

A COMPARATIVE ANALYSIS OF IMF'S DISCOURSE ON BAILOUT
PACKAGES FOR PAKISTAN & SRI LANKA

Submitted by:Kamran Azeem

Registration Number: 679-FLL/MSENG/F21

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Supervisor:Dr. Akhtar Aziz



DEPARTMENT OF ENGLISH,
FACULTY OF LANGUAGES AND LITERATURE,
INTERNATIONAL ISLAMIC UNIVERSITY, ISLAMABAD

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Assistant Professor

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**A research dissertation submitted in partial fulfillment of the requirements for the award
of an MS (English) degree**

**DEPARTMENT OF ENGLISH,
FACULTY OF LINGUISTICS AND LITERATURE,
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ABSTRACT

The present study is a discourse analysis of IMF press releases and statements on bail-out packages given to Pakistan and Sri Lanka after Covid-19 financial crises. IMF's bail-out packages help countries avoid default but these often result in inflation, devaluation, increasing foreign debts, and depleting foreign reserves. Despite these negative consequences IMF always presents and justifies its policies as a savior of the third world countries. This study focuses on analyzing IMF's press releases and statements to understand how they are able to legitimize their tough demands from these countries. This study has taken fifteen statements and press releases of IMF for both of countries and analyzed those using Wodak and Reisigl's Discourse-Historical Approach in Critical Discourse Analysis. The analysis has shown that IMF has a one size fits all policy and it promotes neo-liberal economics and free-market economy while protecting the interests of its prime shareholders. They use referential strategies like positive appraisement, euphemism, and problematization in their discourse and argumentation strategies like argumentation ad consequentum, hasty generalizations, and argumentum ad misericordiam to justify and legitimize their otherwise exploitative policies.

Keywords: IMF, Critical Discourse Analysis, Measures, and Reforms, Neo-liberal Economics, Ideology, Text, Context, Pakistan, Sri Lanka, Discourse, IMF Bailout Programs, Free-market Economy, Discursive Strategies

DECLARATION

I, Kamran Azeem, do hereby solemnly declare that the work produced for this dissertation is my own and has not been presented to any other institution or university for a degree. This work was carried out and completed at the International Islamic University Islamabad, Pakistan.

Kamran Azeem

DEDICATION

To the students of Discourse Analysis

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First and foremost, I must pay gratitude to Allah Almighty for giving me access to new horizons of learning and all the best blessings be upon our Holy Prophet(PBUH).

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CHAPATER ONE

INTRODUCTION

This chapter provides a background to the study and sets a direction for the analysis of the selected data through research statement, research questions and objectives. The chapter will also provide a rationale and significance of the study followed by chapter division.

1.1 Background of the Study

Most of the third world countries are consistently in a state of financial crisis and are always looking for outside help to sustain themselves. The situation, however, gets out of control when these countries engage in a war-like situation or have to face a natural calamity. COVID-19 was one such calamity that shocked and shook the entire globe without any distinction between the developed or the developing nations. The developed world had, however, enough resources to absorb that shock for two long years as compared to the backward and developing nations. Pakistan, and Sri Lanka witnessed immense financial difficulties during that time and both had to go to the International Monetary Fund (IMF) for a Standby Agreement to address their balance of payment problems. Since their independence, Pakistan and Sri Lanka have negotiated 23 and 16 arrangements respectively with IMF to get out of their financial difficulties. Each incumbent government rushes to IMF for a bailout arrangement and have to accept their severe conditionalities, These conditionalities result in devaluation of local currency, an increase in inflation, fuel and electricity prices, more and more taxation, and economic uncertainty. Sri Lanka defaulted on its debt obligations to its creditors in May, 2022 when it failed to repay its outstanding loans. Both Sri Lanka and Pakistan today face the biggest economic crisis in their

histories. Domestic currencies appear on the verge of collapse, import bans have been announced, and inflation is at an all-time high, as indicated by spikes in fuel and food prices.

Another view argued that these negative implications of the IMF are temporary, and once a country achieves fiscal discipline, IMF programs yield positive outcomes for the economy. Specifically, these programs are deemed beneficial for lower-income countries witnessing external shocks or macroeconomic imbalances. There is also evidence that strict IMF conditionality improves capital inflows to the country easing the balance of payment deficit and supporting economic growth. Therefore IMF assistance not only eases financial imbalances of the country but also supports a country towards a trajectory of positive economic outcomes.

Despite the positive ramifications of IMF assistance, the negative implications of IMF programs are built into public perceptions. Governments, on the other hand, stress the need for IMF assistance by calling it a 'necessary evil' and assure that it would be the last IMF program. Sitting governments sought IMF assistance and a bailout package to help countries get out of financial difficulties.

1.2 Brief History of the IMF

The International Monetary Fund (IMF) was established in 1944 to promote international economic cooperation and to provide its member countries with short-term loans if they experience any financial crisis or a shortage of liquidity for international trading. In return, bailed-out countries are required to implement a series of economic reforms in line with the IMF policy. Debates about the appropriateness of the IMF bailouts continue to thrive. Opponents of IMF bailouts argue that they make troubled countries further dependent on the IMF (Bandow & Vásquez, 1994); (Corsetti, Guimaraes, & Roubini, 2006), while proponents claim that the liquidity supported by the IMF is crucial in preventing extreme financial consequences. Yet studies addressing the adoption of IMF bailouts are largely independent of those that

address the effectiveness of the IMF. This lack of integration within the research could be fueling the inconsistencies in the literature addressing IMF bailouts (Li, Sy, & McMurray, 2015).

The International Monetary Fund (IMF or ‘the Fund’) is the world’s premier international financial institution. In 2015, it had a total of 188 member countries spanning all geographical regions of the world and all levels of economic development from the richest economies to the poorest. For many years after it was established in 1946, it was not the subject of widespread academic study. Isolated studies certainly existed covering various aspects of the Fund’s operations, but there was not a large or comprehensive research literature to which reference could be made.

This paucity of academic research did not prevent people from having firmly held views about the institution. The views were diverse and frequently opposed. Those on the political ‘right’ saw the Fund as bailing out countries that had been seriously mismanaged by providing them with relatively low-cost financial assistance. To these critics, the IMF often caused more problems than it cured by sustaining such regimes and postponing necessary economic reform. In contrast, those on the political ‘left’ saw it as imposing austerity measures on vulnerable countries and as having a negative impact on economic growth and development. They perceived the Fund as an institution dominated by advanced countries and as representing their political and commercial interests usually to the detriment of poorer countries.

Lively as the debate about the IMF was, it tended to be polemic in style and grounded in ideology rather than analysis. Claims and counterclaims were made with, at best, only passing reference to empirical evidence. When evidence was cited, it was usually partial, selective and anecdotal.

The contemporary situation is different. Polemics still features in debates about the IMF, but there is now a substantial scientific literature upon which to draw. This later research has attempted to analyze the Fund's role and operations both theoretically and empirically. In this book we aim to contribute to the contemporary debate about the IMF by offering empirically based analyses of the Fund's operations. To do this we draw together some of our previously published work on various aspects of the IMF's activities, but we also present new and previously unpublished material (Bird & Rowlands, The International Monetary Fund, 2016).

1.3 Critical Discourse Analysis (CDA)

Critical Discourse Analysis as a school postulates that discourse is not only a container and carrier of ideologies, but it is also an action in itself which contributes to or constitutes ideologies. As ideologies pertain to the social aspects of life, language as a means of communication acquires a pivotal role in reproducing, recreating and reshaping ideologies (Wodak & Meyer, 2009). Social relations are power relations. They are present in media discourses and become an index of social power (Ayesha, 2017). Every discourse has an Ideological dimension and it plays a significant role in shaping the public opinion towards these power relations (Schiffrin, 1994). Newspapers, because of this, have been closely studied and scrutinized by critical discourse analysts in order to unravel the ideologies of power agencies (Fairclough, 2006) because newspapers are used, among other things, by agencies of powers in order to shape and spread discourses that serve their purpose (Woods, 2006).

