Journal of Public Policy Practitioners (JPPP)
Volume 1 Issue 1, Spring 2022
ISSN(P): 2959-2194, ISSN(E): 2959-2208
Homepage: https://journals.umt.edu.pk/index.php/jppp

Article QR

Title: **Impact Of Pak-IMF Bailout Arrangement on Economic Growth**

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DOI: https://doi.org/10.32350/jppp.11.05

History: Received: March 24, 2022, Revised: May 24, 2022, Accepted: June 20, 2022, Published: June 30, 2022

Citation: Sarfraz, Z. (2022). Impact of Pak-IMF bailout arrangement on economic growth. *Journal of Public Policy Practitioners*, *1*(1), 165–200. https://doi.org/10.32350/jppp.11.05

Conflict of Interest: Author(s) declared no conflict of interest

A publication of
School of Governance and Society
University of Management and Technology, Lahore, Pakistan

Impact of Pak-IMF Bailout Arrangement on Economic Growth

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Abstract

Government of Pakistan has been facing various macro-economic challenges due to internal and external factors. Pak economy suffers from monetary, fiscal and BOP crisis after every few years building up a near crisis scenario which needs to be managed through traditional stabilization policies most common among them is approaching to IMF. Pakistan's policy of dependence on internal and external loans is not new and the cost of these crisis management plans has a strong reason behind slowing down socio-economic development. The recent economic crisis has approached after facing a significantly harsh macroeconomic imbalance during 2000-2016 while Pakistan was under an IMF Program. To bridge up the gaps in import- export, making up declining foreign reserves, satisfying FATF and support the BOP imbalance, Government was left with no alternative except to have a bailout package with IMF embracing all the attached harsh conditions. During the recent past Pakistan failed to enhance its portfolio, put a gauge on unnecessary and luxury exports at higher rates, a weak tax system where tax evasions increases fiscal deficit, lavish exemption and reductions in tax rates rising inflations, expanding unemployment and a weaker industrial base make Pakistan stand on the verge of serious dip. All this has a trickle down impact to the poor masses due to weaker economic policies and deepening corruption in Pakistan. These are the ideal ecological factors which held the IMF plant grow greener and healthier. The present bailout program has a list of policies to correct domestic and external factors and strengthen the economy of Pakistan as it has been doing in many other countered. This paper is an attempt to cover the impacts of previous program and of the recent one on the economy of Pakistan.

Keywords: IMF, bailout, FATF

Introduction

Pakistan's economy is placed on a fragile pedestal. It has a precedent of imbalanced economic policies which are flagged with fiscal deficits, weak

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monetary policies, overvalued exchange rates, expedited consumptions and very short recent span of growth but all topped with an increasing internal and external debts and decreasing national reserves. During the past many years ruling elites remained unsuccessful in redressing structural weaknesses, poorly administered tax system, harsh environment for business setups and loss generating SOEs in the courtyard of informal economy's villa. In the absence of actionable policies, economic stability is always at a risk increasing the scale of insufficient economic growth for an enormous population. After observing failure to cope with fiscal and monetary matters the favorite resort of Govt. of Pakistan is to obtain loans to keep the debt cycle revolve smoothly and to meet the challenge of balance of payments and other financial obligations.

Pakistan has recently asked the help of IMF some 18th time since 1958 while it is a member of IMF since1950. Pak-IMF long negotiations finally ended up with the herald of IMF's assent to accord for a bailout package of 06 Billion USD to be credited to Pakistan in 39 installments. In July 2019, Pakistan signed the deal to manage its external economic challenges (Lipton, 2019a). By now first installment has been received by the borrower country. This is a recurring phenomenon for last several decades. The vicious cycle seems to be truly entrenched in the political/economic culture of Pakistan. The objective of this bailout support is to get some relief to combat the financial hardships faced by new Government. IMF's programs are known for two reasons,

- The macro-economic adjustments and
- The structural transformation of the economy.

Every successive Government claims to break the proverbial "Begging Bowl" but yet again Pakistan finds itself at the doorstep of international lenders asking for help in distress (Samaa, 2016). This time too, there is a claim and hope that Pakistan can be on the road of sustainable economic development once the objective of program is achieved. However, this remains to be observed in the coming months of the current financial year and in the forthcoming years of indebtedness.

Statement of the Problem

The rising figures of internal and external debts and shortage of funds to pay back installments to the international money lenders Pakistan has chosen to avail IMF's bailout yet again; the 13th time. However, IMF programs are known to impose harsh conditions for improving the macroeconomic indicators of a country. How IMF's conditions will affect relative economic growth in Pakistan is an issue of academic as well as pragmatic interest- which needs to be explored in detail. This paper is an attempt to find

- Whether the bailout program is beneficial for the sinking economy of Pakistan?
- What is the overall impact of this bailout program on the economic growth of Pakistan in the presence of high internal and external liabilities?

Significance of the Research Paper

The research paper will be of immense importance to policy makers, economists and the academic community for two different aspects first for divulging the issue of benefits and disadvantages of availing the bailout program and secondly to look for availability of other avenues to mobilize the revenue resources for achieving sustainable economic growth and freeing from the clutches of debt.

Scope of the Research Paper

Scope of this research paper is confined to the analysis of impacts of bailout program on the economic growth of Pakistan, reasons for approaching to IMF for obtaining another EFF and the study of the conditions attached with bailout program creating an environment difficult for economic growth in Pakistan. Due to certain time constraints for this research the scope is limited to the analysis of need for bailout, its importance to fill the gap of balance of payments, structural adjustments and impact on the economic growth in both long and short term. Furthermore, only macroeconomic variables which contribute towards growth in Pakistan have been discussed. Political instability, present inconsistent policies and other allied social issues that may contribute to effect economic growth are not a part of this research study.

Review of the Literature

Dr. Irshad explored that the future of Pakistan is promising but depends upon a number of factors (Irshad). If Pakistan adopts strong macroeconomic policies, introduces structural reforms, invests in infrastructure and human developments it can rejuvenate economy. He emphasized introduction of favorable conditions for investment to take up growth rate 2-2.5% annually and enhance per capita income up to US$2600 by 2030.He explained that Pakistan needs to review its macroeconomic policies to achieve sustainable growth trend instead of entering into new programs with IMF.

Ahmed explored the effects of IMF bailout on Industrial sector performance in Pakistan (Arab News, 2019). The author used the data of 373 industries (2238 observations) for the period of 2009-14 with four dependent variables; return on equity, return on sales, return on assets and earning per share with and without bailout package as independent variables to check out the performance of manufacturing sector. Regression analysis and Hausman test were employed by author to evaluate the results. The outcomes of the study suggest that all the dependent variables were significantly and negatively associated with bailout packages.

Azam investigated the casual association between GDP and financial crises factors such as inflation, bulk of financial debt and interest rate in Pakistan (Azam & Lukman, 2010). The study employed the Johansson's integration test on time series data for the period of 1972-2010 to assess the long run stability among the variables. Unit root test also used to study and check the reasons for stationary variables. Findings of the study confirmed that the existence of long run stability equilibrium between economic growth and said variables. The study concluded that GDP and inflation had no co-integration themselves while Interest rate and foreign debt had co-integrated with GDP. Furthermore, interest rate is a factor which decreases the stock payoff and raises the debt cost. The study recommended that central bank must adopt balance monetary policy and government should provide feasible environment for investors.

