



IMPACT OF IMF'S EXTENDED FUND FACILITY (EFF) ON MACROECONOMICS OF PAKISTAN

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Abstract

The International Monetary Fund's (IMF) Extended Fund Facility (EFF) utilized by several countries including Pakistan who facing the economic challenges. This study tried to analyze the impact of the IMF's EFF program on the macroeconomics of Pakistan. The study examining the different scopes of EFF program, including its objectives, conditions, and way forward. The paper also assess its effects on the main macroeconomic indicators such as economic growth, inflation, fiscal discipline, and external sector stability. The EFF program, implemented in Pakistan during a period of economic distress, aimed to address the country's balance of payment crisis, stabilize the exchange rate, restore investor confidence, and promote sustainable economic growth. Under this program, Pakistan committed to a set of economic reforms and structural adjustments, including fiscal consolidation measures, monetary tightening, and structural reforms in key sectors such as energy and taxation. However, the implementation of the EFF program also had some adverse effects on the macroeconomics of Pakistan. The program's stringent conditions, such as fiscal austerity measures and energy tariff adjustments, contributed to a temporary slowdown in economic growth. Furthermore, the austerity measures had distributional consequences, impacting vulnerable segments of society and potentially widening income inequality. In terms



of inflation, the EFF program initially exerted upward pressure due to fiscal consolidation measures and energy tariff adjustments. Therefore, the EFF program's long-term effectiveness depends on carefully managing the trade-offs between stabilization measures and the need for sustainable and inclusive economic growth.

Keywords: IMF, Extended Fund Facility (EFF), macroeconomics, Pakistan, economic growth, inflation, fiscal discipline, external sector stability.

Introduction

One of the primary goals of the IMF, one of the international financial institutions, is to support monetary stability. The IMF was established in 1944 as a part of the Bretton Woods Exchange system with the intention of averting crises like the Great Depression and addressing growing worries about the lack of international monetary cooperation and decline in global commerce (IMF, 2013a).

With the intention of managing the fixed exchange rate agreements between nations and providing short-term funding for immediate balance of payment issues, a lending facility was established. Special Drawing Rights (SDR) were first adopted by the IMF in 1960 as a result of growing worries about global liquidity. It is a global reserve asset, and the US dollar, Japanese yen, British pound, and euro are the four main world currencies upon which its value is based (IMF SDRs factsheet, 2013b).

The IMF has important influence on the economic strategies of its member nations. It does so in a monitoring and advisory capacity, as well as through encouraging extensive policy changes in borrowing countries through conditionality (Baab and Carruthers 2008; Copelovitch 2010). IMF programs have in fact become more invasive and demanding, with the Fund adding more requirements in recent years covering an expanding variety of policy areas (Dreher 2009; Kentikelenis, Stubbs and King 2016).

Despite their intrusiveness, several academics have expressed optimism about the effectiveness of IMF initiatives, correlating IMF-driven policy changes to economic growth (Vreeland 2003; Dreher 2004)³⁶, lower public sector labor costs (Rickard and Caraway 2019), and lower health care costs (Stubbs and Kentikelenis 2018).

However, more recent research questions the IMF's capacity to foster broad economic growth, with many academics believing that the Fund's requirements are inadequately sensitive to local political and economic circumstances (Radelet et al. 1998; Goldstein 2003; Montinola 2010; Li, Sy and McMurray 2015; Kentikelenis, Stubbs and King 2016).



IMF requirements frequently call for significant changes to the labor market and public spending, many of which have significant distributional repercussions within target governments. In fact, IMF structural adjustment programs have been associated with a medium-term rise in income disparity in borrowing governments starting one year after Programme inception (Vreeland 2002; Lang 2016a)³⁸ (Forster et al. 2019). Additionally, declining social cohesion and unfavorable employment trends have been linked to IMF policies (Steinwand and Stone 2008; Blanton, Blanton and Peksen 2015).

The primary objectives of the IMF, as stated in article I of the Articles of Contract (2011a), are to advance and facilitate international trade, encourage exchange permanence, assist in the launch of an open system of international payments, improve monetary cooperation, and provide financial assistance to low-income countries to help them deal with balance of payments issues, high inflation, and low growth (Khan, 1990).

