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CRITICAL ANALYSIS OF THE IMPACT OF THE IMF DEAL ON PAKISTAN'S ECONOMY

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Abstract: This study is concerned with examining Pakistan's deals with the International Monetary Fund (IMF). As an international economic institution, the IMF has a significant impact on the borrower's market by implementing its economic agenda. The economic landscape of Pakistan in recent years has been significantly impacted by the implementation of neoliberal policies, which the IMF has imposed. The country has a long history of relying on IMF loans. Pakistan has entered into numerous IMF programs, often as a last resort to address the balance of payment crises. However, these programs have been criticized for imposing unrealistic conditions on the country, which has further exacerbated the economic instability and social inequality. Methodologically, this study is based on a mixed method of analysis by analyzing the secondary data. Academically, it is significant while drawing attention to the conditions that have pushed the country into the deals.
Keywords: Neo-liberalism; Agenda; Conditionalities; Inflation; Economic regime

1 INTRODUCTION

Pakistan's economy has been heavily reliant on the International Monetary Fund (IMF) for decades, with the country seeking assistance to address balance of payment issues and stabilize its economy. The IMF deals refer to loan agreements between the IMF and a country facing economic difficulties, such as balance of payment problems and problems of debt crises. The deals provide financial assistance in exchange for the country's commitment to implement economic reforms and policy adjustments aimed at stabilizing its economy and restoring financial stability.

The IMF has provided Pakistan with numerous loans and packages, including a 7.6 billion US dollar Standby Agreement in 2008, a 6.68 billion Extended Fund Facility in 2013, and a 6 billion Extended Fund Facility in 2019 [1]. These packages have come with conditionalities such as increasing tax revenues, reducing energy subsidies, and tightening monetary policy. Despite Pakistan trying to align with the Structural Adjustment Program of the IMF, Pakistan's economy continues to face significant challenges, including a large fiscal deficit, high inflation, and currency devaluation. Apart from the direct impact on the country's economy, there are some political concerns as well. The country's reliance on the IMF has also raised concerns about its sovereignty and the impact of IMF conditionalities on the country's long-term socio-political and economic dependency.

Counter to the narrative, the IMF blames countries like Pakistan for having their faults, as they do not modernize their market to align with the regime. They emphasize that internal barriers are responsible for underdevelopment, as this is a counterargument to dependency theory. IMF materializing the neoliberal economic world order under the 'Washington Consensus.' Neoliberalism is a paradigm shift in the control of capitalism, framed by John Maynard Keynes as a counter-projection to the 'Great Depression'. The ideology has been widely contested in various academic in political debates over four decades. Simply put, neo-liberalism is the idea that society should be shaped by the free market, and the economy should be deregulated and privatized. Some scholars stated that neo-liberalism is the dominant ideology shaping our world today. Neoliberalism was a part of capitalism that gained popularity after the defeat of socialism in the backdrop of the disintegration of the former Soviet Union, popularly known as the USSR. It can be said that neo-liberalism had bad effects on the developing countries to borrow a lot of money from the IMF or the World Bank (WB). The era of neo-liberalism was marked by low growth rates, slowly rising incomes relative to profits, a widening inequality gap, and a falling standard of living, all of which were contrary to the claims made by the proponents of the free market. It was not only common people but also the state that greatly suffered under the new system, with the terms of trade deteriorating critically, indicators of the country leaving the state heavily dependent on foreign assistance, and its sovereignty greatly compromised. Hence, the proponents of ethics and morality of the 1920s liberalism who built its foundation were only an appearance of human freedom and equality, and the individual citizens and collective societies are suffering at the expense of few in the neo-liberal world era [2]. Stalling GDP growth rates falling exports, etc. This severely weakened the major macroeconomic system of developing countries, particularly Pakistan. Pakistan is a part of this economic system, and studying Pakistan's economic system is quite interesting.

There are three distinct periods of Pakistan's experience when it comes to its economic system. One is from 1947 to 1971, the second is a short period lasting only six years of the Bhutto regime during the 1970s, and the third started in the late 1980s and is going on. The only period from 1947 to 1971, especially from the late fifties to the late sixties, was a period of high growth with export promotion and import substitution based on the old-school laissez-faire economy. During this period, the economic trajectory was quite impressive as Pakistan was experiencing economic planning over five-year plans, later copied by South Korea, which went on to become an Asian tiger. This was the period of Industrialization and economic growth. The second period, spanning over six years, was the Bhutto government, when he nationalized the main industries and corporate companies under a policy popularly known as the nationalization policy. Its performance was not that impressive; rather, it can be called the worst in the history of Pakistan [3]. The third period started in 1988 and is ongoing till today, with some slow and fast processes of a mixed economy embedded in a liberal economic format. The economic reforms in the early nineties gave birth to crony capitalism and kleptocracy in Pakistan. In this neo-liberal economic system led by Americans, the role of the state is only as a regulator and all other functions are performed by private individuals. Corruption by rulers in developing countries is rampant in the free world economy. Kleptocracy is enjoying private property ownership based on neoliberalism, globalization, and financialization. This gangster crony capitalism had made headway in third-world countries like Pakistan by manipulating the loopholes of this hybrid model of economic system called neoliberalism [4].