Such approaches towards analysing the use of language have long existed in human civilisation. They allow the analyst to study language at a larger, much grander level to a smaller micro-level, alongside which it also provides them with an abundance of methodological categories to choose from. It ought to be said, however, that no matter what methodology is

employed by the analyst, the analytical rigor of their research should be maintained. As Wodak and Matouschek (1993) argue, ‘one ought to make one’s values and interests explicit, one’s analysis must be organized in such a way that the conclusion can be reviewed, and one’s assessment of the data should be explicitly characterized. The mediation between the social and the linguistic is highly relevant to the theory formation process in CDA.’ According to (Fairclough & Wodak, Critical Discourse Analysis. In Teun van Dijk, T (Ed.), Introduction to Discourse Studies, 1997) major difficulties of operationalization in the research process are usually related to this mediation problem. The complex interrelation between discourse and society cannot be analysed adequately unless linguistic and sociological approaches are combined (Weiss & Wodak, 2003). Moreover, Wodak (2006) asserts that there is a need to develop a model of analysis which can combine cognitive, linguistic and sociological categories. This probably accounts for the infamous and crucial gap between society and discourse. Discourse analysis offers us a set of tools to use when conducting the analysis of language. Some of this work better for certain kinds of data than they do for others. This study will make use of referential, predicational, perspectivisation, mitigation, intensification, and argumentative strategies as a tool to explore how the IMF uses lexical choices in its statements and press releases for the projection of its self-interests and legitimises its own point of view.

1.4 Problem Statement

The International Monetary Fund (IMF) offers loans to all its member countries on their own conditions depending on their current financial status. Underdeveloped countries often knock at the IMF’s door to acquire bailout packages to avoid financial default. This research will explore the discursive strategies at work in International Monetary Fund’s (IMF) discourse on bailout packages, and to explore whether these strategies embed any ideologies or agendas of

IMF in the specific context of Pakistan, and Sri Lanka, because of the fact that both of the countries are facing the similar financial challenges. The study will also explore how the IMF legitimizes its point of view by the use of these strategies.

1.5 Research Objectives

1. To analyze the discursive strategies at work in constructing IMF discourse
2. To inquire about the IMF's discourse of facilitating the underdeveloped countries
3. To examine the discursive strategies of the IMF to legitimize its point of view

1.6 Research Questions

1. What discursive strategies are at work in the International Monetary Fund's discourse on bailout packages?
2. How does IMF legitimize its point of view using these discursive strategies?
3. How do these discursive strategies embed particular ideologies in the International Monetary Fund (IMF) discourse?

1.7 Methodology

The research was exploratory and descriptive in nature, and it was based on Ruth Wodak and Martin Reisigl's referential, predicational, mitigation, perspectivisation, intensification, and argumentative strategies model of discourse analysis. Linguistic elements of naming choices and lexical choices were analysed. In analysing the press releases, and statements for naming choices the research examined the way in which the events and entities were referred. According to Fowler and Kress (1979), "the different possibilities [of naming] signify different assessments by the speaker/writer of his or her relationship with the person referred to or spoken to, and of the formality or intimacy of the situation" (p. 200). The different

possibilities for naming choices include extreme formality, such as using the complete, unabbreviated title of an official or a neutral naming choice. In the same way, naming choices may be used to reflect the biases of the writer, examples of which would be stereotypical or ideologically guided naming choices. The naming choices were analyzed for the different actors to identify “different ideological affiliations. Predication strategies, characterize social actors according to the stereotypical, evaluative, attribution of positive or negative traits in linguistic form from implicit or explicit predicates (KhosraviNil, 2010, p. 57). The main aim was to label actors positively (in-group) or negatively (out-group). Argumentation is the means of persuading the audience, the process of justifying and legitimizing actors, objects, and phenomena. It is the action or process of reasoning systematically in support of an idea or an action. If this reasoning is not valid and violates argumentation rules, then it is called pseudo-argumentation. In rhetoric and argumentation theory, these violations are called ‘fallacies’. The study has made use of Reisigl and Wodak (2001). While through strategies of perspectivization, framing, or discourse representation, speakers demonstrate linguistically their stance and their involvement in discourse. Intensifying and mitigating are two opposite strategies, and both may influence the original illocutionary force of utterances (ibid.: 45).

According to Fairclough (2006) society and discourse are two inseparable entities: thoughts and ideologies give shape to discourse. The current analysis explored the use of certain linguistic expressions as vehicles of an ideological position in press releases and media talks. Referential, predication, mitigation, perspectivisation, intensification, and argumentative strategies were used as tools to analyse the data of press releases, and media talks given by representatives of the IMF.

1.8 Significance of the Study

Working on the IMF bailout packages brought new insights into the field of CDA. It has been discovered how the IMF used discursive strategies to legitimize its bailout packages. The IMF used the strategy of neo-liberal economics through its discourse. According to which organizations, countries, and individuals are responsible for their benefits and should work for their prosperity. It is not their social responsibility to take care of others. The IMF followed the same notion which benefited itself and its stakeholders, whereas the underdeveloped countries' outstanding loans have been continuously mounting making the lives of their inhabitants even more stressful particularly in the context of Pakistan and Sri Lanka. Since Pakistan's inception, economically, it had never been out of the woods, and the same situation still prevails. The financial condition of Sri Lanka has been even worse in the recent past. Both countries heavily relied on the IMF to pay their outstanding debts and also to resolve balance of payment issues. The study highlighted the IMF ideology of free market economy embedded in the IMF press releases and statements which promotes capitalism. Under the cover of these reform programs, the IMF involved in the political matters of these underdeveloped countries and dictate their social and financial matters, which ultimately compromise the sovereignty and integrity of these countries. IMF economic programs are political in nature.

1.9 Structure of the Study

The study has been divided into five chapters as follows:

Chap 1: Introduction

Chap 2: Review of literature

Chap 3: Data collection and methodology

Chap 4: Analysis and interpretation

Chap 5: Discussion and conclusions

CHAPTER TWO

LITERATURE REVIEW

As demonstrated in the preceding chapter, the study is a comparative discourse analysis of the press releases and statements of the IMF bailout programs for Pakistan and Sri Lanka. Both of countries got independence almost at the same time and are facing economic challenges. To meet the economic challenges, both of them are in the IMF program. This chapter of the study will present an overview of previous works done in the field of Critical Discourse Analysis (CDA). This chapter is divided into two main sections; the first section discusses the brief history of the IMF bailout packages for Pakistan and Sri Lanka. The second section of the chapter deals with previous studies in the field of discourse analysis, particularly the discourse historical approach developed by Ruth Wodak and Martin Reisigl.

2.1 History of IMF Bailout Packages for Pakistan

Pakistan has received a total of 23 loan packages from the International Monetary Fund (IMF) between 1958 and 2023, and recurrent indebtedness has hindered structural transformation. Recent crises, such as the COVID-19 pandemic, surging commodity prices, Russia's invasion of Ukraine, and diplomatic tensions between the United States and China, have exacerbated Pakistan's indebtedness (Sial, Jafri, & Khaliq, 2023).

The World Bank and the IMF are the two International Financial Institutions (IFIs) that are controlled by international authorities. The main goal of these institutions is to protect the integrity of their global currency system, coordinate international macroeconomic policy, and

provide financial assistance to communities in disaster-prone areas. The implementation of these policies are not seen but has been a part of their vision since the beginning. Countries are struggling to stabilize but fail due to a lack of effective policies. So, such countries need help from these institutions in order to maintain a faster growth rate compared to other countries in the world (Lang, 2021).

In its reformist and market-friendly approach, the IMF has adopted a three-pronged approach to its program. The first involves stabilizing the external finances of countries with serious balance of payment deficits. This is achieved through restoring confidence in the local currency by backing it with foreign exchange reserves and requiring high interest rates that deter capital outflows. The second uses measures to restrain demand to achieve sustainability in external debt payments. The third involves implementing structural reforms that would prevent another crisis from occurring again (Chang, 2020).

Pakistan has a long history with the International Monetary Fund. Pakistan became its member on July 11, 1950. IMF advanced its first loan to Pakistan in 1958. Over time the funding patterns changed; after being hit by the debt crisis and oil price external shock right after 1980's

Pakistan went into the policy reform programs of IMF. From its first disbursement in 1958 until the most recent package in 1998, Pakistan has received 23 loans from the IMF. It all started in 1958 when General Ayub Khan signed a secured special drawing right (SDR) by signing a standby agreement. That is when Pakistan began its journey with the IMF. After Ayub, the next client for the program was Zulfikar Ali Bhutto. It was in his regime that Pakistan went up to IMF most times from 1972 to 1977 (Suleri and Ahmed 2018). During Zia ulHaq regime, Pakistan signed two IMF agreements, which kept the country on edge in terms of financial stability.