Literature Review

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In the 1950s, the IMF's function evolved and its emphasis on the developing world began to grow. The Fund's initial goal was to offer temporary loans for balance of payments crises, but as time went on, it began to play a more significant role by assisting borrowing nations with structural change. IMF began playing a dual role in financing and adjustment. Debate over IMF participation in developing nations was first sparked by the 1995 Peso Crisis in Mexico and the 1980 Debt Crisis in African and Asian countries (Bird, 1996).

Pakistan: Continued User of IMF Resources and its Reasons

Pakistan is one of those countries that has used IMF resources for a long time, and the country typically contacted the IMF owing to debt and balance of payments issues. IMF Member Quota and Elective Rule (2013g) states that Pakistan joined the IMF in 1950, with a measure of 150



million SDR. Pakistan's IMF quota is currently at 1.1 SDRs, or 300 percent of its 3.5 SDR (\$5.25 billion) carrying quota. Over time, Pakistan's quota level has climbed (Hussain, 2002).

Pakistan began working with the IMF in 1958, but only a few small plans were implemented until the 1980s (IMF Evaluation Report, 2002). Four times between 1972 and 1977, the government requested Stand-by Agreement programs from the IMF. In the twelve years following the start of the excessive use, there were seven agreements, four of which were Standby programs with a single year and three of which were multi-year contracts. More emphasis was placed on tight management policies and structural reforms to address imbalances (Hussain, 2002).

The main causes of Pakistan's need for assistance between 1988 and 2000 were the balance of payments crisis and the issue of debt overhang. Due to these problems, receiving financial aid from several international financial organizations as well as from joint donors required securing an IMF loan as a prerequisite. There was no other choice in the circumstance besides locking into IMF agreements. The Pakistani government, on the other hand, has consistently attempted to avoid making judgments that do not serve its political interests. It has also used the IMF as a pretext for making controversial choices and as a basis of outside finance (Hussain, 2005).

Hussain (2002) claims that from 1988 to 2000, Pakistan attempted to resolve its external imbalances by utilizing the IMF's short-term liquidity injection facilities while avoiding long-term structural changes due to the political cost associated with them. Meanwhile, other elements that upset the macroeconomic balance were bad governance, ineffective spending, and political unpredictability. For the purpose of resolving any transient crises, including issues with balance of payments and rising budget shortfalls, governments always turned to the IMF (Yaqub, 2013).

The recurring change in governments during the 1990s was another important element that led the country to the IMF on various occasions. Two fold party-political ruled Pakistan twice during this time, and all of them were overthrown on suspicion of corruption. Due to a lack of confidence in the qualifications and experience of each previous government, this led every succeeding government to approach the IMF for a fresh deal (Cheema, 2004).

The Asian economic disaster and the sanctions imposed by the international world as a result of the nuclear testing in 1998 significantly exacerbated the economic issues, which ultimately ran to seven accords in this decade. As a result of these back-to-back agreements, which made international associations adopt strict conditions with successive loans, Pakistan's significance and credibility were damaged (Looney (2002)).

Pakistan's inability to sustain high levels of economic growth over the long term can be linked to ineffective administration and weak management of key institutions. The refusal of government regimes to allow crucial institutions to develop into powerful governing bodies to enable an



integrated and seamless flow of policy implementation has resulted in development delays (Husain 2008).

Pakistan Economy Under IMF (EFF) PROGRAMME

IMF Second, Third, Fourth, and Fifth Review of the Extended Fund Facility Programme for Pakistan

- The IMF Executive Board completed the second over five assessments of Pakistan's Extended Arrangement under the Extended Fund Facility (EFF), enabling an immediate purchase of about \$500 million for budget support. (IMF Country Report No. 12/153 (2012))
- The performance of the Program has endured outstanding despite the significant challenges posed by the Covid-19 shock, and the government's measures have been crucial in maintaining the economy and saving lives and livelihoods. (IMF Country Report No. 12/153(2012))
- To strengthen economic flexibility, encourage long-term development, and achieve the medium-term objectives of the economic improvement Programme, the Pakistani government continues to be committed to ambitious policy actions and structural changes (MS Grindle – 2004).