Pakistan adopted economic stabilization and structural reform policies in 1988 to reduce domestic financial imbalance and external deficits. However, there have been problems with the implementation of these policies in terms of consistency and sequencing. The period 1988-1996 was characterized by repeated attempts to stabilize the economy, aimed weak efforts at structural reforms. Since policy measures were not able to achieve their objective, the Pakistani economy continued to be trapped in a vicious circle of poverty, low growth, low savings, and low investment, which further hampered growth and poverty alleviation [5].

2 METHODOLOGY

This research study is based on a mixed method (qualitative and quantitative methods) which follows a pragmatic approach. The data collected for the study is mainly secondary, so the inquiry is based on secondary data and secondary data collection techniques as scrutiny of the second-hand documents. Sources from which data have been extracted are: books, articles, past research papers, magazines, and various journals by non-random sampling techniques. The data collected from different sources are critically analyzed by applying a non-experimental design and with an interpretive approach. Furthermore, it was developed under a sophisticated theoretical model derived from the theory of dependency, which is the handiwork of Raul Prebisch and Andre Gunder Frank, which emerged in the 1950s and 1960s, as a response to modernization theory.

3 THEORETICAL MODEL

3.1 Dependency Theoretical Model

This study is anchored in the dependency theory framework, which originated in the 1950s through the seminal works of Hans Singer [6]. and Raul Prebisch. Their research demonstrated how developed nations systematically exploit underdeveloped economies by extracting raw materials at low costs while exporting high-value manufactured goods in return, leading to deteriorating terms of trade for the Global South. Prebisch contended that developing nations must pursue protectionist industrialization to escape this exploitative cycle—a direct challenge to modernization theory's linear development assumptions. By the 1960s–70s, dependency theory gained prominence for exposing structural inequalities in global capitalism, offering a critical lens to analyze persistent underdevelopment. This framework is particularly relevant to Pakistan, which remains entrenched in an asymmetrical economic system where dominant powers and institutions like the International Monetary Fund (IMF) reinforce dependency through coercive policy regimes [7] empirically critiques this dynamic in "Do World Bank and IMF Policies Work?", revealing how neoliberal prescriptions under structural adjustment programs (SAPs), trade liberalization, privatization, and fiscal austerity have systematically undermined Pakistan's economic sovereignty. The IMF's conditionalities prioritize debt repayment and external equilibrium over domestic welfare, crippling local industries, exacerbating income inequality, and facilitating resource extraction by foreign capital. This aligns with dependency theory's core assertion that peripheral economies are structurally disadvantaged within the neoliberal world order. Pakistan's cyclical reliance on IMF bailouts exemplifies this exploitation. Short-term stabilization is achieved at the cost of long-term dependency, locking the nation into a neocolonial relationship where policy autonomy is sacrificed for conditional financial relief. By applying this theoretical lens, the study interrogates the tension between economic pragmatism and neoliberalism in Pakistan's development trajectory, illustrating how IMF-dictated reforms perpetuate underdevelopment while serving the interests of global capital.

3.2 Marxist Political Economy Analysis of Pakistan's Economic Development

This research is grounded in the Marxist political economy theoretical framework, particularly drawing upon the critical analysis presented by [8]. The Marxist political economy approach emerged as a critique of classical and neoliberal economic theories, exposing how capitalism inherently relies on imperialist exploitation to sustain accumulation. The Patnaiks argue that advanced capitalist economies systematically extract surplus from the Global South through mechanisms such as unequal exchange, financial domination, and coercive trade relations, perpetuating underdevelopment in postcolonial states like Pakistan. This framework challenges mainstream narratives that attribute

Pakistan's economic struggles to internal inefficiencies, instead locating them within the broader structures of global capitalist imperialism.

Pakistan's economic trajectory illustrates these dynamics clearly. International financial institutions (IFIs) like the IMF and World Bank act as instruments of neoliberal imperialism, imposing policies centered on debt servicing, deregulation, and privatization rather than national development. Structural adjustment programs (SAPs) mandated by the IMF have compelled Pakistan to adopt austerity, liberalize trade, and reduce public spending, resulting in weakened industrial capacity, agrarian crises, and rising inequality. The Patnaiks' concept of the "drain of wealth" helps explain Pakistan's persistent balance-of-payments crises, where its labor and resources are exploited to sustain capital accumulation in the Global North. Their critique of financialization further shows how IMF conditionalities enable elite capture and dismantle public welfare. By applying this framework, the research interprets Pakistan's swings between economic pragmatism and neoliberalism as symptoms of its dependent and subordinated position in the global capitalist order—an order that suppresses autonomous development in favor of global market conformity. This study uses Marxist political economy to analyze how Pakistan's economic sovereignty has been eroded and to explore alternatives centered on structural transformation, delinking from imperialist circuits, and redistributive justice.

