

Pakistan and IMF

Pakistan Reach SLA with IMF on Second and Final Review under SBA

- Pakistan and IMF have successfully reached a Staff Level Agreement (SLA) on the second and Final review for the SBA signed in Jun-23. The Technical and Policy level talks commenced on 14-Mar-24 and concluded on 19-Mar-24.
- Pakistan is likely to receive the disbursement of US\$ 1.1bn in late Apr-24 subject to approval from IMF board, bringing total disbursements under SBA to US\$ 3.0bn.
- IMF highlighted that Pakistan's economic and financial position has improved since the first review. Prudent policy management is resulting in the recovery of growth and confidence leading to inflows from multilateral and bilateral partners. IMF expects the growth to be modest and inflation to remain well above targets this year.
- The agreement mentioned about the commitment of the newly formed government to work towards economic and financial stability in the country. In particular, the authorities will put efforts in broadening the tax base, timely implementation of power and gas tariff adjustments thus avoiding net circular debt accumulation in FY24. The authorities also expressed interest in a successor medium-term fund-supported program.

We highlight some of the key points from the IMF's first review press release under Stand-By Agreement (SBA).

[Pakistan and IMF successfully conclude second and final review under SBA](#)

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To recall, Pakistan and IMF signed new 9 month SBA in Jun-23 as previous EFF program concluded as incomplete. Due to ongoing macroeconomic crisis, new SBA was crucial in averting default risk fears. The duration of SBA was of nine months and set to conclude in April-24.

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and bilateral partners. IMF expects the growth to be modest and inflation to remain well above targets this year. IMF mentioned that the ongoing reforms and policy efforts would be crucial in addressing the economic vulnerabilities of the country given the unsettled external environment and elevated external and domestic financing needs.

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	1,422

Source: IMF, IGI Research

IMF highlighted few policy priorities for Pakistan in its press release:

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- Continuation of Policy Efforts by New Government:** Pakistan authorities are firm on achieving primary balance product of at least 0.4% of GDP in FY24, with efforts towards broadening the tax base. Continue timely adjustments of power and gas tariffs to match costs, using progressive tariffs to protect vulnerable groups and prevent net circular debt accumulation in FY24.

- **Monetary Policy and Exchange Rate:** The SBP is dedicated to upholding a prudent monetary policy aimed at reducing inflation and ensuring exchange rate flexibility. These policy measures result in promoting transparency in the operations of the foreign exchange market, thereby fostering stability and confidence in the economy.

Successor Medium Term Program

According to the press release, officials have shown interest in a new medium-term fund-supported program aimed at tackling fiscal and external sustainability challenges. The program aims to bolster economic recovery and establish a robust foundation for sustainable and inclusive growth.

Key Objectives of the successor medium-term program:

- Strengthening public finances through gradual fiscal consolidation and broadening tax base.
- Restoring the energy sector's viability by promoting cost-reducing reforms.
- Returning inflation to target via flexible foreign exchange support and rebuilding of foreign reserves.
- Promoting private sector activity through reforms like removing distortions, improving SOEs, and investing in human capital to achieve resilient and inclusive growth for Pakistan's economic potential.

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