The second through fifth assessments of Pakistan's Extended Arrangement under the Extended Fund Facility (EFF) have been completed by the Executive Board of the International Monetary Fund (IMF). Following the Board's approval, an immediate SDR 350 million (about \$500 million) disbursement is possible, carrying the entire amount of budget provision purchases made under the agree For SDR 4.268 billion (about \$6 billion at the time of approval, or 210 percent of quota), Pakistan's 39-month EFF agreement was approved by the Executive Board on July 3, 2019 (see Press Release No. 19/264).

The Program aims to support Pakistan's policies in order to protect lives and livelihoods as the Covid-19 pandemic spreads, to ensure macroeconomic and debt sustainability, and to advance structural reforms in order to pave the way for strong, job-rich, and long-term growth that benefits all Pakistanis to the tune of about US\$2 billion (RAM Titumir - 2021 – Routledge).

The EFF claims that the policy mix has been rebalanced to achieve the best possible balance between boosting the economy, guaranteeing debt sustainability, advancing structural reforms, and preserving social cohesion. When dealing with extraordinarily high levels of uncertainty and hazard, strong ownership and ongoing reform implementation are crucial (D David, SB Williams, 2023).

IMF Executive Board Sixth Appraisal of the Extended Fund Facility Programme;

- The Executive Board of the International Monetary Fund has ended the Article IV Consultation with Pakistan for 2021. (IMF). The Executive Board also concluded the sixth review of Pakistan's Extended Fund Facility (EFF), enabling it to withdraw SDR 750 million (about US\$1



billion). As of right moment, the Program has purchased reach budget support of SDR 2,144 million, or about \$3 billion (or 106% of the cap) (IMF SDRs factsheet, (2013b)).

- After the initial COVID-19 pandemic waves, the economy quickly recovered, but tensions started to build as seen by an expanding present account shortfall and increasing inflationary pressures. The recent economic and financial policy efforts taken by the authorities were reasonable in order to ensure macroeconomic constancy and debt sustainability.
- More striving struggles to eliminate structural barriers and enable the economy's structural change will aid in producing resilient and sustained growth, promote job creation, and enhance social outcomes for all Pakistanis. (IMF SDRs factsheet, 2013).

The IMF Executive Board has decided the sixth evaluation of Pakistan's extended arrangement in the Extended Fund Facility and the 2021 Article IV consultation [1] (press release to follow (EFF)). The evaluation's finding enables the authorities to withdraw SDR 750 million, or \$1 billion, bringing the total budget assistance purchases made through the Programme to SDR 2,144 million, or \$3 billion, or 106% of the limit (IMF SDRs factsheet).

Analysis of EFF

When a nation takes out a loan from the IMF, it agrees to implement measures to address structural and economic issues. These promises under an EFF, including any conditions, are anticipated to strongly emphasize structural changes to solve institutional or economic shortcomings, in addition to macroeconomic stability-preserving policies. The IMF Executive Board frequently evaluates Programme effectiveness and has the authority to modify the Programme to reflect changes in the economy (M Buti, S Fabbrini - Journal of European Public Policy, 2023).

Extended arrangements are often given for durations of three years, although they can also be granted for durations of up to four years, in order to implement significant and permanent structural reforms. The money borrowed under an EFF is required to be paid completed a period of 4 to 10 years in 12 equal semiannual instalments. Over a period of three to five years, Stand-By Arrangement (SBA) credits are repaid (A Niemann, N Zaun ,2023).

