International Journal of Contemporary Issues in Social Sciences
Volume 3, Issue 3, 2024 ISSN(P):2959-3808 | 2959-2461

EVALUATING THE ECONOMIC IMPLICATIONS OF INTERNATIONAL MONETARY FUND (IMF) PROGRAMS ON PAKISTAN: A DECADE-LONG ANALYSIS (2014-2024)

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Received: July 30, 2024 **Revised:** August 30, 2024 **Accepted:** September 14, 2024 **Published:** September 25, 2024

ABSTRACT

This research paper evaluates the economic implications of International Monetary Fund (IMF) programs on Pakistan from 2014 to 2024. Since its first engagement with the IMF in 1958, Pakistan has entered into numerous agreements that have profoundly shaped its economic trajectory. Through a detailed case study approach, historical analysis, and qualitative assessments, this study aims to critically assess the decade-long impact of IMF programs on Pakistan's economy. It explores how IMF-mandated reforms, tied to loan agreements, have affected key sectors such as education and healthcare, influenced fiscal policy decisions, and impacted Pakistan's economic sovereignty. By examining this complex relationship, the research seeks to provide a nuanced understanding of the IMF's role in shaping Pakistan's economic landscape over the last decade.

Keywords: IMF Programs, Economic Sovereignty, Fiscal Policy, Pakistan Economy, Loan Agreements.

INTRODUCTION

The International Monetary Fund (IMF) is a global financial institution established in 1944 to promote international monetary cooperation, ensure exchange rate stability, encourage balanced trade growth, and maintain financial stability. As a specialized agency of the United Nations with 190 member countries (Tahir, 2020), the IMF plays a crucial role in assisting countries facing balance of payments crises by offering financial support and policy guidance. Beyond providing financial assistance, the IMF also monitors global and national economic conditions, offers technical assistance, and provides policy recommendations to its member countries (International Monetary Fund, 2024). In particular, developing nations facing chronic balance of payments issues often turn to the IMF for loans. However, these loans come with a set of economic reforms that borrowing countries must implement as a condition for receiving financial support.

Both developed and developing countries can seek assistance from the IMF in times of economic distress. The IMF offers concessional and non-concessional loans, depending on the economic situation of the borrowing country. In return, countries must adhere to stringent policies prescribed by the IMF, with loans disbursed in installments, subject to periodic reviews. If the borrower does not comply with the agreed-upon conditions, the IMF retains the right to discontinue the program. As the IMF operates with limited resources, it ensures that loan repayments are made on time to preserve its financial capacity for future assistance.

IMF policies have drawn criticism from scholars who argue that these economic reforms often have limited positive impact on the receiving countries' economies (Editors, 2023). The twin-deficit concept is frequently used to justify IMF interventions, as many developing countries face deficits in both their domestic savings and foreign exchange earnings from exports, leading to persistent current account and fiscal deficits. When a country approaches the IMF, it typically seeks to stabilize its foreign exchange reserves and address fiscal imbalances. However, in exchange, the IMF imposes conditions such as raising taxes, privatizing state-owned enterprises, reducing government spending, and implementing structural adjustments.

Pakistan, a developing South Asian country with a mixed economy comprising agriculture, manufacturing, and services, has experienced recurring challenges with external debt and economic instability. As a result, Pakistan has turned to the IMF for financial assistance on numerous occasions. Since joining the IMF in 1950, Pakistan has entered into IMF loan agreements 22 times, most recently in 2023 (Ibrahim, 2023). Due to its chronic balance of payment problems, exacerbated by political instability and reliance on imports, Pakistan has had to adopt IMF-prescribed reforms repeatedly.

This study critically examines the economic implications of IMF programs on Pakistan between 2014 and 2024. It explores the extent to which IMF policies influence Pakistan's ability to independently formulate and implement its economic policies. By analyzing the effects of IMF directives on key issues such as austerity measures, subsidy cuts, and structural reforms, this research aims to provide insights into how IMF programs have shaped Pakistan's economic landscape over the last decade.