Malik assessed the correlation between economic growth and foreign debt in Pakistan by using the time series data of 1972-2005 (Malik et al., 2010). The data collected from world development indicators, economic survey of Pakistan and international financial statistics. The study employed ordinary least square method to analyze the impact of foreign debt and debt servicing on economic growth of Pakistan. Augmented Dicky Fuller (ADF) test was used to study stationary variables. The outcomes of the study revealed that both the foreign debt and debt servicing had negative but significant association with economic growth. As the foreign debt and debt serving increased it decreased the economic growth. The study was concluded that poor economic policies, political instability and mismanagement of foreign debt resulted decline in economic growth. Due to strict conditions of IMF loans the balance of payment account deteriorated. Government should increase export base, remake confidence of local and foreign investors and make adequate economic policies recommended by the study.

Khan describes the impacts of structural adjustment program as increase in indirect tax base, reduction in budget deficit, revised exchange rates, reduction in subsidies, lowered inflation rate, employment, per capita income, and income distribution (Khan et al., 2011). They used four different models and applied ordinary least square technique on the time series data ranging 1981-2001. They found that lower budget deficit positively impacts employment level, income distribution and negatively impacts inflation rate while increased indirect taxes have negative effects on employment level, income distribution, per capita income increase inflation. Furthermore, reduction in subsidies and revise exchange rate has negative effects on employment level, inflation, income distribution and per capita income. They also conclude that structural adjustment program was unfavorable for country's macroeconomic variables during adjustment duration. They recommended that government should not adopt such adjustment programs.

Methodology

The method applied in this research Paper is basically qualitative in nature and secondary data has been utilized. Various reports, articles and research papers on IMF bailout arrangements published in domestic and international newspapers and journals by Government and private organizations, annual report of the State Bank of Pakistan and Economic Survey of Pakistan have been consulted. Besides, various articles of the leading newspapers have been perused to analyze the impact of IMF program.

Specifically, the precise method which would be employed in this research would entail the methods of qualitative content analysis. This type of methodology would entail the use of sources mentioned in the literature review to analyze the patterns of which are useful to address that Whether the IMF programs are beneficial to the economy of the Pakistan in terms of their possibility to help the economic prosperity of Pakistan. This would require reference to the a number sources to highlight a pattern while focusing on their precise frequencies through the perusal of the relevant datasets. The questions which this qualitative analysis would seek to answer would be specific in nature as the same would be reflected through the course of this paper which would at require summaries and tables of various time phases to answer these questions in the light of the variables.

The methodology of this research also reflects a comparative approach as well which is required to precisely note the salient features of other economies which have been engaged in the past by the IMF such as Argentina and Egypt to demonstrate the effects of the programs in developed and developing countries. Amongst the developing countries, Egypt is chosen because of their suffering economy due to previous crises and the same is an agricultural economy as Pakistan is, therefore an analysis of Egypt would be capable elucidate the patterns which are witnessed in Pakistani economy as well. On the other hand Argentina is chosen because the same had been engaged into IMF upon a notable number of times as the country is rich in natural resources and their economy had suffered which required these bail out packages from IMF.

Organization of the Paper

This paper is divided into three parts. First part of the paper studies the interaction between Pakistan and the IMF over the course of time and why the Government had to go to the IMF despite initial reluctance. Also, what has been broadly agreed with the IMF in the current deal?

second part identifies and explains the structural economic weaknesses of Pakistan that are the root causes of our frequent visits to the IMF and experience of some other countries with IMF and the final part shall be dealing with the Impacts of current IMF program on economic development of Pakistan. As the deal has been concluded by now and first installment of $01 Billion is received hence its impact on the overall growth of economy of Pakistan is to be analyzed. This part is exclusively focused on pointing policy prescriptions (derived from the study) that should be followed if Pakistan has to get off the addiction of IMF and proceed on the path of sustainable economic development.

IMF and its Functions

Explaining IMF

IMF since its inception served as a forum of cooperation and consultancy hence contributed significantly towards streamlining international monetary relationships and expansion of global trade. IMF also provided assistance to countries facing hardships in BOP. The three major functions of IMF are below.

1) Policy Assessment and advice (Article IV Consultations)
2) Lending (Facilities to support programs of Governments approaching for financial/ monetary help of IMF
3) Capacity building (Technical assistance and trainings for devising effective monetary policies)

IMF also provides many other financial facilities as under;

1) Concessional Rates

a) PRGF (Poverty Reduction and Growth Facility)

b) ECF (Extended Credit Facility)

2) Market Based Rates

a) SBA (Standby Arrangements)

b) EFF (Extended Fund Facility)

Functions, Powers and Jurisdictions

There are many voluntary services and informational functions in IMF's official tasks;

Regulatory Functions

With reference to Articles (VIII) of Agreement, regulatory function of IMF deals with the Jurisdiction on limiting outflows and transfers for current international transactions. The member nations of IMF are bound to deliver their all essential statistical data or information.

Consultative Functions

This function of IMF includes not only the monitoring and evaluation of world monetary system but also criticism and giving observation over the policies of member nations. All these exercises contain systematic checkouts by other member nations under Articles IV of Agreement.

Financial Functions

It is the basic function of IMF. In the light of Articles V, VI of Agreement, IMF provides loans to member nations for correction of temporary issues relating to balance of payment account and provides long-term loans through SDR system (International Monetary Fund [IMF], 2016).

Service and Supplementary Informational Functions

As compared to above mention obligatory functions, service and supplementary informational function of IMF is voluntary in nature. This voluntary function consists of broad spectrum technical assistance, statistical and non-statistical programs.

Role of IMF as Donor Agency and as a Financial Advisor

International Monetary Fund (IMF) acts as donor agency and financial advisor to member countries.

IMF as Financial Advisor

IMF provides financial assistance and advice to its members. IMF is liable for carrying out and maintaining the monetary system of the world. It provides a favorable environment and systematic tools for international transactions encouraging investment and sustainable world economic growth. For attaining its goals, IMF advises macroeconomic policies, these policies have stronger influence on members' federal budget, exchange rate determination and money supply. IMF also judges the structural policies that relate to labor market and employment as well as streamlining financial sector (Heakal, 2019). IMF regulates a surveillance process to advise the members about implementation of thorough and suitable economic policies. It also assesses whether domestic policies promote countries' own stability by examining risks to BOP stability.

Why Pakistan Needs IMF

Like the previous governments, the new Government of Pakistan (2018-2022) also preferred to approach IMF as it faced economic challenges due to weak fiscal and monetary policies of previous Governments discussed as under:

Structural Economic Challenges of Pakistan

Pakistan has to approach the IMF quite often because economy is unable to sustain independently. There are structural issues in the economy that need further loans, external aids or bailout packages. Recently, the current account deficit rose to extreme high levels causing need of external support to the economy (kundi, 2019a). In case of Pakistan, Trade deficit is the biggest contributor to current account deficit.