3.3 World System Theory

This study adopts World-Systems Theory [9]. To critically examine the role of IMF programs in perpetuating Pakistan's structural economic dependency. According to the theory, the global economy is stratified into core and periphery nations, where international financial institutions such as the IMF operate to uphold the interests of core states by reinforcing asymmetric economic relations. Within this framework, IMF conditionalities—such as austerity, privatization, and fiscal tightening—are not neutral tools of stabilization but mechanisms that entrench peripheral nations like Pakistan in cycles of external debt and underdevelopment [10]. Empirical studies by domestic scholars, notably [11], underscore how successive IMF deals have systematically undermined Pakistan's economic sovereignty, prioritizing debt servicing and investor confidence over sustainable national development. Further illustrates how such externally imposed reforms favor transnational capital while weakening local productive sectors. By applying [12]. Analysis of structural global inequality, this study shifts the focus from internal mismanagement to the global economic order, offering a systemic lens through which Pakistan's recurrent economic crises under IMF programs can be better understood.

3.4 Neo Colonialism Theory

This study employs Neocolonialism Theory to critically analyze how IMF arrangements perpetuate economic subjugation in postcolonial states like Pakistan. Rooted in the work of Nkrumah and further developed by theorists such as Amin (1976) and Rodney (1972), the theory contends that colonial powers have transitioned from direct rule to economic domination, maintaining control through financial institutions and policy mechanisms. Within this framework, IMF conditionalities are interpreted not as neutral economic prescriptions, but as instruments that prioritize the interests of global capital over national sovereignty [13]. Underscores how these conditions function as levers of Western economic control, while scholars like [14] who empirically demonstrated how privatization, deregulation, and austerity—hallmarks of IMF agreements—have eroded Pakistan's economic autonomy and transferred public assets to transnational elites. Thus, Neocolonialism Theory reveals the structural continuity between historical imperialism and modern financial governance, positioning IMF policies as a contemporary extension of colonial economic extraction.

4 PAKISTAN'S APPROACH TO THE IMF

Pakistan is a part of an economic system. Pakistan's experience of neoliberal economic transformation is quite interesting to study as a subject. This study will divide Pakistan's economic history into seven distinct phases to simplify and shorten an otherwise lengthy history of nearly seven and a half decades. The numerous phases have mainly started from 1958 up to the present date.

4.1 First Phase 1947-1988

The first phase, comprising the first four decades after the country's birth, was a time when Pakistan was establishing itself in the world community of nations. Despite the tremendous economic, social, and political challenges presented by the immediate post-partition scenario and faltering nation and state-building attempts, these four decades still saw the Pakistan economy slowly standing up on its feet. Ishrat Husain, a former Governor of Pakistan's State Bank, noted in a public lecture at the Indian Business School at Hyderabad: "Pakistan is one of the few developing countries that was able to attain an impressive record of economic growth and poverty reduction in the first forty years of its existence. GDP growth rate until late 1980 averaged about 6 percent per annum, and the incidence of poverty was lowered from 46 percent to 18 percent. Inflation remained low, and despite high population growth, per capita incomes had almost doubled [15].

4.2 Second Phase 1989-1999

From being one of the leading developing post-colonial states in the first four decades of its existence, in just one decade, Pakistan was in a position where it was worse off than many contemporary and regional states. The total public debt as a percentage of GDP in 1999 was the highest in South Asia – 99.3 percent of its GDP and 629 percent of its revenue receipts, compared to Sri Lanka (91.1% & 528.3% respectively in 1998) and India (47.2% & 384.9% respectively in 1998). 188 Dr. Ishrat Husain outlines the extent to which this second phase of the Pakistan economy, from 1989-1999, saw a decline in Pakistan's economic health: "Growth rates tumbled to an average 3 to 4 percent and poverty resurged to 33 percent of the population. Inflation was in double digits, and large current account and fiscal deficits escalated debt–GDP ratios to over 100 percent. The country's foreign exchange reserves fell to less than $1 billion, exports were stagnant, and tax collection efforts were lackluster. The country was almost on the verge of a default crisis on its external payments in October 1999 when President Musharraf took over the reins of the Government [16].

4.3 Third Phase 1999-2007

Though it seemed like an impossible task, Pakistan's economy showcased its resilience and, after a peaceful coup by Pervaiz Musharraf in October 1999, experienced a period of historic levels of economic development. Positive trends were witnessed in almost every economic indicator as Pakistan reaped the rewards of liberalizing its economy in a favorable Post 9/11 world outlook. The average growth rates throughout this period were maintained above 7%, foreign exchange reserves and levels of Foreign Direct Investment (FDI) in the country peaked at their highest points ever in Pakistan's history, and there was a massive boom in several industries, including the technology, telecom, and media sector. 13 million new jobs were created as a result, ushering a dramatic rise in the size of the urban middle class and almost half of the country's external debts were repaid [17]. Pakistan managed to come out of the IMF's program and rose in rankings for Fastest Growing Economies and Investor and Business Friendly Countries. Although the Musharraf era's economic achievements cannot be denied outright, convincing evidence of its trickle-down effect was not always available. Some economists, whilst pointing out the potentially dubious nature of government statistics on growth and poverty reduction in this period, have outlined how "the structure of the growth process during this period was such that it could not be expected to have a substantial positive impact on poverty.

