INTERNATIONAL POLITICAL ECONOMY AND IMF: EXAMINING THE EFFECTS OF EXTENDED FUND FACILITY (EFF) ON THE GOVERNANCE STRUCTURE OF PAKISTAN

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Abstract

The International Monetary Fund (IMF) is a global financial organization that offers financial support to nations with economic difficulties. There are serious worries about the efficacy of IMF Program conditionality on debtor countries due to the IMF's growing influence through the Extended Fund Facility Program and their performances in developing countries. The conditionality of the International Monetary Fund (IMF) Program is examined in this research in relation to Pakistan's economic governance. Due to its long-term reliance on IMF resources, Pakistan presents an intriguing case study. The influence of IMF conditionality on Pakistan's economy's governance structure and key economic indicators is examined in this study using a broad framework of qualitative elements. The study's findings demonstrate that there is consistently uncertainty in the governance structure and the execution of policy decisions in IMF lending schemes. Due to this deterioration, the country was unable to meet its macroeconomic objectives, such as reducing poverty and controlling inflation, Future perspectives on the research findings recommend that Pakistan's *economic policy makers concentrate on their other sources of economic strength rather than solely relying on the IMF Program.*

Key words: Political economy, Governance, International monetary fund, Pakistan economy.

Introduction

Today, governance not only takes epicenter stage in debates about progress, but it is also seen as vital factor that must be included in development strategies. Aside from the fact that its significance is acknowledged by all, there are variances in how the subject is conceptualized as well as in how theories are put out and how policies should be implemented. In addition to being in its infancy, governance as a theoretical concept distinct from the theory of state is also formulated differently by scholars depending on their ideologies. *(*Seoul, 2003; Adel M. Abdullah*)*

Governance is the exercise of Supremacy in a state through planning, practice, values, and organizations. It involves the process of choosing the government, responsibility, the ability to change the government, honor, and citizen rights, as well as the state's ability to design and carry out its policies. (Kaufmann and Kraay, (2010)

The term "governance" refers to a broad concept that encompasses gatherings at all points, and governance is better when it responds to the shared or joint concerns of people and serves their wants and desires in a way that is appropriate and widely accepted. There isn't a single model of effective governance that would be ideal in every circumstance. Participation, transparency, accountability, voice, responsiveness, and the regulation of law are only a rare examples of the numerous traits or aspects that make up good governance. Socioeconomic and political relations are governed by a structure as well as a process (Qudrat-Elahi, 2009). Arif Jameel, Muhammad Asif, and Abid Hussain 2019).

The people-centric approach was pursued by the components of worthy governance recognized by the World Bank. These include freedom of speech, the press, association, political constancy, and the absence of terrorism. Controlling quality is well-defined as the capacity to develop and implement these supervisory or regulatory strategies, and the rule of law is clear as the extent to which citizens adhere to community policies and laws as well as the suppression of corruption (Kaufmann & Kraay, 2010). (Qudrat-Elahi, 2009). Abid Hussain, Muhammad Asif, and Arif Jameel 2019).

In order to investigate the general proposition that "better governance" and economic progress would ensue in Pakistan if there were political constancy, rule of law, speech and answerability, and procedures for controlling corruption, (Zubair and Khan (2014).

International Political Economy (IPE)

International political economy (IPE), according to Palan, R. (2013), is interested in how politics and economics interact on a worldwide scale. The organization of the manufacture, consumption, and supply of commodities and facilities as well as the money resource can all be summed up as the economy. The whole arrangement of organizations and laws that regulate our social and economic affairs is the subject of politics. IPE academics start from the evidence that there is no meaningful distinction that can be made between the political and economic spheres of life.

According to N. Woods, the study of international political economy (IPE) inspects how politics and economics interrelate in international events (2001). What motivates and explains developments in the global economy is the central query of IPE. Some see this as a conflict between "states vs markets." This, however, is false. The "markets" of the global economy differ from neighborhood street bazaars, where all goods can be freely and aggressively swapped.

Politicians also are unable to control the global economy as much as they would want. There are many different layers of regulations, customs, laws, organizations, and even habits that form global marketplaces and nations, local industries, and global companies that trade and invest there. All of these aspects of the system are collectively known as "institutions" by political scientists. The study of international political economy goals to shed light on the processes that give rise to, sustain, and affect institutions as well as their effects on the global economy (A Windhoff-Héritier, 2019)

Extended Fund Facility (EFF)

Pakistan and the IMF contracted an extended fund facility (EFF) agreement. Under the Extended Fund Facility (EFF), it is a 36-month extended arrangement worth SDR 4.393 billion (US$6.64 billion, 425 percent of limit). (Country Report No. 16/207 from the IMF on 4 Sep, 2013)