Literature Review

The book Leading Issues in the Economy of Pakistan: Agenda for Reforms by Hafiz A. Pasha is structured into four parts, one of which addresses the IMF program that Pakistan resumed in September 2022. This section outlines the program's impact and the reforms pledged by the government. To meet the necessary conditions for a successful review of the IMF program, the government presented two key pieces of legislation: the Finance (Supplementary) Bill, 2021, and the State Bank of Pakistan (Amendment) Bill, 2021, to Parliament. Following the successful passage of these bills, the IMF Executive Board approved the release of $1 billion to Pakistan on January 12, 2022. While the book provides valuable insights into Pakistan's economic situation and the recent IMF program, it lacks a thorough analysis of the specific terms and conditions of the resumed IMF program and fails to offer a deeper understanding of the implications of these conditions on governance in Pakistan (Hafiz, 2023).

The 2013 staff report by IMF "The Article IV Consultation and Request for an Extended Arrangement under the Extended Fund Facility", focuses on the discussions that took place in Islamabad, Karachi, and Lahore respectively to approve the request for 36 months extended agreement. It discusses some of the challenges that prompted Pakistan to take assistance from the IMF. It also mentions the terms and conditions that Pakistan will have to comply with to receive the funds. The background and key challenges of Pakistan's economy are also mentioned in this report. The macroeconomic policies and structural adjustments are also discussed which will help Pakistan to avoid crises and improve its economic growth. This report does not address the challenges faced by Pakistan after receiving funds. It also does not address the role of government in shaping the economy. It also does not address the conditions that prodded Pakistan to go to the IMF. It also does not address the alternatives that could help in boosting Pakistan's economy (IMF, 2013).

The IMF report "Request for an Extended Arrangement under the Extended Fund Facility" issued in 2019, covers the press release, staff report, and statement by the executive director of Pakistan on 39 months of Extended Fund Facility Arrangement for the time period 2019-2022. This report covers the conditions that deteriorated Pakistan's economy such as mismanaged economic policies, structural weaknesses, and robust tax administration. It also highlights the methods which will help Pakistan to mitigate economic vulnerabilities and sustain suitable economic growth. It also discusses the key elements of programs such as energy sector reforms, structural adjustments, fiscal reforms, and expanding safety nets. It also gives a detailed insight into program objectives and policies, program issues, and program risks. But this report does not give an insight into the harmful impacts of austerity measures of IMF policies on the economic health of Pakistan and what conditions compel Pakistan to take loans from monetary institutions like the IMF (IMF, 2019).

The research paper titled Analyzing the Impact of IMF Policies on the Economic Health of Pakistan written by Imran Khan Bozdar, Nazar Hussain, Irfan Ali Lashari, Ali Raza Lashari, and Abdullah Shah describes IMF's role as a lender of last resort is designed to help countries stabilize their economies by providing financial assistance and policy advice. It also indicates that while IMF programs have led to economic growth, it has been at a slower pace, and the trajectory of Pakistan's economy has not been satisfactory. The conditions attached to IMF loans, such as fiscal austerity measures, tax increases, and subsidy cuts, have often been associated with short-term economic hardships, including inflation, unemployment, and social decline. These measures are intended to stabilize the economy but can also lead to a decline in growth and an increase in the debt-to-GDP ratio, creating a cycle of borrowing. To break free from the cycle of dependency on IMF bailouts, it is suggested that Pakistan needs to implement alternative solutions, such as overhauling its export policy, aggressive privatization, issuing international bonds, and investing in agriculture, livestock, and dairy sectors for inclusive growth. The research gap lies in the comprehensive evaluation of long-term outcomes and the effectiveness of the IMF's prescribed reforms. It is not focused on identifying the root causes of this cyclical dependency and viable solutions for breaking the cycle. There is also no information provided for successful reform implementation of IMF programs (Bozdar, Hussain, Lashari, Lashari & Shah, 2023).