Pakistan has always been an unstable economy, especially during the democratic regimes. The instability is mainly due to frequent political changes and economic policies, which have caused economic crises as well. As shown in figure 1 below, during the Nawaz and Bhutto regimes, Pakistan went to IMF up to eight times from 1988 to 1997, five times under the Pakistan People's Party and three times under Pakistan Muslim League Nawaz. During General Pervez Musharraf, two IMF agreements were signed in nine years of tenure. Later in 2008, Pakistan People's Party targeted the highest budget program in the history of IMF and started working on the reforms. There was a tussle going between a strict fiscal and monetary policy with other structural reforms. However, with all the measures taken, the economy was still working to its potential. Then in 2013, the second-highest loan was taken under usual factors like the agriculture sector not having enough support from private investors.

2.2 History of IMF Bailout Packages for Sri Lanka

The ongoing economic crisis in Sri Lanka stands as the nation's most severe economic downturn since gaining independence in 1948 (Economy Next, 2024). This crisis has triggered unprecedented levels of inflation, nearly exhausted foreign exchange reserves, scarcity of medical provisions, and a surge in the prices of essential goods. Its origins are attributed to a combination of factors, including tax reductions, increased money supply, and a nationwide shift towards organic agriculture, the 2019 Easter bombings, and the impacts of the COVID-19 pandemic. The ensuing economic difficulties spurred widespread protests in Sri Lanka in 2022. The Global South comprises a diverse array of countries facing common challenges related to economic development, social equity, and human rights. In recent decades, IMF loan programs have gained popularity, especially among developing nations in global South such as Indonesia, Pakistan, Bangladesh and now, Sri Lanka. Theoretically, IMF programs aim to promote

economic growth both directly and indirectly through their stringent conditions, such as implementing fiscal austerity or altering monetary policy, which borrowing countries must agree to for disbursement. However, the implementation of IMF programs has been subject to criticism regarding their impact on socio-economic rights, such as access to healthcare, education, and welfare. The main goal of the IMF is “to promote growth (Ghosh, A R; 2006). However, IMF has consistently faced severe criticism regarding its programs in developing countries (Bird, 1996). Despite receiving loans from the IMF over several decades with the aim of reducing poverty rates and fostering economic growth, many developing nations have found the outcomes to diverge significantly from the IMF's stated objective of promoting economic growth (Mody, A; 2015). Critics argue that IMF conditionality may prioritize fiscal austerity and market-oriented reforms at the expense of social welfare spending, exacerbating inequalities and undermining human development efforts. Conversely, proponents contend that IMF programs promote macroeconomic stability, attract foreign investment, and stimulate economic growth, ultimately benefiting broader society. Within this context, understanding the dynamics between IMF interventions and socio-economic rights in Sri Lanka is crucial for evaluating the effectiveness and equity of economic policies and development strategies.

Sri Lanka's socio-economic landscape is characterized by a complex interplay of factors, including historical legacies, political dynamics, ethnic tensions, and regional disparities. By ratifying the International Covenant on Economic, Social and Cultural Rights and other human rights treaty laws, Sri Lanka has committed to undertake measures to ensure the realization of such rights. While the country has made significant progress in areas such as healthcare and education, persistent challenges remain, particularly in rural areas and among marginalized communities. Moreover, the COVID-19 pandemic has further exposed vulnerabilities in Sri

Lanka's socio-economic infrastructure, highlighting the need for resilient and inclusive development strategies.

2.3 Previous Studies

In this chapter, previous research works, as well as the major contributions of renowned researchers, developed in the field of CDA, have been addressed and explained.

2.3.1 History and development of CDA

In the late 1970s, CDA was established as a potential area of investigation. According to Tuen Van Dijk (2004), the essential dimension of DA was suggested in the 1980s and early 1990s. DA contains elements such as, who uses language, how, why, and when, (Van Dijk, 1997). It is distinct from grammar studies since discourse focuses on factors that go beyond syntax.

Moreover, Van Dijk (1985) said CDA perceives contexts of the text where it is used, the grammatical and stylistic structures that are employed, and the performance of the presentation. Critical Linguistics (CL) helped in the development of CDA. The term was coined by Roger Fowler and his colleagues at the University of East Anglia while they were working in the area of language and ideology. They suggested this term to critically examine the relationship between language and its social meanings (Raza, 2019). CL experts interpret language as a social activity by which various tasks are carried out (Fowler, 1979). According to Haider (2018), over time, the limitations of Critical Linguistics (CL) were identified, and the need to establish a new paradigm for the critical linguistic study was sensed.

Norman Fairclough was one of the influential linguists who highlighted the shortcomings of CL but he recognizes CL's important role in shaping critical discourse studies. He criticizes CL's

earliest works because they did not reflect enough on audience interpretive activities (Haider, 2018). (Weiss & Wodak, Introduction: Theory, interdisciplinarity and critical discourse analysis. In Critical discourse analysis: Theory and interdisciplinarity , 2003). Assume that CDA has emerged at a point at a period that corresponds with the growth of other important paradigms, theories, and disciplines in the social sciences. They further describe that CDA initially had alternative labels such as “Critical Language Awareness” (CLA) and “Critical Language Studies,” which were used interchangeably with CDA.

Also, the roots of CDA can be found in conventional textual research and its origin can be traced in classical rhetorics, early linguists were interested only in the formal aspects of language under the influence of Leonard Bloomfield (1933) who claims that linguistics, without relying on context is merely a study of the phonological, lexical, and syntactic features of a speech. George Yule (1983) describes discourse as “language in use”; he believes a discourse analyst should “study into what the language is used for” in addition to taking note of the formal qualities of a language. Tuen Van Dijk (2009) argues that multidisciplinary orientations may be incorporated into DA and it tries to explain the attempts to clarify the relationship between the use of language, values, and social encounters. Added to this Tuen Van Dijk (2001) says CDA studies how ideologies and differences are produced and (re)enacted in sociopolitical contexts through text. CDA reveals social inequalities, such as supremacy, inequality, power, and control, which are articulated, signaled, constituted, and legitimized in language, it is concerned with investigating hidden as well as explicit institutional relationships (Meert, 2006). Moreover, (Flairclough & Wodak, Critical Discourse Analysis. In Teun van Dijk, T (Ed.), Introduction to Discourse Studies, 1997) CDA is an approach that considers language as a mode of sociocultural practice and denies the study of language as independent from social studies.

Fairclough focuses on cultural and social activities, discursive practices that created the dialectical link between them. CDA investigates the relationship between discursive activities texts and events and larger societal interactions and processes. Development and consumption processes include the interplay between text properties and representations already present in the mind of the creator and recipient of the text (Fairclough, 1989).

Evaluating the fundamental principles of CDA, it can be said that CDA concentrates on a critical investigation of various social issues including, discrimination, sectarianism, and extremism. These socio-political phenomena are indirectly created, reaffirmed, propagated, and performed with the help of certain ideologies; created through discourse. CDA acknowledges language as a collective activity used to construct and dominate power. CDA, therefore, examines language to understand and uncover power dynamics, exploitation, and oppression, not in isolation but in their social context. The context could be psychological, political, or ideological. So, it can be said that the numerous social issues are re-produced through discourse since there is a clear link between language and social structure, and discourse without a social context cannot exist (Kress, 1979).

2.3.2 Discourse Historical Approach

A discourse Historical Model is a multi-dimensional approach towards discourse analysis that focuses on extra-linguistic, socio-political, historical, and inter-textual features in a text apart from purely linguistic ones (Wodak, 2006). It looks at the same discourse in various genres and tries to triangulate the result from different dimensions and contexts. The DH method includes “the content of data, the discursive strategies employed, and the linguistic realization of these content and strategies” (Leeuwen & Wodak, 1999). They also say that the historical dimension is added to the analysis by integrating all the historical information available and by the exploration

of any diachronic changes in the discursive practices. Thus all discursive events (Des) have roots in other discursive events (DEs) and history which can be called their discursive context.

