current account deficit fell from 4.5% to a surplus of 2.2% and foreign reserves increased more than five times as sanctions were removed after 2001. However, there was a fall in the GDP ratios of development and education expenses by 2% and 0.5% respectively. This positive trajectory was heavily influenced by the removal of sanctions that had been placed after Pakistan's nuclear testing in 1998.

**Program of 2008:**

The third program for this time period was approved in 2008. A total of 7,235,900 (thousand SDRs) were approved through a Standby Arrangement from which only 4,936,035 were withdrawn marking the program as incomplete. The loan was necessitated after a drastic increase in Current Account Deficit, which increased from -4.8 in 2007 to -8.2 in 2008. This was caused by a significant increase of imports as imports/GDP increased from 19.7 in 2007 to 23.2 in 2008.

On the contrary, exports/GDP experienced a decline from 13.2 in 2007 to 12.3 in 2008. This caused the foreign reserves to drop from $15,647 million in 2007 to $11,399 million in 2008. These trends occurred in the backdrop of the 2008 global financial crisis. The program included the following conditions:

-Discount rate increased by 200 basis points

-SBP independence

-Contingency plan for private banks issues

-SBP and government agreed on quarterly volumes of treasury bills

-Reforms in the area of tax administration

-Eliminating the inter-corporate circular debt

-Single treasury account

-Electricity tariffs increased by 18 percent

-Strengthen the social safety net

Unlike the 2000-1 programs, the trajectory of key economic indicators after the 2008 program was mostly on the negative side (Table 6). GDP fell from an average of 6.1% in the three years before the program to 2.6% in the three years after the programs while inflation increased from 8.1% to 15% similarly and interest rate increased from 9.1% to 12.8%. The fiscal deficit increased from -3.4% to -6.2% while the current account deficit increased from -3.4% to -5.3% and foreign reserves increased slightly. However, there was a fall in the GDP ratios of development expenses by 0.5%. This negative trajectory was heavily influenced by the impact of the 2008 global financial crisis, increased terrorism and the 2010 super floods in Pakistan.

**Program of 2013:**

In 2013, the Nawaz Sharif administration approached IMF for financial support. In the program, a total of 4,393,000 (thousand SDRs) were approved through Extended Fund Facility from which Pakistan withdrew the total amount marking the program as complete. Prior to the program, Foreign Reserves decreased from $15,289 million in 2012 to $11,000 million in 2013. This was caused by an increase in imports and decrease in exports. Exports/GDP decreased from 13.9 in 2011 to 12.3 in 2012 whereas Imports/GDP increased from 18.9 in 2011 to 20.4 in 2012.

Moreover, Fiscal deficit had also increased from -6.8 in 2012 to -8.2 in 2013. The program included the following conditions:

-SBP autonomy

-Achieve compliance of all banks that fall below minimum capital adequacy

-Purchases of foreign exchange by the SBP

-Fiscal adjustment measures of 2 percent of GDP

-Agreement at the Council of Common Interest on respecting the 2013/14 fiscal balances -Issuance of 10,000 tax collection notices

-Enhance revenues for sales tax, excises, and customs

-Approve PSE reform strategy for thirty firms

-Privatize 26 percent of PIA's shares

-Eliminate electricity tariff differential subsidies

-Rationalization gas prices

-Audit of energy sector

-Make CPPA operational

Unlike the 2008 program, the trajectory of key economic indicators after the 2008 program was mostly positive (Table 6). GDP growth increased from an average of 3.3% in the three years before the program to 3.9% in the three years after the programs while inflation fell from 12.2% to 6.2% similarly and interest rate fell from 12.8% to 8.7%. The fiscal deficit fell from -6.5% to - 6.3% while the current account deficit fell from -1.4% to -1.1% and foreign reserves fell slightly.

There was an increase in the GDP ratios of development, health and education expenses ranging from 0.2% to 1%.

