

Extended Fund Facility (EFF)

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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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