

# India's stand in the IMF

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The International Monetary Fund (IMF) today reviewed the Extended Fund Facility (EFF) lending program (\$1 billion) and also considered a fresh Resilience and Sustainability Facility (RSF) lending program (\$1.3 billion) for Pakistan. As an active and responsible member country, India raised concerns over the efficacy of IMF programs in case of Pakistan given its poor track record, and also on the possibility of misuse of debt financing funds for state sponsored cross border terrorism.

Pakistan has been a prolonged borrower from the IMF, with a very poor track record of implementation and of adherence to the IMF's program conditions. In the 35 years since 1989, Pakistan has had disbursements from the IMF in 28 years. In the last 5 years since 2019, there have been 4 IMF programs. Had the previous programs succeeded in putting in place a sound macro-economic policy environment, Pakistan would not have approached the Fund for yet another bail-out program. India pointed out that such a track record calls into question either the effectiveness of the IMF program designs in case of Pakistan or their monitoring or their implementation by Pakistan.

Pakistan military's deeply entrenched interference in economic affairs poses significant risks of policy slippages and reversal of reforms. Even when a civilian government is in power now, the army continues to play an outsized role in domestic politics and extends its tentacles deep into the economy. In fact, a 2021 UN report described military-linked businesses as the "largest conglomerate in Pakistan". The situation has not changed for the better; rather the Pakistan Army now plays a leading role in the Special Investment Facilitation Council of Pakistan.

India flagged the Pakistan chapter of the IMF Report on *Evaluation of Prolonged Use of IMF Resources*. The report noted that there was a widespread perception that political considerations have an important role to play in the IMF lending to Pakistan. As a result of repeated bailouts, Pakistan's debt burden is very high, which paradoxically makes it a too big to fail debtor for the IMF.

India pointed out that rewarding continued sponsorship of cross-border terrorism sends a dangerous message to the global community, exposes funding agencies and donors to reputational risks, and makes a mockery of global values. While the concern that fungible inflows from international financial institutions, like IMF, could be misused for military and state sponsored cross border terrorist purposes resonated with several member countries, the IMF response is circumscribed by procedural and technical formalities. This is a serious gap highlighting the urgent need to ensure that moral values are given appropriate consideration in the procedures followed by global financial institutions.

The IMF took note of the India's statements and its abstention from the vote.

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