**Programs of 2019 & 2020:**

The fifth and the sixth program were taken in 2019 and 2020 respectively. In the first program a total of 4,268,000 thousand SDRs were approved through Extended Fund Facility from which Pakistan has withdrawn 1,044,000 thousand SDRs. The program is under progress as it is to be completed in October, 2022. The second program taken was through Rapid Fund Facility in which a total of SDR 1,105 thousand SDRs were approved. The first program was taken to reduce the imbalances in the economy and strengthen social spending whereas the program was taken to counter the fast-spreading coronavirus pandemic. Prior to the 2019 program, foreign reserves decreased rapidly from $21,403 in 2017 to $16,384 million in 2018. This was caused by an increase in Current Account Deficit from -4.0 in 2017 to -6.1 in 2018. From 2017 to 2018, imports increased as did exports. However, the increase in the ratio of imports was greater than exports. In 2017 exports/GDP ratio were recorded at 8.2% which increased to 8.9% in 2018 whereas the imports/GDP ratio increased from 17.5% in 2017 to 20% in 2018. The 2019 program included the following conditions:

-Tightening the monetary stance by 150 bps.

-Central Bank Law Reform

-Move to a flexible, market-determined exchange rate

-Agreement between the federal and provincial governments on the fiscal targets -Adoption by parliament the FY 2020 budget

-Commit to not grant further tax amnesties

-Issue licenses for the track-and-trace system for excises on cigarettes

-Circular debt reduction plan

-Audits of PIA and PSM

-Privatization plan

-New State-Owned Enterprise law

-Quarterly automatic tariff adjustment in the electricity sector

-Gas tariff adjustment

-Support to exit FATF list

-Notify electricity tariff schedule

-Amendments to the NEPRA Act

-Social Protection/gender

Unlike the 2013 program, the trajectory of key economic indicators after the 2019 program was mostly negative (Table 6). GDP growth fell from an average of 5.1% in the three years before the program to 1.8% in the three years after the programs while inflation increased from 4.3% to 9.5% similarly and interest rate increased from 6.5% to 9.6%. The fiscal deficit increased from - 5.6% to -8.1% while the current account deficit fell from -3.9% to -2.4% and foreign reserves remained about the same. There was a decrease in the GDP ratios of development and education expenses ranging from 0.4% to 1.9% while the Rupee fell hugely from 109 to 158 to a dollar. There was a significant increase (2.1) in the remittances-GDP ratio a negligible increase in FDI/GDP ratio.

**Table 8: Key IMF Program Conditions, 2000-2019[5]**

| | Monetary | Exchange rate/Reserves | Fiscal | State enterprises | Others |
|---|---|---|---|---|---|
| 2000 | -Up interest rate by 3%<br>-Audit of Directorate of National Savings<br>-Elimination of interest subsidy element of the export finance scheme<br>-Linking rates on Defense Savings Certificates to market- determined yield | Depreciation of PKR by 12% | -Separate tax survey activities from normal sales tax admin<br>-Publication of the fiscal report<br>-Formation of the Provincial Public Accounts Committees<br>-Ban on new GST exemptions/phase out old exemptions<br>-Publication of quarterly fiscal reports<br>-Promulgation of a new income tax law<br>-Reconciliation processes in all provinces<br>-Establish a fiscal reform unit | | -Reduction in import tariffs and slabs<br>-Enactment of the anti- dumping law<br>-Action plan on improving national accounts<br>-Resolve dispute with HUBCO KAPCO<br>-Qtly petroleum price adj |
| 2001 | | -SBP official reserves to reach US$ 1,850 million by November 15, 2001<br>-Allowing banks to purchase foreign exchange from money changers | -Action plan on CBR reform<br>-Approve audit program<br>-Social and poverty-related spending report<br>-CBR revenue for July-October to reach PRs 109 billion<br>-No new exemptions on any tax; phase out GST subsidies<br>-Tax self-assessment; large tax unit | KESC, UBL and PTCL sales | |
| 2008 | -Discount rate increased by 200 basis points<br>-SBP independence<br>-Contingency plan for private banks issues | | -SBP and govt agreed on quarterly volumes of treasury bills reforms in the area of tax administration<br>-Eliminating the inter-corporate circular debt<br>-Single treasury account | | -Electricity tariffs increased by 18 percent<br>-Strengthen the social safety net |
| 2013 | -SBP autonomy<br>-Achieve compliance of all banks that fall below minimum capital adequacy | -Purchases of foreign exchange by the SBP | -Fiscal adjustment measures of 2 percent of GDP<br>-Agreement at the Council of Common Interest on respecting the 2013/14 fiscal balances<br>-Issuance of 10,000 tax collection notices<br>-Enhance revenues for sales tax, excises, and customs | -Approve PSE reform strategy for thirty firms<br>-Privatize 26 percent of PIA's shares | -Eliminate electricity tariff differential subsidies<br>-Rationalization gas prices<br>-Audit of energy sector<br>-Make CPPA operational |
| 2019 | -Tightening monetary stance by 150 bps.<br>Central Bank Law Reform | the monetary stance by 150monetary stance by 150 bps.bps. | -Move to a flexible, market- determined exchange rate<br>-Commit to not grant further tax amnesties<br>-Issue licenses for the track-and-trace system for excises on cigarettes<br>-Circular debt reduction plan | -Agreement between the federal and provincial governments on the fiscal targets<br>-Adopt by parliament the FY 2020 budget<br>Enterprise law | -Audits of PIA and PSM<br>-Privatization plan<br>-New State-Owned<br>-Gas tariff adjustment<br>-Support to exit FATF list<br>-Notify electricity tariff schedule<br>-Amendments to the NEPRA Act<br>-Quarterly automatic tariff adjustment in the electricity sector |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | -Social Protection/gender: |