On September 6, 2013, the initial tranche of SDR 360 million ($544.5 million, or 34.8 percent of the quota), became available. The remaining amounts will be released in equal instalments going forward, subject to quarterly reviews (MJR Andritzky, Z Munkacsi, K Wang – 2021)

A comprehensive Programme that includes strategies of the scale and type necessary to repair basic disparities over an extended period of time is supported by an extended fund facility with the IMF. With twelve equal semiannual payments, it must a relatively lengthier payment period of 412 to 10 years. The following are some of the reasons Pakistan decided to use this facility and implement economic reforms:

Poor economic performance in recent years, with GDP growth that was only 3% on average over the previous five years, not enough to considerably raise living standards or absorb the expanding work force, and growing inflation of over 8% (MJR Andritzky, Z Munkacsi, K Wang – 2021)

Objectives of Extended Fund Facility Program

• Enhance the prospects for medium-term growth and take steps to achieve sustainable fiscal and external positions.
• During the program's duration, promote macroeconomic stability and boost economic performance.

Elements of EFF
• Gradually increasing growth to close to 5% by 2015–16 as structural reforms are implemented and macroeconomic stability is established.
• Reducing inflation from its present rate of 8.3 percent to a range of 6-7 percent by 2015–16.
• By 2015–16, growing central bank assets to more than 3 12 months of imports
• By 2015/16, from an expected 8.0 percent in 2012/13, decreasing the fiscal deficit to 3 12 percent of GDP, with regional governments paying their due share to the fiscal merging effort.
• Reforms in Energy Sector
• liberalizing trade policies and changing government-run businesses through reorganization or denationalization.
• Enhancing the business environment.
• Establish the tax arrangement.
• protecting the most vulnerable from both immediate and long-term harm.

About IMF

One of the primary goals of the IMF, one of the international financial institutions, is to support monetary stability. The IMF was established in 1944 as a measure of the Bretton Woods Exchange system with the intention of averting crises like the Great Depression and addressing growing worries about the lack of international monetary cooperation and decline in global commerce (IMF, 2013a). With the intention of managing the fixed exchange rate agreements between nations and providing short-term funding for immediate balance of payment issues, a lending facility was established. Special Drawing Rights (SDR) were first adopted by the IMF in 1960 as a result of growing worries about global liquidity. It is a global reserve asset, and the US dollar, Japanese yen, British pound, and euro are the four main world currencies upon which its value is based (IMF SDRs factsheet, 2013b).

Due to the US suspending the dollar's ability to be converted into gold as a result of both internal and foreign issues like inflation, trade deficits, and the Vietnam War, this effort at a new reserve asset has generated controversy. A system of uncontrolled exchange rates was established in 1973 as a result of the supply and demand for various currencies on the foreign exchange market (IMF, 2013c). By amending the IMF Article of Agreement in 1978, the IMF began formally establishing this structure (MC Klein, M Pettis – 2020)

Despite having 188 member nations, the IMF's overall quota is $ 360 billion, plus an additional $1 trillion in resources. The IMF offers developing nations financial help as well as policy recommendations to help them solve their economic issues and succeed in long-term stability and development. IMF's role altered after drop in static exchange rate system in 1973 (IMF, 2013d). The International Monetary Fund's purpose and objectives have changed as the world economy has (IMF, 2002). One of the main goals of the IMF, in adding to monitoring the economy and present technical assistance, is to give its member nation's financial aid to deal with current or projected balance of payments issues. This implies that the IMF's financing decisions should primarily be based on technical economic factors (MA Prasad, S Elekdag, MP Jeasakul, R Lafarguett, 2019)

Contradictory anecdotal data and certain research, however, indicate that this is not the case and that the IMF's advancing choices are heavily inclined by politics. Due of this, the IMF received harsh criticism, and people from all political backgrounds called for its reform. Propagating moral hazard, reliance, or recidivism through frequent financing, as well as enforcing stabilizing policies that might not be in line with local requirements, were among the criticisms (Steinward and Stone, 2008; Bird, 2007; Bird et al., 2004; Dreher and Vaubel, 2004; Stone, 2004).

Article I of the IMF's Articles of Agreement (2011a) states that the organization's main objectives are to advance and facilitate global trade, encourage altercation constancy, assist in the launch of an open scheme of international payments, improve financial cooperation, and provide financial assistance to low-income nations to help them contract with balance of payments issues, high inflation, and slow development (Khan, 1990).

