

INTERNATIONAL MONETARY FUND

A COMPARISON OF GOVERNANCE ASSESSMENTS ON PAKISTAN: IMF AND CIVIL SOCIETY PRIORITIES

Purpose and Context

Pakistan's ongoing loan program under the IMF Extended Fund Facility has reinforced the recognition that macroeconomic stabilization must be underpinned by durable governance and anti-corruption reforms. In this context, two complementary diagnostic exercises have been undertaken: the IMF Governance and Corruption Diagnostic Technical Report and the Civil Society Governance Diagnostic Assessment on Pakistan. Together, these assessments provide a comprehensive view of governance vulnerabilities, corruption risks, and reform priorities critical for economic resilience, investor confidence, and public trust.

Overview of the IMF Governance and Corruption Diagnostic

The IMF Governance and Corruption Diagnostic assesses federal level governance weaknesses with direct macroeconomic consequences. Anchored in the IMF 2018 Framework on Enhanced Engagement on Governance, the report focuses on six core state functions: fiscal governance, market regulation, financial sector oversight, AML CFT, rule of law, and anti-corruption frameworks. The analysis highlights that persistent corruption risks stem from discretionary decision making, fragmented oversight, weak internal controls, and limited enforcement capacity, which collectively undermine reform implementation and private sector confidence.

Key IMF Recommendations

- Eliminate procurement preferences for State Owned Enterprises, restrict direct contracting, and mandate full use of e-Government Procurement System.
- Publish the first annual report of the Special Investment Facilitation Council including information on facilitated investments, concessions granted, rationale, and estimated value; disclose implementation of BoI Amendment Act Article 10F (power to exempt).
- Under SECP leadership, create a comprehensive federal business regulation database, remove unnecessary regulations, and establish an international good practice review process for new regulations.
- Digitize regulatory compliance processes by publishing a prioritized digitization list and demonstrating implementation progress.
- Reduce backlog of economic disputes by publishing court and tribunal performance assessment methodology and publish the first performance report covering Administrative Tribunals and Special Courts for economic and commercial matters.

- Publish a tax simplification strategy to rationalize rates, regimes, exemptions, and withholding taxes, and report annually on implementation and reduction of tax exemptions.
- Strengthen FBR governance by reforming structure, reducing field office autonomy, improving human resource management, and enhancing risk management capacity.
- Enhance FBR accountability by publishing PRAL audit findings and issuing periodic public reports on follow-up actions.
- Strengthen budget process by limiting in-year adjustments without prior parliamentary approval and introducing a contingency reserve.
- Improve PSDP transparency and efficiency by enforcing the 10 percent cap on new projects, rationalizing the portfolio, protecting capital spending, and integrating parliamentary projects into the PSDP process.
- Adopt a risk-based anti-corruption approach by publishing mitigation action plans for the highest risk federal agencies and annual implementation progress reports.
- Ensure full institutional independence of the Auditor General of Pakistan.
- Strengthen anti money laundering enforcement, improving Suspicious Transaction Reports, strengthening financial investigation agencies capacity, and enhancing asset recovery cooperation.
- Improve integrity of senior civil servants by publishing asset declarations and introducing risk-based verification.
- Reform appointment processes for heads of key oversight bodies CCP, SECP, and NAB to ensure merit-based and transparent selection.

Overview of the Civil Society Governance Diagnostic Assessment

The Civil Society Governance Diagnostic Assessment offers an independent, bottom-up perspective informed by nationwide consultations with civil society organizations, experts, academia, and practitioners. While recognizing similar institutional weaknesses, the assessment emphasizes political economy constraints, elite capture, weak implementation of laws, and limited citizen participation. It extends the governance lens beyond federal institutions to include provincial governance, service delivery, social accountability mechanisms, and climate governance integrity, underscoring the importance of reform ownership and public trust.

Key Civil Society Recommendations

- Democratize fiscal governance through stronger parliamentary oversight and public participation.
- Expand fiscal transparency via open budget data and proactive online disclosures.
- Reform tax administration to address inequities, exemptions, and enforcement gaps.
- Improve revenue administration to curb tax evasion in real estate and under-invoicing in imports/exports.
- Strengthen audit follow up and effectiveness of the Public Accounts Committee, including mandating parliamentary disclosures on debt.

- Optimize governance and operations of State-owned entities, including addressing Conflict of Interest.
- Digitize public services including land, taxation, procurement, business registration and licensing systems.
- Reform procurement frameworks to reduce discretion and corruption risks.
- Mandate publication of tax directory of public officials, all tax related decisions to facilitate investments and private sector development, including establishing a centralized Beneficial Ownership registry.
- Strengthen local governance and decentralization for accountable service delivery.
- Improve implementation of Right to Information laws and independence of information commissions.
- Reform anti-corruption agencies by strengthening independence, consistency, due process, and credibility.
- Integrate climate governance integrity into public finance, development planning, and climate finance systems.