**Table 9: Economic Indicators from 2000s to Present**

| **Variable** | GDP growth (l%) | Inflation (%) | Interest Rate (%) | Fiscal Balance | Education expense | Health expense | Development expense | Defense expense | Percentage of GDP Current Debt Accoun servicing t Deficit | | Exports | Imports | FDI | Remittances | External Debt | Domestic Debt | Foreign Res ($ Million) | USD /PKR rate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2000 | 3.9 | 8.5 | 11.0 | -5.4 | 2.1 | 0.7 | 2.5 | 4.0 | 3.5 | -1.6 | 12.1 | 13.2 | 0.3 | 1.3 | 41.4 | | 1,974 | 52 |
| 2001 | 3.6 | 5.3 | 14.0 | -4.3 | 1.6 | 0.7 | 2.1 | 3.2 | 2.3 | -0.7 | 13.3 | 14.2 | 0.4 | 1.8 | 41.4 | | 3,232 | 63.4 |
| 2002 | 2.3 | 3.7 | 9.0 | -4.3 | 1.9 | 0.7 | 2.8 | 3.4 | 1.8 | 1.9 | 13.7 | 13.8 | 1.0 | 4.4 | 43.8 | 40.3 | 6,436 | 60.1 |
| 2003 | 5.6 | 3.3 | 7.5 | -3.7 | 1.7 | 0.7 | 2.2 | 3.3 | 1.9 | 2.9 | 15.1 | 14.6 | 0.5 | 4.3 | 40.9 | 39.3 | 10,770 | 57.7 |
| 2004 | 7.7 | 7.3 | 7.5 | -2.3 | 1.7 | 0.6 | 3.1 | 3.3 | 3.3 | 1.8 | 14.2 | 13.3 | 1.0 | 3.6 | 34.6 | 35.7 | 12,389 | 57.9 |
| 2005 | 7.5 | 7.8 | 9.0 | -3.3 | 1.8 | 0.6 | 3.9 | 3.3 | 1.6 | -1.4 | 14.3 | 17.8 | 1.8 | 3.5 | 29.1 | 33.2 | 12,598 | 59.7 |
| 2006 | 5.4 | 8.9 | 9.0 | -2.9 | 1.7 | 0.5 | 4.8 | 3.2 | 1.6 | -4.1 | 14.1 | 21.5 | 3.1 | 3.7 | 27.8 | 30.7 | 13,122 | 60.2 |
| 2007 | 5.5 | 7.3 | 9.5 | -4.1 | 2.1 | 0.6 | 4.6 | 2.7 | 1.4 | -4.8 | 13.2 | 19.7 | 3.6 | 3.9 | 28.4 | 30.1 | 15,647 | 60.6 |
| 2008 | 4.9 | 13.2 | 12.0 | -7.3 | 2.1 | 0.6 | 4.0 | 2.7 | 1.2 | -8.2 | 12.3 | 23.2 | 3.1 | 4.1 | 26.1 | 30.7 | 11,399 | 67.3 |