The research paper "The Stability of Pakistan's Economy and IMF Deals: An Analysis," authored by Nouman Faraz Khan, Amber Zahra, and Jawad Khan in 2024, explores the historical relationship between the IMF and Pakistan. It delves into the economic factors that compel Pakistan to seek IMF assistance, including foreign reserves, the imports-to-exports ratio, and the current account deficit. The study posits that the primary objective of securing loans from the IMF is to stabilize Pakistan's struggling economy. Additionally, it analyzes how IMF policies enable Pakistan to increase tax revenues, reduce government spending, and stabilize trade flows. Despite frequent borrowing from the IMF, the paper highlights that Pakistan's economy continues to remain fragile. However, it falls short of addressing the direct impact of IMF policies on economic conditions. The authors also do not discuss the long-term implications of IMF conditionalities or provide a detailed analysis of the policy actions taken by the government in response to these conditions. This oversight creates a gap in understanding the comprehensive effects of IMF interventions on Pakistan's economic landscape (Khan, Zahra, & Khan, 2024).

IMPLICATIONS OF INTERNATIONAL MONETARY FUND (IMF) PROGRAM ON PAKISTAN ECONOMY (2014-2024)

Economic Conditions and Determinants That Led to Borrowing from the IMF

In times of severe economic distress, many countries view the International Monetary Fund (IMF) as a last resort (HORTON & EL-GANAINY, 2024). They approach the IMF and agree to adhere to its stringent terms and conditions to secure loans. This scenario applies to Pakistan, which is currently experiencing one of its most challenging economic crises in history. The country is struggling with significant fiscal and current account deficits. As noted in the previous chapter, the long-standing relationship between the IMF and Pakistan illustrates that the latter has become a frequent borrower of IMF resources. To navigate its current economic difficulties, Pakistan seeks assistance from the IMF in the form of loans and policy guidance. This section will explore the primary factors driving Pakistan's reliance on the IMF and the determinants influencing the selection process for loans and their respective sizes.

Constant Trade Deficit

For decades, Pakistan has grappled with a persistent trade deficit, which has severely impacted its foreign reserves. The country's low export levels have necessitated reliance on IMF funding to settle import obligations. In 2013, Pakistan's trade deficit reached $15.67 billion, creating immense pressure on its foreign exchange reserves (Nakhoda, 2018). Several underlying issues contribute to this trade deficit, including a lack of product diversification and competitive advantage. The imbalance in trade dynamics can be attributed to increasing exports and decreasing imports due to high import tariffs, low productivity levels, limited access to diverse markets, a dearth of innovation, inflated commodity prices in international markets, and rising consumer demand.

Overdependence on Imports, Particularly Oil

Pakistan's heavy reliance on imported oil is a significant factor contributing to its balance of payments crisis. Oil accounts for approximately 25% of the country's total energy supply, with over 30% of electricity generation reliant on oil (George, 2023). Successive governments have struggled to reduce this dependence, even in the face of energy security risks. To address this critical issue, energy policies should pivot towards renewable sources, such as hydropower, geothermal energy, and solar power. Additionally, Pakistan must explore alternative markets to procure oil at lower prices. To alleviate its overreliance on costly imported oil, comprehensive policy and institutional reforms are essential.

Inefficient Tax System

The inefficiencies inherent in Pakistan's tax system exacerbate its economic challenges. The tax rebate structure provides benefits indiscriminately, failing to distinguish between large and small businesses (Khan, 2023). Moreover, a significant untaxed sector impedes both economic and social development. This untaxed sector includes agriculture, retail trade, transportation, construction, services, domestic labor, and small manufacturing enterprises. Alarmingly, while farmers contribute 20% to the GDP, only 1% of them are tax compliant (George, 2023). Furthermore, a mere 1.45% of the population pays direct taxes and files tax returns (Sarfraz, 2023). The presence of unregistered small enterprises further complicates the tax landscape. Such rampant tax evasion hampers the government's capacity to tackle economic crises effectively, forcing it to rely on monetary institutions for economic recovery.

