

Economy

Pakistan and IMF

IMF Successfully Concludes 7th & 8th Reviews under EFF; Program Extended Till Jun-23

- Pakistan authorities and International Monetary Fund (IMF) Executive Board have finally reached combined agreement on seventh and eighth reviews under the Extended Fund Facility (EFF), allowing for an immediate disbursement of SDR 894mn or US\$ 1.1bn for Pakistan.
- The press release simply toots IMF authorities' ongoing agenda of economic reforms, which includes, steadfast implementation of corrective policies and reforms remain essential to regain macroeconomic stability, address these imbalances and thus lay the foundation for inclusive and sustainable growth.
- This successful completion of review by IMF will entail country unlock significant funding from bilateral and multilateral partners, along with providing crucial support to Pakistan's foreign exchange reserve.

We highlight some of the key points from the Pakistan and IMF authorities' press release.

Pakistan set to receive USD 1.1bn on successful 7th and 8th Reviews under EFF

Pakistan authorities and International Monetary Fund (IMF) Executive Board have finally reached combined agreement on seventh and eighth reviews under the Extended Fund Facility (EFF), allowing for an immediate disbursement of SDR 894mn or US\$ 1.1bn for Pakistan ([link](#)).

Including the 7th and 8th reviews, total disbursements under the EFF now stand at US\$ 3.9bn; of the total allocation under EFF to about US\$ 6.5bn (initially US\$ 6.0bn). To recall, 6th review ([link](#)) was held back in Feb-22 whereby Pakistan received US\$ 1.06bn. Apart from this, the IMF authorities have also extended EFF until end-June 2023, which was due to end in Aug-22. This is mainly done to accommodate the adverse developments on economic and political front which stalled program progress post Apr-22.

Waiver given to Pakistan on non-implementation and observance of performance criteria

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Post fallout of Russia-Ukraine conflict starting 2022, Pakistan economy came under immense pressure and continue to do so. Acknowledging the difficult economic environment not just in Pakistan, but also globally, IMF highlighted Pakistan economic recovery remain commendable. However imbalances have widened and risks remain elevated. Given the difficult economic environment Pakistan authorities requested waiver on non-implementation and non-observance of certain performance criteria which was approved by the IMF team.

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Exhibit: Timeline of Pakistan and IMF reviews under US\$ 6.0bn EFF

Date	Event
3-Jul-19	IMF Approves US\$6 billion 39-Month EFF Arrangement
8-Nov-19	1st Review Staff-Level Agreement
19-Dec-19	1st Review Concludes
27-Feb-20	2nd Review Staff-Level Agreement
16-Apr-20	US\$ 1.386bn Disbursement to Pakistan to Address the COVID-19 Pandemic
16-Feb-21	2nd, 3rd, 4th and 5th Review Staff-Level Agreement
24-Mar-21	2nd, 3rd, 4th and 5th Review Concludes
21-Nov-21	6th Review Staff-Level Agreement
2-Feb-22	6th Review Concludes
13-Jul-22	7th and 8th Reviews Staff-Level Agreement
29-Aug-22	7th and 8th Reviews Concludes

Source: IMF

Broad economic corrective measures laid out by IMF includes;

- i. Pakistan authorities have indicated to achieve 'small' primary fiscal surplus (initially the target was to achieve 0.6% of the GDP).
- ii. With respect to curtailing the energy sector unsustainable losses, IMF has deemed adhering to the scheduled increases in fuel levies and energy tariffs.
- iii. On social protection targeted transfers are important, especially in the current high-inflation environment.
- iv. Monetary tightening was necessary in the past to tame rising inflation. Going forward, a proactive approach to monetary tightening will continue to help reduce inflation and help address external imbalances.
- v. And finally, IMF recommended to keep market-determined exchange rate as to absorb external shocks, maintain competitiveness, and rebuild international reserves

Outlook

This successful completion of review by IMF will entail country unlock significant funding from bilateral and multilateral partners, along with providing crucial support to Pakistan's foreign exchange reserve. Especially in the hour of need, whereby Pakistan is struggling to keep its economy afloat given the emerging economic risks on account of recent flooding. IMF authorities have so far not mentioned of the recent flooding, perhaps as it was not the part of the meeting agenda, but as per recent news ([link](#)) Pakistan authorities have requested additional funding as an estimated damages caused by the floods exceeds US\$ 10bn.

Exhibit: IMF Combined Seventh, and Eighth Reviews of the Extended Fund Facility for Pakistan projected key economic indicators			
Period=June (end)	2020/21	2021/22	2022/23
Output & Prices			
GDP Growth	5.7	6.0	3.5
Unemployment rate (%)	6.3	6.2	6.0
Consumer prices, period average (%)	8.9	12.1	19.9
Fiscal Account (%of GDP)			
Revenues	12.4	12.1	12.4
Expenditure	18.5	19.1	17.1
Budget Balance	(6.0)	(7.0)	(4.6)
Primary Budget balance	(1.2)	(2.4)	0.2
Debt profile (%of GDP)			
Total general government debt (incl.-IMF)	73.6	74.6	68.2
External general government debt	26.5	29.7	31.1
Domestic general government debt	47.1	44.9	37.1
External Account (%of GDP)			
Current account balance	(0.5)	(4.7)	(2.5)
Foreign Direct Investment	0.5	0.7	0.6
Gross reserves (US\$ bn)	17.3	9.8	16.2
Import cover (goods & services)	2.5	1.5	2.3

Source: IMF, IGI Research

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