IMF conditions often call for a number of fiscal and monetary reforms, including raising taxes, cutting spending, raising interest rates and administered prices, lowering the burden of debt, and boosting pay 39 policies, productivity, and trade liberalization. The IMF employs strong demand control strategies in conditionality since increased domestic demand leads to issues including the present account shortfall, inflation, slow growth rate, heavy debt loads, and a decline in keenness (B Reinsberg, A Kern, M Rau-Göhring, 2021)

In the 1950s, the IMF's function evolved and its emphasis on the developing world began to grow. The Fund's initial goal was to offer short-term loans for balance of payments crises, but as time went on, it began to play a more significant role by assisting borrowing nations with structural change. IMF began playing a dual role in financing and adjustment. Debate over IMF participation in developing nations was first sparked by the 1995 Peso Crisis in Mexico and the 1980 Debt Crisis in African and Asian countries (Bird, 1996).

It has been noted recently that supply policies are changing and that the Fund is continually working to improve the effectiveness of its activities. This was noticed when (khan 1999) used a generalized estimator to conduct his analysis for the years 1973 to 1988, which included 69 emerging nations. As a result of the lagged influence of policies, he came to the conclusion that short run impact misrepresents the outcome. His research demonstrated that supply-increasing strategies had a positive effect over time rather than right away (khan 1999).

History and Role of IMF

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Pakistan: Continued user of IMF resources and its reasons

Pakistan began working with the IMF in 1958, but only a few small plans were implemented until the 1980s (IMF Evaluation Report, 2002). Four times between 1972 and 1977, the government requested Stand-by Agreement programs from the IMF. In the twelve years following the start of the excessive use, there were seven agreements, four of which were Standby programs with a single year and three of which were multi-year contracts. More emphasis was placed on tight management policies and structural reforms to address imbalances (Hussain, 2002).

Except for the SBA in 2000 and the Poverty Reduction Growth Facility (PRGF) in 2001, which were both accords under a military dictatorship, all projects went off-course. The last unsuccessful initiative was SBA, which was discontinued in 2008 as a result of poorer resource mobilization, a large budget deficit, and a global financial crisis. The IMF and Pakistani relations in a nutshell.

Pakistan was included as one of the long-term users of IMF financial and technical funds in the IEO case study report from 2002. According to this analysis, Pakistan was compelled to employ this aid repeatedly due to two key issues that had a big impact. IMF Programme design faults were the first, and weak local governments and administrations were the second.

Overly ambitious goals for savings, growth, and exports, a lack of integrated prior action programs, a lack of sympathetic of the dynamics of the economy, an increase in conditionality, a lack of strong prioritization of tough measures, and a lack of sequencing were the major flaws in the design of the programs and conditionality. It went on to list the shortcomings of the authorities and outside shocks that contributed as well, including endogenous factors that contributed to political uncertainty in the 1990s, ad hoc events taken by the establishments to attain goals that were detrimental to the goal of long-term stability of the country, a lack of political will at the top level for implementing tax reforms, and not adopting a continued method. Therefore, this data supports the idea that political will is a key factor in the effectiveness of conditionality (Przeworski and Vreeland, 2000).

The main causes of Pakistan's need for assistance between 1988 and 2000 were the balance of payments crisis and the issue of debt overhang. Due to these problems, receiving financial aid from several international financial organizations as well as from joint donors required securing an IMF loan as a prerequisite. There was no other choice in the circumstance besides locking into IMF agreements. The Pakistani government, on the other hand, has consistently attempted to avoid making judgments that do not serve its political interests. It has also used the IMF as a pretext for making controversial choices and as a basis of outside finance (Hussain, 2005).

Hussain (2002) claims that from 1988 to 2000, Pakistan attempted to resolve its external imbalances by utilizing the IMF's short-term liquidity injection facilities while avoiding long-term structural changes due to the political cost associated with them. Meanwhile, other elements that upset the macroeconomic balance were bad governance, ineffective spending, and political

unpredictability. For the purpose of resolving any transient crises, including issues with balance of payments and rising budget shortfalls, governments always turned to the IMF (Yaqub, 2013).
For the purpose of resolving any transient crises, including issues with balance of payments and rising budget shortfalls, governments always turned to the IMF (Yaqub, 2013). It was never used to implement changes or enhance the economic structure. All governments lacked the resolve to implement reforms for long-term economic independence and stability. The utilization of IMF loans has historically been a tactic for saving governments while they are still in power and buying time. Every government adopted the easier-to-implement soft policies and shied away from the harsh ones. (Yaqub, 2013).

The recurring change in governments during the 1990s was another important element that led the country to the IMF on various occasions. Twofold party-political ruled Pakistan twice during this time, and all of them were overthrown on suspicion of corruption. Due to a lack of confidence in the qualifications and experience of each previous government, this led every succeeding government to approach the IMF for a fresh deal (Cheema, 2004).