Decrease in Investment

Pakistan is facing a growth crisis, primarily due to declining investments in both the public and private sectors. Several factors contribute to this decline, including persistent energy shortages, onerous regulations, political instability, policy uncertainty, and high business costs. Additionally, security challenges, macroeconomic volatility, and weak contract enforcement discourage foreign investment, compounding the problem.

Neglect of Skills Development

The government of Pakistan has historically prioritized formal job creation over skills development. Graduates often pursue government positions after completing their degrees, as the government has failed to generate sufficient opportunities for skills and technical training. This neglect of skills development has hampered the modernization and expansion of industries, resulting in an inadequately skilled workforce that stifles economic growth. To enhance exports and boost productivity, the government must place a greater emphasis on skills development and vocational training.

Currency Devaluation

Currency devaluation has emerged as a critical factor contributing to the deterioration of Pakistan's economy (Mamchii, 2023). It fuels inflation and escalates the overall cost of imports. Given Pakistan's large current account and trade deficits, as well as its low foreign reserves, avoiding rupee devaluation is increasingly untenable. This ongoing devaluation puts further pressure on the economy, leading to a vicious cycle of rising costs and reduced purchasing power for citizens.

Unresolved Structural Problems

Persistent structural issues within Pakistan's economy represent the root causes of its macroeconomic crises, necessitating intervention from the IMF. Among these structural challenges are disparities in public sector enterprise spending and income, high unemployment rates, and low export levels. The continuous losses incurred by public sector enterprises, particularly in the energy sector, compel Pakistan to approach monetary institutions repeatedly in an effort to address its fiscal deficits.

External Debt

The burden of high external debt from multiple sources—ranging from multilateral organizations to private and commercial lenders, as well as bilateral creditors like China—further exacerbates Pakistan's economic crisis. The rising debt burden contributes to excessive borrowing, sluggish growth, weakened exports, and ongoing currency devaluation. This situation creates a cycle of dependency, making it increasingly challenging for Pakistan to achieve long-term economic stability and independence.

Pakistan's economic struggles are deeply intertwined with its reliance on the IMF. The combination of a persistent trade deficit, overdependence on imports, an inefficient tax system, declining investments, inadequate skills development, currency devaluation, unresolved structural issues, and high external debt has created a complex web of challenges. As Pakistan navigates these economic conditions, the role of the IMF becomes crucial, not only in providing financial assistance but also in shaping the policies that influence the country's economic trajectory.

The necessity of understanding the multifaceted implications of IMF policies on Pakistan's economy is paramount. It is vital for policymakers to recognize the importance of fostering sustainable economic practices that prioritize investment in domestic industries, skills development, and structural reforms. Only through a comprehensive approach can Pakistan hope to achieve economic stability and reduce its dependency on external financial institutions.

Impact of IMF Policies during Nawaz Regime (2013-2016)

The 2013 elections marked a significant turning point in Pakistan's political landscape, as the Pakistan Muslim League-Nawaz (PML-N) achieved a decisive victory. This election represented the first peaceful transfer of power through democratic processes in the country's history, allowing PML-N to form a government independently, with Nawaz Sharif serving as Prime Minister. During the PML-N's term, the economy began to show signs of recovery, thanks in part to the resolution of many security challenges that had plagued previous administrations. Progress was made in combating terrorism, oil prices fell, and the development of Gwadar Port transitioned into the China-Pakistan Economic Corridor (CPEC). However, the government faced numerous economic hurdles, including an energy crisis, dwindling foreign exchange reserves, and a widening fiscal deficit. Investor confidence also suffered due to military operations against terrorists following the tragic Army Public School attack in 2014. In response to these economic challenges, Prime Minister Nawaz Sharif sought assistance from the International Monetary Fund (IMF) and entered into a 36-month extended arrangement under the Extended Fund Facility (EFF) amounting to US$6.68 billion (Buzdar, Hussain, & Shah, 2023).