2.3.3 Wodak (Discourse-Historical Approach)

Discursive events growing more and more complex as the world is changing, a one-size-fits-all grand theory is not able to analyze and explain all the discursive practices that occur in discourse. Therefore, there rose an urgent need for a CDA method that could accommodate for all aspects of such complexities. Since CDA is concerned with interdisciplinary research to examine all aspects of discursive practices in discourse, Ruth Wodak developed the discourse historical approach (DHA) out of this need after researching one such complex discursive discourse , believing that research “in CDA must be multi-theoretical and multi-methodical, critical and self-reflective” (Wodak, 2002). To minimize “the risk of being biased” (Wodak, 2002), DHA has one distinguishing feature, i.e. to incorporate other methods and approaches available to CDA, together with the “basis of a variety of empirical data as well as background information.” Therefore, DHA integrates all the avenues for research together with a vast empirical data and multiple sources of background information in the fields of historical, sociological and political to ensure that the discursive event under examination is dealt with as comprehensively as possible, because the context of the said event has a significant importance to the deductions of the findings. In fact, central to this particular approach is the historical context of the discursive discourse, which lends DHA its unique quality that sets it apart from other CDA approaches.

2.3.4 Media Discourse in CDA

According to KhosraNovik (2010), the media and processes of news production have acquired salience in the modern mechanism of power. The ability of media to “manufacture” consent of common people is multidimensional and this ability mainly resides in media discourse Herman & Chomsky, (1988). Added to this Raza (2019) says that to achieve their ideological aims, individuals or group of people in a community use language, to establish their desired meanings, language users deliberately choose linguistic elements such as lexical items. The discourse used by the media influences the audience’s ideology. Media are not the only way of sharing information, but they reshape the readers’ ideological position (Reath, 1998) added to this, Fowler(1991) says that the world of media is not the actual world, but a world perceived and skewed. Moreover, Bantimaroudi, and Kampanellou (2007) explain that “the press had a profound influence on the conceptions of national consciousness of individuals, thereby making the media an important agent in affecting and shaping collective mentalities. Newspapers are considered a reliable source of information and persuasion (Cissel,2012). Linguistic analysis of newspapers is often skeptical, and linguists sometimes believe themselves to be responsible for deliberate language manipulation to manipulate the truth (O’Keeffe, 2011). They show their interpretation of reality as they see it and as ideally adapted to their addressees (Hodge and Kress, 1993). The study of editorials is important to examine the ideological role of news media since editorials are expressions of the wider ideological position of newsmakers (Izadi and Saghaye-Biria,2007). The primary aim of editorials as a type of text or genre that we come across every day and often find on the same page and at the same place in the daily newspaper is to share and build public opinion (Van Dijk 1996). In the same way, DavudKuhi and ManijehMajood (2014) see the genre of newspapers as a sociocultural practice in which the

author summarise events of public significance. This activity demands the writer to look convincing and play it safe to retain or oppose a role or raise awareness of a critical and controversial issue.

Furthermore, Mahesar, Bhatti, and Rao (2018) Editorials, in the form of editor's opinions, play a major role in forming and synthesizing public opinion on topics of national as well as international concern. Media text works as mean and advocates social reforms in one way or another, allowing them to be analysed from different perspectives (Fairclough, 1995).

Editorials use unique vocabulary options to persuade and influence readers. The discourse used in editorials can affect public opinion on a broad variety of aspects (Tue Van Dijk, 1988). Editors select specific linguistic units to achieve their intended goals (Hawes and Thomas, 1995, cited by Raza 2019). For instance, to investigate the portrayal of the Gaza War in 2014 in two distinct sociopolitical contexts, Qawariq (2016) examined Palestinian and Israeli newspapers. He focused on how personal opinion is formulated and propagated by using specific lexical items. The researchers investigated how the event has been portrayed differently in media of two opposite sides following their respective ideological stand by using discourse analysis framework in general and social-actor, and referential strategies methodology in particular.

To investigate the representation of Israeli/Palestinian conflict in Arab and western media Zehar (2009) conducted a study to compare the representation of certain events related to Israeli/Palestinian conflict. To examine how power relations and ideology shape discourse in diverse political and historical context. Therefore, the representation of the same events and entities in an Arab newspaper (*the Arab News*) and an American newspaper (*the New York*

Times) as well as in two UK newspapers (*the Times*) and (*the Guardian*) were compared utilizing linguistics analysis focusing on several discourse categories.

Moreover, Youssefi, Kanani, and Shojaei (2013) studied the representation of sanctions on Iran in western print media that how Iran and individuals of firms associated with; misrepresented in the headlines and lead paragraphs of the western newspapers via the ideologically motivated application of linguistic feature (i.e. lexical choices, transitivity, modality, metaphor, and presupposition and grammatical devices). The western newspapers misrepresented Iran and Iran affairs through their headlines and leading paragraphs, these newspapers articulated the ideological position through language in the headlines and reports on Iran sanctions in a crafted language to justify and legitimize the so-called international and unilateral sanctions against Iran, imposed by the west.

Tahir (2013) using the analytic framework of Van Dijk, investigated how Muslims are represented in an article published in the —Washington Post|. The article dealt with the Muslims' protests against the release of the Holy Prophet Muhammad (PBUH) blasphemous cartoons. The researcher analyzed how the article finally constructed the fundamental beliefs in the portrayal of in-groups and out-groups, using a conceptual paradigm of Us versus Them! The study analysed word choices and used other such techniques and concluded that Muslims and their actions were negatively illustrated as others in the text.

Furthermore, using the same analytical framework, (Mahmood, Kausar, & Khan, 2018) carried out research in CDA, “Us” versus “Them” ideology by focusing lexical choices and syntactic structures, to make a comparative discourse analysis of American and Pakistani political discourse regarding the aftermath of Army Public School attack in Pakistan, for study

editorials of “Dawn” and “The New York Times” in the aftermath of Army Public School attack. The findings show that the New York Times has treated the matter in a more impartial way than Dawn. The attackers are identified as Taliban, and the “Us” sentiment is as clear as the “Them” sentiment. Dawn on the other hand, has hardly mentioned the attackers as Taliban but often mentioned them as militants.

2.3.5 Description of Some CDA Terminologies

Though, CDA is enriched with a lot of terminologies, a brief description of some of these terminologies is given below.

2.3.6 Discursive Practice

Discursive practice refers to some form of action that has the clear goal of producing, establishing, and constructing a social state by disseminating an ideology that discriminates and alienates a particular individual or community to maintain the dominant group’s power.

i. Hegemony

Hegemony is the practice of the capitalist class or its members to acquire state power and then preserve it. In CDA, the terminology is used to explain discursive practices and agendas which are propagated by the dominant party to acquire authority and thereafter preserve it through “supposed” public consensus.

ii. Representation

The term representation means an image that is discursively constructed with a view to compelling and manipulating collective mental models in society to take up the image of a social

actor. Van Leeuwen (1996) says that “representations contain or remove social actors to suit their needs and intentions in relation to the readers whom they are intended for”.

iii. Social Actor

A social actor may be a person or a member of the community involved in the discursive event. Van Leeuwen (1996) introduced a taxonomy that elaborates social actors in several representations such as individuals or members of a group(s), or through their roles, status, and their relationship with others.

iv. Us versus Them

(Wodak, 2003) explains the strategy of negative-other representation in terms of ‘Us’ versus ‘Them’, which emphasizes the positive characteristics of the self and negative characteristics of the ‘Other’ to discriminate and isolate the ‘Other.’

v. Strategy

According to (Wodak, 2001) a strategy is a more or less intentional plan of practices (including discursive practices) adopted to achieve a specific social, political, psychological, or linguistic goal. "Strategies are concrete techniques used for the realization of discursive practices. Furthermore, each of these methods has different sub-categories, thus giving them a clear structure. (Wodak, 2001) Refers to such approaches as “discursive strategies”

vi. Negative-Other Representation: The Strategy

(Reisigl & Wodak, 2001) Classify these strategies into these specific categories, i.e. reference, predication, perspectivisation and/or involvement, intensification and/or mitigation, and finally argumentation. These strategies will be discussed in detail in Chapter 3.