4.4 Bailout 2008

In 2008, Islamabad approached the IMF for assistance. Spillover effects from the global financial crisis, energy sector subsidies, and a current account deficit dented the government's financial position. In 2007-2008, global oil prices rose, but the government, fearing economic instability, continued to heavily subsidize the energy sector, transferring the burden to local consumers, which increased the budget deficit to 7.4 percent of gross domestic product (GDP) (Hussain, 2021) . Nevertheless, rising oil imports increased the total imports, burdening foreign exchange reserves, which plummeted. Remittances decreased due to the global financial crisis. Rising imports with falling remittances widened the current account deficit by 492 percent from June to September 2007. To offset this deficit, the incoming Pakistan People's Party government struck a deal with the IMF for an SBA package of US$7.6 billion and US$10.44 billion according to the present rate for 23 months. The IMF demanded a consolidation of fiscal space by increasing tax revenues and phasing out energy subsidies. Manage inflation and attract investments, the IMF recommended that the Pakistani central bank tighten monetary policy and stop financing the budget deficit.

The IMF's assistance, coupled with a recovering global economy, built a façade of stability despite enduring economic problems. By 2011, foreign reserves stabilized. Global oil prices decreased drastically, reducing Pakistan's import commitments. The current account deficit stabilized in January 2009 but did not improve due to stagnant exports. Due to IMF conditionality, Pakistan rationalized energy subsidies and allowed domestic fuel prices to increase. As a result, the fiscal deficit narrowed to 5.15 percent in 2008-09, but soon the defense budget ballooned to replace the energy subsidies; tax revenues did not keep pace with rising defense spending, which boosted the fiscal deficit to nine percent in 2011 [18].

4.5 The 2013 Bailout

In 2013, the Pakistan Muslim League Nawaz (PML-N) government signed a US$6.68 billion Extended Funded Facility package with the IMF, released over three years, subject to Pakistan's adherence to conditionalities. This time, large fiscal deficits and structural issues in the energy sector drove Pakistan's request for assistance. Pakistan's fiscal deficit in 2012-13 was approximately 8.5 percent of GDP, almost double its 4.7 percent target. This large and growing deficit was attributed to poor fiscal consolidation driven by low tax collection and weak tax administration. Tax revenue hikes were offset by rising development expenditures from 2.8 percent to 5.1 percent from 2011-2013. Additionally, inefficiencies in the energy sector increased costs due to price distortions, poor regulation, improperly targeted subsidies, and tax energy distribution. Nearly two percent of the 2011-12 GDP was lost to power shortfalls. Pakistan's economic performance after the package shows an equivocal outcome. GDP grew from 3.5 percent in 2012 to 5.6 percent in 2017. Inflation declined from 9.6 percent in 2012 to 4.1 percent in 2017. While IMF conditionality and assistance improved macroeconomic outcomes, the current account balance thereafter suggests that the IMF's impact in narrowing fiscal deficits may have been transient. Moreover, given that Pakistan reaped the benefits of lower oil prices, the IMF's targets did not go far enough [19].

4.6 The 2019 Bailout

Imran Khan's Pakistan Tehreek-e-Insaf government turned to the IMF to stabilize a weakening economy soon after entering office. In September 2016, the IMF's EFF program came to a halt, and repayments to the IMF were set to begin. Debt repayments to the Paris Club, a group of creditor countries, were due to begin by 2016-17. From 2016 to 2019, debt servicing increased by 64 percent, which constricted the fiscal space and worsened the fiscal deficit from 4.64 per cent to 9.07 per cent. The current account deficit worsened because the PML-N government overvalued the exchange rate; this move favored imports, especially from China, and disadvantaged exports. The burden of servicing a huge external debt and ballooning imports fell on foreign reserves, which were depleted by 65 percent in January 2019. Pakistan's attempts to resolve these issues via assistance from China and Saudi Arabia proved to be insufficient. To manage these issues, a US$6 billion (S$8.24 billion) EFF package was approved in July 2019. The IMF demanded that the incoming government increase tax revenues to pay back debt, adopt a free-floating exchange rate to reduce pressure on reserves, and tighten monetary policy to attract investments and reduce inflationary pressures caused by expensive imports. COVID-19 arrived just as the IMF's assistance stabilized the economy. The ensuing crisis shifted the discussion away from stabilizing the economy and toward mitigating the economic effects of the pandemic. The IMF has also postponed discussions of a second review and has not approved the release of additional funding. Instead, the IMF has assisted Pakistan through a US$1.386 billion (S$1.904 billion) package to bolster the government's fiscal capacity to fight COVID-19.