| 2009 | 0.3 | 20.7 | 14.0 | -5.2 | 1.8 | 0.5 | 3.5 | 2.5 | 2.0 | -5.5 | 12.3 | 19.6 | 1.3 | 5.1 | 28.6 | 29.2 | 12,425 | 81.0 |
| 2010 | 2.5 | 10.9 | 12.5 | -6.2 | 1.7 | 0.5 | 4.4 | 2.5 | 1.7 | -2.2 | 13.5 | 19.3 | 1.1 | 5.4 | 28.7 | 31.3 | 16,750 | 85.3 |
| 2011 | 3.6 | 19.6 | 14.0 | -6.5 | 2.1 | 0.2 | 2.8 | 2.5 | 1.3 | 0.1 | 13.9 | 18.9 | 0.6 | 5.7 | 25.6 | 32.9 | 18,244 | 85.8 |
| 2012 | 3.8 | 6 | 12.0 | -6.8 | 1.8 | 0.7 | 3.9 | 2.5 | 2.0 | -2.1 | 12.3 | 20.4 | 0.3 | 6.2 | 25.0 | 38.0 | 15,289 | 94.1 |
| 2013 | 3.6 | 7 | 9.0 | -8.2 | 2.0 | 0.6 | 5.1 | 2.4 | 1.1 | -1.1 | 13.2 | 20.0 | 0.5 | 6.3 | 21.4 | 42.5 | 11,020 | 98.6 |
| 2014 | 4.0 | 7.4 | 10.0 | -5.5 | 2.1 | 0.7 | 4.9 | 2.5 | 1.1 | -1.3 | 12.2 | 18.6 | 0.7 | 7.0 | 20.1 | 43.3 | 14,141 | 98.5 |
| 2015 | 4.0 | 4.1 | 7.0 | -5.3 | 2.2 | 0.7 | 4.2 | 2.5 | 1.2 | -1.0 | 10.6 | 17.0 | 0.6 | 7.1 | 18.9 | 44.5 | 18,699 | 101.8 |
| 2016 | 4.5 | 0.4 | 6.25 | -4.6 | 2.3 | 0.9 | 4.5 | 2.6 | 1.5 | -1.7 | 9.1 | 16.1 | 0.9 | 7.1 | 20.8 | 46.9 | 23,099 | 104.6 |
| 2017 | 5.3 | 4.0 | 6.25 | -5.8 | 2.2 | 1.0 | 5.3 | 2.8 | 2.1 | -4.0 | 8.2 | 17.5 | 0.82 | 6.5 | 20.5 | 46.5 | 21,403 | 104.8 |
| 2018 | 5.5 | 2.5 | 7.0 | -6.5 | 2.4 | 1.2 | 4.6 | 3.0 | 1.8 | -6.1 | 8.9 | 20.0 | 0.5 | 6.7 | 21.5 | 47.4 | 16,384 | 118.9 |
| 2019 | 2.0 | 8.6 | 12.8 | -9 | 2.3 | 1.1 | 3.1 | 3.0 | 3.3 | -4.8 | 10.1 | 20.3 | 0.8 | 7.9 | 31.4 | 54.4 | 14,482 | 155.2 |
| 2020 | -0.4 | 10 | 8.0 | -8.1 | 1.5 | 1.2 | 2.8 | 2.9 | 4.0 | -1.7 | 9.5 | 16.6 | - | 9.9 | 31.6 | 56.0 | 18,886 | 165.1 |
| 2021 | 3.9 | 9.8 | 8.0 | -7.5 | - | - | 1.4 | 1.6 | - | -0.6 | 7.0 | 14.2 | - | - | 26.1 | 53.6 | 24,398 | 156.2 |