The following are the Indicators of EFF that Contributing in Economic and social sector of Pakistan;

Energy Sector

Energy efficiency, hydropower and renewable energy generation, intra- and interregional power commerce, and water resource supervision are all areas where the World Bank finances improvements. The IMF completed an Extended Fund Facility support Programme for a \$6.6 billion loan in 2017 to become stable the economy and spur growth, with reforms to the energy



sector. In July 2019, the IMF approved a second \$6.0 billion loan to funding the administration's economic reform agenda (M Nazir, K Zaman, S Khan, AA Nassani, 2023)

AFD, JICA, KfW, and USAID all assist the improvement of the transmission network system. KfW and AFD concentrate on renewable energy and energy effectiveness in addition to funding small- to medium-sized hydro power plants, power substations, and off-grid clarifications. These areas are in addition to the transmission sector. In comparison to the help given since 2008, USAID's continuous support for the industry is modest and focuses mostly on the creation of effective systems across all subsectors of the energy industry. The Islamic Development Bank offers the government a facility to buy petroleum products and supports energy production initiatives. (SO Wolf – 2021)

In the given table which shows the IMF funding for energy sector;

IMF Extended Fund Facility Programme

Extended Fund Facility-1	2013–2017	\$6,600.00
Extended Fund Facility-2	2019–2023	\$6,600.00

Table 2; Source; IMF Online data

Fiscal Year 2013

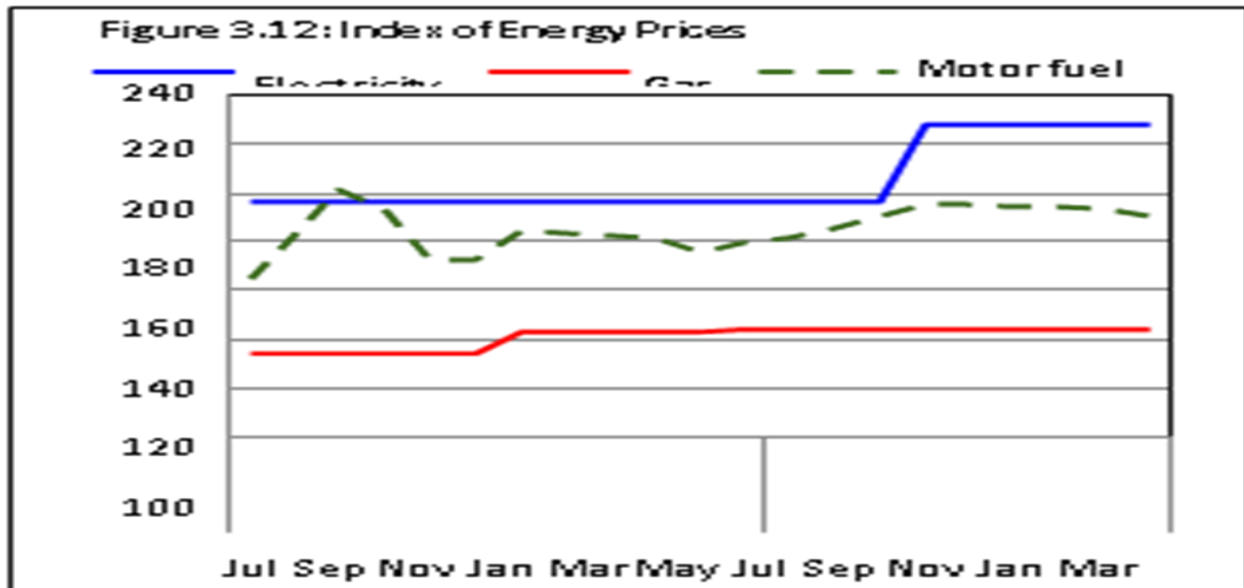


Figure 1. Source; Pakistan Bureau of Statistics



Inflation is impacted by energy costs both directly and indirectly through second-round effects. Energy costs remained steady during the period.

- Since the price of electricity improved by 15 to 24 percent for various user chunks in October 2013, it has not changed.
- Gas prices for homes climbed by almost 6% in January 2013 and by a little greater amount in June 2013. Nothing has changed since then.
- CNG prices had a significant increase in January 2013 (by 21.2%). With such a strong base, YOY inflation in the third quarter was much lower than in the first two; and
- Throughout the firstly partial of the fiscal year, the price of motor gasoline gradually grew; however, as indicated in Figure 3.12, the down adjustment during Q3 (following the trend in international prices) has dimmed the inflationary prognosis.
- PSEs that deal with energy, such as PSO, WAPDA, and Power Holding Private Limited - PHPL - continued to dominate (SN Khan, SAA Kazmi , 2022)

WAPDA paid the Punjab and KP governments Rs 150 billion in unpaid net hydel earnings during the third quarter of FY18; part of this settlement was funded by commercial bank borrowings. Additionally, the government raised money through PHPL to pay off its debts to IPPs and PSO. In the meantime, thanks in large part to money received as part of the circular debt settlement, PSO was able to lower its outstanding receivables during Q3-FY18 from Rs 313 billion to Rs 304 billion (SN Khan, SAA Kazmi , 2022).