4.7 2023 Present Stand-by Arrangement (SBA)

IMF Executive Board approves US$3 billion Stand-by Arrangement for Pakistan. Pakistan's economic reform program aims to support immediate efforts to stabilize the economy and guard against shocks while creating the space for social and development spending to help the people of Pakistan. The Executive Board of the International Monetary Fund (IMF) approved a 9-month Stand-By Arrangement (SBA) for Pakistan for an amount of about $3 billion, to support the authorities' economic stabilization program. The arrangement comes at a challenging economic juncture for Pakistan. A difficult external environment, devastating floods, and policy missteps have led to large fiscal and external deficits, rising inflation, and eroded reserve buffers in FY 23. Pakistan's new SBA-supported program will provide a policy anchor for addressing domestic and external imbalances and a framework for financial support from multilateral and bilateral partners. The program will focus on the implementation of the FY 24 budget to facilitate Pakistan's needed fiscal adjustment and ensure debt sustainability while protecting critical social spending; a return to a market-determined exchange rate and proper foreign exchange market(FX market) functioning to absorb external shocks and eliminate FX shortages; an appropriately tight monetary policy aimed at disinflation; and further progress on structural reforms, particularly about energy sector viability, SOE governance, and climate resilience [20].

5 ANALYSIS AND CONCLUSION

5.1 Background

Why do countries choose to go to the IMF? According to major scholarly views and the dominant world view, "IMF is a 191-nation organization that assists member nations with balance of payments issues and restores and promotes long-term economic growth [21]." Similarly, the reasons for a country to choose the IMF program are poor macroeconomic conditions and a negative current account balance[22]." The most likely grounds for the IMF program to be used again include weak macroeconomic fundamentals, such as a lack of international reserves, a large current account deficit, and low real growth. Furthermore, inefficient fiscal and monetary policy management can result in massive macroeconomic imbalances, such as a large current account deficit and significant external and public debt. In theory, the IMF assists member countries in times of crisis by providing foreign exchange for international business. The Fund's primary mission is to give foreign exchange to countries in desperate need. Conversely, it is argued that the IMF program assists countries in resolving current account imbalances and implementing adjustment policies supporting long-term economic stability and growth [23].

5.2 Pakistan's Approach and Conditions Pushed Pakistan to a Multilateral Loan

Pakistan has yet to maintain significant economic growth while reducing poverty. Pakistan joined the International Monetary Fund on July 11, 1950. The IMF provides financial support to Pakistan under various terms and circumstances, as the country's economy has worsened since its foundation. Pakistan has borrowed from the IMF 25 times in its 75-year history and has signed a new 25th deal under the Extended Fund Facility (EFF) for a three-year and three-month period in September 2024 [24]. On December 8, 1958, Pakistan borrowed 25 million SDRs under the Standby Arrangement for the first time, but the agreement was dissolved before it expired, and the entire loan amount remained undrawn. Pakistan's government seeks loans from the IMF to keep its balance of payments in line and satisfy its financial obligations [25]. The primary goal of obtaining IMF loans is for the Pakistani government to stabilize the country's deteriorating economy, exchange rates, and balance of payments; however, this relief is usually only temporary, and it often leads to a new crisis in the long run as the debt matures and the government returns to an in the long run and short run monetary crisis due to insufficient dollar raised in the federal reserve. For such goals, the IMF offers massive loans. Pakistan has frequently found itself in the IMF programs. Pakistan has completed only three of the 25 programs it has undertaken with the IMF, earning it the label "one-tranche country." China, meanwhile, has only participated in two IMF programs, the most recent of which was in 1986, 36 years ago. Similarly, India and Bangladesh completed their previous programs 30 and 10 years ago. However, they grow more quickly without the IMF. On the other hand, our long-term growth rate is declining as we approach the IMF every few years. We may claim that while our growth rate is decreasing, our trips to the IMF are rising. We resemble a drug addict who takes drugs and feels happy for a short while, but when he comes to his senses, he starts to crave more drugs. Like this, we go to the IMF to solve short-term challenges, but our long-term structural problems persist and keep coming back without our initiatives to tackle them. The table below depicts the total number of IMF loan agreements with Pakistan since its independence.