Following structural economic issues are the root cause of Pakistan's macroeconomic instability.

Poor Tax Collection

Pakistan is a highly populated country with an informal economy. Only 1% of the population is taxpayer out of which 90% taxes are collected through withholding taxes (Federal Board of Revenue [FBR], n.d.). More than I million returns are filed without paying even a single penny into Govt. Treasury. The sore of undocumented economy has over the years badly marred the tax to GDP ratio. The tax to GDP is 7% which places Pakistan on comparatively lower pedestal among emerging economies. In 2018-19, Pakistan Tax to GDP ratio has declined to 11.6% from 13% in 2017-18 (Dunya News, 2019). This has caused unprecedented pressure on the economy because tax collection does not facilitate Governments to run day to day business, pay off debts and focus on development programs.

High Fiscal Deficit

Pakistan has a persistent budget deficit problem due to low tax collection and higher debt servicing. One reason of high fiscal deficit is the burden of salaries & pensions on federal budget (Kundi, 2019b). For the year 2018-19, it has reached at the level of 8.9% of GDP- highest ever in last eight years (Mustafa & Haider, 2019). This kind of fiscal deficit needs immediate attention to maintain monetary functions.

Insufficient Exports of Pakistan

Exports are hovering around $25 Billion USD for the last few years. More than 80% of exports are related to textiles &apparel, leather &leather articles, sports & surgical goods and a very limited food segment. Many exports articles are not better in quality and lack international technological standards (Monnoo, 2019). The reason behind dip in exports is due to lack of entrepreneurship of Government and harsh environment for business sector in Pakistan. To maximize exports, Pakistan needs to venture into high tech exports and be a part of global value chains (Zaidi, 2018). Since the trade deficit is above USD 30 Billion for last two years, it is empirical to have significant rise in exports.

Inelastic Imports

Imports have been in the range of 50 to 60 Billion USD for the last three years. To control trade deficit, one potential option is to compress imports. Most imports are inelastic in nature and comprise of Oil & Gas, Food group and Machinery (Zeb, 2019). High demand of imported food and unnecessary items need to be checked to fix the dollar with necessary regulations.

Low National Savings

Due to uneven distribution of resources, low per capita income, national saving rate in Pakistan is much lower than many other emerging economies of the world. It has attained a percentage of 10.7 for the fiscal year 2018-19. Since savings are identical to investments, lower savings means lower inland investments resulting in lower GDP rate. To gear up economic growth, Government has to borrow from outside (Mattis Global, 2018). However borrowing also couldn't solve monetary issues and the snowball of debts kept rolling on resulting in knocking at the doors of the last resort of IMF.

Inefficient Public Sector Enterprises (PSEs)

Public sector enterprises in Pakistan are inefficient and loss making. Over the years, numerous efforts have been made by successive Governments to turn these profitable but the results remained unsatisfactory. From power sector to aviation, PSEs are running into losses and putting pressure on Government finances (Iqbal , 2019). Pakistan ranks 117 in the list of 157 countries in ease to do business hence failure of PSE/SEZ's are another shadow on the efforts to achieve sustainable economic growth.

Low Foreign Direct Investment

Due to host of reasons, like political instability, insecurity, governance issues, foreign investors are reluctant to invest in Pakistan. FDI is range bound between USD 1-4 Billion during last ten years (Pakistan Foreign Direct Investment, n.d.). This could be major source of earning dollars to manage Current Account Deficit but this sector is ignored. Slower institutional response inhibits foreign investors.

Remittances a less Focused Sector

Pakistan gets a significant amount of dollars (USD 20 Billion for 2018-19) from overseas Pakistanis as remittance. Dollars arrival is vital to manage external deficit of Pakistan. Pakistan has a large manpower which can be trained and sent abroad but lack of Government interest in training manpower to attract remittances has spoiled this source as well. However, there has to be a clear focus on country specific plan, target countries should be those which have a stagnant or declining population so that a well-trained workforce is required there, Japan is the prime example (Harding, 2019).

Experience of Developing Countries

Egypt

Placed in northeastern part of continent Africa Egypt is one of the most versatile economy of Middle East. Egyptian economy mainly depends on services and Agriculture sector. According to 2018 estimate (Central Agency for Public Mobilization and Statistics), Egypt has a labour force of 28.8 million persons.

The recession of 2008 slowed down the economic activity and increased the macroeconomic instability. To restore the same, Egyptian authorities signed an agreement with IMF of $12 billion under Extended Fund Facility (EFF) in 2016. Before entering in IMF program, Egypt's annual GDP growth rate was 4.3 percent in 2015 which was highest after 2008's recession. Budget deficit stood at -11.5 percent of GDP and current account balance reached to -5.1 percent of GDP. External debt of Egypt remained at 15 percent of GDP in 2015.

Table 1
Economy of Egypt under IMF

Indicators (% GDP)	2015	2016	2017	2018	2019
GDP Growth	4.3	4.2	4.1	5.3	5.6
Budget Deficit	-11.5	-12.5	-10.9	-9.8	-8.6
Current Account Balance	-5.1	-6.1	-3.3	-2.5	-2.2
External Debt	15	18.3	41.2	37	36
Source: World Bank Indicators, Central Bank of Egypt and Egypt Ministry of Finance					

IMF stabilization policies disturbed economic growth, inflation and unemployment rates reached to double digits. The annual GDP growth remained 4.2&4.1 in 2016 and 2017 respectively. Investment further decreased and budget deficit reached to -12.5%of GDP in 2016. Higher imports and depreciation of Egyptian pound current account balance decreased to -6.1 percent of GDP. As a result of IMF bailout package, 175% increase in external debt observed in 2017 (Rafique & Tarrar, 2019).

The ninth IMF financial assistance program ended on November 10, 2019. IMF and Egyptian authorities declared it successful. GDP attained at 5.6 percent, budget deficit and current account balance reduced to -8.6% and -2.2% respectively, in 2019&2108. But the poverty and inflation kept mounting during bailout program. Like previous IMF programs, it also addressed short term difficulties of Egyptian economy.

Experience of Developed Countries

Argentina

Argentia is the second largest and developed country of South America having plenty of natural resources, export oriented agriculture sector and developed industial sector. Argentina spent 38 years under IMF programs. 1998-2002 economic depression had drastic reduction in overall economic activity of Argentina (Phillips, 2018). Argentina approceheed IMF 6 times in the last 02 decades. Before IMF program, Argentina faced negative GDP growth of -10.8%, -2% budget deficit, surplus current account balance 8.9% and highest external debt 117.8% of GDP in 2002. Decline in foreign investement and capital inflow decleared it a defaulter. Inflation and unemployment rates touched 20% in 2002 (Phillips, 2018).