CHAPTER THREE

DATA COLLECTION AND METHODOLOGY

This study aims to analyze the selected statements and press releases of IMF from a Critical Discourse Analysis perspective. The analysis will rely on the methodological categories of the DHA, including, *nomination, predication, argumentation intensification and mitigation*. It will find discursive strategies that have been implied by IMF to present his view point. In analysing the IMF statements and press releases for naming choices, the research will examine the way in which the events and entities are referred. According to (Fowler, 2013), “the different possibilities [of naming] signify different assessments by the speaker/writer of his or her relationship with the person referred to or spoken to, and of the formality or intimacy of the situation” (p. 200). The different possibilities for naming choices include extreme formality, such as using the complete unabbreviated title of an official or a neutral naming choice. In the same way, naming choices may be used to reflect the biases of the writer, examples of which would be stereotypical or ideologically guided naming choices. The editorials’ naming choices shall be analyzed for the different actors to identify “different ideological affiliations. Predication strategies, characterize social actors according to the stereotypical, evaluative, attribution of

positive or negative traits in linguistic from implicit or explicit predicates (KhosraviNik, 2010). The main aim is to label actors positively (i.e., in-group) or negatively (i.e., out-group). Argumentation is the means of persuading the audience, the process of justifying and legitimizing actors, objects, and phenomena. It is the action or process of reasoning systematically in support of an idea or an action. If this reasoning is not valid and violated by argumentation rules, then it is called pseudo-argumentation. In rhetoric and argumentation theory, these violations are called ‘fallacies’. The study has made use of (Reisigl & Wodak, 2001). While through strategies of perspectivation, framing, or discourse representation, speakers demonstrate linguistically their stance and their involvement in discourse. Intensifying and mitigation are two opposite strategies, and both may influence the original illocutionary force of utterances.

According to (Flairclough, 2006) society and discourse are two inseparable entities: thoughts and ideologies give shape to discourse. The current analysis will try to explore the use of certain linguistic expressions as vehicles of an ideological position in press releases and media talks. Referential, predicational, mitigation, perspectivisation, intensification, and argumentative strategies will be used as a tool to analyse the data of press releases, media talks, and articles written by representatives of IMF. Moreover, the statements, and interviews of independent economists, well renowned in the field of economics, will be analysed to see what discursive strategies at work to produce their discourse.

3.1 Data Collection

The time period selected for the analysis of IMF statements and press releases is post Covid-19 when IMF resumed its loan conditionality. We draw a comparison between both Pakistan’s and Sri Lankan’s IMF facility by analysing 15 IMF statements and press releases for

each country respectively. Since 2021 there has been seen a huge price hike and inflation in the domestic commodities of both countries resulting in devaluation of its currencies. Sri Lanka has defaulted, whereas Pakistan has managed to avoid default due to timely help by the allied countries. The data is collected from official website of IMF where it is easily accessible.

Additionally, the statements and interviews of independent economists are also analysed to see how they see and perceive the IMF discourse.

3.2 Research Framework

The research focuses on tracing the working of ideology through Referential, Predicational, Argumentative, Mitigation, and Perspectivisation strategies in the IMF statements and press releases. The analysis has been conducted in a broader Critical Discourse Analysis (CDA) paradigm but it has been restricted to Discourse-Historical (DH) method within CDA developed by (Reisigl & Wodak, 2001).

3.3 Referential strategies

A referential strategy is a technique used to label social actors either positively or negatively. (Reisigl and Wodak, 2001) outline various discourse structures that make up referential strategy, (Reisigl and Wodak 2001) emphasize the role of referential and predicational strategies in positive and negative representations and their ideological power. Referential or nomination strategies are used to construct and represent social actors, and predicational strategies are used to provide social actors with predication, which aim at labeling them more or less positively or negatively. They may be realized as stereotypical, evaluative attributions of negative and positive traits in the linguistic form of implicit or explicit predicates. Sometimes it can be hard to distinguish predicational from referential strategies since some nominations have

certain predictions associated with them; therefore, pure referential identification often involves evaluative labeling of social actors. Reisigl and Wodak list some referential strategies relevant to a discriminatory discourse that affect the positive and negative representations of various groups. Membership categorization is closely related to referential and predicational strategies. Van Leeuwen (1996) defines categorization as the representation of social actors by functionalizing, identifying or appraising them, i.e. by referring to them by ascribing identities, functions, and positive or negative evaluations that they share with others.

According to Reisigl and Wodak (2001), when social actors are included in discourse in terms of relational identification, they may be represented through one or more categories; Following is a brief explanation of each of these categories:

I. Collectivization

This category refers to the representations of actors as group entities, without quantifying them using deities (*for example we, us, they*) or collectives (*for example the people, the nation, race, family, group*), which help to construct the idea of masses of undistinguishable who constitute mere statistic or manufactured homogeneity or consensus.

II. Spatialization

Through specialization authors, present actors impersonalizing them about a place with which they are closely associated in a given context. It may be realized through toponyms used as metonymies or/and personification (*place/ state/ town for people*) as in the cases of *Turkey, Asia, the Foreign countries* or through anthroponyms referring to a person in terms of living in a place (e.g. *residents, inhabitants, occupier, dwel*

III. De-Spatialisation

It is the category realized linguistically using de-toponymic anthroponyms (including references based on local orientation) (*Englishmen, African, Foreigner, Outlander*) or de-adverbial anthroponyms (*outsider, insider*). As in the case of the previous one, the representations made by the author are in reference to a place, belonging to a place in this case, and still, it is an instance of linguistic objectivation, impersonalisation which does include the semantic feature [+Human].

IV. Explicit Dissimilation

Xenonyms are the lexical elements through which explicit dissimilation is realized. Examples in the category include *alien, stranger, and the other*. It is a discriminating category through which actors are overtly classed as others.

V. Originalisation

Under this category, we find the referential strategies through which actors are identified by ascribing them to the place of origin. Origonyms are the lexical items that realize this type of meaning and example of originalisations include natives, *aborigines, compatriots, ancestors*.

VI. Actionalisation/Professionalization

Sometimes social actors are represented in terms of social activities. If we consider that every role in society has attached to it a certain identity, it becomes clear that the uses of this strategy trigger the association between the idea of who a person is and what a person does. This strategy is called Actionalisation and it is realized through Actionyms/ praxonyms (for example *migrant, refugee, criminals*). Similarly, *Professionalisation* is addressed the people with the profession they belong to (for example *officials, policemen*)

VII. Somatization

Somatization is a category that consists of twelve sub-categories. It includes the representation of social actors employing reference to a part of their body or some other physical characteristics.

VIII. Culturalisation

Culturalisation implies the representation of social actors not in terms of their identity, but about some cultural aspects to which they are associated (for example *Turks, Jews*)

IX. Economisation

When the actors are referred through an economic factor, such as their economic ideology, their wealth or lack of wealth or role in the economy than the category known as economatisation.

X. Politicisation

In this category we may find the referential elements that identify actors with their political affiliation, ideology, alignment, ascription to political organizations at different levels, and granting or deprivation of political rights. It further includes sub-categories.

XI. Militarisation

Social actors may be portrayed as representatives of the military arena. In this case, the language offers military titles, such as *a warrior, a soldier, an army, and the troops*. Some items in this category may also fall under Actionalisation/ Professionalisation as in the case of *Captain, General, and Commander*.

XII. Social Problematisation

The use of different synecdoche is a very frequent linguistic phenomenon that reflects actors as a source of a social issue, either as victims or victimizers in social conflict, disruption, or criminal activity.

XIII. Relationalisation/ Sociativisation

This type of taxonomy includes relations and the sociatives which denote the division of actors on the relationship they have with each other. The relationship is sometimes complementary as in the *oppressed-oppressor*, *victim-victimizer*, and sometimes simply denotes some sort of social affiliation or association, affiliation, as in the case of a *friend*, *neighbor*, *visitor*, *compatriot*, etc.

3.4 Predicational Strategies

The second one, predication strategies, characterize social actors according to the stereotypical, evaluative, attribution of positive or negative traits in linguistic from implicit or explicit predicates (KhosraviNil, 2010, p. 57). The main aim is to label actors positively (i.e., in-group) or negatively (i.e., out-group). Predicational strategies are often part of referential strategies but they are often more than that. They refer to describing or giving qualities to the social actors by using adjectives, metaphors, similes, synecdoches, hyperbole, and euphemisms. These strategies may reduce or enhance the significance of certain things or events as intended by the writer. The current study will focus on the Predicational strategies at the word level through analyzing the framing tool.

