

India abstained from Pakistan's loan request to IMF, says FinMin

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India abstained from Pakistan's stand-by arrangement (SBA) loan request to the International Monetary Fund (IMF) in the executive board meeting earlier this year, according to India's finance ministry.

The arrangement provides short-term financial assistance to countries facing balance of payments problems. On July 12, the IMF's executive board approved a nine-month SBA for Pakistan for an amount of about \$3 billion to support the country's economic stabilisation programme. "India conveyed its stance to abstain from Pakistan's SBA request at the IMF via executive Board meeting on 12th July, 2023," the Finance Ministry said in its monthly summary for Cabinet.

The IMF said the loan arrangement came at a challenging economic juncture for Pakistan, which had faced a difficult external environment, devastating floods, and policy missteps that have led to large fiscal and external deficits, rising inflation, and eroded reserve buffers in FY23.

The executive board's approval led to an immediate disbursement of \$1.2 billion loans to Pakistan. The remain-

NEIGHBOURHOOD WATCH

► **Feb 2019:** India had withdrawn the most-favoured-nation status for Pakistan and imposed a **200%** tariff on all imports

► Total trade between the two countries stood at **\$2.6 billion** in FY19

► After the Pulwama attack, trade plunged to **\$607 million** in FY23



ing amount will be phased over the programme's duration, subject to two quarterly reviews. The first quarterly review by the IMF is due this month. The IMF's executive board has 24 members. Each member is appointed by one or a group of countries. The IMF does not publicly disclose how each country voted on the SBA approvals. This is because the board is a confidential body and its deliberations are not open to the public. With a 3.05 per cent voting rights, India's executive director to the IMF, K V Subramanian, also represents Bangladesh, Bhutan, and Sri Lanka at the IMF board. In an interview with social media

influencer BeerBiceps (Ranveer Allahbadia) last month, Subramanian said power without accountability was the root cause of the economic problems in Pakistan. "Good policy is an outcome of good governance. Similarly, bad policy is an outcome of bad governance. When you have power without responsibility, that is a recipe for bad governance. You have power to take a lot of decisions, but you are not held accountable for the outcomes that come from those decisions. Then you have power but not responsibility. That is a recipe for disaster. They (military) end up making the decisions, but they are not

held accountable for outcomes that come out of it," he said.

India's relationship with its western neighbour has worsened in the last five years. After India revoked the special status of Jammu and Kashmir in August 2019 by removing sections of Article 370, the then Imran Khan government suspended all kinds of trade with India.

India in February 2019 had withdrawn the most-favoured-nation (MFN) status for Pakistan and imposed a 200 per cent tariff on all imports from the country after the Pulwama terror attack. But it didn't ban either exports or imports to Pakistan. While total trade between the two countries stood at \$2.6 billion in FY19 before disruptions, it plunged to \$607 million in FY23. There were negligible imports by India from Pakistan.

The World Bank in its report said even with the SBA, Pakistan's reserves are expected to average less than one month of total imports over FY24-FY25, necessitating continued controls and constraining economic recovery.