The Asian economic disaster and the sanctions imposed by the international world as a result of the nuclear testing in 1998 significantly exacerbated the economic issues, which ultimately ran to seven accords in this decade. As a result of these back-to-back agreements, which made international associations adopt strict conditions with successive loans, Pakistan's significance and credibility were damaged (Looney (2002)).

Political Stability and Economic Development

Political instability is regarded as a significant and expensive phenomena because it causes losses from negative shocks to be shared by more people. It may result in economic instability, significant price volatility, and changes in many macroeconomic variables.

Political instability has become a common occurrence in several nations ended time. It has detrimental implications on financial concert, including inflation, private investment, and GDP growth rates. Alesina et al. (1996) recycled a sample of 113 nations from 1950 to 1982 to demonstrate how political instability has a detrimental impact on GDP development in these economies that are known for having subpar institutions. Additionally, they contend that political unrest is making conditions already predisposed to economic expansion worse. Sociopolitical unrest worsens ambiguity and undermines assurance in the political and economic climate, which negatively impacts private investment (Alesina et al., 1996).

Additionally, various models have been shown by Tabellini and Alesina (1990) and Cukierman et al. (1992) that show how a fragile administration is unable to ensure its existence in the face of extreme political instability. Completely simulations concur that political unrest causes economic policy to be ineffective. The impact of political unpredictability on investment and capital flight was established by Alesina and Tabellini in 1989. Grossman (1991) researched the effect of political instability on economic development in the same environment. He demonstrated how nations with weak associations are more susceptible to political change.

A Context of Pakistan

Pakistan's inability to sustain high levels of economic growth over the long term can be linked to ineffective administration and weak management of key institutions. The refusal of government regimes to allow crucial institutions to develop into powerful governing bodies to enable an integrated and seamless flow of policy implementation has resulted in development delays (Husain 2008).

An example is the eight-year military dictatorship that ended in 2007. With favorable macroeconomic data, the economy appeared to be in good shape up to the middle of this period. However, because to a lack of vision and long-term planning, as well as eventually weak governance, signs of economic deterioration became plainly apparent in 2006. While excessive borrowing from the State Bank to finance the importation of consumer goods created an artificial economy that resulted in a huge current account deficit and depleted foreign exchange reserves, failure to pass on domestic and international increases in oil and food prices to consumers resulted in a high budget deficit (PRSPII3 2008).

The "Iron Law of Oligarchy," coined by Max Weber student Robert Michels (Summers 1984), asserts that bureaucracies, in particular, make decisions based more on the charisma and values of the individuals occupying particular seats than on the authority of particular posts or designations, with significant policies falling apart once a particular individual leaves. This idea can be used to illustrate how Pakistani leaders have failed to create the institutional capability necessary to create a stable and long-lasting governance structure.

Siddiqui and Ahmed (2009) show a substantial correlation between the two in their empirical examination of the long-run link among institutions and development in Pakistan between 1984 and 2006. In actuality, the link is unidirectional, meaning that institutions arrive before growth. The establishment of sufficient facilities for social well-being is also directly related to the institutional framework of governance. According to Hussain (2008), poverty arises "when the different in a disjointed public is locked into a nexus of power, which deprives the poor of their real and prospective revenue.

Hussain (2008) defines poverty as "when the individual in a continuous community is trapped into a connection of rule." There is little money left over to invest in raising social indices like school enrollment, health, access to justice, etc. since the power structure's spending objectives are more heavily weighted toward defense, bureaucracy, and the transfer of resources to the elite.

Extended fund facility (EFF) Program

The IMF can provide assistance through an Extended Fund Facility if a nation is experiencing austere medium-term balance of payments problems as a outcome of fundamental flaws that need time to be addressed (EFF). Support providing in an extended agreement has a longer Programme, an arrangement to help nations implement medium-term structural changes, and a longer repayment horizon than support provided under a stand-by arrangement (A Kentikelenis, T Stubbs 2022).

Because of structural hurdles, subpar growth, and a hazardous balance of payments position, the EFF was recognized to aid states that were suffering severe payment imbalances. An EFF provides support for an entire Programme, such as the laws necessary to gradually address structural imbalances. Since it takes years to achieve structural adjustments that address deeply ingrained problems, EFF participation and repayment span extended periods than utmost Fund arrangements (N Zahariadis, E Petridou, T Exadaktylos, J Sparf – 2022).

Extended arrangements are often given for durations of three years, although they can also be granted for durations of up to four years, in order to implement significant and permanent structural reforms. The money borrowed under an EFF is required to be paid completed a period of 4 to 10 years in 12 equal semiannual instalments. Over a period of three to five years, Stand-By Arrangement (SBA) credits are repaid (N Zahariadis, E Petridou, T Exadaktylos, J Sparf – 2022).