The International Monetary Fund plays a crucial role in shaping the economic trajectories of nations, including Pakistan. Despite repeated pledges from Pakistani governments to avoid seeking IMF loans, the country's reliance on IMF assistance has remained constant. The IMF provides financial support to Pakistan under specific conditions, which have become increasingly stringent over time. While these conditions can have adverse effects on Pakistan's economy, there are also notable benefits.

On the positive side, the IMF's involvement helped Pakistan address balance of payments issues, stabilize foreign exchange reserves, and improve the export sector, among other outcomes. Throughout this program, economic growth gradually improved, supported by favorable global conditions such as declining oil prices. The government successfully reduced inflation and bolstered foreign reserves.

The GDP growth rate increased from 3.7% in 2012-13 to 4.5% in 2015-2016 (IMF, 2016). This growth was underpinned by factors such as large-scale manufacturing, the China-Pakistan Economic Corridor (CPEC), a rebound in private sector credit, and enhancements in gas and electricity supply. The fiscal balance improved from a deficit of -8.5% of GDP in the fiscal year 2012-13 to -4.6% in 2015-16 (Buzdar, Hussain, & Shah, 2023). The ratio of tax revenue to GDP rose from 10.1% to 12.42% between 2013 and 2016 (Buzdar, Hussain, & Shah, 2023). Additionally, foreign direct investment (FDI) increased significantly, from US$1,447.3 million in 2013 to US$2,479 million in 2016 (Naeem & Naveed, 2023). Remarkably, poverty levels declined from 35% in 2001 to below 10% by 2014 (Naeem, Rahman, & Shah, 2023).

Inflation decreased from 9.6% in 2012 to 4.1% in 2017 (Dohadwala, Khalid, & Nachiappan, 2020). Imports fell from US$19 billion to US$14.65 billion. The current account deficit decreased not due to substantial improvements in exports, but rather as a result of an economic slowdown, showing a 36% reduction (Naeem, Rahman, &

Shah, 2023). The ownership of consumer items, including motorcycles, increased from 2% to 18%, with more families acquiring refrigerators, televisions, ovens, and stoves (Naeem, Rahman, & Shah, 2023). International reserves reached an all-time high of US$18.258 billion in 2016, a significant rise from US$2.2 billion in 2013 (IMF, 2016). The banking system remained profitable during this period.

Despite these positive developments, the conditions set by the IMF also had adverse effects on the economy. For instance, Pakistan's ranking in the World Bank's Doing Business report fell from 136 in 2015 to 138 in 2016. Key challenges included obstacles to starting new businesses, lengthy tax payment processes, weaknesses in contract enforcement, limited credit access, and high costs of cross-border trade (IMF, 2016). Public debt as a percentage of GDP rose from 62.4% to 64.81% between 2013 and 2016 (Buzdar, Hussain, & Shah, 2023). Moreover, the value of exports continued to decline during this period (Buzdar, Hussain, & Shah, 2023). The 2013 IMF bailout required Pakistan to implement austerity measures, including reductions in government spending and subsidies. These measures led to diminished government funding and social welfare expenditure, adversely impacting welfare programs and public services. Furthermore, the IMF's requirements for structural reforms, such as tax reforms and interest rate adjustments, often placed a significant burden on ordinary citizens by increasing taxes and diminishing their purchasing power.

Impact of IMF Policies during Imran Khan's Regime (2018-2022)

In 2018, Imran Khan was sworn in as Pakistan's 22nd Prime Minister, forming a coalition government due to lacking a parliamentary majority (Najam, 2023). His administration faced a severe economic crisis from the outset, grappling with challenges such as fiscal deficits, unpaid government bills, a balance of payments crisis, trade deficits, high inflation, currency devaluation, poor tax collection, circular debt, power shortages, and soaring energy prices. Initially, the Imran Khan government was hesitant to approach the International Monetary Fund (IMF), preferring to explore alternative economic strategies. Key initiatives included seeking assistance from friendly nations like Saudi Arabia, China, and the UAE, securing bilateral loans (such as $2 billion from China and $4.5 billion from Saudi Arabia), and reducing fuel prices to mitigate inflation (lowering petrol prices by Rs 10 per liter and electricity by Rs 5 per unit). While these measures provided temporary relief, they also introduced new challenges for the economy (Sam, 2022).

