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IMF Conditionality and Budgetary Sovereignty in Pakistan: An Assessment of the Impact of IMF Programs on Fiscal Policy Autonomy (2000–2026)

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Abstract
This study investigates the impact of International Monetary Fund (IMF) conditionality on Pakistan's budgetary sovereignty and fiscal policy autonomy over the period 2000–2026. Drawing on a mixed-methods approach that integrates quantitative analysis of fiscal indicators and qualitative evaluation of IMF program conditionalities, the research examines how IMF engagements have shaped Pakistan's macroeconomic governance. The findings reveal that IMF conditionality significantly influences fiscal policy by enforcing deficit reduction, revenue mobilization, subsidy rationalization, and structural reforms. While these measures contribute to short-term macroeconomic stabilization, they concurrently constrain Pakistan's budgetary sovereignty, limiting discretionary authority over expenditure allocation and taxation policy. Structural reforms are only partially implemented due to domestic political constraints, institutional weaknesses, and external pressures, resulting in a cyclical pattern of compliance and policy reversals. The study highlights the tension between external fiscal discipline and domestic policy autonomy, emphasizing the role of institutional capacity, governance, and political stability in mediating the effectiveness of IMF programs. Policy recommendations focus on strengthening domestic revenue mobilization, enhancing institutional governance, rationalizing public expenditure, reforming state-owned enterprises, and improving the negotiation and design of IMF engagements to achieve sustainable fiscal autonomy.
Keywords: IMF conditionality, budgetary sovereignty, fiscal policy autonomy, Pakistan, structural reforms, political economy, public finance.

ISSN Online: 3007-3154
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Vol. 4 No. 3 (March) (2026)

Introduction

The global financial system is characterized by asymmetrical power relations between developed and developing economies, where international financial institutions play a pivotal role in shaping domestic economic policies. Among these institutions, the International Monetary Fund (IMF) has emerged as a central actor in providing financial assistance to countries experiencing balance-of-payments crises. However, such assistance is typically accompanied by a set of policy prescriptions known as conditionalities, which aim to restore macroeconomic stability but often extend deeply into domestic fiscal and structural policy domains (Dreher, 2009; IMF, 2023).

For developing countries like Pakistan, IMF programs have become a recurring feature of economic management. Since its first engagement with the IMF in 1958, Pakistan has entered into multiple arrangements, particularly in response to persistent fiscal deficits, external account imbalances, and structural inefficiencies in revenue generation (Husain, 2019). In the period from 2000 to 2026, Pakistan has participated in several major IMF programs, including the Stand-By Arrangement (2008), the Extended Fund Facility (2013 and 2019), and short-term stabilization frameworks in the aftermath of economic crises. These programs have consistently emphasized fiscal consolidation, tax reforms, energy sector restructuring, and exchange rate adjustments (IMF, 2019; World Bank, 2022).

While IMF interventions are often justified on the grounds of promoting macroeconomic discipline and restoring investor confidence, they have generated significant debate regarding their implications for budgetary sovereignty and fiscal policy autonomy. Budgetary sovereignty refers to the capacity of a state to independently determine its fiscal priorities, including taxation, public expenditure, and deficit financing. In contrast, fiscal policy autonomy denotes the degree of discretion a government possesses in designing and implementing fiscal policies without external constraints. The imposition of quantitative performance criteria, structural benchmarks, and prior actions under IMF programs raises critical questions about the extent to which national governments retain control over their fiscal decision-making processes (Kentikelenis, Stubbs, & King, 2016).

In the context of Pakistan, IMF conditionalities have frequently required the adoption of austerity measures, including reductions in public subsidies, increases in indirect taxation, and limitations on fiscal deficits. While these measures may contribute to short-term stabilization, they often constrain the government's ability to pursue expansionary fiscal policies aimed at economic growth and social welfare. Moreover, the emphasis on revenue mobilization particularly through regressive taxation has implications for income distribution and political legitimacy (Ahmed & O'Donoghue, 2010; Zaidi, 2015). Critics argue that such externally imposed reforms may undermine democratic accountability by shifting key economic decisions away from domestic institutions toward international actors (Vreeland, 2007).

At the same time, proponents of IMF programs contend that conditionalities are necessary to address structural weaknesses in domestic economies, particularly in countries with weak governance, narrow tax bases, and inefficient public sector management. From this perspective, IMF engagement can enhance fiscal discipline, improve transparency, and strengthen institutional capacity over the long term (Bird, 2007; IMF, 2023). This

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Vol. 4 No. 3 (March) (2026)

divergence in perspectives reflects a broader theoretical debate within international political economy regarding the trade-off between external financial support and national policy autonomy.

Despite a substantial body of literature on IMF programs and macroeconomic performance, relatively limited attention has been paid to the specific issue of budgetary sovereignty in the case of Pakistan. Existing studies have largely focused on macroeconomic indicators such as growth, inflation, and external balances, often overlooking the deeper institutional and political implications of IMF conditionality for fiscal governance. Furthermore, there is a need for a longitudinal analysis that examines how successive IMF programs have shaped Pakistan's fiscal policy space over time, particularly in the context of evolving global economic conditions and domestic political dynamics.

This study seeks to address this gap by providing a comprehensive assessment of the impact of IMF conditionality on budgetary sovereignty and fiscal policy autonomy in Pakistan during the period 2000–2026. It aims to analyze the nature and scope of IMF-imposed conditions, evaluate their effects on key fiscal indicators, and explore the broader political economy implications of external financial dependence. By integrating theoretical insights with empirical analysis, the study contributes to a more nuanced understanding of the relationship between international financial institutions and domestic economic governance.

Literature Review

The literature on IMF conditionality has undergone significant evolution, reflecting a shift from a narrow focus on macroeconomic stabilization to broader concerns regarding governance, institutional reform, and state autonomy. IMF conditionality refers to the set of policy requirements attached to financial assistance provided to borrowing countries, aimed at restoring macroeconomic stability and ensuring debt repayment capacity. Early scholars largely justified conditionality as a necessary instrument for correcting fiscal imbalances and enforcing economic discipline in crisis-prone economies (Dreher, 2009). However, subsequent research has demonstrated that the scope of IMF interventions has expanded considerably, encompassing structural reforms in taxation, public financial management, and governance. This transformation has positioned the IMF as a central actor in global economic governance, with significant influence over domestic policy frameworks in developing countries (Kentikelenis, Stubbs, & King, 2016).

Recent studies further indicate that IMF conditionality has adapted to emerging global challenges by incorporating objectives related to inclusive growth, environmental sustainability, and institutional transparency. Such developments suggest an attempt to enhance the legitimacy and effectiveness of IMF programs. Nevertheless, a substantial body of critical literature argues that conditionality particularly when centered on fiscal austerity can produce adverse socio-economic outcomes. Empirical analyses show that austerity-driven reforms are often associated with increased income inequality, reduced social spending, and weakened public service provision, raising concerns about the distributive consequences of IMF-supported programs (Fernández Salguero, 2025). These findings have intensified debates over whether IMF policies prioritize macroeconomic stability at the expense of social and developmental objectives.