Table 2

Economy of Argentina under IMF

Indicators (% GDP)	2002	2003	2004	2005	2006	2007
GDP Growth	-10.8	8.8	9	8.8	8	9
Budget Deficit	-2	0.9	3.7	2.1	1.9	1.1
Current Account Balance	8.9	6.3	1.9	2.6	2.7	2.1
External Debt	117.8	92.7	90	64.9	52.2	47.7
Source: World Bank Indicators and Central Bank of Argentina						

During IMF financial support Argentina overcame macroeconomic instability. The GDP growth reached 9% in 2004. But the devaluation of Argentina Peso had adverse impact on current account balance. Its devalued Argentina's export and increased imports rate. Expansionary policies improved fiscal side and budget surplus noted at 3.7% of GDP in 2nd year of IMF program. After restrictions the total external debt narrowed to 92.7%, 90%, 64.9% and 52.2% of GDP in 2003, 2004, 2005 and 2006, respectively (Argentina Government Budget, n.d.). GDP growth reached 9% annually. Budget surplus decreased to 1.1% of GDP in 2007 the highest during IMF program (Macro Economy Meter, n.d.).

Pak-IMF Bailout Arrangements: A Failure or Success Story

A Historical Overview of Pakistan's Experience with IMF

As already discussed, the last decade (2008-2018) has been very important for Pakistan in regard with Pak-IMF relationship. Several programs have been implemented in Pakistan, on the advice cum dictation for evolving economic stability, management of austerity and demand in the last 10 years. The long existing weakness of demand has kept economic growth under threat causing harm to production capacities of firms and pushing workers leave jobs. A detailed table portraying Pak-IMF deals (IMF, 2016) for economic stability is as under in Table 3.

The entire scenario not only eroded skilled job demand but also increased unemployment. After 10 years of implementation of stabilization policy masses witness slow economic growth, worsened unemployment, deteriorated current and fiscal account deficits, increasing domestic and external debts and rapidly depleting reserves of foreign exchange. As Pakistan has faced the challenge of prolonged span of low interest rate and failure in boosting demand and economic growth hence the case is ideal for supporting public investments, structural reforms and minimizing the cost to do business that is a fit prescription for treatment of economic growth.

Economic Growth is a comprehensive benefit for masses. Unfortunately, IMF itself is an impediment in achieving the objectives of its own policies. The studies have revealed that macroeconomic policies prescribed by IMF itself have adversely affected medium to long-term growth plans. Discussion on what experience Pakistan has learnt in implementing Stabilization Policy on the directions of IMF over the last ten years is as under.

Table 3

A Historical Overview of Pakistan's Experience with IMF

Facility	Date of Arrangement	Amount Agreed	Amount Drawn
Extended Fund Facility	Sep 2013	4,393	4,393
Standby Arrangement	Nov 2008	7,235	4,936
Extended Credit Facility	Dec 2001	1,033.7	861.4
Standby Arrangement	Nov 2000	465	465
Extended Fund Facility	Oct 1997	454.9	113.7
Extended Credit Facility	Oct 1997	682.4	265.4
Standby Arrangement	Dec 1995	562.6	294.7
Extended Credit Facility	Feb 1994	606.6	172.2
Extended Fund Facility	Feb 1994	379.1	123.2
Standby Arrangement	Sep 1993	265.4	88
Structural Adjustment Facility Commitment	Dec 1988	382.4	382.4
Standby Arrangement	Dec 1988	273.1	194.5
Extended Fund Facility	Dec 1981	919	730
Extended Fund Facility	Nov 1980	1,268	349
Standby Arrangement	Mar 1977	80	80
Standby Arrangement	Nov 1974	75	75
Standby Arrangement	Aug 1973	75	75
Standby Arrangement	May 1972	100	84
Standby Arrangement	Oct 1968	75	75
Standby Arrangement	Mar 1965	37.5	37.5
Standby Arrangement	Dec 1958	25	0

Source:https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=760&date1key=2016-06-30

Growth and Employment

Pakistan has adopted Stabilization Policy during the last 10 years (2008-18). Unfortunately, said policies somehow have proved to be adverse to growth and economy of Pakistan. This ten years span of harsh policies caused damage to medium and short term prospects of growth. Economic growth in Pakistan has been 3.8% during the decade under discussion and

6.3% in the last 04 years when there was no IMF program. This comparison requires no further comments.

Table 4
Growth and Employment (Percent)

Macroeconomic Variables	2004-05 to 2007-08	2008-09 to 2017-18
Real GDP Growth	6.3	3.8
Agriculture Growth	4.5	2.3
Large scale Manufacturing	10.2	3
Services	7	3.2
Unemployment rate	6.1	5.78
Inflation rate	8	9.06
Current Account Deficit (% of GDP)	-3.62	-3
Public Debt (Rs. Billion)	4259.5	14584.9
Fiscal Deficit (% of GDP)	3.45	6.35

Source: Source: Statistical Supplement 2008-2018, Economic Survey of Pakistan 2018, WDI

During the last 10 years after implementing stabilization policies directed by IMF, agricultural, manufacturing and services faced gradual decline resulting in deficient demand further leading towards deficient supply of an average growth of 3% in manufacturing sector (Kazmi, 2019). How an investor or a producer could invest more in deficient demand phase? The extended era of slump during 2008-18 damaged the productive capacity of Pakistan's economy and halted the growth. Even now, the new growth is expected to be in the range of 3.5% to 4.5% only.

The weak economic policies have caused a lasting poverty among the poor of society. The next threat is unemployment as the consistent trend of low economic growth during last decade has failed to create market jobs, increasing the size of unemployment. The unemployment of youth has increased over 10% during the financial year 2017-18. The figure is further expected to rise if labor market remains the same as a result of implementation of stabilization policy directed by IMF. The impact of IMF program has subdued growth and creation of jobs for youth and new graduates of professional institutes.

Table 5
Key Labour Force Statistics (Percent)

	2007-08	2008-09	2010-11	2012-13	2013-14	2014-15	2017-18
Literacy Rate (Overall)	56.2	57.4	58.5	60	58	60.7	62.3
Below Matric	36.5	37.1	38.0	37.9	38.1	37.5	36.9
LFPR	32.2	32.8	32.8	32.9	32.3	32.3	31.7
Rural	33.8	34.3	34.3	34.2	33.8	34.0	32.7
Urban	28.9	29.9	30.0	30.2	29.4	29.0	30.0
(15-19 Years)	36.9	37.0	36.4	35.8	35.3	33.5	32.6
Male	53.9	52.7	51.6	51.2	49.7	47.6	47.6
(20-24 Years)	52.4	53.8	53.8	53.1	52.3	52.6	52.5
Male	85.1	85.4	84.3	82.4	81.7	82.3	84.5
Unemployment	5.2	5.5	6.0	6.2	6.0	5.9	5.8
(15-19 Years)	8.7	9.5	10.6	11.3	11.7	10.1	10.4
(20-24 Years)	6.8	7.3	10.0	9.9	9.2	11.0	11.6

Note: LFPR is Labour Force Participation Rate
Source: Pakistan Labour Force Survey 2008-09, 2012-13 and 2013-14, 2017-18
Pakistan Bureau of Statistics, Islamabad.

Fiscal Side

Reduction of fiscal deficit requires strict fiscal policies drafted under IMF lending program. Achievement of macroeconomic stability is impossible in the absence of sustainable poverty alleviation and economic growth. The decade of 2008-18 remained under surveillance of IMF but fiscal deficit could not be reduced despite best efforts as poor policies prevailed over.