Ultimately, in 2019, to stabilize the economy, Imran Khan's government entered a $6 billion bailout agreement with the IMF (IMF, 2019). This package spanned 39 months, with an immediate disbursement of $1 billion, while the remaining funds were contingent on periodic reviews. However, the program faced setbacks; in January 2020, it was paused as the government did not heed IMF recommendations to raise electricity rates and implement additional taxes. Despite this, the IMF disbursed a $500 million tranche in March 2021 and resumed the program in February 2022 (Khan, 2022).

The effects of this program on Pakistan's economy were largely disappointing. A surge in international food and oil prices contributed to a worsening current account deficit, declining reserves, and further depreciation of the Pakistani rupee. Record inflation severely impacted the poorest segments of society, exacerbated by a challenging political environment. Consequently, Pakistan faced critical fiscal, trade, and budget deficits, failing to meet numerous goals outlined in structural adjustment plans. The removal of various subsidies and steep increases in energy taxes further strained the economy.

The IMF program did not shield Pakistan from deteriorating external conditions, including the Covid-19 pandemic and the Russia-Ukraine conflict. By FY22, the trade deficit had ballooned to a record $40.1 billion (IMF, 2022), with the current account deficit rising from $13.5 billion in 2019 to $15 billion in 2022. Foreign reserves plummeted from $17.6 billion to $9.8 billion.

During this period, Pakistan's real GDP growth improved from 3.1% in FY19 to 6% in FY22, but inflation surged from 11% in 2019 to 20% in 2022. Public debt soared from $73.4 billion to a historic high of $88.84 billion (Economic Affairs Division, 2022). The tax-to-GDP ratio increased from 9% in 2019 to 10.4% in 2022 (FBR).

In terms of currency valuation, one US dollar exchanged for 138 PKR in 2019, but by 2022, it had risen to between 204 and 240 PKR, indicating a depreciation rate of PKR against the dollar from 11.51% in 2019 to 23% in 2022. The State Bank of Pakistan raised the interest rate by five percentage points, maintaining a strong capital adequacy ratio (CAR) at 16.4% despite the pandemic, compared to 10.25% in 2019.

While GDP and the tax-to-GDP ratio increased during this Extended Fund Facility (EFF) program, Pakistan struggled to bolster its international reserves and attract foreign direct investment. Throughout the program, the fiscal balance and trade deficit continued to widen. The IMF's structural reforms—including tax reforms and interest rate adjustments—often burdened ordinary citizens, increasing taxes and diminishing purchasing power.

In response to IMF demands, Pakistan raised interest rates, which adversely affected the economy. Higher interest rates elevated capital costs, deterring investment, slowing economic growth, increasing unemployment, worsening poverty, and ultimately destabilizing the economy. The IMF also insisted on cutting subsidies and raising taxes in the energy sector, which placed immense pressure on small businesses and adversely impacted the purchasing power of citizens, contributing to economic decline. Furthermore, rising fuel and electricity prices, numerous taxes (especially indirect taxes), and the removal of subsidies impeded private sector investment and inflated production costs. Lastly, the PKR's devaluation exacerbated debt levels without incurring additional borrowing, highlighting that the IMF policies brought more drawbacks than benefits (Abdullah, 2022).

Impact of IMF Policies during Shehbaz Sharif's Regime (2022-2024)

Shehbaz Sharif assumed office as Prime Minister of Pakistan in April 2022, following the ousting of Imran Khan. His government faced a myriad of economic challenges, many of which stemmed from the previous administration's policies and the broader global economic environment. The country was grappling with rising inflation, a mounting fiscal deficit, a depreciating currency, and dwindling foreign reserves. Against this backdrop, the Sharif administration sought to stabilize the economy, primarily through engagement with the International Monetary Fund (IMF).