Pakistan's Electricity Generation Capacity

From July to April of 2022, the overall energy generation capacity climbed by 11.5 percent to 41,557 MW from 37261 MW during the same time of the previous fiscal year.

Install Capacity (MW)

YEAR	FY 2020__21 (JULY-APRIL)	FY 2021__22 (JULY-APRIL)
INSTALL CAPACITY	37,262	41,557



FISCAL YEAR (FY)	CIRCULAR DEBT
2013	Rs. 450 billion
2018	Rs. 1148 billion
2022	Rs. 2467 billion
2025	Rs. 4 trillion

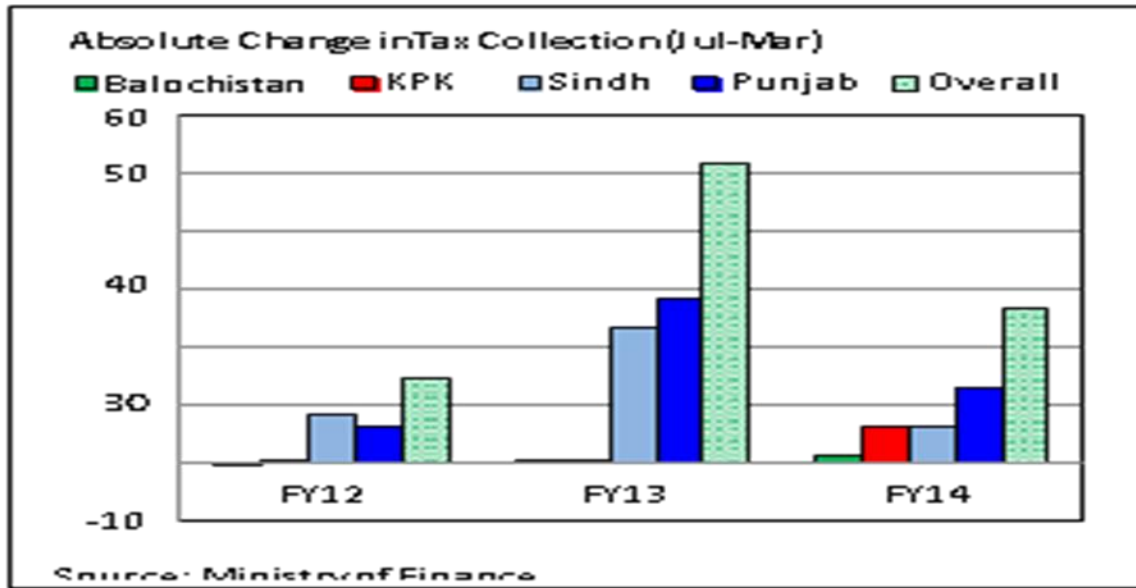
Source; Central Power Purchasing Authority (CPPA)

Particular challenges affect the energy division. For instance, it has been long overdue to address the issue of circular debt in the energy sector. Although successive governments put a lot of effort into curbing circular debt, the issue largely remained out of control. In FY2013, there was about 450 billion rupees in circular debt; by FY2018, there was 1148 billion. According to data from the Central Power Purchasing Authority (CPPA), the circular debt as of March 2022 was Rs 2467 billion. According to this, the circular debt accounts for 5.6 percent of Pakistan's total government debt and 3.8% of Pakistan's GDP. It is anticipated to reach Rs 4 trillion by 2025 if it grows at its current rate and is not handled, demanding urgent reforms in the power sector (Central Power Purchasing Authority (CPPA)).