Pakistan sustained a huge budget deficit of 7% of GDP during financial years 2008-09 to 2012-13. Mere manipulation of figures kept on taking place from FY 2013-14 to 2016-17 by holding due refunds of tax payers, making commercial parties pay more taxes as advance tax to make up figures, recording foreign grants and proceeds from the process of privatization as non-tax revenue to inflate revenue position instead of treating as financing items and dealing in quasi fiscal activities out of budget leading to large discrepancies approximately Rs.600 billion in three years. The setup was designed by declaring low expenditures, inflated cash balance surplus available with provinces, retention of revenue in federal consolidated fund and building up of contingent liabilities (the circular debt of power sector was over 1400 billion, ending tax refunds and pending income tax and sales tax refunds and commodity financing debt got accumulated to over 800 billion). The adjustment practice caused a fiscal deficit of 7-8% of GDP annually. It has safely been observed by the economists that policy to reduce fiscal deficit miserably failed in last decade. It is pertinent to discuss that IMF, during last program (2013-16) extended almost 15 waivers and perhaps IMF has not extended such large number of waivers to any other country in its history.

Public and External Debt

Pakistan has faced the worst fiscal indiscipline during last decade under IMF. Pakistan maintained its fiscal deficit of 7% of GDP throughout and continued to doll out financial resources of Rs.15-Billion. Situation raises certain questions on the evaluation system of IMF regarding conditionalities which are an integral part of program as extensions and relaxations are released after strict evaluation. The situation transpires that attention was intentionally kept away and Pakistan was let to drown under debt by pouring in more and more dollars while internal/ external debts were touching new heights.

The internal/public debt under IMF regime reached to 90% per annum during the FY 2008-09 to 2012-13 under strict surveillance. During 2013-14 to 2017-18 public debt increased at average rate of 12.3% per annum. The reason of slow growth of public debt was fixed exchange rate policy implemented by government of Pakistan. For entire decade, public debt kept increasing at average rate of 15.6% per annum. The fiscal situation of Pakistan remained fragile throughout and so called efficacious role of IMF program remained questionable. Another example is quoted from 1990's known as ("lost decade" for Pakistan by eminent economists) table below depicts the additions under the head debt and liabilities during "two lost decades" (i) 1990's and 2008-18.

It's a fact that Pakistan added up its liabilities and external debt to 66.5 billion dollars in two decades. It could safely be deduced that 70% of liabilities and external debt is a gift of "lost decades". The similarity of these decades is reward of IMF program which implemented stabilization policy by imposing severe instability in Pakistan. Keeping in view economic environment how can one expect a different result this time? Are we ready to lose another decade in the hands of IMF by putting aside the opportunities available in the attic of unusable resources. These facts are well-documented in Table 4.

Table 6

Trends in Public and External Debt (2007-2018)

Year	Public Debt (Billion Rs.)	External Debt and Liabilities (Billion $)
2007-08	6040	46.2
2008-09	7631	52.3
2009-10	8890	61.6
2010-11	10680	66.4
2011-12	12652	65.5
2012-13	14321	60.9
2013-14	16389	65.4
2014-15	17819	65.2
2015-16	20054	73.1
2016-17	21783	83.4
2017-18	25574	95.3

Source: State Bank of Pakistan; and Debt Policy and Coordination Office, Ministry of Finance.

Table 7

Trends in Public and External Debt (1990-2018)

Period	No. of Years	Debt Added
1990s (1990-2000)	10 years	$17.4 billion
2008/09 – 2012/13	5 years	$14.7 billion
2013/14 – 2017/18	5 years	$34.4 billion
2008/09 – 2017/18	10 years	$49.1 billion
1990s and 2008/18	20 years	$66.5 billion

Source: State Bank of Pakistan; and Dept Policy and Coordination Office, Ministry of Finance.

An analysis of Previous Pak-IMF Bailout Arrangements

Need for Bailout Programs

The countries which face financial collapse/troubles, inability to pay debt installment, approach IMF for bailout programs. Currently IMF provided loans of $200 billion to Ukraine, Argentina, Egypt etc. Pakistan is facing these issues for the last 72 years. In last ten years, Pakistan approached IMF three times 2008, 2013 and 2019 to seek support for shaking economy. Every successive government receives huge burden of deficits in inheritance including trade/budget deficit, circular debt, high inflation and unemployment rates, deficits of public enterprises and burden of debt/debt servicing. All is due to insufficient institutional reforms and engraving corruption.

Conditions of previous Bailout Programs

While issuing loans to member countries IMF limits or puts conditions that countries in the form of "institution reforms, tight fiscal and monetary policies" shall act to achieve their objectives.

a) **11th Pak-IMF Bailout Arrangement**. In 2008 IMF approved three year standby arrangement of $7.6 billion with some conditions.

- IMF said to Pakistan government to reduce their budget deficit 7.4 % to 3.3 % in 2009-10.
- Reduce subsidy on energy and decline their expenditures and State Bank of Pakistan implement contraction monetary policy by increasing bank rate and limited money supply.
- Increase foreign reserves and decline in inflation rate up to six percent in 2010.
- Central bank should stop government financing and government should avoid supporting stock market by using public resources.
- Increase expenditure on "social safety" by 0.6 percent to 0.9 percent of gross domestic product to reduce poverty.

b) **12th Pak-IMF Bailout Arrangement.** After general elections of 2013, the newly government approached to IMF for 12th "bailout program" to support economy and huge burden of $4 billion debt services. Pakistan signed $6.64 billion loan arrangements under EFF.

- It is necessary for Pakistan to decrease budget deficit 8.8% to 6.3% of GDP.
- Reduce rates of subsidies on electricity for domestic user and rationalized gas prices.
- Pakistan government must devalue its domestic currency up to 110 rupees on term of US dollar.
- Privatization of 30 state owned loss making enterprises out of 35.

- IMF also emphasizes increase in tax base. Pakistan government should increase its tax base from 9.7 percent to 15 percent of GDP by 2019 (IMF board approves, 2019)

Salient Features of 13th Pak-IMF Bailout Arrangement

It is well understood that IMF programs are known for the ancillary harsh conditionalities, this program is nothing but a sugarcoated analgesic for temporary treatment but not a permanent cure. The 13th Bail out carries certain conditions discussed under:

According to economists FY 2017-18 has been recorded as the most difficult in the economic history of Pakistan. Within a span of one year three finance ministers managed the drowning economy (i) Mr. Ishaq Dar (ii) Miftah Ismael and (iii) Dr. Shamshad Akhtar but economy couldn't get stable. Fiscal deficits remained on rise translating into increasing imports resulting in current account deficit of USD 19 billion (6% of GDP in 2017-18). The overall budget deficit revolved around 6.6% of GDP but his number was an understated figure for a plethora of reasons.

