

Pakistan and IMF

IMF Board Approves 37-month, \$7bn EFF for Pakistan

- IMF Executive board on Wednesday, 25th September 2024 approved the 37-month long US\$ 7bn loan for Pakistan.
- As per the news sources, Pakistan will receive the first tranche worth US\$ 1.1bn by 30th September 2024.
- This marks the 25th IMF Programme that Pakistan has obtained; the new program is designed to back the authorities' efforts in securing macroeconomic stability while fostering conditions for more robust, inclusive, and resilient growth. It involves measures to reinforce fiscal and monetary policies, expand the tax base, improve the management of State-Owned Enterprises (SOEs), enhance competition, ensure fair investment opportunities, develop human capital, and increase the scope and benefits of social protection, particularly through the Benazir Income Support Program (BISP).

IMF Board Approves Extended Fund Facility (EFF) Program

The Executive Board of International Monetary Fund (IMF) in its meeting held on 25-Sep-24 approved 37-Month Extended Fund Facility (EFF) for Pakistan worth US\$ 7bn (SDR 5,320mn). The approval of EFF program allows for immediate disbursement of US\$ 1.1bn (or SDR 760mn).

To recall, IMF team visited Pakistan and held discussions for the new EFF program during May 13-23, 2024. The discussions continued virtually after the team left Pakistan and towards the end of the discussion the IMF Mission chief to Pakistan told the press that Pakistan and IMF have successfully reached an SLA on a comprehensive program on 12th-Jul-2024 endorsed by the federal and provincial governments.

After reaching SLA in Jul-24, Pakistan had to provide assurances to IMF for rollover of loans amounting to US\$ 12.7bn payable to Saudi Arabia, China, UAE and Kuwait. Along with this Pakistan had to bridge additional US\$ 2bn financing gap to qualify for the loan for which Pakistan took commercial loan from Standard Chartered Bank.

The new bailout package focuses on stabilizing the economy by consolidating public finances, replenishing foreign exchange reserves, mitigating fiscal risks posed by state-owned enterprises, and improving the business environment to foster private sector-driven growth, and transfer some responsibilities to the provinces and agreed to limit subsidies.

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macroeconomic stability while fostering conditions for more robust, inclusive, and resilient growth. It involves measures to reinforce fiscal and monetary policies, market determined exchange rate, expand the tax base, improve the management of State-Owned Enterprises (SOEs), enhance competition, ensure fair investment opportunities, develop human capital, and increase the scope and benefits of social protection, particularly through the Benazir Income Support Program (BISP). Provinces are also required to increase tax income from agriculture sector by enhancing tax rates to bring it at par with income tax at federal level. The federal government would require cooperation from all four provinces to successfully complete the IMF program.

As per media reports, the federal and provincial governments are set to sign a new National Fiscal Pact by 01-Oct-2024, which will shift responsibilities for health, education, social safety nets, and road infrastructure projects to the provinces, as per the terms agreed between Pakistan and the IMF.

Exhibit: Pakistan and IMF

Facility	Start Date	Expiration Date	Amount (SDR)	Amount Drawn (SDR)
Standby Arrangement	Dec-58	Sep-59	25	-
Standby Arrangement	Mar-65	Mar-66	38	38
Standby Arrangement	Oct-68	Oct-69	75	75
Standby Arrangement	May-72	May-73	100	84
Standby Arrangement	Aug-73	Aug-74	75	75
Standby Arrangement	Nov-74	Nov-75	75	75
Standby Arrangement	Mar-77	Mar-78	80	80
Extended Fund Facility	Nov-80	Dec-81	1,268	349
Extended Fund Facility	Dec-81	Nov-83	919	730
Structural Adjustment Facility Commitment	Dec-88	Dec-91	382	382
Standby Arrangement	Dec-88	Nov-90	273	194
Standby Arrangement	Sep-93	Feb-94	265	88
Extended Credit Facility	Feb-94	Dec-95	607	172
Extended Fund Facility	Feb-94	Dec-95	379	123
Standby Arrangement	Dec-95	Sep-97	563	295
Extended Fund Facility	Oct-97	Oct-00	455	114
Extended Credit Facility	Oct-97	Oct-00	682	265
Standby Arrangement	Nov-00	Sep-01	465	465
Extended Credit Facility	Dec-01	Dec-04	1,034	861
Standby Arrangement	Nov-08	Sep-11	7,236	4,936
Extended Fund Facility	Sep-13	Sep-16	4,393	4,393
Extended Fund Facility	Jul-19	Jun-23	4,988	2,144
Standby Arrangement	Jun-23	Mar-24	2,250	2,250
Extended Fund Facility	Jul-24	Aug-27	5,320	-

Source: IMF, IGI Research

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