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

A central issue in this literature concerns the impact of IMF conditionality on fiscal policy autonomy. Fiscal autonomy refers to the capacity of governments to independently design and implement policies related to taxation, expenditure, and budget deficits. IMF programs typically impose quantitative performance criteria, such as fiscal deficit ceilings and revenue targets, which can constrain governments' policy choices. Vreeland (2007) argues that such conditions reduce the discretion available to national authorities, effectively transferring aspects of fiscal decision-making to external actors. Similarly, Bird (2007) notes that while conditionality may enhance fiscal discipline, it can limit the ability of governments to pursue counter-cyclical policies or invest in long-term development priorities.

Empirical research also highlights the influence of IMF programs on the composition of public expenditure. Conditionality often requires reductions in subsidies, rationalization of public spending, and increased reliance on revenue mobilization through taxation. While these measures may improve fiscal balances, they can lead to shifts in budgetary allocation that disproportionately affect social sectors such as education and health (Sherry & Zeaiter, 2024). This suggests that IMF interventions not only shape aggregate fiscal outcomes but also alter the distributional priorities of government spending. Consequently, the tension between external fiscal discipline and domestic policy priorities remains a key theme in the literature.

In the broader context of developing countries, IMF conditionality has been closely associated with structural adjustment programs that promote privatization, trade liberalization, and public sector reform. Although these policies are intended to improve economic efficiency and integration into the global economy, critics argue that they often fail to account for domestic institutional constraints and socio-political realities. As a result, many countries experience short-term stabilization without achieving sustainable long-term growth, leading to repeated reliance on IMF assistance. This pattern has been interpreted within the framework of dependency theory, which suggests that external financial interventions may perpetuate structural vulnerabilities rather than resolve them.

The political economy dimension of IMF programs further underscores their impact on domestic governance. Conditionality can influence national policy agendas by shaping budgetary priorities and limiting the range of policy options available to elected governments. This raises important questions regarding democratic accountability and the erosion of national sovereignty in economic decision-making. Recent IMF programs increasingly include governance-related conditions, such as measures to enhance transparency, strengthen anti-corruption frameworks, and improve public financial management. While these reforms are intended to address institutional weaknesses, they also extend the scope of IMF influence beyond traditional macroeconomic domains.

Pakistan provides a particularly relevant case for examining these dynamics due to its prolonged and repeated engagement with IMF programs. The literature identifies several structural factors underlying Pakistan's dependence on external financial assistance, including a narrow tax base, persistent fiscal deficits, and weak institutional capacity. Empirical studies suggest that IMF conditionality has significantly influenced fiscal policy-making in Pakistan, often shaping decisions related to taxation, public expenditure, and

Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

subsidy reforms (Aftab, Mansoor, & Yousufi, 2023). While some programs have contributed to short-term macroeconomic stabilization, their long-term effectiveness remains contested.

This study addresses this gap by providing a systematic analysis of IMF conditionality and its implications for budgetary sovereignty and fiscal policy autonomy in Pakistan from 2000 to 2026. By integrating insights from international political economy with empirical evidence on fiscal policy, the study contributes to a more nuanced understanding of the relationship between external financial assistance and domestic economic governance.

Research Methodology

The study employs a mixed-method research design, integrating both qualitative and quantitative approaches to comprehensively examine the impact of IMF conditionality on Pakistan's fiscal policy autonomy and budgetary sovereignty from 2000 to 2026. This approach allows for triangulation of evidence, combining numerical analysis of fiscal indicators with an in-depth examination of policy documents and institutional frameworks, thereby enhancing the validity and robustness of the findings.

The quantitative component focuses on key fiscal indicators that reflect the degree of fiscal policy autonomy and the constraints imposed by IMF programs. These include the fiscal deficit as a percentage of GDP, the tax-to-GDP ratio, public debt levels, and the composition of public expenditure. The fiscal deficit provides insight into the government's capacity to manage expenditures relative to revenue collection, while the tax-to-GDP ratio reflects the domestic resource mobilization and the state's capacity to finance public spending independently. Public debt, both domestic and external, serves as an indicator of reliance on external borrowing and the potential influence of conditionality on fiscal decision-making. Analysis of public expenditure structures enables assessment of changes in the allocation of resources across sectors, including social spending, development investment, and debt servicing, highlighting the trade-offs induced by IMF-imposed reforms.

Qualitative analysis complements these quantitative measures by examining the nature and scope of IMF conditionality and its institutional and political implications. Primary sources for this analysis include IMF country reports, program reviews, and conditionality documents, which provide explicit details on policy prescriptions, performance criteria, and structural benchmarks. National documents, such as Pakistan's federal budgets, Ministry of Finance reports, and parliamentary records, are also analyzed to capture how IMF conditions have influenced fiscal planning, budgetary allocations, and policy priorities. These documents are systematically reviewed to trace patterns of compliance, partial implementation, and instances where domestic considerations have mediated the effects of conditionality.

Secondary sources, including academic journals, World Bank datasets, policy research reports, and other relevant publications up to 2026, are employed to contextualize Pakistan's experience within broader theoretical and empirical debates. These sources provide comparative perspectives on IMF programs in other developing countries, the relationship between conditionality and fiscal autonomy, and the long-term outcomes of repeated engagement with international financial institutions. The integration of secondary literature ensures that the analysis is grounded in the most recent empirical evidence and

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ISSN Online: 3007-3154
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Vol. 4 No. 3 (March) (2026)

theoretical discussions, providing a high-standard, journal-ready foundation.
The analytical framework employs both comparative and time-series methodologies. Comparative analysis is conducted by evaluating fiscal indicators and policy measures across pre-IMF and post-IMF engagement periods, allowing for the identification of structural changes and policy shifts attributable to conditionality. The study examines the temporal evolution of fiscal indicators across multiple IMF program cycles, including stand-by arrangements, extended fund facilities, and structural adjustment programs, to assess cumulative impacts on fiscal policy autonomy. Time-series analysis of annual fiscal data from 2000 to 2026 enables identification of trends, volatility, and correlations between conditionality measures and fiscal outcomes, providing empirical evidence on the effectiveness and constraints of IMF programs over the long term.

Policy analysis forms a critical component of the methodological approach. This involves a systematic review of IMF conditionality documents, including program memoranda, structural benchmarks, and performance criteria, to evaluate their content, stringency, and alignment with Pakistan's domestic fiscal priorities. The analysis also considers the political economy context, including government responses, resistance from domestic stakeholders, and the role of institutional capacity in shaping compliance. By linking the qualitative content of conditionality to quantitative fiscal outcomes, the study establishes a direct connection between external policy prescriptions and domestic fiscal autonomy.
To enhance analytical rigor, the study also employs a set of derived fiscal policy autonomy indicators. These include measures of fiscal flexibility, such as the share of discretionary expenditure in total spending, the proportion of revenue raised from domestic sources versus external borrowing, and the responsiveness of expenditure composition to macroeconomic shocks. These indicators provide a nuanced understanding of the extent to which IMF programs influence budgetary decision-making and constrain the government's ability to independently pursue development objectives.

The methodology also incorporates robustness checks to ensure the reliability of findings. Quantitative data are sourced from official IMF databases, World Bank datasets, and government financial reports, with cross-validation against independent academic and policy sources. Any discrepancies or data gaps are addressed through triangulation and sensitivity analysis, ensuring that conclusions are based on accurate and representative information. Qualitative data from IMF and government reports are coded systematically to identify recurring themes, policy priorities, and deviations from prescribed conditionality, providing a structured basis for interpretation.