3.5 Argumentative Strategies:

Argumentation is the means of persuading the audience, the process of justifying and legitimizing actors, objects, and phenomena. It is the action or process of reasoning

systematically in support of an idea or an action. If this reasoning is not valid and violated by argumentation rules then it is called pseudo-argumentation. In rhetoric and argumentation theory, these violations are called ‘fallacies’. The study has made use of Reisigl and Wodak (2001) again to find out fallacies of various types as introduced below:

I. Argumentum Ad Hominem

Ad hominem argument attacks a person’s character instead of what he or she is saying intending to divert the discussion and discredit the person’s argument.

II. Argumentum ad Baculum

Argumentum ad baculum refers to threatening arguments to terrorize the opponent with the use of force of any kind.

III. Argumentum ad Misericordiam

The appeal to pity takes place when an arguer tries to get people to accept a conclusion by making them feel sorry for someone.

IV. Argumentum ad Populum

Argumentum ad populum is when a proposition is claimed to be true; the argument provided is fallacious because the structure implies that a proposition must be true because many people believe it.

V. Argumentum ad Verecundium

Argumentum ad verecundium refers to supporting one’s arguments by using the use of view or quotations of heroes, experts, scholars, etc, who are respected by the general public.

VI. Secundum Quid

Secundum quid refers to the use of synecdoche to create generalization in which part may represent the whole or vice versa.

VII. Post Hoc, Ergo Propter Hoc

Post hoc, ergo propter hoc refers to ignoring the actual argument and representing an event that occurs first as cause to the event happening later in the time whereas there may not be any actual causal relationship between them.

VIII. Argumentum ad Agnorantiam

Argumentum ad ignorantiam is when assuming that a claim is true because it has not been or cannot be proven false, or vice versa. The arguer claims that their conclusion is correct and should be accepted

IX. Argumentation ad Consequentium

It is a fallacy when fear is used in place of evidence. A Scare Tactic instills fear in people to persuade them of the credibility of an argument.

X. Trajectio in Ailium

Trajectio in ailium refers to putting the responsibility on someone else than the actual causes.

XI. Straw Man Fallacy

A straw man fallacy occurs when someone takes another person's argument or point, distorts it or exaggerates it in some kind of extreme way.

XII. PetilioPrincipii

Begging the question, also known as *petitioprincipii*, is a logical fallacy where an argument assumes its conclusion to be true within its premise. Essentially, it's a circular argument where the evidence used to support a claim is the claim itself, disguised slightly.

XIII. Appeal to Wealth

Appeal to wealth is when supporting a conclusion because the arguer is wealthy (or refuting because the arguer is poor).

XIV. Appeal to Poverty

Appeal to poverty is the opposite of appeal to wealth.

XV. A Red Herring Fallacy

A red herring fallacy, one of the main subtypes of fallacies of relevance, is an error in logic where a proposition is, or is intended to be, misleading in order to make irrelevant or false inferences. A speaker attempts to distract an audience by deviating from the topic at hand by introducing a separate argument the speaker believes is easier to speak.

XVI. Hasty Generalization

Hasty generalization is when basing a broad conclusion on a small sample or the making of a determination without all of the information required to do so.

XVII. False Analogy

False analogy is an argument by analogy in which the analogy is poorly suited.

XVIII. Cherry Picking

Cherry picking is the act of pointing at individual cases or data that seem to confirm a particular position, while ignoring a significant portion of related cases or data that may contradict that position.

XIX. Misleading Vividness

Misleading vividness involves describing an occurrence in vivid detail, even if it is an exceptional occurrence, to convince someone that it is a problem.

XX. Slippery Slope

Slippery slope (thin edge of the wedge, camel's nose) is when asserting that a relatively small first step inevitably leads to a chain of related events culminating in some significant impact/event that should not happen, thus the first step should not happen.

XXI. Reification (hypostatization, fallacy of misplaced concreteness)

Reification (hypostatization, fallacy of misplaced concreteness) is a fallacy of ambiguity, when an abstraction (abstract belief or hypothetical construct) is treated as if it were a concrete, real event or physical entity. It is the error of treating as a real thing something that is not a real thing, but merely an idea.

XXII. Appeal to Probability

It is a statement that takes something for granted because it would probably be the case (or might be the case).

CHAPTER FOUR

ANALYSIS AND INTERPRETATION

After discussing the methods of data collection, in the previous chapter (Chapter Three), this chapter will provide an analysis and interpretation of the data. It will demonstrate and present a detailed and systematic description, interpretation, and explanation of selected extracts taken from the official website of IMF discourse for Pakistan and Sri Lanka (in the light of Wodak&Reisigl DHA model). In addition to, this chapter aims at identifying and explaining the

discursive strategies, including referential, predicational, perspectivation, and argumentative strategies used in the editorial discourse. The whole press releases and IMF statements are given in the appendix for a ready reference and to keep a check on any biases in the selection on part of the research.

4.1 Description and Interpretation

In this section, discursive techniques and strategies, found in selected press releases & statements, have been analyzed, identified, and interpreted regarding their persuasive purpose. A thorough and systematic description of IMF discourse has been given in the next section. The thorough review of both the Pakistan and Sri Lankan discourse of the IMF is given as follows.

4.2 Analysis of IMF Statements, and Press Releases about Pakistan

Pakistan witnessed immense financial difficulties since its independence, and after only one decade of independent functioning, it had to go to the International Monetary Fund (IMF) for a Standby Arrangement to address its balance of payment problems in 1958. Pakistan has negotiated 24 arrangements with the IMF to get out of its financial difficulties and to address the balance of payments issue. However, after availing all these programs the current situation is no different than it had been 75 years ago, except the loan has piled up to approximately 280 billion dollars, and it is keep on mounting. The core problem for which Pakistan has been knocking IMF door is balance of payment issues, meaning Pakistan's imports have been more than its exports over a long stretch of time, which is still there and trying to get over it, which has even more aggravated now.

The undermentioned extract has been taken from the IMF press release, where it says that Pakistan's current economic situation has stabilized by virtue of the Stand-by Arrangement,

which Pakistan has successfully completed. Each IMF program comes with certain conditionality and benchmarks which the client country has to meet before the disbursement. The majority of countries go to the IMF to deal with the issue of balance of payments. To get the facility of a loan, the member country has to meet the IMF criteria and make the structural adjustments as per the IMF.

I. Pakistan: IMF Reaches Staff-Level Agreement on Economic Policies with Pakistan for 37-month Extended Fund Facility

July 12, 2024

*1. Building on the economic stabilization achieved through the successful completion of the 2023 Stand-by Arrangement, the IMF and the Pakistani authorities made significant progress toward reaching a Staff Level Agreement (SLA) on a comprehensive economic policy and **reform program** that can be supported under an Extended Fund Facility (EFF). IMF Press Release, July 12, 2024*

(Appendix I)

The introductory phase of this text has been foregrounded to give the stance of the IMF that, only because of the IMF program, Pakistan has achieved stability. The noun stability doesn't mean actual or self-sustained means Pakistan has stood on its feet, rather a soft term has been used which is a half-truth. According to the IMF, its lending program has been beneficial and crucial for Pakistan to deal with the deep-seated financial crisis. The presupposition has been used here that before going to the IMF's Stand-by Arrangement Pakistan's economy was unstable and facing potential default. Stand-by Arrangement is a short-term economic program availed by developed and developing countries where loans are provided to the member countries depending on their financial status. Countries with deteriorated economies will be

given loans at different conditions as compared to countries with stable economies. IMF wants Pakistan to be in its financial program and through its discourse, it legitimizes its significance that it helped Pakistan to avoid potential default. The major purpose of the financial institution is always to serve the interests of that institution, which has been the ideology of the IMF and World Bank. Moreover, the phrase reform program has been used as a euphemism where the intensity of that phase is lowered. However, in reality, it has profound implications, since such reforms in the case of IMF discourse demand strict measures being taken by the government. To deal with balance of payments issues, the IMF makes use of the Stand-by Arrangement or Extended Fund Facility, depending on the financial situation of the country. The conditions on which the loan is disbursed also fluctuate depending on its ties with the client country. Some IMF programs are strict in implementation, while others may have flexible conditions. A country never goes to the Extended Fund Facility unless they are facing a medium or serious long-term financial crisis. It reflected that Pakistan's economy is in serious trouble and needs overhaul surgery. The reform program comes under *Economization* referential strategy. The term reform in the IMF is a very broad term that demands different measures depending upon the root causes of the problem because of which the crisis has originated. However, IMF has been using the strategy one shoe fits all. Once the country approaches to IMF particularly the undeveloped country to resolve balance of payment issues. Then it has to take all these measures, like increasing taxes, devaluing its currency, increasing interest rates, and cutting government spending. These measures are taken to increase revenue, which in turn impacts the majority of the citizens particularly the families with low income.