5.3 Impact

The International Monetary Fund's involvement in Pakistan's economic affairs has had a significant impact on the functions of the country's institutions. One of the most significant effects is the erosion of institutional autonomy since the conditionalities and policy prescriptions of the IMF often override domestic decision-making processes [26]. For example, the IMF SAPs have introduced fiscal discipline and austerity, for which the parliament in Pakistan can no longer realistically plan, allocate resources, and decide on priorities for public spending. In addition, its focus on privatization and deregulation has seriously undermined the effectiveness of public institutions in sectors that are vital such as energy, finance, health, education, and unemployment; the privatization of state-owned enterprises (SOEs) has had the effect not only of cutting employment and shrinking the provision of public services but also of creating spaces for corruption and crony capitalism. This IMF influence has compromised the independence and effectiveness of the Pakistan Judiciary, too, as many of the fund's conditionalities necessitated that Pakistan adopts certain laws and regulations that impeded the ability of the institution to interpret and enforce the constitution. The role of the IMF also played a hand in changing the role and performance of the Pakistani bureaucracy. Deep cuts in budgetary and personnel allocation in the public sector by the Fund through fiscal discipline and austerity reduced the ability of the bureaucrats to provide simple public services. Deregulation, as called for by the Fund, also weakened the capacity to exploit natural resources and labor by foreign corporations within the country [27]. It has a multilayer impact on the various sectors in Pakistan:

Health Sector: The International Monetary Fund's SAPs have had a strong impact on the health sector in Pakistan. A primary effect of SAPs has been the decrease in government expenditure on health. The share of health expenditure in the total government expenditure of Pakistan went down from 4.6% in 1990 to 3.8% in 2000, according to a World Bank report [28]. Consequently, this has come at the expense of the poor and vulnerable while reducing the overall quality and availability of services in health. All these changes also led to increased private health services after the IMF had imposed SAP. According to research carried out by the Pakistan Institute of Legislative Development and Transparency, from 1,444 in 1990 to 3,444 in 2005, the private hospitals multiplied in Pakistan while the public ones remained almost stationary. This shift to privatization has brought along with it a two-tier health delivery system wherein the rich get access to high-class, private health facilities and services while the poor are forced to be content with poorly funded, badly equipped, and inadequately staffed public health facilities. The World Health Organization report reflects that the human resources concerning health are severely deficient in Pakistan; with a density of 0.8 doctors per 1,000 population contrasts with 2.5 doctors per 1,000 population in the developed world [29]. The poor density of healthcare professionals has affected the quality of health services given, which is further worsened in rural areas where hardly proper health facilities are hardly available. Education Sector: The IMF's Structural Adjustment Programs have marked an impact on Pakistan's educational system. First, the programs are responsible for less government spending on education. For instance, it is observed in a UNESCO report that "the share of education expenditure in the total government expenditure declined from 2.6% in 1990 to 1.9% in 2000 [29]." This has resulted in a reduction in the quality and accessibility of education, especially for poor and vulnerable groups of people. The SAPs implemented by the IMF have advocated for the privatization of education services in Pakistan. In an excerpt from a report by the Pakistan Education Network, it has been revealed that the number of private schools in the country rose from 25,000 in the year 1990 to 50,000 in the year 2005, while the number of public schools remained the same [30]. This has resulted in a two-tier system of education where the rich can afford expensive and quality private education, but the poor have to cope with poorly financed and poorly staffed public schools. According to the World Bank, the country faces an acute shortage of trained teachers many as the teacher-pupil ratio stands at 1:40 in Pakistan, it is 1:20 in the developed world [31]. This shortage of qualified teachers has resulted in low-quality education throughout the country, especially in areas where schools are few and far between. Second, the studies conducted and findings from the Pakistan Institute of Development depict an increase in the cost of education in Pakistan by 20% which resulted in a decline in education enrollments, more so among poor and vulnerable sections of the population.

State Bank of Pakistan: The IMF's SAPs have great significance for the State Bank of Pakistan, a central bank that has been confronted with a reduction in its autonomy and independence as one of the major effects of these programs. The same is somewhat agreed upon by a report conducted by the Independent Evaluation Office of the IMF, which mentions that conditionalities imposed by the IMF made the SBP compromise on monetary policy implementation for the sake of exchange rate stability rather than domestic economic growth [32]. The IMF's SAPs have also caused a manifold increase in the SBP's dependence on foreign borrowing. A study conducted by the Pakistan Institute of Development Economics estimates that the SBP's foreign borrowings increased from $1.3 billion in 1990 to $10.3 billion in 2005, thereby increasing the external debt burden of the country manifold times [33]. This has eroded the SBP's independence in monetary policy conduct and resulted in a loss of control over national economic destiny. Furthermore, the SAPs of the IMF have caused a considerable decline in the powers of the SBP while regulating the financial sector of the nation. In its report, ADB remarked that the IMF conditionalities required the SBP to liberalize the country's financial sector. It was highly hazardous for the financial stability of the country, as proved in the following years, 2010. The lesser the regulatory oversight, the more it has sacrificed soundness in the financial system of the nation, further resulting in a series of high-profile banking crises. The IMF SAPs have considerably raised the inflation targeting of the SBP at the cost of giving more emphasis on economic growth and development. A research study conducted by LUMS shows that the inflation targeting framework has led to a jacking up of interest rates that has compromised the economic growth prospects in the country [34].