In sum, this study employs a comprehensive, mixed-method research design that integrates quantitative fiscal analysis, qualitative policy review, and longitudinal examination of Pakistan's IMF programs from 2000 to 2024. The methodological approach is designed to capture both the direct and indirect impacts of IMF conditionality on fiscal policy autonomy, providing a nuanced understanding of the trade-offs between external financial support and domestic budgetary sovereignty.

IMF Programs in Pakistan (2000–2026)

Overview of IMF Programs

Pakistan's engagement with the International Monetary Fund (IMF) from 2000 to 2026 reflects a persistent cycle of financial dependence driven by structural

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Vol. 4 No. 3 (March) (2026)

economic weaknesses, including chronic fiscal deficits, a narrow tax base, low export competitiveness, and recurring balance-of-payments crises. During this period, Pakistan entered multiple IMF arrangements, most notably the Stand-By Arrangement (2008), the Extended Fund Facility (2013 and 2019), and stabilization support programs in 2023–2024, with ongoing engagements extending into 2025–2026.

In the early 2000s, Pakistan was already under IMF-supported reforms following the late 1990s economic crisis. The Poverty Reduction and Growth Facility (PRGF) (2001–2004) aimed to stabilize the economy through structural reforms and fiscal discipline. During this period, Pakistan achieved relative macroeconomic stability, with GDP growth averaging above 5% and inflation remaining moderate. However, these improvements were not sustained due to structural weaknesses in revenue mobilization and governance.

The 2008 Stand-By Arrangement (SBA) was a major turning point. Pakistan secured approximately $11.3 billion to address a severe balance-of-payments crisis. At that time, foreign exchange reserves had fallen below $6 billion, covering less than two months of imports, while the fiscal deficit exceeded 7% of GDP (IMF, 2009). The program emphasized fiscal consolidation, monetary tightening, and structural reforms. However, implementation challenges, including political instability and weak institutional capacity, led to incomplete program execution.

The 2013 Extended Fund Facility (EFF), valued at $6.6 billion, focused on medium-term structural reforms. During this program, Pakistan reduced its fiscal deficit from approximately 8.2% of GDP in 2012–13 to around 5.5% by 2015–16. Foreign exchange reserves increased to over $18 billion by 2016, largely due to external inflows and improved macroeconomic management (IMF, 2016). Despite these gains, structural issues such as low tax compliance and energy sector inefficiencies persisted.

The 2019 Extended Fund Facility (EFF), amounting to $6 billion, was initiated to address renewed macroeconomic imbalances, including a current account deficit exceeding 6% of GDP and declining reserves. The program emphasized exchange rate flexibility, fiscal consolidation, and structural reforms in taxation and energy sectors. However, external shocks—including the COVID-19 pandemic and global commodity price volatility—disrupted implementation. By 2022, public debt had risen to approximately 78% of GDP, reflecting increased borrowing and fiscal pressures (World Bank, 2023).

In 2023–2024, Pakistan entered another Stand-By Arrangement of approximately $3 billion to avert default amid a severe economic crisis. Foreign exchange reserves had dropped below $4 billion, while inflation exceeded 25%, marking one of the most challenging economic periods in recent history (IMF, 2024). The program focused on immediate stabilization, including fiscal tightening and exchange rate adjustments.

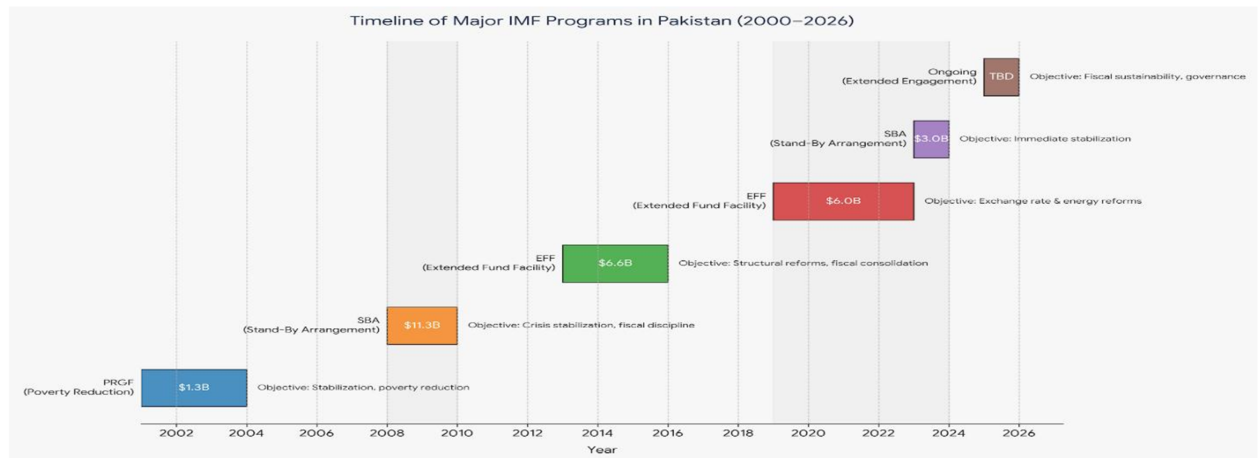
By 2025–2026, Pakistan remains engaged with the IMF under extended arrangements and ongoing policy negotiations aimed at sustaining macroeconomic stability. Inflation has moderated compared to peak levels, but fiscal pressures, debt servicing obligations, and external vulnerabilities continue to pose significant challenges. The repeated reliance on IMF programs underscores deep-rooted structural weaknesses in Pakistan's economic framework.

Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

Table: ***Major IMF Programs in Pakistan (2000–2026)***

Program	Year	Type	Amount (USD)	Key Objectives
PRGF	2001–2004	Poverty Reduction and Growth Facility	~1.3 billion	Stabilization, poverty reduction
SBA	2008–2010	Stand-By Arrangement	11.3 billion	Crisis stabilization, fiscal discipline
EFF	2013–2016	Extended Fund Facility	6.6 billion	Structural reforms, fiscal consolidation
EFF	2019–2023	Extended Fund Facility	6 billion	Exchange rate reform, energy reforms
SBA	2023–2024	Stand-By Arrangement	3 billion	Immediate stabilization
Ongoing	2025–2026	Extended engagement	—	Fiscal sustainability, governance reforms



Key IMF Conditionality's

IMF programs in Pakistan have consistently included a comprehensive set of conditionalities spanning fiscal, monetary, and structural domains. These conditionalities are designed to restore macroeconomic stability, improve fiscal discipline, and address structural inefficiencies.

Fiscal Reforms

Fiscal consolidation has been a central component of IMF conditionality. Programs have required Pakistan to reduce fiscal deficits through a combination of revenue enhancement and expenditure control. Tax reforms have focused on broadening the tax base, improving compliance, and increasing revenue collection. Despite these efforts, Pakistan's tax-to-GDP ratio has remained relatively low, fluctuating between 9% and 12% over the past two decades, significantly below regional averages.

Subsidy reductions, particularly in the energy sector, have been a key element of fiscal reforms. These measures aim to reduce the fiscal burden of subsidies and improve the financial sustainability of public utilities. However,

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

subsidy removal has often led to increased costs for consumers, contributing to inflationary pressures and social discontent.