IMF: Borrow and Pay

Similar to other IMF lending, the level of a country's using under an EFF is determined by its financial requirements, ability to repay, and history of using IMF resources.

- *Normal access.* The IMF's General Resource Account contains a variety of credit instruments, including the EFF (GRA). The annual limit of 145 percent of a country's IMF quota (temporarily increased to 245 percent of quota through end 2021 as part of the Fund's reforms) and the collective limit in all unresolved exposure to the GRA over the life of the Programme of 435 percent of its quota, net of scheduled repayments, both place restrictions on access to GRA resources (COVID-19 response).
- *Exceptional access.* The IMF's Special Access policy dictates that access above regular restrictions is decided on a case-by-case basis. EFFs are often not created as a preventative measure in advance of a potential balance of payments issue.

IMF (EFF) Arrangements in Special drawing right SDR:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	July03,2019	Jun30,2023	4,988.00	3,038.00
EFF	Sep02,2013	Sep30,2016	4,393.00	4,393.00
Stand by	Nov24,2008	Sep30,2011	7,235.90	4,936.04

Table 1: Source; IMF Data Mapper, Country Data-Pakistan

The SDR is a type of global reserve asset that was advanced by the IMF in 1969 to supplement the authorized funds of its participant states. SDRs are not actual currencies, but rather IMF accounting units. They represent an exchangeable claim to the money that IMF member nations hold.

Indicators Of political economy in the context of (EFF) that Contributing in Socio-Economic and Socio-Political Governance in Pakistan.

Poverty reduction

Change in Poverty Headcount (%age Points)

Year	***National***	***Urban***	***Rural***
2011-12	**0.5**	**3.4**	**-1.0**
2013-14	**6.8**	**4.6**	**7.5**
2015-16	**5.2**	**5.7**	**4.9**

Table; Source: Planning Commission; *Poverty Committee estimation

Data on changes in poverty by percentage point at the nationwide level, as well as for rural and urban areas, are shown in Table 5. When compared to 2011–12, the year 2013–14 saw the highest percentage decline in the number of people living in poverty, with a nationwide decline of 6.8 percentage points and declines of 6.2 and 7.5 percentage points in urban and rural areas, respectively. Among 2014 and 2016, the incidence of domestic scarcity headcount decreased by 5.2 ratio points overall, with a fall of 5.7 part points in urban regions and 4.9 ratio points in rural regions (Planning Commission, (PCE)).

Poverty Estimation (%age points)

Year	**Lower middle income**	**Upper Middle Income**
2020-21	**39.3**	**78.4**
2021-22	**39.2**	**78.3**
2022-23	**37.9**	**77.5**

Table; Source; World Bank Poverty estimation

As shown in Table, Giving to estimations since the World Bank (WB), added than two million people in Pakistan are now measured to be alive under the poverty line, increasing the country's poverty rate from 4.4% to 5.4% in 2020.

The WB predicted that Pakistan's poverty rate will be 39.3% in 2020–21, stay at 39.2% in 2021–22, and perhaps fall to 37.9% by 2022–23 using the lower-middle income poverty rate.
The international financial institution also determined that, using the upper-middle-income poverty rate, the poverty rate was 78.4% in 2020–21, 78.3% in 2021–22, and is projected to fall to 77.5% in 2022–23.

According to estimates from the Bank, 40% of households in Pakistan experienced moderate to severe food insecurity.

Inflation Rate

The Core Theme of EXTENDED FUND FACILITY PROGRAMME OF IMF wants to Bringing down inflation rate 6-7 percent range.

The rate of price growth for goods and services is known as inflation. Not all prices necessarily increased as a result. Thus, a continuous overall increase in prices is referred to as inflation. The percentage increase in overall prices over a year is how inflation is typically expressed. In economic literature, a variety of inflation measures are frequently employed. The Consumer Price Index is the most widely cited and utilized (CPI) (JK Galbraith, 2023).

Inflation in Pakistan was high and unstable during FY2009; in July 2008, it rose to 24.3 percent, and in August 2008, it reached 25.3 percent. This was caused by a sudden increase in the price of commodities on the world market, which put significant upward pressure on prices at home. It partially reflected the excessive public sector borrowing as well as pricing changes brought on by losses in public sector firms, particularly in the energy industry (F Reading, 2019).

When the PML-n government first took office, it was firmly focused on containing inflation as well as on important concerns and structural changes. High inflation is viewed negatively by the general public and the economy since it devalues currency. However, some inflation is common in all nations. Inflation was successfully controlled by the government, which kept it at 8.62 percent in FY2014 and further down to 4.53 percent in FY2015. Inflation during the fiscal year that ran from July to April of 2016 was further restrained and was 2.79 percent, the lowest level in 13 years (I Niaz, 2021).