5.4 Issues

Approaching the IMF has long-term after-effects and issues such as:

Unemployment: The IMF, especially through the SAPs, has been highly influential in terms of unemployment in Pakistan. Among the main results of the program has been the lessening of the government's expenditures on social sectors, which, in turn, reduced employment opportunities in both education and healthcare. The ILO estimated that the SAPs introduced in Pakistan in the 1990s were bound to have a sharp increase in unemployment, especially among the youth and women [35]. The report noted that SAPs led to a reduction in the share of government expenditure on education and health, which disproportionately reduced employment opportunities for the youth and women. The IMF SAPs have also resulted in the phenomenal growth of the informal sector in Pakistan, characterized normally by low wages, absence of job security, and very little social protection. A study by the Pakistan Institute of Development Economics indicates that around 70% of Pakistan's workforce works within the informal sector, with a majority of them working in the low-skilled and low-waged category of work [36]. Moreover, IMF SAPs have contributed to an extreme rise in income inequality within the country of Pakistan, thus aggravating unemployment. As noted in a study by the Lahore University of Management Sciences, the SAPs instituted within Pakistan during the 1990s led to an extreme rise in income inequality, in which the richest 10% reaped an incredibly high percentage of the country's income.

Reduction in Public Expenditure and Decline in Public Welfare: This is binding upon the Government of Pakistan, as laid down by the IMF, to implement policies to ensure privatization and deregulation. One of the major components of the IMF SAPs in Pakistan has been the privatization of state-owned enterprises. The main sectors that the IMF has compelled to be privatized include energy, telecommunication, and banking, in a bid to raise competition and efficiency [37]. The privatization process has, however, been widely criticized for being non-transparent and corrupt, as many SOEs have been sold to favored bidders at below-market prices. The process of privatization in Pakistan has resulted in the government suffering huge losses, with a majority of the state-owned enterprises having been sold out at prices that were way lower than their actual value, states a report by the Pakistan Institute of Legislative Development and Transparency [38]. It further noted that the privatization process was not attended to with transparency and accountability; most of the deals were negotiated in secrecy, without due oversight.

Other IMF SAPs have mandated that Pakistan pursue policies promoting deregulation and liberalization, such as free trade, reducing or eliminating tariffs, and subsidy abolition. These have been promulgated as policies increasing economic efficiency and attracting foreign investment. These have been implemented at enormous social and economic costs, however. According to the International Labor Organization report, because of the IMF-promoted policies of deregulation and liberalization, Pakistan has faced heavy losses in jobs, with increased income inequality [39]. It pointed out that the dismantling of trade barriers and reduction of tariffs had resulted in the loss of competitiveness of Pakistani industries, which caused colossal losses of jobs and enhanced poverty.

5.5 Miscellaneous Impacts

The economy of Pakistan had experienced severe turbulence and instability even before the neo-liberal period before 1988. One can also not disagree with the fact that the economy required serious structural readjustment if it was to address the issues that held it back in an underdeveloped, third-world status. However, the IMF programs that followed a neo-liberal doctrine left Pakistan in a far worse predicament than it was already in before 1988. The macroeconomic determinants of the country followed more or less the same dismal trajectory as they had done in the past. The two glaring differences, however, during the neo-liberal period were that firstly, Pakistan had accumulated large sums of loans with the IMF and the World Bank. This meant that much of the country's sovereignty was compromised, not only in the economic realm but also in defense and foreign affairs. The second important difference was that the poor and the working class were in a far worse position than in the pre-1988 era.

As has been extensively argued by (R. Shrokh & S. Aftab, 1995), the recommendations made by the Fund and the Bank were to adversely affect the poor, who proved to be the most vulnerable population group in the country, to the IMF structural adjustment programs. The reduction in subsidies to reduce budget deficits and the imposition of greater taxes to increase revenue dually affected all segments of society, but the poor were more sensitive to these changes. The working class was also indirectly affected by measures such as privatization, which forced companies to lay off workers [40]. The standard of living of the poor also decreased substantially during the structural adjustment periods as the income levels fell.

As the poor were being adversely affected by the IMF programs, the disparity between the low-income groups and the high-income groups began to increase. The burden of taxes increased by 10.3 percent on the poor, and surprisingly decreased by 4.3 percent on the rich [41]. The Oxfam 2017 report is a testament to the growing inequality, not only in Pakistan, but the world over. The report highlights those stagnant wages and an ever-increasing cost of living are creating frustration and anger in the labor class of Pakistan [42]. The situation is further aggravated when a stark contrast is observed between the lives of the workers and those of the capitalists. This provides real empirical evidence to David Harvey's claim that neoliberalism was only just a political tool by the capitalist class to reassert its power on the world stage [43].

Haroon Jamal (2014) follows the same trajectory of inquiry as has been done by Sharukh Rafi and Safia Aftab, and extends his study from 1988 to 2011. According to Jamal, poverty has indeed increased from 1988 onwards, affecting the rural population much more severely than the urban population. Poverty incidence shows a slight decline in the period from 2001-2005 but continues its upward trend in the following years. Data from 2010-11 shows that poverty incidence for the rural population reached 39 percent by 2010, whereas for the urban population, it was 34 percent [45]. This data and analysis complement the findings of Shahrukh Rafi and Safia Aftab that poverty overall increased within Pakistan after 1988. Hence, Pakistan not only failed to improve its macroeconomic indicators under the IMF programs, but it also failed to safeguard the interests of the poor segments of society.