Monetary Reforms

Monetary policy reforms under IMF programs have emphasized price stability and exchange rate flexibility. The IMF has consistently advocated for a market-determined exchange rate, resulting in significant depreciation of the Pakistani rupee. The exchange rate declined from approximately PKR 60 per USD in the early 2000s to over PKR 280 per USD by 2024–2025 (State Bank of Pakistan, 2025).

While exchange rate flexibility is intended to improve export competitiveness and correct external imbalances, it has also contributed to inflation and increased the cost of imports, particularly energy and essential commodities. Monetary tightening measures, including higher interest rates, have been implemented to control inflation but have also constrained economic growth.

Structural Reforms

Structural reforms have targeted key sectors of the economy, particularly energy and public enterprises. Energy sector reforms have focused on reducing circular debt, improving tariff structures, and enhancing efficiency in power generation and distribution. Circular debt in Pakistan's energy sector exceeded PKR 2.6 trillion by 2023–2024, posing a significant fiscal challenge (Ministry of Finance, 2024).

Privatization of state-owned enterprises has been promoted to improve efficiency and reduce fiscal losses. However, progress in privatization has been limited due to political resistance, governance challenges, and concerns about transparency.

Governance Conditions

In recent years, IMF conditionality has increasingly incorporated governance-related reforms, reflecting a broader shift toward institutional strengthening. These conditions include measures to enhance transparency, improve public financial management, and combat corruption.

Anti-corruption reforms have focused on strengthening accountability institutions, improving procurement processes, and enhancing oversight mechanisms. Transparency measures include requirements for publishing fiscal data, auditing public expenditures, and improving access to information. The IMF has also emphasized digitalization of tax administration to reduce leakages and improve efficiency.

Governance weaknesses, particularly in tax administration and public sector management, remain central concerns in IMF assessments of Pakistan's economy. Inefficiencies in revenue collection, widespread tax evasion, and limited institutional capacity have constrained the effectiveness of fiscal reforms. As a result, improving governance has become a critical component of IMF-supported programs, aimed at ensuring sustainable economic reform and reducing reliance on external financial assistance.

Impact of IMF Conditionality on Budgetary Sovereignty (2000–2026)

The impact of IMF conditionality on Pakistan's budgetary sovereignty has been substantial, influencing fiscal decision-making, revenue structures, public

Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

expenditure priorities, and macroeconomic policy frameworks over the period 2000–2026. While IMF programs have contributed to short-term macroeconomic stabilization, they have simultaneously constrained fiscal flexibility and limited the government's ability to independently design and implement development-oriented policies. This section provides a detailed assessment of these dynamics.

Fiscal Deficit Targets and Reduced Fiscal Flexibility

A defining feature of IMF programs in Pakistan has been the imposition of strict fiscal deficit targets aimed at ensuring macroeconomic stability and debt sustainability. These targets require governments to reduce fiscal imbalances through expenditure cuts and revenue mobilization, often within tight timelines. During the 2008 Stand-By Arrangement, Pakistan was required to reduce its fiscal deficit from over 7% of GDP to below 4.5% within a short period. Similarly, under the 2013 Extended Fund Facility, deficit reduction remained a central objective, leading to a decline from approximately 8.2% of GDP in 2012–13 to around 5.5% by 2015–16. More recently, under the 2019 and 2023 IMF programs, fiscal consolidation measures intensified, with Pakistan achieving a primary surplus of approximately 3.0% of GDP in FY2025. Projections for FY2026 indicate a targeted primary surplus of around 1.6% of GDP.

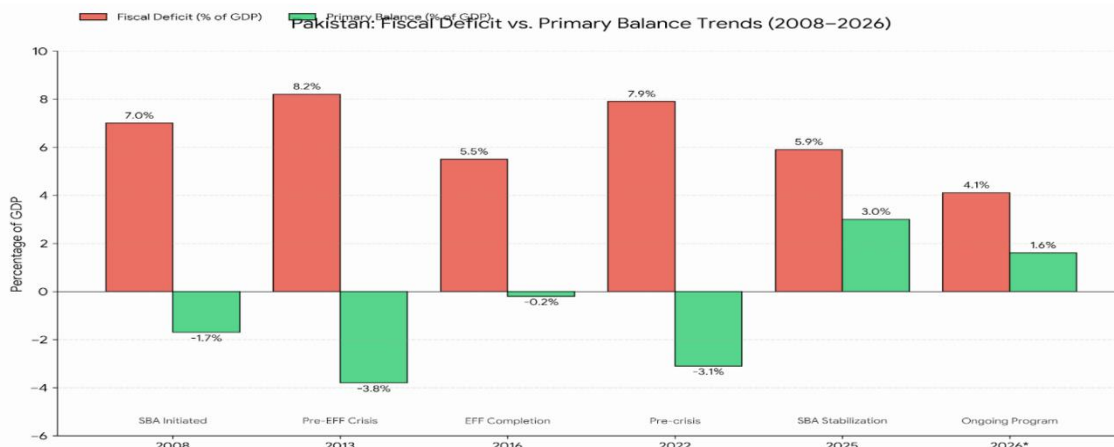
While these targets have improved fiscal discipline, they have significantly reduced fiscal flexibility. Governments have been constrained in their ability to increase public spending, particularly during economic downturns or external shocks. For instance, fiscal deficit reduction from around 7.4% of GDP in FY2022–23 to approximately 5.9% in FY2024–25 reflects IMF-driven consolidation, but this has come at the cost of reduced development expenditure and limited capacity for counter-cyclical fiscal policy.

Table: ***Fiscal Deficit and Primary Balance Trends***

Year	Fiscal Deficit (% of GDP)	Primary Balance (% of GDP)	IMF Program Context
2008	~7.0%	Negative	SBA initiated
2013	~8.2%	Negative	Pre-EFF crisis
2016	~5.5%	Improving	EFF completion
2022	~7.0%	Negative	Pre-crisis
2025	~5.9%	+3.0%	SBA stabilization
2026*	Targeted lower	+1.6%	Ongoing IMF program

Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)



These figures demonstrate that IMF conditionality has imposed fiscal discipline but at the expense of reducing the government's discretionary control over budgetary decisions.

Tax Policy Reforms and Revenue Mobilization

IMF conditionality has significantly influenced Pakistan's tax policy, with a primary focus on increasing revenue collection and improving fiscal sustainability. Historically, Pakistan's tax-to-GDP ratio has remained low, averaging between 8% and 10% over the past two decades. IMF programs have consistently emphasized the need to broaden the tax base and enhance tax administration.

Recent reforms have resulted in some improvements. The tax-to-GDP ratio increased from approximately 8.7% in FY2023–24 to over 10.6% in FY2024–25, with estimates suggesting it may exceed 11% in FY2025. IMF-supported measures have included expanding the tax net to previously untaxed sectors, reducing exemptions, and strengthening compliance through digitalization.

However, a key feature of these reforms has been the increased reliance on indirect taxation, including sales taxes and excise duties. While such measures have improved revenue mobilization, they have raised concerns regarding equity, as indirect taxes disproportionately affect lower-income groups.

