

IMF's recent approval of \$1 billion for Pakistan, coinciding with the India-Pakistan conflict, despite  
India's opposition  
Should not India raise concerns about the relevance of IMF/World Bank/ADB in view of their  
political leanings?

E A S Sarma

Former Secretary to the Government of India

To

Shri Narendra D Modi

Prime Minister of India

Dear Shri Modiji,

I refer to the decision taken by the IMF on May 9, 2025, despite opposition from India, allowing an immediate disbursement of around \$1 billion (SDR 760 million) to Pakistan, bringing total disbursements under the Extended Fund Facility (EFF) Arrangement to about \$2.1 billion (SDR 1.52 billion). In addition, the IMF Executive Board also approved Pakistan's request for an arrangement under the Resilience and Sustainability Facility (RSF), with access of about US\$1.4 billion (SDR 1 billion) [<https://www.imf.org/en/News/Articles/2025/05/09/pr-25137-pakistan-imf-completes-1st-rev-of-eff-arrang-and-approves-req-for-arrang-under-rsf>].

It is significant that the timing of the said decision should so precisely coincide with the Indo-Pak conflict, which arose from the ghastly terrorist act that took place at Pahalgam a few days earlier.

It is reported that the United States played a key role in de-escalating the Indo-Pak conflict by placing direct pressure on Pakistan, linking the provisional release of a \$1 billion IMF loan to immediate acceptance of a ceasefire, with the remainder contingent on full compliance (<https://www.businesstoday.in/india/story/ceasefire-first-then-funds-us-pressured-pakistan-over-1-bn-imf-loan-say-government-sources-475797-2025-05-10>). The authenticity of the said report needs to be verified.

Irrespective of the news reports, it's a fact that the IMF has disbursed around \$14.9 billion to Pakistan during the last ten years or so, not counting the latest \$1 billion sanctioned. It is not as though this is the first time that terrorism surfaced across the Indo-Pak border and similar conflict

situations arose.

Despite the exalted expectations of the global community, when the Bretton Woods Conference took place more than eight decades ago, that the IMF/World Bank should remain apolitical in playing their role in maintaining the stability of the global financial system and for promoting economic development across the globe, over the years that followed, as a result of the highly skewed voting power of a few dominant donors of the two institutions, which determined their policies and programmes, they have lost their neutral character and become instruments in the hands of a few affluent Western nations to impose their capitalist economic ideology and promote their self-centred political interests on recipients of loans

(<https://www.brettonwoodsproject.org/2019/06/what-are-the-main-criticisms-of-the-world-bank-and-the-imf/>)

As a result of their comparatively lower contributions to the IMF/World Bank, those who borrow from the two institutions, like India, have little say in decision making.

The heads of the IMF/World Bank are chosen by a few dominant European nations and the USA. Both the institutions are predominantly guided by "experts" attuned to western economic ideology, unfamiliar with the socio-economic realities of the developing world. The economic policy conditions they attach to loans tend to undermine the sovereignty of the borrower nations, eroding their ownership of national development strategies and, more importantly, tend to ignore their democratic values, and the human rights and environmental safeguards provided in the laws of the borrower nations. The "austerity" conditions imposed by the IMF, as a part of the loans extended, often ignore their adverse impact on income inequalities in the economies of the recipient countries and accentuation of poverty in its multiple dimensions.

The Indian Constitution, for example, obligates the State to intervene in several spheres for promoting the "Welfare State" concept, as required in the Directive Principles, whereas, the policies promoted by the IMF, the World Bank and the other related institutions tend to move towards reducing the role of the State.

As an institution that is expected to act as a facilitator for maintaining the stability of the global financial system, except setting a few global norms and prescribing a few prudent practices, the IMF when put to test during global financial crises, as for example during the 2008 crisis, failed to inspire adequate confidence in its ability to deal with such crisis situations.

In fact, as a result of its being under the influence of its dominant shareholders, the IMF's credibility as an apolitical institution, has eroded.

Referring to the \$1 billion loan recently sanctioned by the IMF to Pakistan, strangely coinciding with the Indo-Pak conflict, it is not the first time that the IMF came under the influence of the USA in that manner.

In 1971, when India defied the western powers, especially the USA, and took an active part in East Pakistan (then a part of Pakistan) transforming itself overnight into Bangladesh as an independent nation, the USA intervened to counter India and, when the conflict with Pakistan escalated, the Nixon administration "tilted" toward Pakistan. In the internal discussions in the US administration at that time, as revealed in archival documents, the possibility of the USA using the IMF/World Bank in pressurising India at that time figured prominently [Foreign Relations, 1969-1976, Volume XI, South Asia Crisis, 1971- <https://2001-2009.state.gov/r/pa/ho/frus/nixon/xi/45604.htm>]

Again in May 1998, when India conducted nuclear tests at Pokhran (second time since Pokhran I tests in 1978), at the instance of the USA and its allies, almost all global development financing institutions, especially the IMF/the World Bank, imposed severe sanctions in a well-orchestrated manner, on the ground that a developing country like India had no right to conduct nuclear tests, and such a right could be exercised exclusively by a few affluent countries like the USA.

With 2.7% shareholding in the IMF and 2.54% shareholding in the World Bank, India has little voice in influencing the policies of either institution.

As far as the Asian Development Bank (ADB) is concerned, it is a development financing institution designed on the lines of the World Bank and it operates in Asia. With Japan and the USA having a shareholding of 15.6% each, though India has a shareholding of a little over 6%, it has little say in formulating its policies and programmes. It is Japan which has a say in the appointment of its President.

Though India figures among large recipients of loans from the World Bank, ADB, and the other global financing institutions, the quantum of its total annual external borrowings is marginal, amounting to a mere trickle in its receipts budget, less than 0.7%.

In other words, India has very little stake in the IMF/World Bank/ADB, though many in the government tend to exaggerate their importance. Except the attraction that the IMF/World Bank/ADB offer to a few favoured officials of the ruling establishment at any point of time in terms of huge tax-free salaries and sumptuous pensionary benefits, there is no valid justification for India to continue its fragile association with the two institutions that often blatantly intrude into India's democratic space, nor there is any justification for India to continue to pretend that the two institutions are relevant, lending support to their existence.

Securing World Bank/ADB loans has often served political leaders in developing countries to impress their voters, obfuscating the fact that such dollar-denominated loans impose a heavy repayment liability on the people at large and that the conditions attached to such loans often infringe the democratic values of their respective Constitutions and possibly lead to human rights violations and environmental damage.

Strictly, unless the IMF, the World Bank and the ADB undergo major structural changes that fully democratise their decision making systems and ensure that their policies respect the sovereignty of individual members, there is no justification whatsoever for their existence, as they are primarily used today by a few dominant donor nations to impose their economic ideology on loan recipients and promote their own narrow self-serving geo-political interests.

Now that the IMF, influenced by the USA, has opportunistically sanctioned a huge loan to Pakistan at a crucial time, despite opposition from India, I feel that a time has come when India reviews its association with both the IMF, the World Bank and the ADB, demand fundamental structural reforms to be undertaken by them, failing which India should move away from being associated with the two institutions.

Regards,

Yours sincerely,

E A S Sarma

Visakhapatnam

11th May 2025

