

Pakistan and IMF

Pakistan and IMF Reach SLA for 3rd Review under EFF; Second Review for RSF under the 28th month arrangement

- IMF staff and the Pakistani authorities have come to a staff-level agreement following the third review of Pakistan's Extended Fund Facility (EFF) and the second review under the Resilience and Sustainability Facility (RSF).
- This agreement remains subject to approval by the IMF Executive Board. Once approved, Pakistan is expected to receive approximately US\$ 1.0b (SDR 760mn) under the EFF and around US\$210 million (SDR 154mn) under the RSF, bringing cumulative disbursements under both programs to roughly US\$ 4.5bn.
- The central bank is maintaining a tight and data-driven stance, with readiness to raise interest rates if inflationary pressures intensify including pass through impact of recent volatility in fuel and food prices amid Middle East conflict.

IMF and Pakistan Reach SLA for 3rd Review under EFF

IMF staff and the Pakistani authorities have come to a Staff-Level Agreement (SLA) following the third review of Pakistan's Extended Fund Facility (EFF) and the second review under the Resilience and Sustainability Facility (RSF).

The IMF team and Pakistani authorities have reached SLA on both the 3rd review of the 37-month EFF arrangement and the 2nd review of the 28-month RSF program. This agreement remains subject to approval by the IMF Executive Board. Once approved, Pakistan is expected to receive approximately US\$ 1.0b (SDR 760mn) under the EFF and around US\$210 million (SDR 154mn) under the RSF, bringing cumulative disbursements under both programs to roughly US\$ 4.5bn.

Implementation of the EFF program has largely remained consistent with the authorities' goals of strengthening public finances, maintaining inflation sustainably within the State Bank of Pakistan's target range, advancing reforms to enhance the energy sector's viability, and deepening structural reforms, while also reinforcing social protection and restoring spending on health and education.

The authorities' climate reform agenda, supported by the RSF, is advancing steadily, with continued commitment to implementing comprehensive policies and reforms aimed at strengthening resilience and reducing exposure to climate-related risks.

IGI Research

Abdullah Farhan

abdullah.farhan@igi.com.pk

Syed Muzammil Hasan Rizvi

muzammil.rizvi@igi.com.pk

Following are key policy priorities highlighted by IMF:

IMF mission conducted discussions from February 25 to March 2, 2026, followed by virtual engagements covering the 3rd review of the Extended Fund Facility (EFF) and the 2nd review under the Resilience and Sustainability Facility (RSF).

The IMF team acknowledged that continued policy measures have contributed to economic stabilization and helped restore market confidence. Following a recovery in FY25, economic activity has continued to strengthen in the early months of the current fiscal year. Inflation and the current account have remained under control, while external buffers have improved. However, ongoing tensions in the Middle East present downside risks, particularly through volatile energy prices and tighter global financial conditions, which could exert pressure on inflation, growth, and the external balance”

The authorities continue to prioritize prudent macroeconomic management to safeguard recent stabilization gains. Alongside this, they are advancing structural reforms to support long-term growth while reinforcing social safety nets to cushion vulnerable populations against rising energy costs.

Maintaining a prudent Fiscal Stance: Maintaining fiscal discipline remains a key objective. The government is committed to achieving a sustainable fiscal position by gradually reducing the public debt burden over the medium term. Efforts are focused on meeting the FY26 primary surplus target of 1.6% of GDP and aiming for an underlying surplus of 2% in FY27. These goals are supported by initiatives to broaden the tax base, strengthen spending controls, and improve coordination between federal and provincial governments, while continuing to allocate resources toward health, education, and social protection.

Fiscal Reforms: Progress on fiscal structural reforms is also underway. Revenue mobilization efforts are beginning to show results, with the Federal Board of Revenue implementing key elements of its transformation strategy and introducing performance benchmarks. Key initiatives include enhancing audit processes, expanding digital invoicing and production tracking, and improving institutional governance. The Tax Policy Office is formulating a medium-term strategy to ensure stable and neutral tax policies, while broader reforms aim to strengthen public financial management and improve fiscal coordination across government levels.