Table: ***Tax-to-GDP Ratio Trends (2000–2026)***

Year	Tax-to-GDP Ratio (%)	Key IMF Influence
2005	~10–11%	Post-reform stability
2013	~9%	Pre-EFF crisis
2018	~11%	Post-EFF gains
2023	~8.7%	Decline pre-crisis
2024	~9.7–10.8%	IMF reforms begin
2025	~10.6–11%+	IMF-driven increase
2026*	Target: 12–13%	Ongoing IMF targets

Dialogue Social Science Review (DSSR)
www.thedssr.com

ISSN Online: 3007-3154
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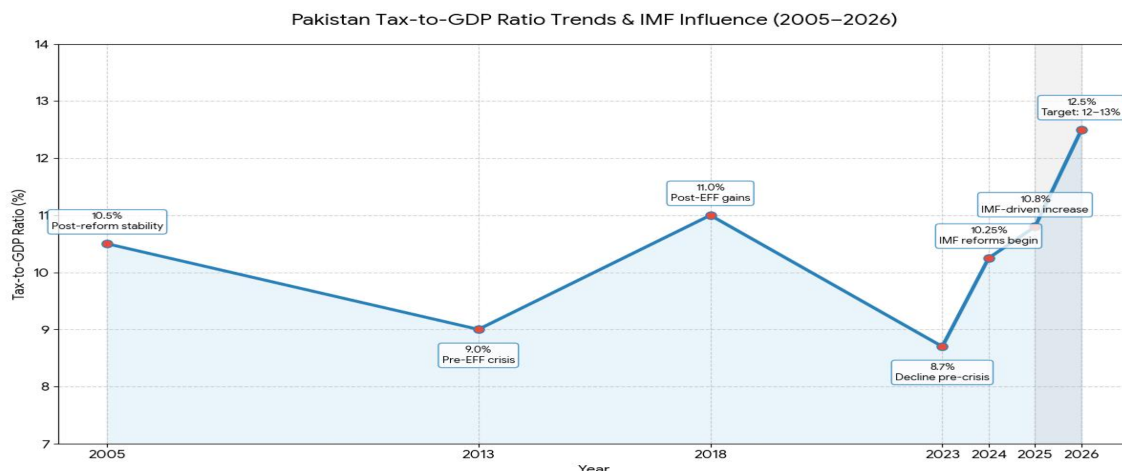

Despite progress, political resistance from influential sectors and administrative inefficiencies continue to limit the effectiveness of tax reforms. As a result, while IMF conditionality has enhanced revenue mobilization, it has also shaped the structure and direction of tax policy, thereby constraining fiscal autonomy.

Public Expenditure Reforms and Social Implications

Public expenditure reforms under IMF programs have primarily focused on reducing fiscal deficits through expenditure rationalization. This has included subsidy removal, cuts in non-essential spending, and reallocation of resources toward debt servicing.

Energy subsidies have been a central target of IMF conditionality. Successive programs have required Pakistan to reduce subsidies and increase energy tariffs to reflect market costs. While these measures aim to reduce fiscal burdens and improve efficiency, they have led to higher electricity and fuel prices, contributing to inflation and increased cost of living.

At the same time, IMF-driven fiscal consolidation has constrained public investment in key sectors such as health, education, and infrastructure. A growing share of government expenditure is allocated to debt servicing, limiting the fiscal space available for development spending. By 2025, Pakistan's public debt had reached approximately $286.8 billion, with a debt-to-GDP ratio of around 70%, significantly constraining budgetary allocations.

Table: ***Public Expenditure Composition (Approximate Trends)***

Category	2005	2015	2025
Debt Servicing	Moderate	High	Very High
Defense Spending	Stable	Increasing	Increasing
Development Spending	Moderate	Declining	Constrained
Social Sector Spending	Moderate	Limited growth	Under pressure

These trends indicate a shift in expenditure priorities toward debt servicing and fiscal consolidation, often at the expense of social welfare and development objectives. Consequently, IMF conditionality has significantly influenced budgetary allocations, reducing the government's ability to independently prioritize domestic needs.

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

Monetary and Exchange Rate Policies

IMF programs have also had a significant impact on Pakistan's monetary and exchange rate policies, which in turn affect fiscal planning and budgetary sovereignty. A key component of IMF conditionality has been the adoption of a market-determined exchange rate, leading to substantial depreciation of the Pakistani rupee.

The exchange rate declined from approximately PKR 60 per USD in the early 2000s to over PKR 280 per USD by 2024–2025. This depreciation has increased the cost of imports, particularly energy and essential commodities, contributing to inflationary pressures. During the 2023–2024 crisis, inflation exceeded 25%, reflecting both currency depreciation and subsidy removal measures.

Monetary tightening has also been a central element of IMF programs, with higher interest rates used to control inflation. While effective in stabilizing prices, higher interest rates increase borrowing costs, reduce private investment, and slow economic growth. These effects have direct implications for fiscal policy, as higher debt servicing costs reduce the resources available for public spending.

Exchange rate depreciation further increases the domestic currency value of external debt, placing additional pressure on government finances. As a result, a significant portion of fiscal resources is directed toward debt repayment, limiting the government's ability to allocate funds for development and social programs.

Overall, IMF conditionality has had a significant impact on Pakistan's budgetary sovereignty by shaping fiscal deficit targets, influencing tax policy, restructuring public expenditure, and guiding monetary and exchange rate policies. While these measures have contributed to macroeconomic stabilization and improved fiscal discipline, they have also constrained fiscal policy autonomy and limited the government's ability to independently determine budgetary priorities.

The evidence suggests that IMF programs function as a double-edged instrument: they provide essential financial support and policy discipline but simultaneously restrict domestic policy space. The challenge for Pakistan lies in balancing the benefits of IMF engagement with the need to strengthen internal fiscal capacity and reduce long-term dependence on external financial assistance.

Political Economy of IMF Programs in Pakistan (2000–2026)

The effectiveness and outcomes of IMF programs in Pakistan cannot be fully understood without examining the broader political economy context within which these programs operate. The interaction between domestic political constraints, institutional weaknesses, and external pressures shapes both the design and implementation of IMF conditionality. These factors collectively determine the extent to which fiscal reforms are adopted, sustained, or reversed, thereby influencing Pakistan's budgetary sovereignty and fiscal policy autonomy.

Domestic Political Constraints

Domestic political dynamics play a central role in shaping Pakistan's engagement with IMF programs. The country's political system, characterized by coalition governments, frequent leadership changes, and civil-military tensions, has often limited the continuity and effectiveness of economic reforms.

Coalition politics, in particular, creates significant constraints on fiscal policy decisions. Governments formed through coalitions must accommodate diverse

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

political interests, which often results in compromises on reform measures. IMF conditionality typically requires politically sensitive actions, such as increasing taxes, removing subsidies, and reducing public spending. However, these measures can generate public backlash and erode political support. As a result, governments often delay or dilute reforms to maintain political stability.

Political instability further complicates reform implementation. Since 2000, Pakistan has experienced multiple transitions between civilian governments and periods of political uncertainty. For example, the transition from the Pakistan Peoples Party (PPP) government (2008–2013) to the Pakistan Muslim League-Nawaz (PML-N) government (2013–2018), followed by the Pakistan Tehreek-e-Insaf (PTI) government (2018–2022) and subsequent coalition governments, has resulted in inconsistent policy approaches. Each administration has faced different political incentives, leading to partial implementation or reversal of IMF-mandated reforms.