CPI Inflation

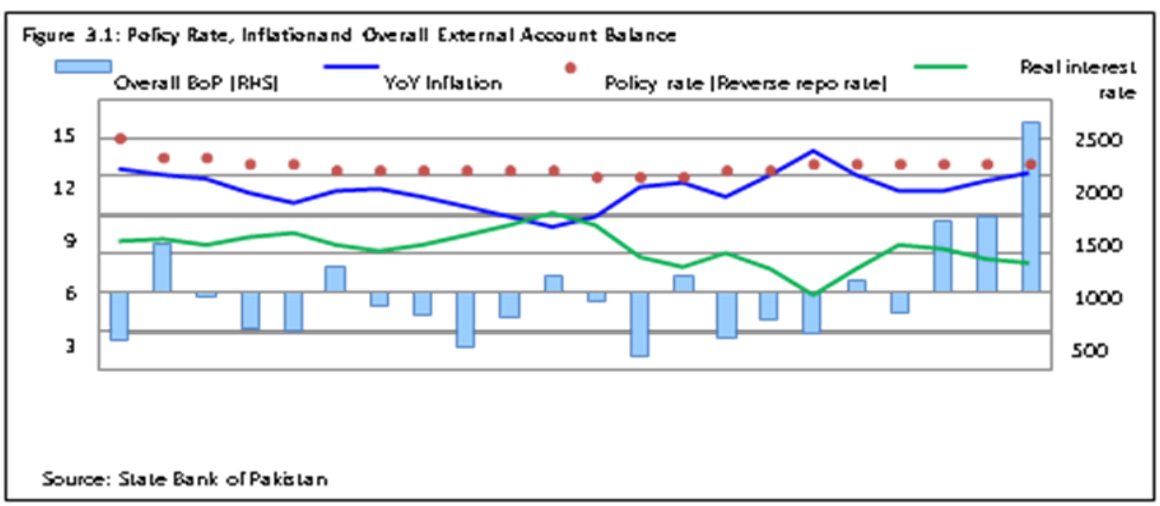
Year	***2013-14***	***2014-15***	***2015-16***
July	**8.3**	**7.9**	**1.9**
August	**8.5**	**7.0**	**1.8**
September	**7.4**	**7.7**	**1.3**
October	**9.1**	**5.8**	**1.6**
November	**10.9**	**4.0**	**2.7**
December	**9.2**	**4.3**	**3.2**
January	**7.9**	**3.9**	**3.3**
February	**7.9**	**3.2**	**4.0**
March	**8.5**	**2.5**	**3.9**

April	**9.2**	**2.1**	**4.2**
Average (July-April)	**8.7**	**4.8**	**2.8**

Table; Source: Pakistan Bureau of Statistics

Inflation during the fiscal year 2016 averaged 3.8 percent compared to 3.2 percent in the prior year (Table 7). This was brought on by increases in the pricing of goods including mash pulses (up 8.5%), sugar (up 3.9%), fresh fruit (up 2.8%), wheat (up 2.6%), doctor's fees (up 2.5%), rent (up 2.0%), milk powder (up 1.3%), and meat (up 1.3%) (Pakistan Bureau of Statistics).

In April 2016, it climbed from the first month of FY2016 to 4.2 percent. However, compared to 4.8 percent in July-April FY2015 and 8.7 percent FY2014, it is registered at 2.8 percent on average during July-April FY2016. In contrast to FY2015's 1.9 percent and FY2014's 9.8 percent, the other inflationary indicators, such as the Sensitive Price Indicator (SPI), stayed at 1.4 percent from July through April of this year. Compared to 0.03 percent in FY2015 and 8.3 percent in FY2014, the Wholesale Price Index (WPI) for FY 2016 was (-) 1.3 percent. The CPI trend is shown in the table below on an annual basis (Pakistan Bureau of Statistics).



Figure; *SOURCE; Pakistan Bureau of statistics*

The process of determining the inflation outlook for FY14 was actually made more difficult by the slightly unpredictable design of YOY inflation during Jul-Apr FY14, as shown in Fig 2. This pattern was primarily focused by excessive instability in perishable food items and modifications in managed prices. Initial estimates for FY14's average inflation ranged from 11.0 to 12.0 percent, which was significantly greater than FY13's average inflation of 7.4 percent. Inflation did increase throughout the year, peaking at double-digit (10.9 percent) in November 2013 (Pakistan Bureau of Statistics)

The YoY inflation rate did start to decline between December 2013 and January 2014. This resulted in a downward revision of the expected inflation rate to 10.0 to 11.0 percent, combined with an easing of inflationary expectations. 3 In fact, SBP now anticipates average inflation for FY14 to fall in the range of 8.0 to 9.0 percent as a result of: (a) exchange rate appreciation; (b) relatively stable oil prices on both the domestic and international markets; (c) government efforts to divert its borrowing away from SBP; (d) slowing money growth; and (e) easing inflationary expectations as indicated by the SBP-IBA Consumer Confidence Survey in May 2014.

