Fasih Uddin. *Pakistan under IMF Shadow*. Islamabad: Institute of Policy Studies, 2008. Paperback. 128 pages. Price not given.

Pakistan like many other developing countries has been experiencing both financial and fiscal instability. This is mainly because it has miserably failed to generate sufficient resources required for its economic development. Consequently, to supplement its meager domestic resources, it has been mostly seeking foreign assistance. At times when 'friends of Pakistan', for their own ulterior motives, such as support for the cold war and war on terror, have helped Pakistan through project and programme aid, it has kept striving to move towards a higher path of economic growth despite poor governance and mismanagement of the economy by its planners and economic managers. At other times, when the 'friends' have been slow to coming forward, Pakistan has looked for financial aid from international financial institutions including the International Monetary Fund (IMF) and the World Bank. These institutions always attach stringent conditions to financial assistance. As a result, these institutions remain (implicitly) instrumental in the formulation of short- to medium-term economic policies of Pakistan, with outcomes that are always considered as sub-optimal.

This concise book focuses on the Pakistan-IMF relations in a historical perspective and skilfully provides an analysis of issues that have always dominated these relations. The author examines the compulsions that have frequently led to resorting to IMF arrangements—the circumstances that have led the country to fall back to IMF again and again, with increasing the degrees of IMF involvement in Pakistan's economic management and policy-making.

The first chapter of the book is written by Khurshid Ahmed. This chapter critically reviews the role of the IMF in its relations with developing countries in general and with Pakistan in particular. The rest of the book is divided into five chapters.

The central argument is that the IMF approach has not been based on economic and financial prudence; it is often influenced heavily by the political agenda of the advanced nations. Pakistan's necessities have forced it to be a part of this global agenda.

On the question of the influence of the IMF on the policies of aid-receiving nations, it is generally observed that the IMF supports a country at the request of the Member State which selects the specifics of the programme, whereas Pakistan's official stand is that it always follows a 'home grown' agenda. The IMF authorities claim that policy changes designed are sufficient to overcome the balance-of-payments problem and fiscal imbalances, and that these do not cause unavoidable harm to the country.

The book rightly points out that all the IMF programmes assume that poverty reduction and social development will automatically follow the adoption of sound fiscal policies. It has never happened! In fact, it is well-documented that the IMF programmes do not directly address the issues of employment and poverty but influence them only through the second-order effects. Had the IMF programmes been successful, the author maintains, Pakistan would never have reverted to the Fund for aid. He convincingly argues that the problem lies not only with the IMF programme but with the implementation of it by the Government of Pakistan. The government often complies with some conditions and ignores others, using the leverage of international political environment and the IMF to push through only those policies that benefits domestic élites and lobbies and please the creditors.

The book points out that the decade of the 1990s was the era of institutional decay in Pakistan. This was manifested through increased political meddling in the management of public enterprises and institutions. The IMF programmes during the period were *conspicuously* silent and did not push for a stronger emphasis on institutional and regulatory reforms. Attempts to meet fiscal deficit targets led to the frequent adoption of *ad hoc* tax adjustments and expenditure cuts that often negatively affected the social sector budget, with dire consequences for the poor classes.

The author testifies that the IMF pressure resulted in designing of such programmes that promised more than could be delivered, downplayed the risks, and disregarded focus on real issues. Based on such conditions, he concludes that economic management in Pakistan continues to remain under the 'IMF shadow'.

In a nutshell, this book successfully evaluates important events in Pakistan's relations with the IMF. It reminds us of different episodes, prescriptions, and outcomes of this relationship. It rightly warns that if the course of domestic policies and planning does not change, Pakistan will keep on returning to the IMF. Using a simple methodology, the author also provides the benchmarks of fiscal deficit, balance of payments, and stock of public debt, along with critical success factors that need to be adopted to avoid going again to the IMF for assistance. Nevertheless, ignoring all this, Pakistan has gone back to the IMF!

I would strongly recommend this book to all the stakeholders of the economy, for it provides a simple but critically useful analysis of Pakistan's relations with the IMF.

Zafar Mahmood

Pakistan Institute of Development Economics,
Islamabad.