Tax Collection

Low growth in provincial tax collection FY 2014

The rate of tax collection decreased in the fiscal year 2014's first half after sharply increasing in 2013. Regarding specific provinces, Sindh and the Punjab's tax receipts experienced a significant decline during this time. However, after the KPK Revenue Authority was established in August 2013, KPK's collections virtually doubled in the period from July to March of 2014. In our opinion, after seeing an early surge as a result of the devolution of sales tax collection, the growth in provincial tax incomes is likely to slow downcast. Having said that, we think that expanding the tax base and improving tax administration can result in a sizable rise in provincial tax revenues. Looking at the specifics of the taxable services in Sindh and the Punjab in this perspective offers some crucial (MS Akhtar, MZ Chishti, A Bilal , 2023)



Source; Ministry of Finance

Due to overruns on both revenues and expenses, the fiscal deficit year 2012–13 (without grants) is predicted to remain above 812 percent of GDP, significantly higher than the budget's original target of 4.7 percent of GDP. The deficit of tax collections in the prior monetary year, poor tax management, and a downturn in economic action all contribute to the revenue shortage of 1 1/4 percent of GDP compared to the 2012/13 budgets. (Capita, R. G. P. Development, 2022)

Taxes and Income bold revenue strategy was offered in the federal budget for 2020–21. (see Table). The targets are probably not going to be met, given prior performance. The Ministry of Finance and the FBR always overestimate predicted income performance when using any revenue forecasting methodology. (Capita, R. G. P. Development, 2022)

Compared to the meagre rise of 0.1 percent during the same time of FY2019, the overall tax collection increased by 6.1 percent in FY2020. In absolute terms, tax revenue increased from FY2019's \$4,473.4 billion to FY2020's \$4,747.8 billion. The target for tax revenue for FY2021 is RS 5.83 trillion. The proportion of tax and non-tax revenue, together with performance and target value, are all displayed in the table (FDR data sheet).

Tax profile



Targeted										
Yearly profile Missed targets % growth										
%										
Rs	in	2018-	2018-	2019-	2019-	2020-	2020-			
Trillion	19 BE	19 RE	20 BE	20 RE	21 BE	21 RE	2018-19	2019-20	2020-21	2021-22
Total revenues	5.66	5.03	6.72	5.50	6.57	8.49	-11.11	-18.05	-16.43	-2.7
Share of total revenues										
Total taxes	86.36	87.33	86.68	76.46	83.13	68.69	-10.12	-27.72	-9.49	17.44
Total non-tax revenues	17.40	14.38	20.17	29.22	25.00	23.57	-17.37	44.89	-1.68	29.17

Source; FBR Online data

Balance of Payment

The majority of balance of payments entries discuss transactions in which one economic value is given or received in exchange for another economic value. Real resources (goods, services, and income) and monetary things make up these values.



Year	FX Reserve	PKR
2013 JULY-NOV	2.8 Billion US\$	Depreciated 2.8%
2014	1.8 US\$	Appreciated 6.9%

Source; Pakistan Bureau of statistics

Prior to receiving outside money, Pakistan's external account was burdened by large IMF payments and oil obligations. Between July and November 2013, the country's foreign exchange assets fell by US\$ 2.8 billion, and the PKR lost 8.2 percent of its value. As a result of reduced IMF payments and Pakistan receiving the second tranche of US\$ 544 million under the IMF's Extended Fund Facility Program, pressures began to lessen in December 2013 (SA Javed, SZ Cheema, D Holland – 2022).

The country established a US\$ 1.5 billion grant from a friendly nation, and new IMF distributions other than compensated SBA repayments as the current account deficit shrank as a result of robust growth in remittances and receipt of CSF funds. As a result, the country's FX reserves improved by US\$ 1.8 billion throughout the quarter, and the PKR valued by 6.9 percent in contradiction of the US Dollar (M Rovidad – 2020)

After Pakistan rejoined the international capital market in March 2014 and successfully raised US\$ 2.0 billion through the Eurobond issue, the performance of the external sector substantially improved. Additionally, the IDA issued two single-tranche loans totaling \$1 billion in May 2014, and the ADB disbursed US\$ 400 million in April. In May 2014, Pakistan and the World Bank Group also agreed to a Country Partnership Strategy (CPS) worth US\$11 billion, to be paid out over a five-year period (FY15-19). Furthermore, the prognosis for the nation's balance of payments was enhanced by the April 2014 sale of 3G/4G licenses (which brought in US\$ 1.1 billion, but included a share in PKR) (M Zweiri, TB James 2021).