Areas of Convergence

Both diagnostics converge on the need to:

- Strengthen fiscal governance,
- Reduce discretionary authority,
- Address corruption vulnerabilities,
- Enhance transparency through digitization, and
- Improve oversight of public resources and SOEs.

There is shared recognition that weak implementation, fragmented accountability, and limited enforcement capacity undermine reform outcomes. Both reports emphasize that transparency, independent oversight, and rule-based systems are essential to restoring economic confidence and institutional credibility.

Value of Two Diagnostics

The IMF diagnostic provides a macrocritical, institution focused roadmap aligned with economic stabilization and structural reform objectives. The civil society assessment complements this by grounding reforms in political economy realities, citizen experiences, and implementation of constraints. Together, they reinforce that governance reform must combine technical institutional fixes with inclusive, participatory, and accountable processes to be sustainable.

Taken together, the two diagnostics offer a coherent and mutually reinforcing evidence base to inform Pakistan's Governance Action Plan. Aligning technical reforms with citizen centered accountability and political economy awareness can strengthen implementation credibility, improve reform durability, and enhance the macroeconomic impact of governance reforms under the IMF supported program.

Transparency International Pakistan welcomes the publication of IMF Governance and Corruption Diagnostic Assessment and calls for timely implementation of reform priorities under the current Extended Fund Facility program. The priority recommendations are essential for good governance and economic growth of the country.

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Governance Action Plan Matrix: Aligning Both Assessments in One Chart

The following chart brings together the IMF and Civil Society government assessments to map out combined priorities for governance improvements in Pakistan.

Reform Area	Key Governance Issue	Priority Actions	Lead Institutions	Timeframe
Fiscal Governance and Budget Credibility	Weak parliamentary oversight and frequent in year adjustments undermine budget credibility	Strengthen ex ante parliamentary approval of budget changes; limit use of supplementary grants; publish budget execution reports regularly	Ministry of Finance, Parliament, Cabinet Division	Short to Medium Term
Tax Policy and Revenue Mobilization	Complex tax structure, exemptions, and discretionary powers weaken revenue performance	Publish and implement tax simplification strategy; reduce exemptions; improve transparency of tax expenditures	Ministry of Finance, Tax Policy Office, FBR	Short to Medium Term
Revenue Administration	Weak governance and accountability of FBR	Strengthen internal audit and risk management; publish audit findings; improve human resource governance	FBR, Auditor General of Pakistan	Medium Term

Public Financial Management	Fragmented treasury and weak cash and debt management	Strengthen treasury single account coverage; clarify institutional roles in debt management	Ministry of Finance, Planning Commission	Medium Term
Public Procurement	Preferential treatment and discretion increase corruption risks	Mandate e-procurement across federal entities; remove SOE preferences; publish procurement data	PRA, Line Ministries P	Short to Medium Term
State Owned Enterprises	Weak oversight and fiscal risks from SOEs	Strengthen SOE governance framework; publish performance and fiscal risk reports	Ministry of Finance, Line Ministries	Medium Term
Market Regulation	Overlapping regulations and opaque processes burden private sector	Review and rationalize federal regulations; digitize licensing and permits; publish regulatory registry and tax decisions	SECP, Line Regulators, MoITT	Medium Term
Rule of Law and Judicial Efficiency	Case backlogs and integrity concerns weaken contract enforcement	Develop performance metrics for courts; reduce backlog in economic cases; strengthen judicial oversight	Ministry of Law and Justice, Judiciary	Medium to Long Term

Anti-Corruption Frameworks	Fragmented institutions and political influence reduce credibility	Adopt risk-based corruption prevention; strengthen independence and coordination of accountability bodies	NAB, Cabinet Division, Law Ministry	Medium Term
AML and Asset Recovery	Limited effectiveness in corruption related money laundering cases	Strengthen use of suspicious transaction reports; clarify legal ambiguities; enhance inter-agency coordination	FMU, NAB, FIA, Law Ministry	Medium Term
Transparency and Access to Information	Limited proactive disclosure and weak RTI enforcement	Strengthen RTI commissions; expand proactive disclosure across ministries	Federal and Provincial Governments	Short to Medium Term
Local Governance and Service Delivery	Weak accountability at sub national level	Strengthen local government frameworks; digitize service delivery and grievance redress	Provincial Governments	Medium Term
Climate Governance Integrity	Climate finance and projects exposed to transparency risks	Integrate integrity safeguards in climate budgeting, procurement, and project monitoring	Ministry of Climate Change, Finance Division	Medium Term