

Pakistan and IMF

Pakistan and IMF Reach SLA for 1st Review under EFF; New RSF Signed

- According to press release by IMF on 25-Mar-25, Pakistan and IMF have reached Staff Level Agreement (SLA) for the 37-Month Extended Fund Facility (EFF) Program. Moreover, a new 28-Month arrangement under Resilience and Sustainability (RSF) has also been signed with total access over 28-month arrangement of around US\$ 1.3bn (SDR 1.0bn).
- The SLA is subject to approval of IMF's Executive Board. Upon approval, Pakistan will receive US\$ 1.0bn (SDR 760mn) tranche bringing total disbursements under the program to US\$ 2.0bn.
- IMF acknowledged that Pakistan has made significant progress over the last 18-months in restoring macroeconomic stability and confidence. However, downside risks remain elevated where macroeconomic slippages along with geopolitical shocks to commodity prices, tightening global financial conditions could undermine hard-won macroeconomic stability. It is critical for Pakistan to stay the course and anchor the progress achieved over the last 18-month. Moreover, building resilience through strengthening public finances, ensuring price stability and rebuilding external buffers and removing distortions to support stronger, inclusive and sustained private sector led growth.

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IMF acknowledged that Pakistan has made significant progress over the last 18-months in restoring macroeconomic stability and confidence. Although economic growth remains moderate, there has been significant decline in inflation, improvement in financial conditions and stronger external balances. However, downside risks remain elevated where macroeconomic slippages along with geopolitical shocks to commodity prices, tightening global financial conditions could undermine hard-won macroeconomic stability.

Thus it is critical for Pakistan to stay the course and anchor the progress achieved over the last 18-month. Moreover, building resilience through strengthening public finances, ensuring price stability and rebuilding external buffers and removing distortions to support stronger, inclusive and sustained private sector led growth.

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Although we await detailed document from IMF post review, following are key policy priorities highlighted by IMF:

Fiscal Consolidation: IMF highlighted that Pakistan is on track to achieving primary surplus of at least 1.0% of GDP for FY25 and remains committed to sustain consolidation in FY26 budget. Fiscal Consolidation continues to reduce debt while creating space for social and development spending and reducing crowding out of private investment. IMF also stated that while refraining from increasing spending beyond budgeted, Pakistan remains committed in maintaining BISP support, reduce energy subsidies and prioritize development spending.

Fiscal Reforms: Pakistan remains committed to fiscal reforms through revenue mobilization, spending efficiency and transparency. IMF acknowledged that amendment of Agriculture Income Tax (AIT) regime by all four provinces is a critical step towards achieving greater tax equity and expanding the tax base. Effective implementation remain imperative in assuring AIT's success and greater fiscal devolution in FY26. Pakistan remains committed to improving public fiscal management, ensuring spending transparency through e-Pads and develop debt management to strengthen sustainability and governance.

Appropriately Tight Monetary Policy: IMF acknowledged that the recent cuts in Interest Rates is yet to be fully reflected and Pakistan authorities will continue to adopt an appropriately tight and data-driven monetary stance to ensure inflation is anchored within State Bank of Pakistan's (SBP) medium term target of 5-7%. Authorities remain committed to preserve a fully functioning foreign exchange market, which should support volatility while rebuilding FX reserves.

Energy Sector Reforms: IMF acknowledged that timely notification of power and gas tariff adjustments have helped reduce stock and accumulation of circular debt, which remains a priority. It is necessary to accelerate cost-side reforms, improving distribution efficiencies, transitioning captive power into national grid, enhancing transmission system, privatizing inefficient generation companies and adopting renewable energy.

Structural Reforms: Pakistan authorities will increase their efforts to fully implement SOE Governance framework across all SOEs while adopting governance mechanisms and safeguards for Pakistan Sovereign Wealth Fund (PSWF). This will significantly reduce trade barriers to support inclusive growth and a level playing field for business and investment and enhance institutional capacity to fight corruption.

Enhancing reforms to reduce risk of natural disaster and build climate resilience: Supported by the RSF program, Authorities' program is committed to a) Strengthening public investment process to prioritize projects improving disaster resilience, b) improving efficiency of scarce water resource usage through better pricing mechanism, c) enhancing intergovernmental coordination on disaster financing, d) improving disclosure of in financial and corporate climate-related risk, and e) promoting green mobility to reduce pollution and adverse health impacts.

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	760
Resilience & Sustainability Facility	Mar-25	Jun-27	1,000	-

Source: IMF, IGI Research

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