Extended Fund Facility (EFF)

***Prelims**: Current events of national and international importance| Economic and Social Development*

Why in news?

Recently the Executive Board of the International Monetary Fund (IMF) decided to allow for "an immediate disbursement" of $1 billion (Rs 8,500 crore) to Pakistan as part of IMF's Extended Fund Facility (EFF) to Pakistan.

- **Extended Fund Facility** – It is a financial assistance program provided by the ***International Monetary Fund*** that is available to all IMF member countries.
- **Objective** - It is designed specifically for countries facing "***serious medium-term balance of payments problems***".
- It means that the countries that are unable to pay for imported goods and services due to ***structural economic weaknesses***.
- **Loan structure** – The *disbursement duration* of the EFF is usually *3 years and it can be extended up to 4 years* in special cases needing deeper structural reforms.
- IMF typically allows for repayment over a period of ***4.5 to 10 years***.
- It provides assistance *only in the form of loans*, not grants or aid.
- It is called "extended" because recipients need more time to implement structural reforms.
- **Accountability framework** – IMF regularly reviews the progress of the country throughout the disbursement period.
- The progress evaluations determine eligibility for subsequent disbursements.
- It also includes formal review processes to monitor progress on *economic stabilization*.
- It focuses on fundamental structural weaknesses such as
    - Inadequate physical infrastructure
    - Insufficiently educated workforce
    - Excessive government borrowing beyond repayment capacity
    - Underdeveloped financial and banking systems
- **Pakistan's EFF**– EFF is extended to Pakistan as the country has been on the brink of bankruptcy with its total GDP has been stagnant over the past decade.
- It is currently under a 37-month EFF approved on September 2024 with ***total approved disbursement of $7 billion.***
    - **Latest tranche** - $1 billion on May 9, 2025

Reference

The Indian Express| IMF loan to Pakistan



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