2. *The program aims to capitalize on the hard-won macroeconomic stability achieved over the past year by furthering efforts to strengthen public finances, reduce inflation,*

rebuild external buffers and remove economic distortions to spur private sector led growth. IMF Press Release, July 12, 2024

(Appendix II)

In these lines, the efforts of Pakistan towards achieving stability have been appreciated and lauded by IMF officials that Pakistan has achieved macroeconomic stability in the last year despite so many odds. Similarly, the adjective *the hard-won* has been used to adulterate the efforts of the Pakistani authorities by taking unpopular decisions that imposed strict measures on its public. IMF officials have represented Pakistan's efforts in an affirmative way. This is also IMF's discourse strategy to appreciate the country to push it for further actions, even just before the East Asia Financial Crisis in 1997, the IMF was admiring the private banks for taking loans from international creditors which had resulted in financial crisis due to unable to pay its debt on due time. According to IMF discourse, financial stability has only been achieved because it has followed the instructions as indicated. Additionally, presupposition has been used to demonstrate that before going to the IMF Pakistan's economic condition was vulnerable. Therefore, IMF programs are a lifeline for the survival of Pakistan's economy. Furthermore, Pakistan has been advised to take further steps in the form of increasing tax base, privatizing the government departments running in debt, and letting the private sector to come forward in the development of the economy. IMF authorities have again demanded that Pakistan do more in order to revamp its economy to boost the confidence of the other lending countries, including multilateral and bilateral financial institutions, so they could help in increasing financial reserves. The underlying ideology of the IMF is to ensure to get the money back with interest by directing it to bring structural reforms in order to achieve its objectives.

3. A fairer balance of fiscal effort between the Federal and Provincial governments, which have agreed to rebalance spending activities in line with the 18th constitutional amendment through the signature of a National Fiscal Pact that devolves to provincial governments higher spending for education, health, social protection, and regional public infrastructure investment, enabling improved public service provision. At the same time, the provinces will take steps to increase their own tax-collection efforts, including in sales tax on services and agricultural income tax. IMF Press Release, July 12, 2024

(Appendix III)

This extract has been taken from the IMF press release, which reflected upon the discussion between the federal government and provincial governments about the fiscal policies and increasing tax collection. Prior to this development, provincial governments were not in the net base of the IMF. Here IMF authorities have given reference to the 18th Amendment, according to which health, education, public sector development and social safety net come under provincial domain. Therefore, the IMF wants to increase its tax net by enforcing the provincial governments to act as per the aspirations of the 18th amendment, which gives the freedom to provincial governments to deal with matters that come under their domain. The ideology of the IMF is to collect more taxes to achieve its targets, and to build its credibility in the world's financial affairs.

4. Promoting private sector and export dynamism by improving the business environment, creating a level-playing field for all businesses, and removing state distortions. In this regard, the authorities are advancing efforts to improve SOE operations and management as well as privatization (with the highest priority given

to the most profitable SOEs) and strengthening transparency and governance around the Pakistan Sovereign Wealth Fund and its operations. IMF Press Release, July 12, 2024

(Appendix IV)

In this excerpt, it has been stressed that the government of Pakistan have to create a favorable environment for businesses, so they could thrive and boom by doing trade liberalization. According to IMF discourse, it wants to provide equal opportunities to all businesses by removing existing hurdles for them and providing level playing field means cutting down government intervention and letting market forces decide about their growth and decline. The presupposition has been used indicating there has been a lack of export dynamism, and level playing field for private as well as public sector industries. Here, the IMF ideology is to set the free market economy, which is the essence of capitalism by removing the subsidies given to specific export sectors. Moreover, the IMF wants authorities to improve operations and management of SOE's particularly those running on profit e.g., OGDCL, NBP, and other public sector enterprises. The efficiency of these profit-making organizations should be more smoothed so they can work even better. Moreover, there is much-needed dynamism in privatizing those enterprises which has become a white elephant for the economy. Transparency and governance-related issues need to be taken seriously to ensure smooth functioning of the departments and avoid any distractions stemming from governance and other issues.

XIV. IMF Executive Board completes second and final review of The Stand-By Arrangement for Pakistan

April 29, 2024

5. To move Pakistan from stabilization to a strong and sustainable recovery the authorities need to continue their policy and reform efforts, including strict adherence to fiscal targets while protecting the vulnerable; a market-determined exchange rate to absorb external shocks; and broadening of structural reforms to support stronger and more inclusive growth. IMF Press Release, April 29, 2024

(Appendix V)

In this extract, the efforts of the Pakistan government have been appreciated by the IMF authorities as its economy has stabilized, if it wants to go for sustainability, they have to expedite reform efforts, and it has to strictly adhere to the fiscal targets set in the IMF program. The phrase strict adherence to fiscal targets has been used as an intensifying strategy, stressing the authorities to press ahead in order to meet the target criteria. These measures by all means affect the vulnerable, which usually include high interest rates, and high taxes on goods and services. Every IMF package comes with similar conditionality which the host country has to fulfill in order to be in the IMF program, e.g., increasing taxes, cutting development budgets, market-based currency rates, and high commodity prices. When all these measures are taken collectively, the prices of the household commodities go skyrocketing. These measures bear unfavorable consequences, and we have seen that by adhering to the measures of the IMF indicated in their bailout packages, there has been more inflation, fewer job opportunities, and a larger number of families go below the poverty line. To address these issues again, the country has to go to the IMF, which is called moral hazard, that after a certain time the country will face similar challenges. There is no option but to knock on the IMF door. These tools have been used by the authorities to keep them in its control. The argument of HASTY GENERALIZATION

FALLACY has been used, reflecting that Pakistan's strict adherence to the IMF program will lead to sustainability, which seems an overstatement on the part of the IMF authorities.

*6. Pakistan's **determined policy efforts** under the 2023 Stand-By Arrangement (SBA) have brought progress in restoring economic stability. Moderate growth has returned; external pressures have eased; and while still elevated, inflation has begun to decline. Given the significant challenges ahead, Pakistan should capitalize on this **hard-won stability**, persevering-beyond the current arrangement-with sound macroeconomic policies and structural reforms to create stronger, inclusive, and sustainable growth. Continued external support will also be critical. IMF Press Release, April 29, 2024*

(Appendix VI)

In this fragment, Pakistan's determined policy efforts has been appreciated which is an in-group discursive strategy. Determination means to accomplish a target without caring about the impediments and hardships on one's way. IMF programs have these conditions and prior measures which, if taken properly have a negative consequence on the political capital. Therefore, it requires determination to take unpopular decisions which in fact hit hard on the majority of the population. According to the IMF, Pakistan has been following by letters and spirit the directions given by it. As a result, its economy has been improving on macro level, which is evident through the growth rate, and external finance easing. Given the current improvement in macroeconomic indicators, Pakistan should take further concrete steps to maintain the hard-won stability; otherwise, it would be at risk and would have to start from scratch. The modal auxiliary 'should' indicates an intensifying strategy which underscores Pakistan to take further steps in order to increase revenue. Pakistan has to

ensure more financial support from its allies, which will increase foreign reserves. The *Argumentum Ad Consequentum* fallacy has been used to indicate that Pakistan must have to make more reforms to tackle the balance of payment issue.