The per capita household income inequality and per capita household consumption inequality demonstrate that, along with rising poverty levels, an ever-higher inequality meant that low-income segments of society were in a much worse condition when compared to the pre-1988 era. These evidences point towards the fact that the IMF programs, in particular, and neoliberalism in general, were unable to raise the standards of living of the poor and provide the population with the freedom and liberty they were promised through a free market system.

5.6 Way Out

The path to sustainable economic growth and less dependence on the International Monetary Fund requires a multidimensional strategy that aims to address the structural, institutional, and macroeconomic challenges facing Pakistan [46]. First and foremost, there is the need for the economy to be diversified through export-oriented growth, infrastructure development, and encouragement of entrepreneurship. This can be achieved by investment in education, research, and innovation, support for small and medium-sized enterprises in access to finance, training, and infrastructure

More significantly, Pakistan should make its institutions robust to enforce good governance, transparency, and accountability. This is feasible with the introduction of effective regulatory frameworks, making vital institutions such as the State Bank of Pakistan more independent, and creating a culture of meritocracy with accountability within the public sector. Furthermore, it is of the essence that Pakistan builds human capital by developing a productive and educated labor force, which is one of the key drivers of economic growth and competitiveness.

In this regard, for macroeconomic stability, the fiscal policy should be kept stable, the debt burden reduced, and revenue increased through reforms in the taxation department. The government should also give the State Bank of Pakistan full independence to determine interest rates and control the money supply in the best interest of the economy to maintain price stability along with economic growth. Furthermore, Pakistan needs to implement a flexible exchange rate regime to promote exports and stabilize the currency [47].

Besides such economic reforms, there is also a dire need in Pakistan for social protection and inclusive growth. This may be attainable through the expansion of social safety nets, education, and health, besides harnessing policies for the general good of the people to reduce income disparities and lead to social cohesion. Moreover, it is imperative for Pakistan to further strengthen regional trade agreements, regional infrastructure development, and regional economic integration to enhance economic cooperation and stability.

To attain all the aforementioned gains, an indigenous economic reform agenda which factor-specific, need-, and challenge-aligned would be required for Pakistan. That shall be in resonance with, among other diagnostics, a basic and comprehensive analysis in terms of diagnostics that outlines key strength-weakness factors and thereby yields a framed roadmap for reform based on such analyses. The program should also be owned and driven by the Pakistani government, with support from civil society, the private sector, and international partners.

To achieve these goals, Pakistan needs to develop a homegrown economic reform program that is tailored to its specific needs and challenges. This program should be based on a comprehensive diagnostic analysis of Pakistan's economy, identifying key areas of strength and weakness, and outlining a clear roadmap for reform. The program should also be owned and driven by the Pakistani government, with support from civil society, the private sector, and international partners [48].

5.7 Conclusion

Conclusively, the purpose of taking loans from the IMF is that Pakistan's government wants to stabilize its deteriorating economy, exchange rates, and balance of payments. No doubt, the IMF helps us in these types of circumstances and helps us by providing a huge amount of loans. At the very first sight, it seems a very attractive offer, but only from a short-term perspective. If we investigate the long-run impact of IMF loans, then there is a negative and insignificant relationship between government borrowings and GDP. It will also lead to political instability. However, it will have a positive impact on our exchange rate. The government should play its role in increasing the pace of economic growth in Pakistan. Whereas in the short term, we can see benefits and quick transformation, but in the long run, we all must pay because the fact is that nothing is free in this world.

Pakistan signed different structural adjustment agreements with the IMF to improve its economy and create a stable economic environment for a sustainable economic environment but it did not happen for a variety of reasons. Pakistan joined the IMF for political reasons rather than economic ones. It joined the IMF for mere getting access to private credit, which it could not get without signing an agreement with the IMF. So, there were political reasons for the failure of IMF programs as the different elected governments were not willing to implement IMF conditionalities due to the inflationary nature of the programs. Interestingly, none of the regimes implemented fully the IMF conditions and as a result, loans had to be suspended after the payment of a couple of tranches. The other reason for the failure of the IMF programs was that they focused too much on financial stability and ignored long-term developmental goals, industrialization, higher employment, or increased public investment. Moreover, according to critics, the main reason for the failure of IMF programs is that it ignores the social matrix in which it operates and imposes conditions that affect the poor. For the sake of macroeconomic stability, it ignores the microeconomic stability. Its conditionality such as austerity under which the subsidy is withdrawn on the social sector often hurts the people at the bottom of the pyramid. This, too, was seen in Pakistan during nineties when the health and education were severely affected as a result of the government's efforts to fix the fiscal problems.

COMPETING INTERESTS

The authors have no relevant financial or non-financial interests to disclose.

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