Given that the share of servicing outside debt to foreign exchange revenues (exports and remittances) has been steadily increasing since 9/11, there are worries about how recent external inflows will be repaid in the future. This marks it even more crucial for Pakistan to decrease its current account deficit in order to prevent upcoming debt checking from depleting the nation's foreign exchange assets. Remittances from home could provide support (N Khan, H Khan, M Zulfiqar, I Jan, 2023).



Discussion

It has been overdue for the energy sector to address the problem of circular debt. Although numerous administrations tried to regulate circular debt, the problem basically remained out of control. Circular duty peaked at Rs. 1148 billion in FY2018 from an estimated Rs. 450 billion in FY2013. According to data from the Central Power Purchasing Authority (CPPA), the circular debt as of March 2022 was Rs 2467 billion. This states that the circular debt represents 3.8 percent of Pakistan's GDP and comprises 5.6 percent of Pakistan's total government debt. It is anticipated that it would reach Rs 4 trillion by 2025 if it continues to expand at its current rate and without being addressed, demanding immediate reforms in the power sector.

Any economy with improved governance will have secure law and order, stable administration, and few internal and external disputes. A greater level of governance may be able to show that economic activity and tax revenue collection are performing well. Tax collection is a crucial and fundamental component for maintaining economic stability. Pakistan is dealing with an increase in poor Tax collection.

The rate of tax collection decreased in the fiscal year 2014's first half after sharply increasing in 2013. Regarding specific provinces, Sindh and the Punjab's tax receipts experienced a significant decline during this time. However, after the KPK Revenue Authority was established in August 2013, KPK's collections virtually doubled in the period from July to March of 2014. Likewise a slowing in economic growth.

The results indicate that tax collection in Pakistan is significantly influenced by governance. In order to enhance governance, Pakistan's government should reduce internal and external disputes, enhance law and order, and maintain political stability.

It has been determined from the information in this chapter that the majority of Pakistan's sectors covered by the IMF Loan Scheme are still experiencing financial difficulties and debt. The research emphasized various data from many websites, including the World Bank, the state bank of Pakistan, and other websites, and came to the conclusion that the majority of Pakistan's sectors are experiencing debt issues.

In a broader context, Pakistan's adherence to IMF-sponsored Extended Fund Facility programs has largely influenced the country's economic management, policies, and performance since 2013. The Policy Charter Papers, which specified actions the government was to take after signing the Extended Fund Facility Programme agreement, were almost always closely followed by the policy actions implemented by the several governments in power following the execution of the 2013 Programme.



The Programme was so meticulously planned out that there was little need for government innovation; instead, they just followed the instructions laid down in the Programme paper. If we examine the IMF programs minutely, fiscal deficit has continued to be the key focus since 2013. Pakistan was instructed by the IMF to reduce its fiscal deficit to 4% of GDP while finalizing all long-term and short-term agreements. The methods used to accomplish this involved increased taxation and a reduction in public spending. Though the growth in the number of original direct taxpayers had been minimal, those who stood already disbursing taxes had their tax load greater than before over rising sales taxes and additional indirect taxes. The administration had to reduce public expenditure in order to reach the 4% target despite this increase in primarily indirect revenue.

On the whole, it can be concluded that the data is taken and the Results Obtained are harnessed to answer the question of Research and also fulfill the objectives of the study. The use of appropriate data shows a proper way to solve the issue faced by concerned.

Conclusion

The study's findings demonstrate that there is consistently uncertainty in the governance structure and the execution of policy decisions in IMF lending schemes. Due to this deterioration, the country was unable to meet its macroeconomic objectives, such as reducing poverty, collecting taxes, resolving the energy sector crisis, controlling inflation, and last but not least, maintaining a positive balance of payments. If we were to evaluate the Electricity Sector based on the aforementioned facts, we would find that the Pakistani government (GOP) has established many measures to assure the seamless supply of energy to the general people and to promote financial progress. The National Power Policy of 2013, The Power Generation Policy of 2015, and the Renewable Energy Policy of 2019 are a few of these policies.