**Sources:** GDP and fiscal information: Pakistan Economic Survey; Inflation data: World Bank; Current Account Deficit (%GDP): Pakistan Economic Survey, World Bank; year- end Interest Rate (%): State Bank of Pakistan; Exports/Imports/FDI/Remittances (%GDP): World Bank; Foreign Debt (% GNI): Pakistan Economic Survey from 2008 onwards; earlier figures from World Bank; Foreign Res ($ Million): State Bank of Pakistan; year-end USD/PKR rate: SBP

## CONCLUSIONS

Pakistan has been one of the most frequent users of IMF programs globally and certainly the most frequent user in South Asia. However, most of the 23 programs were not completed due to differences of opinions on meeting IMF conditions between Pakistani and IMF officials. In addition, the trajectory of Pakistan's key economic indicators after IMF programs has been highly mixed, though this was not just the result of the negative impact of IMF programs but also lack of implementation of key reforms by Pakistani authorities and external negative factors and several political factors, such as global recessions, disasters, sanctions, terrorism etc.

Nevertheless, poor program design also played a part. A review of Pakistan's performance on key indicators in the three years before the program and the three years after the program shows this mixed performance as reflected in the following table. The 23 programs signed by Pakistan can be reduced to 13 sets of programs as shown in Table 6 when multiple programs in the same or consecutive years are treated as one set of programs.

**Table 10: Summary of Key Economic Indicators Before and After 13 IMF Programs Sets**

| Variable | Improved | Deteriorated | Same |
|---|---|---|---|
| **GDP growth rate** | 7 | 6 | |
| **Inflation** | 7 | 5 | |
| **Interest rate** | 3 | 3 | |
| **Fiscal deficit/GDP ratio** | 6 | 3 | |
| **Current account/trade deficit/GDP ratio** | 7 | 5 | |
| **Foreign investment/GDP ratio** | 4 | 6 | |
| **Foreign remittances/GDP ratio** | 7 | 2 | |
| **Foreign reserves** | 8 | 5 | |
| **Education expenses/GDP ratio** | 1 | 5 | |
| **Health expenses/GDP ratio** | 3 | 0 | 3 |
| **Development expenses/GDP ratio** | 1 | 5 | |
| **Total** | 54 | 45 | 3 |

For many indicators, information was missing for earlier years. So GDP growth increased after seven program sets but reduced after six. Inflation reduced after seven but increased after five as did the trade deficit/GDP ratio. Foreign investment's ratio to GDP fell after six programs and improved after four. Even foreign reserves fell after five program sets and improved after eight.

The ratio of development and education expenses to GDP fell after five program sets each and improved only after one while the health-GDP ratio increased and fell after three each. The indicators largely positive most times were the fiscal deficit-GDP ratio (down after six and up after three) and foreign remittances-GDP ratio which improved almost every time but would seem to be so only marginally due to IMF programs.

This mixed trajectory of major indicators was due to not only IMF programs but also other factors, like global recessions, sanctions, terrorism and disasters. However, this mixed trajectory over six decades raises questions about the suitability of IMF conditions and Pakistan's willingness and ability to implement them too, as concluded too by IMF's own internal evaluation in 2002[6]. Detailed information on program conditions is only available for five programs after 2000. Among five areas of conditions (monetary, fiscal, exchange rate, state enterprises and others), most related to fiscal deficit which almost equal those in the four other areas put together. In fact, the major goal of state enterprise reform is also to reduce fiscal deficits. This is surprising as the main trigger of IMF programs are current account deficits and falling reserves. The biggest chunk of fiscal conditions related to increasing indirect taxes that are regressive. While some of them did produce intermediate results, such as a new income tax law, many others such as on elimination of circular debt failed. Overall, our tax-GDP ratio remains among the lowest globally and has also fallen further since 2018 despite this huge IMF focus.

The key monetary condition was interest rates hikes. Key national economists say they choked growth without increasing foreign reserves. Currency depreciation was there in most programs and was unavoidable due to fast falling reserves. However, it failed to increase exports and reduce imports. So the rupee has fallen 80%+ since 2010-11, but imports have still increased by 50%+ while exports over these ten years have shown near-zero growth. State bank autonomy has also been a frequent condition, which has shown partial results. Overall, the main IMF conditions of currency depreciation, indirect tax, interest, utility and energy rate hikes and privatization have failed to deliver sustainable growth or even fiscal or external deficit reduction over four decades. They all choke immediate growth and according to famed US economist Joseph Stiglitz even long-term growth. There is little in IMF conditions focused on growth-inducing policies by increasing exports or foreign direct investment as IMF has no expertise in these areas. But then many analysts ask why global powers have created an entity to bail out developing states in crisis which specializes only in growth-reducing policies. Also, the global economy run by rich states strongly discourages growth in developing states. So, strong imports barriers in rich states discourage exports from poorer states that could help them control their external deficits. Tax havens encourage capital outflow from these states and make it harder for them to increase taxes due to risk of such outflows. Failure to take reforms in and outside IMF programs by states, especially us, is a major issue too. But the presence of a fairer global economy may encourage the emergence of more reform-minded leaders in may more states.

Thus, IMF programs/conditions may look necessary from a narrow, short-term view as in their absence, states may face even greater pain. However, from a broader, long-term perspective, they clearly seem like a poor basis for ensuring sustainable growth in developing states, which requires structural changes in the global economic system.

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