Inflation Headline during IMF Programme Extended Fund Facility Programme

Year	***CPI***	***Food***	***Non Food***
2014-15	***4.8***	***3.6***	***5.7***
2015-16	***2.8***	***2.1***	***3.3***

Table; Source; Pakistan Bureau of Statistics

FY 2019-20

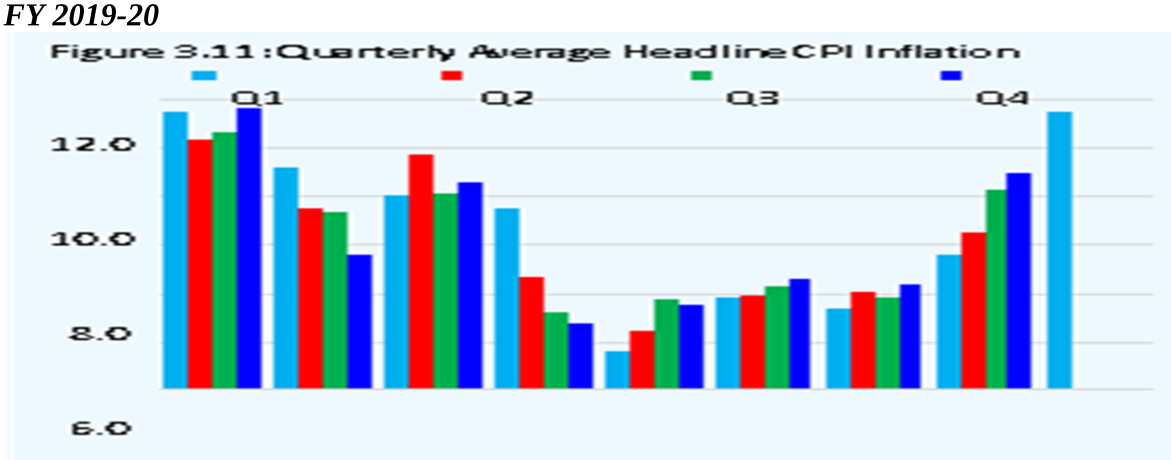


Figure: FY19 (Source; Pakistan bureau of statistics)

The normal headline CPI inflation rate extended 11.5 percent in Q1-FY20, continuing the sharp increasing trend that has been present from the start of FY19 as shown in Fig. Not only was this level twice as high as that seen in the same quarter a year ago, it was also the biggest quarterly inflation level seen since Q4-FY12. The spread of the inflation increase was wide; from Q1 to FY20, there was greater inflation for almost 64% of all items compared to the previous year. Furthermore, during the quarter, double-digit inflation was recorded for about 40% of the total products (MNK Baloch, 2019).

The Study Examined Important Factors of International Political Economy which Impact the Governance structure. The major issues fined that most of the sector is facing a scarcity and is facing circular debt.

Poverty Reduction

Pakistan signed up for IMF programs in the hope that they would reduce, if not eradicate, poverty. However, throughout the time of the Extended Fund Facility Programme, we saw contrasting outcomes. The social and economic inequities were getting worse, poverty was increasing, and unemployment was skyrocketing. The majority of economic analysts characterized the adjustment period of the 20s as a lost decade of economic development, with serious repercussions for the underprivileged and middle classes. According to estimations from the World Bank (WB), added number of Pakistanis deemed to be living below the poverty line has increased to almost two million, pushing the nation's poverty rate from 4.4% to 5.4% by 2020. According to estimates from the Bank, 40% of households in Pakistan experienced moderate to severe food insecurity.

Inflation Rate

The ordinary headline CPI inflation rate increased to 11.5 percent in Q1-FY20, continuing the sharp increasing style that has been present since the start of FY19. Not only was this level twice as high as that seen in the same quarter a year ago, it was also the biggest quarterly inflation level seen since Q4-FY12. The spread of the inflation increase was wide; from Q1 to FY20, there was greater inflation for almost 64% of all items compared to the previous year. Furthermore, during the quarter, double-digit inflation was recorded for about 40% of the total products.

According to the aforementioned facts, Pakistan failed to cut inflation rates despite signing up for many IMF programs. Pakistan's 2021 inflation rate was 9.50%, down 0.24% from 2020. For over two years in a row, the Pakistani government failed to pursue the objective of lowering the country's inflation rate.