Monetary Policy: Monetary policy remains focused on controlling inflation within the target range. The central bank is maintaining a tight and data-driven stance, with readiness to raise interest rates if inflationary pressures intensify including pass through impact of

recent volatility in fuel and food prices amid Middle East conflict. Exchange rate flexibility continues to play a key role in absorbing external shocks, particularly those arising from global uncertainties. The central bank is also ensuring that the financial system remains capable of supporting import financing and managing external payment obligations during periods of pressure.

Poverty reduction and social protection: Efforts to strengthen social protection are being intensified to shield low-income households from fluctuations in food and fuel prices. The authorities are enhancing the scope and effectiveness of the Benazir Income Support Program through inflation-indexed transfers, broader beneficiary coverage, and improved payment mechanisms. At the same time, there is a continued commitment to increasing spending on health and education to support inclusive growth and human capital development.

Energy sector viability: Reforms in the energy sector are aimed at ensuring long-term sustainability and preventing the re-emergence of circular debt. This includes timely tariff adjustments to reflect costs, avoiding inefficient subsidies, and improving operational efficiency. Ongoing efforts include upgrading transmission and distribution systems, privatizing underperforming entities, transitioning toward a competitive electricity market, and promoting renewable energy in line with demand and grid stability considerations.

Structural Reforms: Broader structural reforms are being pursued to enhance governance, reduce inefficiencies, and improve the business environment. These reforms focus on lowering regulatory barriers, increasing productivity, and fostering private sector development. Key priorities include advancing the privatization agenda, reforming state-owned enterprises, reducing government intervention in commodity markets, and strengthening institutional frameworks, including anti-corruption measures, to support sustainable and inclusive economic growth.

Building resilience to climate change: Under the RSF framework, climate-related reforms are progressing to strengthen resilience against environmental risks. Recent measures include promoting low-carbon transport, improving climate data systems, and enhancing financial risk management related to climate change. Looking ahead, the authorities aim to further strengthen water resource management, prioritize climate-related spending, develop disaster risk financing mechanisms, and align energy sector policies with broader environmental objectives.

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	3,040
Resilience & Sustainability Facility	Mar-25	Jun-27	1,000	308

Source: IMF, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Zaeem Haider Khan	Head of Equities	Tel: (+92-42) 35301405	zaeem.haider@igi.com.pk
Syeda Mahrukh Hameed	Regional Head (North)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Faraz Naqvi	Branch Manager (Karachi)	Tel: (+92-21) 111 234 234 Ext: 826	faraz.naqvi@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Abdullah Farhan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Sakina Makati	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 810	sakina.makati@igi.com.pk
Syed Muzammil Hasan Rizvi	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 569	muzammil.rizvi@igi.com.pk
Sufyan Siddiqui	Database Officer	Tel: (+92-21) 111-234-234 Ext: 888	sufyan.siddiqui@igi.com.pk

IGI Finex Securities Limited

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Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
Khayaban-e-Jami Block-09, Clifton, Karachi-75600

UAN: (+92-21) 111-444-001

Fax: (+92-21) 35309169, 35301780

Lahore Office

Shop # G-009, Ground Floor,
Packages Mall

Tel: (+92-42) 38303560-69

Fax: (+92-42) 38303559

Islamabad Office

3rd Floor, Kamran Centre,
Block- B, Jinnah Avenue, Blue Area

Tel: (+92-51) 2604861-2, 2604864, 2273439

Fax: (+92-51) 2273861

Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The
Regency International 949, The Mall
Faisalabad

Tel: (+92-41) 2540843-45

Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,
Model Town, Town Hall Road

Tel: (+92-68) 5871652-3

Fax: (+92-68) 5871651

Multan Office

Mezzanine Floor, Abdali Tower,
Abdali Road

Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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