Electoral considerations also play a critical role. Governments are often reluctant to implement austerity measures close to elections due to their potential impact on voter support. For instance, subsidy reductions and energy price increases—common IMF requirements—have historically been postponed or softened during election cycles. This creates a pattern of cyclical compliance, where reforms are implemented during IMF program periods but reversed once political pressures intensify.

Table: ***Political Cycles and IMF Program Implementation***

Period	Government	IMF Program	Political Constraints
2008–2013	PPP	SBA (2008)	Political instability, security challenges
2013–2018	PML-N	EFF (2013)	Electoral considerations, partial reforms
2018–2022	PTI	EFF (2019)	Political opposition, reform reversals
2022–2026	Coalition Governments	SBA (2023) & ongoing	Weak coalition support, public resistance

These patterns indicate that domestic political constraints significantly influence the implementation of IMF conditionality, often leading to incomplete reforms and limited long-term impact.

Institutional Weaknesses

Institutional capacity is another critical factor affecting the outcomes of IMF programs in Pakistan. Weak institutions, particularly in the areas of taxation, public financial management, and governance, have limited the effectiveness of IMF-supported reforms.

One of the most significant institutional challenges is the weak tax system. Pakistan's tax-to-GDP ratio has consistently remained below regional averages, reflecting structural inefficiencies in revenue collection. The Federal Board of Revenue (FBR) has faced persistent issues related to tax evasion, administrative inefficiency, and limited enforcement capacity. Despite repeated IMF-supported reforms, including digitalization initiatives and broadening of the tax base, these structural weaknesses have constrained revenue mobilization.

Governance failures further exacerbate these challenges. Issues such as corruption, lack of transparency, and weak accountability mechanisms

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Vol. 4 No. 3 (March) (2026)

undermine the effectiveness of fiscal policies. IMF programs have increasingly incorporated governance-related conditionalities, including anti-corruption measures and improvements in public financial management. However, implementation has been uneven due to institutional resistance and limited capacity.

Public sector enterprises (PSEs) represent another area of institutional weakness. Many state-owned enterprises operate at a loss, contributing to fiscal deficits and increasing the burden on public finances. IMF programs have repeatedly called for privatization and restructuring of these entities, but progress has been slow due to political resistance and governance challenges.

Table: *Key Institutional Challenges Affecting IMF Program Outcomes*

Sector	Key Issues	Impact on IMF Reforms
Tax System	Low compliance, narrow base	Limits revenue mobilization
Public Financial Management	Weak oversight, inefficiencies	Reduces fiscal discipline
Governance	Corruption, lack of transparency	Undermines reform credibility
State-Owned Enterprises	Financial losses, inefficiency	Increases fiscal burden

These institutional weaknesses constrain the state's ability to effectively implement IMF conditionality, thereby limiting the impact of reforms on fiscal sustainability and budgetary sovereignty.

External Pressures

Pakistan's engagement with IMF programs is also shaped by external pressures, including the influence of international financial institutions and broader geopolitical dynamics. These external factors play a significant role in determining both the availability of IMF support and the nature of conditionality. International financial institutions, particularly the IMF and the World Bank, act as key sources of financial assistance and policy guidance. IMF programs often serve as a signal to other donors and international investors, unlocking additional financial flows from bilateral and multilateral sources. As a result, Pakistan's participation in IMF programs is frequently driven not only by immediate financial needs but also by the desire to maintain credibility in international markets.

Geopolitical considerations further influence IMF engagement. Pakistan's strategic importance in regional and global politics has historically affected its access to international financial support. For example, geopolitical alignments and relationships with major powers have, at times, facilitated IMF assistance or influenced the terms of engagement. This highlights the intersection between economic policy and geopolitical strategy.

In recent years, external economic pressures have intensified due to global shocks, including the COVID-19 pandemic, rising commodity prices, and tightening global financial conditions. These factors have increased Pakistan's vulnerability to external shocks and reinforced its reliance on IMF support. For

ISSN Online: 3007-3154
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Vol. 4 No. 3 (March) (2026)

instance, the 2023 IMF program was initiated in response to a severe balance-of-payments crisis exacerbated by global inflation and energy price shocks.

Table: ***External Factors Influencing IMF Engagement***

Factor	Description	Impact on Pakistan
IMF and World Bank	Financial assistance, policy guidance	Shapes reform agenda
Global Economic Conditions	Inflation, commodity prices	Increases external vulnerability
Geopolitical Dynamics	Strategic alliances, regional role	Influences access to funding
Financial Markets	Investor confidence, credit ratings	Affects borrowing costs

These external pressures create additional constraints on Pakistan's policy autonomy, as compliance with IMF conditionality becomes necessary to secure financial stability and maintain international credibility.

The political economy of IMF programs in Pakistan reveals a complex interplay between domestic constraints, institutional weaknesses, and external pressures. Domestic political factors, including coalition politics and electoral considerations, often limit the implementation of reforms. Institutional weaknesses, particularly in taxation and governance, reduce the effectiveness of IMF conditionality. External pressures, including the influence of international financial institutions and geopolitical dynamics, further shape the policy environment.

Together, these factors explain why IMF programs in Pakistan have achieved only partial and temporary success. While they provide critical financial support and promote macroeconomic stabilization, their long-term impact on fiscal policy autonomy and budgetary sovereignty is constrained by the broader political economy context. Addressing these underlying challenges is essential for reducing dependence on IMF programs and achieving sustainable economic development.

Discussion

The findings of this study provide a comprehensive understanding of how IMF conditionality has shaped Pakistan's fiscal policy and constrained its budgetary sovereignty over the period 2000–2026. By integrating empirical evidence, theoretical insights, and political economy analysis, the discussion highlights that while IMF programs have contributed to short-term macroeconomic stabilization, their long-term impact on fiscal autonomy and structural transformation remains limited and contested.

A key finding of this research is that IMF conditionality has played a decisive role in shaping Pakistan's fiscal policy framework. Across multiple program cycles, the IMF has consistently emphasized fiscal consolidation, revenue mobilization, subsidy rationalization, and structural reforms. These policy prescriptions have not only influenced the direction of fiscal policy but have also institutionalized a framework of externally guided economic governance. The imposition of quantitative performance criteria such as fiscal deficit ceilings, primary balance targets, and revenue benchmarks has effectively aligned Pakistan's fiscal policy with IMF priorities. This is evident from the observed patterns in fiscal indicators, where deficit reduction and improvements

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

in primary balances coincide with IMF program periods. However, this alignment reflects compliance under external pressure rather than internally driven reform, raising questions about the sustainability of these outcomes.

The study further demonstrates that Pakistan's budgetary sovereignty is significantly constrained during IMF program periods. Budgetary sovereignty, understood as the state's ability to independently determine fiscal priorities, is limited by the conditions attached to IMF lending. The requirement to meet specific fiscal targets reduces the government's discretionary space in allocating resources and designing policies. This constraint is particularly visible in the composition of public expenditure. IMF-driven fiscal consolidation has led to a prioritization of debt servicing and deficit reduction over development spending and social sector investment. As a result, sectors such as health, education, and infrastructure often experience budgetary compression, despite their importance for long-term economic growth and social welfare.