Engagement with the IMF

One of Shehbaz Sharif's key priorities was to revive the stalled IMF program, which had been put on hold during Imran Khan's tenure due to non-compliance with the conditions set by the IMF. In July 2022, the Sharif government successfully negotiated a staff-level agreement with the IMF, allowing Pakistan to receive a crucial tranche of $1.17 billion as part of a larger $6 billion Extended Fund Facility (EFF). This agreement was pivotal for Pakistan, providing not only immediate financial relief but also restoring international confidence in the country's economic management.

Economic Policies and Reforms

To comply with the IMF's conditions and secure funding, Shehbaz Sharif's government implemented several significant economic reforms:

- **Fiscal Adjustments**: The government took measures to reduce the fiscal deficit, including increasing taxes and reducing expenditures. This included the introduction of new taxes on goods and services, as well as revising existing tax structures to enhance revenue generation.
- **Subsidy Reductions**: The government was compelled to reduce energy subsidies, which had a significant impact on the cost of living. This decision aimed to stabilize the energy sector but led to public discontent due to rising electricity and fuel prices.
- **Currency Stabilization**: The Sharif administration was urged to allow the Pakistani rupee to float freely against other currencies. While this policy aimed to stabilize foreign exchange reserves, it also resulted in further depreciation of the rupee, exacerbating inflation.
- **Monetary Policy Tightening**: The State Bank of Pakistan (SBP) increased interest rates to combat inflation, which had surged to unprecedented levels. While higher interest rates aimed to control inflation, they also raised borrowing costs for businesses and consumers, potentially stifling economic growth.
- **Social Protection Measures**: In response to rising prices and economic hardship, the government introduced social protection

programs aimed at cushioning the impact on the most vulnerable segments of society. Initiatives included cash transfers and subsidies to help low-income households cope with increased living costs.

Economic Outcomes

The economic policies adopted during Shehbaz Sharif's regime had mixed results:

- **Inflation**: Inflation continued to soar, with rates exceeding 25% by early 2024, driven primarily by rising food and energy prices. The removal of subsidies and currency devaluation contributed significantly to this trend, placing additional pressure on households.
- **Foreign Reserves**: While the revival of the IMF program initially provided a boost to foreign reserves, they remained precariously low due to ongoing trade deficits and external debt obligations. By early 2024, reserves were still below sustainable levels, making the economy vulnerable to external shocks.
- **Public Debt**: The public debt continued to rise, reaching new heights as the government borrowed to meet fiscal obligations and service existing debt. The debt-to-GDP ratio worsened, raising concerns about the country's long-term economic sustainability.
- **Economic Growth**: The economy showed signs of recovery in certain sectors, but overall growth remained sluggish. The combination of high inflation, tight monetary policy, and reduced consumer spending led to an uneven economic landscape.
- **Public Sentiment**: The economic reforms, particularly those involving subsidy cuts and tax increases, faced backlash from the public, leading to protests and growing discontent. The government struggled to maintain political stability amid rising living costs and dissatisfaction with economic conditions.

The impact of IMF policies during Shehbaz Sharif's regime (2022-2024) highlights the complex interplay between economic reform, public welfare, and political stability. While engagement with the IMF provided necessary financial support, the associated austerity measures and structural adjustments generated significant challenges for the government and the populace. The ongoing economic instability underscores the need for sustainable and inclusive economic strategies that can address the root causes of Pakistan's fiscal and structural challenges while promoting growth and development for all segments of society.