The new government was presented a fragile economy so was somehow tilted towards approaching IMF to support BOP. The members of the EAC (Economic Advisory Council) were also inclined to approach IMF. However, there were only a few economists who strongly agitated IMF program. Since 2000 onwards, three IMF programs have fully been exhausted. With a comparatively higher rate of completion of programs since 2000 and after two years of successful completion of the latest program in September 2016, the economists lift a brow that why government feels being left with no other option except to seek assistance of IMF again? If the economy of Pakistan sustains a fiscal deficit relapse then the authenticity of an economic health certificate issued by the IMF to Pakistan is doubtful as the prolonged era of loans and bailouts to manage economic dip forecasts the inefficacy of programs dictated by IMF.

Secondly, the alarming strategic environment will pursue IMF to go by the book. This time IMF cannot be taken as benign as it was during 2013-16 when 15-waivers were accorded within a short span of 3-years. May be the hidden politics played role and IMF's policy got compromised by Pakistan's relationship with USA, the dominating shareholder of IMF (Mustafa & Haider, 2019). The third situation is that this time Pakistan is not at liberty to have another four years of low growth like during financial year 2008-18 with a growth of 3.8%. Approaching IMF and seeking for stabilization policy will keep the growth rate within 3.5-4% of economic growth causing impediments for employment sector.

At the moment, Pakistan requires a growth full of jobs that is impossible to achieve in the presence of granted stabilization policy of IMF that can lead to aggressive compression of imports and may include banning imports of goods categorized as non-essential for a year twice with an intention to reduce current account deficit. The export sector of Pakistan needs to be reviewed seriously by harmonizing the sector with trade friendly tax policies, adjusting input prices with competitors like Bangladesh to support exports, issuing refunds to exporters by improving liquidity of capital, alignment of exchange rate, to make exports alive and growing factor in Pakistan's economy (Iqbal, 2019).

The flow of foreign remittance is empirical but it faced unexpected debt in the first quarter of FY 2019-20, however, the government can instead float Euro Bonds, Islamic Bonds, Chinese Bonds, Non-Resident Pakistani Bonds, Exchangeable Bonds, etc. to mobilize the foreign exchange to boost reserves (Khan, 2019). It has been observed that Pakistan needs to pursue a futuristic macroeconomic policy which if not addressed appropriately can lead to further deficit. Further it needs a balance between stabilization policies and developmental policies while devising new macroeconomic policies instead of following 1980's stabilization policies which are no more efficacious medicines for the chronic patient.

The consistent low economic growth has led the country in deficient demand and supply situation. Nobody is ready to invest in a market of deficient demand and deficient supply. If status quo persists, the country's productive capacity shall further damage the growth prospective. Pakistan needs structural reforms and reduction in cost of doing business including trade cost as a policy prescription to boost demand side to optimize economic growth.

As an alternative, Pakistan should adopt domestic policy of minimizing imports for at least three years, promoting foreign remittances, boosting exports, issuance of bonds and creating atmosphere for FDI with wide structural reforms. Pakistan needs to change spending priorities. As a result initially public debts and deficits may increase but will get adjusted in the long run. On the other side, where there lies huge expenditures, budget allocation be made for building of human capital for higher education, health, social security, development of skills and to improve the physical infrastructure of the country like communication sector, energy sector, development of ports and highways.

Expenditure on social sector development will not only increase the production of services but the same will also give rise to job opportunities making up an environment for investment in Pakistan. Expenditure on building of human capital not only improves productivity level but also economic growth. It is the physical infrastructure that promotes growth and employment sector for alleviation of poverty instead of supporting programs like BISP. As per the debt theory, the debt circle is not always negative, obtaining of loans/debts keep on rotating the economic growth within a country, making up the development sector and public funded programs. It is empirical to have more emphasis on the nature and taxonomy of expenditure then merely focusing on the budget deficits and public debts.

The macroeconomic policy of Pakistan needs to focus more on the development goals, extra priority of expenditure and minimize the current account deficit. It is an unfortunate story of Pakistan that in the presence of billion dollars domestic resources Pakistan is failed to mobilize economy on the route of progress. The poor taxation system and the corrupt tax administration have led to a narrow tax base, tight regulations on tax heavens and lack of training of revenue employees. The central bank of Pakistan has already been over used by raising the discount rate in double figures. It is now required to provide ease of monitory policies to provide a decline in inflation. The decline in inflation can provide a low interest rate to the private sector helping it rise again. The helping/support policies may include taxation reforms, reforms in imports and exports sectors and a review of central bank's policies (Kundi, 2019b).

Another billion dollars source of revenue is CPEC arising soon on the horizons of Pakistan's economy which can play a gigantic role in the renaissance of economic activities. Pakistan has so far launched 9 SEZs which have a great opportunity for export promotions and improvement of export related industries. SEZs couldn't come to expectations because of complex rules of starting new business in the country. One window operation for registration and improved security situation can invite huge FDI and remittances. The policy of presenting Pakistan's problem on every international forum need to be avoided and it's a time for providing ease to do business environment.

It is safely analyzed that the staunch policy of stabilization has resulted in negation of the importance of development policies in Pakistan that has produced negative outputs and damaged employment era. This time again Pakistan must remain ready to face the undesirable yet expected consequences of stabilization therapies of low inflation with low growth, adverse impacts on the programs of poverty alleviation, eradication of unemployment and provision of economic security to the business community. The economy needs space for putting its anchors with prudential policies and structural reforms. Since the government has availed this 22nd stabilization assistance, hence, it is going to prolong the agony of economy for another 39 months.

Impact of IMF Bailout Program on Pakistan Economy an Oversight

Impact on Economy

After moderate economic growth, impressive price stability, low foreign debts, moderate rate of inflation and unemployment from 2003 to 2007 macroeconomic instability appeared again. That is why three times 2008, 2013 and 2019 Pakistan sought financial help from IMF to overcome poor economic conditions. The objectives of bailout agreements were to improve macroeconomic imbalances, reduction in inflation and increase in country's foreign reserves. Unfortunately, both (2008 and 2013) bailout programs couldn't significantly impact Pakistan's economy. The average economic growth rate remained 3.8 percent per annum and fiscal deficit 6.25% of GDP during both IMF programs. Ignoring history the newly elected government from day one exhibited inclination in approaching IMF for another bailout program. As a result, country's economic situation kept on deteriorating widening the fiscal deficit instead of improvement. Macroeconomic consequences of fiscal deficit are quite challenging like accumulation of public debt, rise in interest rate, decline in foreign and local investment, slower economic growth, rising figures of unemployment and poverty, worsened physical and human capital hence, fiscal deficit is known as root cause of all economic ailments.

Impact on Fiscal Policies & Monetary Policies

The 13th IMF bailout program steps in with bundle of stabilization policies based on targeting the current financial challenges faced by the

Govt. "The Program aims to tackle longstanding policy on structural weaknesses, restoration of macroeconomic stability, catalyzing significant international support and promotion of strong and sustainable growth in Pakistan." (Lipton, 2019b). IMF loans influence macroeconomic policies from multi-faceted channels. The instruments of stabilization policies include free floating exchange rate and inflexible fiscal and monetary policies.