Conclusion

The report assesses several macroeconomic outcomes in Pakistan following the implementation of IMF programs. This study looks at how stabilization initiatives (EFF) affect macroeconomic factors like inflation and the fight against poverty. How IPE affected Pakistan's economic governance structure was the subject of the research. The economy has barely experienced any growth as a result of the recently decided contractionary monetary policy and cuts in public expenditure under the 23rd IMF Programme.

Because of short-term policy implementation, Pakistan's governance system is severely deteriorating. The study concludes that Pakistan needs a specific policy to improve and resolve a problem that it has been dealing with for some years, perhaps as part of an IMF Programme. According to IMF data, Pakistan has seen economic development. In the long run, however, our research indicates that the economy's development had slowed, there had been an increase in unemployment, inflation, and poverty, and Pakistan is still dealing with energy difficulties and balance of payment problems.

The study's findings demonstrate that there is consistently uncertainty in the governance structure and the execution of policy decisions in IMF lending schemes. Due to this deterioration, the country was unable to meet its macroeconomic objectives, such as reducing poverty, controlling inflation, and last but not least, maintaining a positive balance of payments. If we were to evaluate the Electricity Sector based on the aforementioned facts, we would find that the Pakistani government (GOP) has established many measures to assure the seamless supply of energy to the general people and to promote financial progress.

Since the beginning of FY19, the average headline CPI inflation rate has been 11.5 percent in Q1-FY20. This amount of inflation was not only two times higher than that observed in the same quarter a year prior, but was also the highest quarterly level since Q4-FY12. The increase in inflation had a wide distribution; from Q1 to FY20, over 64% of all products had higher inflation than the previous year. Furthermore, roughly 40% of all products saw double-digit inflation throughout the quarter. Pakistan needs a robust governance framework, diverse policies, and proactive steps to lower inflation, eliminate poverty, and collect taxes in order to achieve higher economic growth.

Establishing good governance and achieving the objectives of each Programme need strengthening the aforementioned recommendations by lowering poverty, unemployment, and illiteracy as well as preventing exploitation in the public area. Pakistan's low organizational performance, instable political environment, and inadequate substructure are all directly tied to the country's bad governance. The same is true for tough governance, which has solid political stability as well as strong linkages to both the state institutions and the civil society.

Governance is at the heart of the solutions to the problems facing the community sectors. Effective monitoring of poverty reduction and broad-based economic growth requires a framework, which good governance helps to provide. It speaks of resource and business management that is capable, transparent, and attentive to the needs and concerns of others. To strengthen institutions that are capable of putting policies into practice by engaging the broader public.

The results of Pakistan's foreign policy, as well as its political leaders' engagement in the country, haven't been able to follow a logical course. Pakistan needs a sincere, charismatic leader urgently. Pakistan should properly utilize its resources as the nation with the most abundant mineral wealth in order to capitalize on them, reap the rewards, and do away with the IMF. Historically, using IMF loans has been a strategy for buying time and rescuing governments while they are still in office. Every government adopted the softer, more manageable policies and avoided the more drastic ones.

Recommendations

To keep the study in mind, a few recommendations and suggestions are implicit. Several recommendations from the available literature and research are startling. Here are some suggestions and recommendations.

For the better economic and good governance structure Pakistan should adopt the following goal to achieve the milestone of economic and governance prosperity.

Accountability; In Pakistan, there is an urgent need for accountability, where each person or organization is accountable for their activities, particularly when those actions and attitudes harm the interests of the public. Political accountability is the process by which public servants are held accountable to the constituents they serve, and it calls for management and hierarchical responsibility to be improved.

Effective and Efficient: Effective governance is necessary, and efficient means that resources must be used properly and systematically in order to guarantee the best outcomes for society. The standardization and improvement of public service quality are required. a government that prioritizes its citizens and has sound financial management.

Responsiveness: It speaks to the necessity for Pakistani institutions and practices to serve all stakeholders quickly and effectively. The government, for instance, lacks a functional bureaucracy to handle taxation. It relates to the notion that the interests of citizens should be effectively protected.

Transparent Administration Furthermore, it has been demonstrated that the performance of civil servants, who depend on public trust constantly, is related to effective government. The lack of any transparent public administration mixed with unethical activity poses a severe threat to good governance and economic instability. Corruption, a serious instance of unethical action, has been considered as the "single greatest obstacle to Political, Economic and Social Development."

Political Stability; Last but not the least, it is important to have economic stability to bring Political stability in the country. From the very Initial stage Pakistan is facing such instability which reversibly cause instability in term of Economic Instability.

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