Conclusion

The evaluation of the economic implications of International Monetary Fund (IMF) programs on Pakistan from 2014 to 2024 reveals a complex interplay of fiscal management, socio-economic stability, and the broader impacts of external financial assistance. Over the past decade, Pakistan has consistently sought IMF support as a means of stabilizing its economy amidst recurring crises, including fiscal deficits, inflationary pressures, and balance of payments challenges. While IMF interventions have been instrumental in providing much-needed financial resources, the outcomes of these programs have been mixed, often sparking debates about their efficacy and long-term sustainability.

During the Nawaz Sharif regime (2013-2016), the country witnessed some positive economic indicators, such as GDP growth and increased foreign reserves, partially attributed to IMF policies. However, the reliance on IMF assistance came with stringent conditionalities that imposed austerity measures and structural adjustments, leading to adverse effects on public welfare. The need for fiscal discipline resulted in cuts to social spending and increased taxes, which disproportionately affected the lower and middle classes. These challenges underscored the difficulties of reconciling necessary economic reforms with the immediate needs of the populace.

Transitioning to the administrations of Imran Khan (2018-2022) and Shehbaz Sharif (2022-2024), the economic landscape became increasingly precarious. Khan's initial hesitation to seek IMF support was soon followed by a $6 billion bailout, but the program faced significant implementation challenges. The persistence of high inflation and a depreciating currency during this period revealed the limitations of the IMF's approach in addressing Pakistan's structural economic issues. Shehbaz Sharif's tenure aimed to build on the foundations laid by Khan, yet the continuation of austerity measures sparked public discontent, illustrating the social cost of adhering to IMF requirements.

The overarching theme throughout this decade-long analysis is the critical need for a balanced approach to economic reform. While IMF programs provide essential short-term financial relief, their long-term implications often lead to social and economic strains that can undermine growth. Policymakers must prioritize the development of homegrown strategies that not only meet IMF conditions but also foster sustainable economic development and social equity.

The experience of Pakistan over the past decade highlights the importance of rethinking the relationship with the IMF. Future engagements should focus on a more holistic approach, integrating fiscal discipline with social welfare considerations. By addressing underlying structural issues and ensuring that economic policies are inclusive and equitable, Pakistan can enhance its resilience against external shocks and lay the groundwork for a stable and prosperous economic future. This comprehensive strategy is crucial for breaking the cycle of dependency on external financial institutions and promoting sustainable growth in the long run.

Recommendations

Here are the recommendations for Pakistan to enhance the effectiveness of IMF programs and ensure sustainable economic growth:

1. **Prioritize Homegrown Economic Strategies**: Pakistan should develop and implement its own comprehensive economic framework that addresses structural challenges, such as energy shortages, low tax revenue, and trade deficits. A focus on sustainable development initiatives that promote local industries, agriculture, and entrepreneurship can reduce dependency on foreign aid and strengthen economic resilience.
2. **Enhance Public Sector Efficiency**: To improve fiscal health, the government should undertake reforms to enhance the efficiency of public sector institutions. This includes streamlining government expenditures, reducing waste, and improving the management of state-owned enterprises. Strengthening transparency and accountability mechanisms will help restore public trust and ensure better allocation of resources.
3. **Implement Social Safety Nets**: As austerity measures and structural adjustments often impact vulnerable populations, it is crucial to establish robust social safety nets. Programs aimed at protecting the poor and marginalized, such as cash transfer schemes and targeted subsidies for essential goods, can help mitigate the adverse effects of economic reforms and foster social stability.
4. **Strengthen Tax Collection Mechanisms**: Improving tax collection efficiency should be a priority for the government. This can be achieved through the modernization of the tax administration, broadening the tax base, and reducing tax evasion. By enhancing revenue generation capabilities, the government can reduce reliance on external loans and invest more in public services and development projects.
5. **Foster Regional Trade and Cooperation**: Pakistan should seek to strengthen trade relations with neighboring countries and engage in regional economic cooperation initiatives. By enhancing trade partnerships, particularly within South Asia, Pakistan can tap into new markets, boost exports, and stimulate economic growth. Efforts should be made to reduce trade barriers and improve infrastructure to facilitate cross-border trade.

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