Impact on Fiscal Policies

Prior to advancing towards IMF for financial treatment for the ailing economy, authorities from Economic and financial affairs of Pakistan started implementing pre IMF conditions to create an appropriate environment for better negotiations with IMFs representatives but these tailor made measures couldn't alter the despotic conditions of IMF. IMF put certain austere conditions to tighten the fiscal policy and bridle macroeconomic imbalances. To abide by the agreed upon fiscal policies government has to increase taxes for earning more revenue, make reductions in tax exemptions and subsidies, implementation of single value-added tax (VAT)[1], reduce fiscal deficit, reduce expenditures and freeze non-development expenditures. The amendments in tax structure by minimizing tax expenditure, elimination of tax exemptions and rise in tax revenue slowed down the pace of economic growth to 3.29% (projected 2.4% in 2020-21), increase in government expenditure and increase fiscal deficit to 8.9% of GDP in the fiscal year 2019.

As a result, before the end of FY 2018-19, total investment declined and unemployment rate increased to 6.10% along with a drastic decline in growth rate of different sectors as mentioned in table below.

[1] Value Added Tax (VAT) is a fee that is assessed against business by government at various points in the production of goods and services-usually at the time a particular product or service is resold or value is added to it. For tax purposes value is added whenever the value of a product or service increases as a result of application of factors of production.

Table 8
Growth of Different Sectors

Indicators	2018	2019
Real GDP Growth	5.53	3.29
Agriculture Sector Growth	3.94	0.85
Industrial Sector Growth	4.92	1.4
Services Sector Growth	5.72	6.52
Fiscal Deficit % GDP	6.5	8.9
Total Tax Revenue % GDP	13	11.6
Total Expenditure % GDP	21.6	21.6
Unemployment rate	5.7	6.10
Source: Economic Survey of Pakistan 2018-2019		

Impact on Monetary Policy

Central bank can change money supply policies to keep the currency rate under control as per the conditions laid down by the lending agencies. Government also uses different monetary policies for price stabilization and general trust on domestic currency by targeting inflation or interest rate. Mainly the holy grail of monetary policy is to increase GDP, keep inflation and unemployment rate low and stabilize exchange rate in terms of other currencies (Bhatti, 2019). IMF foists the conditions of austere monetary policy which gives flexible/market determined exchange rate and increase in discount rate to reduce inflation. In response to IMF's conditions State Bank of Pakistan increased discount rate in third quarter by 100bps points to 13.75%. The increase in discount rate increased the cost of borrowing casting an adverse impact on private investment, rise in debt servicing or interest payment, increase in current expenditure, fiscal deficit and resultantly creating need for more borrowing.

Due to flexible exchange rate Pakistan currency devalued casting negative effects on current account because of increase in exchange rate. By 2019 exchange rate of Pakistan in terms of dollar increased to 157.94 rupees in third quarter. Basically, Pakistan economy is based on importing goods such as; petroleum products, industrial raw materials and capital goods for domestic consumption. Due to increase in exchange rate prices of imported goods raised inflation. As mentioned in Table 2 inflation rates rose up to 10.3% in 2019. Furthermore, devaluation of currency gave rise to increase in debt burden and debt servicing. Both domestic and external debt increased from 73.9% of GDP in 2018 to 89.3% of GDP in 2019. In the last decade the public debt reached the average rate of 15.6% per annum and 58.4% to 73.9% of GDP. It is important to note that Pakistan's fiscal situation remained precarious and public debt as percentage of GDP surged, during the IMF program which speaks volume about efficacy of the IMF program in restoring fiscal balance (Khan, 2019).

Table 9

Impact of Discount Rates on Public Depth

Items	2018			2019		
	Q1	Q2	Q3	Q1	Q2	Q3
Discount rate	6.50	7	9	11.25	12.75	13.75
Exchange rate	111.19	116.88	124.40	138.93	147.77	157.94
Inflation rate	3.29			13		
Public Debt (% GDP)	73.9			89.3		

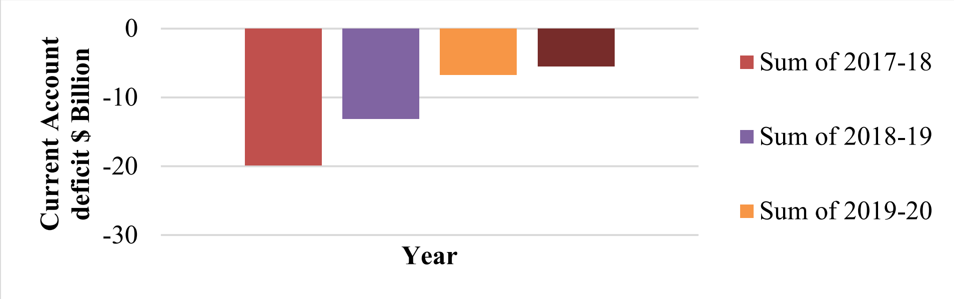
Source: international Financial Statistics, Economic Survey of Pakistan 2018-19

Impact on Balance of Payments

Balance of payment shows the transactions of one country with the rest of the world during a year. Mainly it includes three accounts: a) current account b) financial account c) capital account. The major cause of Pakistan's economic condition is due to the distortion in BOP. In the last 70 years history Pakistan's overall BOP has remained in deficit for most of the times except 1948, 1951 and 1972. Due to deficit both domestic and external debts kept on inflating. Huge current account deficit $-19.9 billion was a main challenge for newly elected government in 2018. The government adopted bold steps like restriction on imports and signing bailout program with IMF. These measures improved the current account balance and decreased current account deficit to $-6.7 billion in 2018-19 and projected to decrease the deficit to $-5.5 billion in 2020.

Figure 1

Current Account Deficit of Pakistan



Devolution of currency is better for a country's BOP if" Marshal-Learner condition" holds. But in case of developing countries like Pakistan it can't be applied. Thus, currency devaluation has not been proved beneficial. Currency devaluation increased the prices of imported goods leading to inflation. It also deteriorated the terms of trade as increase in prices of imports and reduction in prices of exports. A slight decrease in imports noted in 2019-20 from 54,277 million dollar to 51,725 million dollar. On the other hand, exports tremendously decreased primarily affected by tax amendments, high domestic cost of production, decrease in production quantity of goods to be exported, in competitive quality of exports and novelty in export items. Thus, successive devaluation in Pakistan has failed to correct the deficit of BOP.

Table 10

Summary of Balance of Payment of Pakistan

Balance of Payment ($ Million)	2018-19	2019-20
Current Account	-13,082	-6,695
a. Exports	24,809	26,834
b. Imports	54,277	51,725
Capital Account	402	690
Financial Account	-10,708	-8,744
a. FDI	3471.2	1737.1
b. Foreign Reserves	16,383.60	15,722.60
Source: Economic Survey of Pakistan 2018-19, Pakistani authorities; and IMF staff estimates and projections		

The capital account of BOP consists of all international transfers. Pakistan capital account shows positive trend in 2019-20. Financial account also shows positive trend from USD -10,708 million from last year to USD-8,744 million in 2019-20 due to financial support provided by friend countries and IMF. But this financial support offsets the FDI and foreign portfolio investment in Pakistan as compared to previous year. FDI declined by 51.7% in 2019 from USD 2.84 billion to USD1.36 billion (Finance Division, n.d.). The foreign reserves started to recover due to bilateral and IMF funds inflow.