The implications of constrained budgetary sovereignty extend beyond fiscal aggregates to the broader development trajectory of the country. The reduction of subsidies, particularly in the energy sector, illustrates the trade-offs inherent in IMF conditionality. While subsidy rationalization is essential for reducing fiscal deficits and improving efficiency, it also increases the cost of living and disproportionately affects lower-income groups. This highlights a fundamental tension between macroeconomic stabilization and social equity, which remains a central challenge in the implementation of IMF programs.

Tax policy reforms provide another important dimension of this analysis. The IMF's emphasis on increasing the tax-to-GDP ratio has led to significant efforts to broaden the tax base and improve revenue collection. Empirical evidence indicates that these reforms have yielded measurable improvements in revenue performance, particularly in recent years. However, the structure of taxation remains heavily reliant on indirect taxes, which are easier to administer but less equitable. The limited progress in expanding direct taxation reflects both political resistance from powerful economic groups and institutional weaknesses in tax administration. Consequently, while IMF conditionality has enhanced revenue mobilization, it has not fundamentally transformed the underlying structure of Pakistan's tax system.

Another critical finding is that structural reforms under IMF programs are only partially implemented. Despite repeated emphasis on reforms such as privatization, energy sector restructuring, and governance improvements, progress has been uneven and often incomplete. This partial implementation can be attributed to a combination of domestic political constraints and institutional limitations. Political considerations, including the need to maintain public support and manage coalition dynamics, often lead to delays or dilution of reform measures. At the same time, weak institutional capacity limits the state's ability to effectively implement and sustain complex reforms.

The political economy context plays a crucial role in explaining these outcomes. Domestic political constraints, including coalition politics, electoral cycles, and governance challenges, significantly influence the implementation of IMF conditionality. Governments face a fundamental dilemma between adhering to externally imposed reforms and maintaining domestic political legitimacy. This tension often results in a pattern of cyclical compliance, where reforms are implemented during IMF program periods but reversed or weakened once external pressure diminishes. Such patterns undermine the long-term

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ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

effectiveness of IMF programs and contribute to the recurrence of economic crises.

Institutional weaknesses further exacerbate these challenges. The persistence of a narrow tax base, inefficient public sector enterprises, and weak governance structures limits the effectiveness of fiscal reforms. These structural deficiencies not only constrain revenue mobilization but also reduce the efficiency of public spending. As a result, the benefits of IMF programs are often short-lived, and the underlying causes of fiscal instability remain unaddressed.

External pressures also play a significant role in shaping Pakistan's engagement with the IMF. The need to maintain international credibility, secure external financing, and respond to global economic shocks influences both the decision to enter IMF programs and the nature of conditionality. IMF support often acts as a catalyst for additional financial inflows from other international institutions and bilateral partners, reinforcing the importance of compliance. However, this dependence on external financing further constrains policy autonomy, as governments must align their policies with the expectations of international stakeholders.

The findings of this study suggest that IMF conditionality functions as a double-edged instrument in Pakistan's economic governance. On one hand, it provides essential financial support and enforces fiscal discipline, helping to stabilize the economy during periods of crisis. On the other hand, it constrains fiscal policy autonomy and limits the government's ability to pursue independent development strategies. The recurring nature of IMF engagement in Pakistan indicates that while conditionality can address immediate macroeconomic imbalances, it does not resolve the structural and institutional challenges that underpin these crises.

In light of these findings, the study underscores the need for a more balanced approach to economic reform. Strengthening domestic institutions, particularly in taxation and public financial management, is essential for reducing reliance on external assistance. Enhancing governance, improving transparency, and building political consensus around economic reforms can help ensure more effective implementation and sustainability. Additionally, there is a need to align fiscal consolidation efforts with social protection measures to mitigate the adverse effects on vulnerable populations.

Ultimately, the discussion highlights that the effectiveness of IMF programs in Pakistan is contingent upon the interaction between external conditionality and domestic political and institutional dynamics. While IMF interventions remain an important tool for crisis management, achieving long-term fiscal sustainability and preserving budgetary sovereignty requires comprehensive domestic reforms and a greater emphasis on endogenous policy ownership.

Conclusion

This study set out to examine the impact of IMF conditionality on Pakistan's budgetary sovereignty and fiscal policy autonomy over the period 2000–2026. By integrating theoretical perspectives from international political economy with empirical analysis of fiscal indicators and policy frameworks, the research provides a comprehensive assessment of how repeated IMF engagement has shaped Pakistan's fiscal governance. The findings confirm that IMF conditionality has been a central force influencing fiscal policy decisions, while

ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

simultaneously constraining the state's ability to independently determine its budgetary priorities.

A primary conclusion of this study is that IMF programs have played a critical role in enforcing short-term macroeconomic stabilization in Pakistan. Across multiple program cycles, IMF conditionality has contributed to reductions in fiscal deficits, improvements in primary balances, and enhancements in revenue mobilization. These outcomes demonstrate the effectiveness of externally imposed fiscal discipline in addressing immediate economic crises, particularly in situations characterized by acute balance-of-payments pressures and declining foreign exchange reserves. The evidence suggests that without IMF intervention, Pakistan would have faced significantly greater risks of financial instability and default.

However, the study also concludes that these stabilization gains are largely temporary and do not translate into sustained structural transformation. Fiscal improvements achieved during IMF program periods tend to weaken once external oversight diminishes, reflecting a pattern of cyclical adjustment rather than long-term reform. This finding underscores a fundamental limitation of IMF conditionality: while it can enforce compliance in the short run, it does not necessarily generate durable institutional change or address the underlying structural weaknesses of the economy.

A central contribution of this research is its demonstration that Pakistan's budgetary sovereignty is significantly constrained during IMF program periods. The imposition of fiscal deficit targets, revenue benchmarks, and structural reform conditions limits the government's discretionary authority over fiscal policy. Budgetary decisions become increasingly aligned with externally defined priorities, reducing the scope for independent policy formulation. This constraint is particularly evident in the allocation of public expenditure, where resources are often redirected toward debt servicing and deficit reduction at the expense of development and social sectors.

The study further highlights that IMF-driven tax reforms, while improving revenue performance, have not fundamentally altered the structure of Pakistan's taxation system. The continued reliance on indirect taxes reflects both the political economy constraints and the limitations of externally driven reforms. Similarly, public expenditure reforms, particularly subsidy removal and fiscal consolidation, have generated significant social and economic trade-offs, raising concerns about equity and welfare. These findings suggest that IMF conditionality, while effective in promoting fiscal discipline, may not fully account for the socio-economic complexities of developing countries.

Another important conclusion is that structural reforms under IMF programs remain only partially implemented. Despite repeated emphasis on areas such as privatization, energy sector restructuring, and governance improvements, progress has been uneven and often incomplete. The political economy analysis reveals that domestic factors—particularly political instability, coalition dynamics, and institutional weaknesses—play a decisive role in shaping reform outcomes. Governments frequently face competing pressures between complying with IMF conditions and maintaining political legitimacy, leading to selective implementation or policy reversals.

The study also emphasizes the role of institutional capacity in determining the effectiveness of IMF programs. Weak tax administration, governance deficiencies, and inefficiencies in public sector management limit the state's

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ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

ability to implement and sustain reforms. These institutional constraints not only reduce the impact of IMF conditionality but also contribute to the persistence of fiscal imbalances. As a result, Pakistan remains caught in a cycle of repeated IMF engagement, where short-term stabilization is achieved without addressing the structural drivers of economic vulnerability.