Several national strategies have been centered on eliminating energy crises. For instance, the 2013 National Power Policy aimed to develop a consumer-focused, efficient, and cost-effective power group, broadcast, and delivery system that could meet the needs of the populous and boost the national economy. The main objectives were to abolish load shedding entirely and reduce the average cost of power generation. The Alternative and Renewable Energy Policy was established in 2019 to aid and promote the growth of renewable resources across the country. Even with all of these energy-related policies, efforts, and loan scheme investments, Pakistan continues to struggle with load shedding despite low electricity production costs and a decline in transmission and distribution losses.

The results of Pakistan's foreign policy, as well as its political leaders' engagement in the country, haven't been able to follow a logical course. Pakistan needs a sincere, charismatic leader urgently. Pakistan should properly utilize its resources as the nation with the most abundant mineral wealth



in order to capitalize on them, reap the rewards, and do away with the IMF. Historically, using IMF loans has been a strategy for buying time and rescuing governments while they are still in office. Every government adopted the softer, more manageable policies and avoided the more drastic ones.

Governments have been known to falsify data in order to attain their goals. In order to take strong measures, reforms were avoided, and the programs were suspended without meeting the goals. The study by Ahmed (2011), which asserted that Pakistan used the strategy of "financing without adjustment" from 1988 and always disregarded the crucial steps and measures that should have been taken to avoid prolonged use of conditionality, supports the same argument. According to Ahmed (2011), this policy of beginning and borrowing can only delay the pain of a crisis for any economy; it cannot, however, resolve that crisis. Pakistan hasn't taken ownership of its correction programs, hasn't worked to address its deficiencies, and hasn't even fully implemented any of them.

Recommendations

- The fiscal discipline should be strengthened in Pakistan in context of IMF. IMF normally requires countries to implement fiscal consolidation measures to address budget deficits and reduce public debt. Pakistan should focus on improving tax collection, rationalizing expenditures, and enhancing transparency and accountability in public finances. This will help restore fiscal discipline and promote macroeconomic stability.
- The Monetary Policy Framework in Pakistan may be enhanced. It means the Pakistan must strengthen its central bank's independence, enhance communication channels, and improve coordination between monetary and fiscal stakeholder in term of authorities of the said institutions. This will help them to maintain their price stability, inflation and to promote sustainable economic growth within the country.
- The structural reforms also need implementations that EFF somehow emphasizes the implementation of structural reforms, which make them to address long-term or established issues in the economy. However, Pakistan must prioritize some of the reforms as the sector discussed above in the paper like energy, agriculture, and the financial sector. For example, improving the energy sector's efficiency, promoting agricultural productivity, and enhancing the resilience of the financial sector will contribute to sustainable economic development. Along with these they should also focused to Promote trade and investment to reduced trade barriers, streamlining regulatory processes, and improving the business environment to attract investment and boost exports. Therefore, this will help diversify the economy, enhance competitiveness, and strengthen external sustainability.
- The social safety nets also required a keen observation that should be safeguarded when the any country or government go to IMF or EFF financial helps and programs. Such kind of fiscal adjustments and structural reforms may have social implications, it is crucial to protect vulnerable groups through well-designed social safety nets. Pakistan should see the



adverse effects of the EFF on low-income households, such as expanding social assistance programs and investing in human capital development.

- Accurate and timely data is essential for effective policy formulation and monitoring. Pakistan should invest in improving the quality and transparency of its economic data, ensuring it meets international standards. This will enhance credibility, facilitate evidence-based decision-making, and enable effective monitoring of the EFF's impact on the macroeconomy.
- The governance and institutional capacity also need focus and should be strengthened. The success of the EFF relies on strong governance and institutional capacity. Pakistan should prioritize efforts to combat corruption, improve public sector efficiency, and enhance the rule of law. Strengthening governance and institutions will foster investor confidence, attract private investment, and promote sustainable economic development.



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