Impact on Govt. and Private Investments

Investment means increase in the physical stock of a country over a period of time. In wider terms, investment is a process of purchase of goods and services that are not consumed in current time period but to be consumed in future for creation of more wealth (Makuyana & Odhiambo, 2014). Here Investment divided into public investment and private investment. Public investment can be in the form of tangible (investment on infrastructure) and intangible investment (investment on education, skills and knowledge. In macroeconomic sense, private investment means the purchase of capital assets that can produce income in future.

IMF insisted that the Pakistan authorities should implement tight fiscal policy to decrease expenditures so the government has to reduce development expenditures which leads to reduction in both public and private investment. As a result of stabilization measures economic growth declined by 2.2% in 2019 from 5.5% to 3.3% and projected to remain at 2.4% in 2020. It is further declined in private investment by 8.9% as compared to 9.8% in FY2018. As a result, employment rate declined and 1million people lost their jobs in the Pakistan. Industrial sector is the most affected hence auto industry is also closing down and its production has reduced to 50 percent (Ahmed, 2019).

Private investment mainly influenced by the government policies like change in bank interest rate. These polices have bidirectional relationship between private investment and GDP growth rate (Syed & Majeed, 2019). Tough monetary policy has negative impact on private investment as SBP increased discount rate 475bps points in first three quarter of FY2019.

Growth and Unemployment

During the last decade (2008-2018) Pakistan's economic growth has slowed to an average of 3.2% per annum. During Financial Year (2018-19) it reached to 3.3%. Reasons for such dismal growth are adoption of policy of suppression of demand (demand destruction/austerity program) as dictated by IMF.

According to the Managing Director of the IMF, Ms. Christine Lagarde, "the longer demand weakness lasts, the more it threatens to harm long-term growth as firms reduce production capacity and unemployed workers are leaving the labor force and critical skills are eroding" (Lagarde, 2016).

A prolonged period of austerity and anti-growth policies has negatively impacted Pakistan's growth prospects both in short and long term perspective. High power tariff has not only affected production capacities of industrial concerns but also caused increase in the prices of commodities deteriorating business activities. Tax policies to collect more and more tax from the same taxpayers without broadening the tax base and putting in efforts in devising research based tax policies to collect more revenue to achieve IMF targets has adversely affected production activity and situation is anticipated to get worse in the second quarter of this financial year and for the rest of the two quarters while targets in the first quarter have already collapsed. High power Tariff and absence of skilled force has compromised the manufacturing sector's competitiveness in international market decreasing the quality and quantity of exports. Absence of an efficient and well trained economic team is further causing troubles for maintenance of economic stability in the presence of IMF policies. This program is being anticipated by the economists to cause more damage to the country than its short time benefit of supporting BOP. There is a dire need to implement policies to suffice conditions of IMF program in a subtle mode not damaging the long term structure of economy.

Conclusion

The detailed anatomy of bailout program clarified that the anticipated impact is only to the extent of interim relief for the drowning economy, a supplement to weak fiscal and monetary system to camouflage the years old stubborn, ego centric and discretionary formatted policies in order to provide a designed outcome to IMF Authorities as per commitments. It is not a set of futuristically approached final solutions. It is not a cure; it's just a dressing arrangement to address the immediate threats of financial recession in Pakistan. IMF bailouts are never holistically aimed at restructuring, re strategizing, re-budgeting or devising to explore the available resources in a broader perspective.

Hence, it is safely concluded that the impacts of the bailout on the economy are not only anticipated to be anti-poor but the failure of FBR to achieve budgetary targets in the first quarter and by now (after passing half of the second quarter of the current fiscal year) proved its inefficacy to combat the present economic, socio-financial challenges. The figure of rising inflations, unemployment, power tariffs and downsizing of public and private sectors bespeaks volumes about the so called magical monetary treatment of the program. However, at the same time decrease/control on imports stabilization of BOP, USD7.5 Billion, decrease in fiscal deficit, decisive amendments in tax laws eliminating several exemptions/SROs are flashing healthy financial signs. It could safely be said that the objective of bailout is not to stabilize the economy but to provide interim support being misinterpreted as a tool of prosperity of common man while it is to impact adversely in the medium and long term scenario so simultaneous national tax/monetary policies need to be devised for. It is further concluded that neither the previous IMF bailout programs improved the economic condition of Pakistan nor the current one shall. It is necessary for Pakistan to depend on its own precious resources to live independently gradually shedding off its debts and loans placing a deadlock over bailout packages.

Recommendations

- The above discussion showed that IMF stabilization policies had adverse effects on fragile economy of Pakistan. Yet, it is empirical to find for enduring solutions for long term economic growth and avoid seeking financial assistance on harsh conditions. Pakistan is a country full of resources which are partially explored and utilized. Here are a few recommendations to strengthen the economy of Pakistan on long term basis.
- The most concrete solution is the introduction of well-crafted equitable tax policies by introducing a progressive tax culture. Out of 230 million people only 1% is taxpayers (not actually paying taxes but NTN holders). A broader tax base with no exemptions and reductions shall add volumes to the revenues leading towards self-dependent nation.

- Documentation of economy and integration of all the data available with different departments like NADRA, immigration, Banks, and other allied departments to prepare a tailor made database for meaningful audit of taxpayers and booking all those on tax net who are spending more than declared sources.
- An ease to do business environment with one window operations along with incentives for new business entities be created for a flourishing industrial and business sector be created to minimize imports and boost exports. A technologically strong industrial development shall lower burden of imports on current account as the devalued currency increases the prices of imports and increases current account deficit.
- Revival of economic activity through agriculture development through provision of subsidies to the farmers by lowering power tariffs and issuing interest free loans is another revenue avenue.
- Investment in Livestock and Dairy Sector shall make not suffice the local needs but introduction of technological revolution shall put a barrier on the import of certain unnecessary food items.
- Tourism development is the future of Pakistan. The contribution of tourism to Pakistan's GDP was $7.6 billion USD in the year 2016 i.e. 2.7% of total GDP and Govt. of Pakistan anticipates that by 2025, tourism sector shall contribute $9.5 billion (Rs1 trillion) to the economy. Pakistan is full of various types of tourism attractions like religious, adventurous, and scenic. A serious investment in this industry shall lead to open ways not only for FDI but rise in employment as well.
- An improved situation of security in Pakistan shall increase FDI and reserves of State Bank of Pakistan.
- Promotion of SEZs with provision of low tariff power, tax reliefs and subsidies on immediate basis shall help promote industrialization and enhance exports. In this regard setting up of technological institutes with streamlined curriculums shall help making up a technically skilled force for an industrially strong Pakistan to compete in the international markets. A special focus team to study and research for improved quality of exports is also the need of the hour to minimize the dependency on imports.
- Foreign remittances can hike the foreign exchange reserves if sent through banking channels. Improved banking system to encourage overseas Pakistanis to remit foreign exchange shall help increase foreign exchange reserves.

- Privatization of loss making state owned enterprises like PIA, Steel Mills, PTCL be done.
- The government should float sovereign bonds in foreign debt capital market.
- Imports of all unnecessary luxury items be aggressively banned for atleast a period of 3 years.

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