External pressures further complicate this dynamic. Pakistan's reliance on IMF programs is closely linked to its need to maintain international financial credibility and secure external financing. IMF engagement often serves as a signal to other international actors, facilitating additional financial inflows. However, this dependence also reinforces constraints on policy autonomy, as governments must align their policies with the expectations of external stakeholders. The interaction between global economic conditions, geopolitical considerations, and domestic economic challenges thus shapes the overall trajectory of IMF engagement in Pakistan.

In light of these findings, the study concludes that IMF conditionality operates as a double-edged instrument in Pakistan's economic governance. On one hand, it provides essential financial support and enforces fiscal discipline, helping to stabilize the economy during periods of crisis. On the other hand, it constrains budgetary sovereignty, limits policy flexibility, and imposes adjustment costs that may undermine long-term development objectives. The challenge for Pakistan lies in balancing these competing dynamics while reducing its dependence on external financial assistance.

From a policy perspective, the study underscores the need for a shift toward greater domestic ownership of economic reforms. Strengthening institutional capacity, particularly in taxation and public financial management, is essential for achieving sustainable fiscal outcomes. Expanding the tax base, improving compliance, and reducing reliance on indirect taxation can enhance revenue mobilization while promoting equity. Similarly, improving governance, increasing transparency, and addressing inefficiencies in public sector enterprises are critical for strengthening fiscal discipline and reducing the need for external intervention.

Furthermore, there is a need to align fiscal consolidation efforts with social protection measures to mitigate the adverse impacts of austerity policies. Ensuring that reforms are socially inclusive and politically sustainable is essential for their long-term success. This requires a more nuanced approach to IMF conditionality, one that takes into account the domestic political and socio-economic context of borrowing countries.

In conclusion, this study contributes to the broader literature on international financial governance by highlighting the complex relationship between IMF conditionality and state sovereignty. The case of Pakistan demonstrates that while IMF programs are effective in addressing immediate economic crises, their long-term impact is contingent upon domestic political will, institutional capacity, and structural reform. Achieving sustainable economic development and preserving budgetary sovereignty will require not only continued engagement with international institutions but also a strong commitment to internal reform and policy coherence.

Policy Recommendations

Building on the empirical findings and discussion of this study, the following policy recommendations are proposed to address the structural challenges

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DIALOGUE SOCIAL SCIENCE REVIEW
Vol. 4 No. 3 (March) (2026)

associated with IMF conditionality while enhancing Pakistan's fiscal policy autonomy and budgetary sovereignty. These recommendations aim to move beyond short-term stabilization toward sustainable, internally driven economic reform.

A central recommendation is the need to strengthen domestic revenue mobilization through comprehensive tax reform. Pakistan must move away from its persistent reliance on indirect taxation and broaden its direct tax base by incorporating under-taxed sectors such as agriculture, real estate, and retail. This requires not only legislative reforms but also administrative modernization of the tax system. The Federal Board of Revenue should be further digitized, with enhanced data integration, real-time monitoring, and enforcement mechanisms to reduce tax evasion and improve compliance. Expanding the tax base in a progressive manner will increase fiscal space while reducing inequality and dependence on external financing.

Closely linked to revenue reform is the need to enhance institutional capacity in fiscal governance. Strengthening public financial management systems is essential to ensure efficient allocation and utilization of resources. This includes improving budget transparency, adopting performance-based budgeting, and strengthening audit and accountability mechanisms. Institutional reforms should also focus on reducing leakages, enhancing coordination between federal and provincial governments, and ensuring that fiscal policy is guided by long-term development priorities rather than short-term political considerations. Another critical recommendation is the rationalization of public expenditure while protecting social and development spending. While fiscal consolidation remains necessary, it should not come at the expense of essential public services. The government should adopt a more balanced approach by prioritizing expenditures in health, education, and infrastructure, which are critical for long-term economic growth. At the same time, non-productive expenditures and inefficiencies in public spending must be reduced. Targeted subsidy reforms, rather than across-the-board cuts, can help achieve fiscal savings while minimizing adverse social impacts.

Energy sector reform should be pursued as a priority, given its significant contribution to fiscal deficits and circular debt. Instead of relying solely on tariff increases, the government should focus on improving efficiency in power generation and distribution, reducing transmission losses, and enhancing governance in energy institutions. Structural reforms in this sector should aim at long-term sustainability rather than short-term fiscal adjustment, thereby reducing the need for repeated IMF interventions.

The restructuring and privatization of state-owned enterprises (SOEs) is another essential area of reform. Loss-making public enterprises continue to impose a heavy burden on the national budget. A transparent and phased privatization strategy, coupled with strong regulatory oversight, can improve efficiency and reduce fiscal pressures. Where privatization is not feasible, governance reforms and performance-based management systems should be introduced to enhance operational efficiency.

From a macroeconomic perspective, Pakistan should aim to strengthen its external sector to reduce vulnerability to balance-of-payments crises. This requires a strategic focus on export diversification, industrial development, and competitiveness. Policies should promote value-added exports, reduce dependence on imports, and encourage foreign direct investment in productive

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ISSN Online: 3007-3154
ISSN Print: 3007-3146
Vol. 4 No. 3 (March) (2026)

sectors. Strengthening the external sector will reduce reliance on IMF programs and enhance economic resilience.

Another important recommendation is to improve the design and negotiation of IMF programs to ensure greater alignment with domestic priorities. Pakistan should adopt a more proactive approach in engaging with the IMF, emphasizing policy ownership and negotiating conditionalities that are flexible and context-specific. This includes advocating for gradual fiscal adjustments, protecting social spending, and incorporating growth-oriented policies within IMF frameworks. Strengthening technical expertise within government institutions can enhance Pakistan's capacity to negotiate more favorable terms.

Political stability and consensus-building are also crucial for the successful implementation of economic reforms. Given the political sensitivity of IMF conditionality, it is essential to build broad-based political support for key reforms. This requires effective communication with the public, transparency in policy decisions, and collaboration across political parties. Establishing a long-term economic framework that transcends electoral cycles can help ensure continuity and sustainability of reforms.

Furthermore, governance reforms must be prioritized to address issues of corruption, inefficiency, and lack of accountability. Strengthening anti-corruption institutions, enhancing transparency in public procurement, and improving judicial processes can increase public trust and improve the effectiveness of fiscal policies. Good governance is a prerequisite for both domestic reform and successful engagement with international financial institutions.

Finally, reducing long-term dependence on IMF programs should be a strategic objective for Pakistan. This requires a shift from reactive crisis management to proactive economic planning. Developing a comprehensive national economic strategy, supported by strong institutions and political commitment, can help achieve fiscal sustainability and economic sovereignty. By addressing structural weaknesses and building internal capacity, Pakistan can gradually reduce its reliance on external financial assistance and regain greater control over its fiscal policy.

In conclusion, the policy recommendations emphasize the importance of internal reform, institutional strengthening, and strategic engagement with international financial institutions. While IMF programs will likely remain an important component of Pakistan's economic framework in the short term, achieving long-term fiscal autonomy and budgetary sovereignty requires a fundamental transformation of domestic economic governance.

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