7. *Achieving strong, long-term inclusive growth and creating jobs require accelerating structural reforms and continued protection of the most vulnerable through an adequately-financed Benazir Income Support Program. Priorities include advancing the reform of state-owned enterprises (SOEs), including to ensure that all SOEs fall under the new policy framework; strengthening governance and anti-corruption institutions; and continuing to build climate resilience. IMF Press Release, April 29, 2024*

(Appendix VII)

In this fragment, it has been urged that the authorities expedite structural reforms in order to achieve long-term inclusive growth, increasing job opportunities while protecting the vulnerable through the BISP. Structural reforms generally mean privatization of enterprises that have been running at a loss for a long period. It also includes governance and anti-corruption measures. Structural reform is a very general term and covers a lot of area from governance to tax collection. However, the fact is, reform is used as a euphemistic term to soften the meaning. In IMF discourse, it has been emphasized to bring good governance to tackle corruption issues which has also been used as a presupposition that indicated corruption exists within the system. IMF authorities have urged to take care of vulnerable sections through BISP by giving targeted subsidy which come under the *Argumentum Ad Misericodium* where authorities brought an element of sympathy for the unprivileged. There is no skill-based program in the IMF package which could help people to earn on their own, nor any other sustainable development program.

In BISP, a small cash amount is provided to a few families after several months which is more of a cosmetic nature. Moreover, the IMF emphasized to make climate resilience reforms to tackle environment-related issues.

8. Continued timely and consistent implementation of program policies remains critical, with no room for slippage. Strict adherence to the fiscal targets, while protecting development needs and strengthening the social safety net, is essential to alleviate pressures and place debt on a downward path. IMF Press Release, April 29, 2024

(Appendix VIII)

In this fragment, it has been asserted that Pakistani authorities to implement the IMF program in letter and spirit. Additionally, it has been underscored Pakistan for the timely and consistent implementation of the IMF program agendas. The intensifying strategies have been used here, stressing authorities to ensure the timely implementation and achieve fiscal targets indicated in the program. Pakistan have to make strict decisions like Pakistan has to increase the commodity prices, increase taxes, but at the same time have to build a mechanism to protect the vulnerable. Without taking these tough decisions, external debt will keep on mounting, and there will be more pressure on the economy. The *Argumentum Ad Consequentum* fallacy has been used here which means if Pakistan did not follow the dictations given, it would have drastic consequences for the economy. Therefore, a Hobson's choice for the government to implement these measures.

XV. Pakistan: IMF Reaches Staff-Level Agreement on the Second and Final Review of the 9- Month Stand-By Arrangement

March 20, 2024

9. *The agreement recognizes the strong program implementation by the State Bank of Pakistan and the caretaker government in recent months, as well as the new government's intentions for ongoing policy and reform efforts to move Pakistan from stabilization to a strong and sustainable recovery. IMF Press Release, March 20, 2024*

(Appendix IX)

This extract has been taken from the IMF press release recognizing and appreciating the positive efforts of Pakistani authorities made towards stabilization. The phrase strong program implementation reflects Pakistan's strong commitment towards achieving the indicated targets, which has been appreciated by the IMF in positive terms. Moreover, there is a presupposition if Pakistan hadn't complied with IMF's directions, there wouldn't have been these positive developments. Each IMF program comes with certain conditionality and these conditions have to be met to get an IMF loan, that are called prior actions. and Pakistan's interim government and State Bank of Pakistan fully implemented these measures and are working on the structural reforms program. These measures include: taxation on daily commodities, market-based exchange rate, fiscal adjustments, and monetary adjustments. These core measures are an essential part of every IMF loan package, and these measures are taken immediately, and their consequences are also prompt. These measures always result in inflation if they are taken in any country, however, these measures have positive ramifications as well in terms of short term stability. The noun stability is somewhat exaggerated since this stabilization is due to the artificial induction of money in the foreign reserves, and from the support of multilateral and bilateral countries and organizations, which is short lived as happened in the previous loans

taken by Pakistan. Stabilization has been used here as a *Half-Truth* fallacy. The intention of the new government has been appreciated that its motive and direction is clear about economic policies and reforms. The question remains how Pakistan will achieve sustainability, which is expressed in IMF's every other statement. Still, there is a big gap between exports and imports. Pakistan's economy heavily relies on imports. IMF wants Pakistan to lift the cap from all sorts of imports, which is trade liberalization, which will put more stress on Pakistan's rupee, resulting in more inflation.

*10. "Pakistan's economic and financial position has improved in the months since the first review, with growth and confidence continuing to recover on the back of **prudent policy management** and the resumption of inflows from multilateral and bilateral partners. However, growth is expected to be modest this year and inflation remains well above target, and ongoing policy and reform efforts are required to address Pakistan's **deep-seated** economic vulnerabilities amidst the ongoing challenges posed by elevated external and domestic financing needs and an unsettled external environment. IMF Press Release, March 20, 2024*

(Appendix X)

This extract has been taken from the IMF press release on March 20, 2024, indicating that Pakistan's economic outlook has become better ever since Pakistan joined hands with the IMF. Similarly, Pakistan's economic strategy and planning has been represented in positive terms with the use of the phrase prudent policy management. According to the IMF, measures taken by the government of Pakistan have elevated confidence of the finance assisting countries. Financial institutions like the World bank, Asian Development Bank, and other money lending countries like Saudi Arabia, UAE, and China will play its part in easing out the financial crisis in the form

of existing debt rollover. Nevertheless, despite the steps being taken so far the inflation and the growth rate will remain lower than the expected target. Moreover, Pakistan has to do more in terms of structural reforms. The term reform could be seen in every IMF statement, which appears as a soft term. However, the term implies strict measures to be taken in order to increase revenue. The pre-modifier deep seated used here refers to the issue of low exports which has been the major problem of the Pakistan's economy, but this issue has never been discussed in any of the statements and press releases of the IMF directly rather it has only been used the term structural reforms which is very broad term. Economic vulnerabilities have been used here as a *Problematization* referential strategy. Pakistan's current economic condition is still vulnerable. As usual, it requires external financing for its survival. *Argumentum Ad Consequentium* fallacy has been used in this excerpt, stressing there are internal and external financial threats hovering that can make Pakistan's economy more vulnerable. IMF is the lifeline for Pakistan's economy, economic stabilization is associated with the IMF lending program so it is indispensable for Pakistan to be part of it if it wants its survival. Moreover, it stresses the importance of addressing the problems existing since Pakistan's birth.

11. "Pakistan's program performance under the Stand-By Arrangement has supported significant progress in stabilizing the economy following significant shocks in FY2022-23. There are now tentative signs of activity picking-up and external pressures easing. Continued strong ownership remains critical to ensure the current momentum continues and stabilization of Pakistan's economy becomes entrenched.

IMF Press Release, March 20,2024

(Appendix XI)

According to the IMF Executive Board's statement, Pakistan has followed the IMF's guidelines given in the SBA. As a result, Pakistan has achieved financial stability. After the Imran Khan regime, the financial situation started deteriorating due to political instability and depleting foreign reserves that put pressure on the local currency, particularly in FY2022-23, resulting in rising inflation. Pakistan has rushed to the IMF for an immediate program to deal with the current financial crisis. Due to the injection of dollars in the State Bank of Pakistan, it has managed to avoid potential default. Undoubtedly, Pakistan's economic situation was critically vulnerable and was in severe need of an external boost, which the IMF provided. The term *continued strong ownership* means strongly advocating or supporting something for a long time. Here it; has been used to stress upon the government of Pakistan to steadfastly implement these reforms to keep the momentum going. The word entrench means to dig or excavate a trench, has been used here metaphorically, indicating that if measures are taken and adapted properly then Pakistan's economy will stabilize and sustain external shocks. So far, its Pakistan's 23 IMF bailout program, but rather than improving the economic situation, it has exacerbated over a period of time, and debt is continuously mounting. Pakistan has been taking loans from the IMF and other financial corporations like the World Bank and the Asian Development Bank to repay its liabilities. The biggest chunk of Pakistan's budget goes for the repayment of the debts.

IMF authorities have used presupposition here, claiming that before joining joined IMF, Pakistan's economic condition was on the verge of collapse and its economic situation was devastated. After the commencement of the IMF program, a positive trend can be seen in Pakistan's economy which will definitely ease out internal and external financial pressures

mounting on Pakistan. Even though currently Pakistan's economic condition is currently out of the danger zone, but it has to be more resilient in implementing the reforms.

XVI. IMF Executive Board Completes First Review of the Stand-By Arrangement for Pakistan

January 11,2024

12. "Boosting jobs and inclusive growth in Pakistan requires continuing protection of the vulnerable through BISP and accelerating structural reforms, most notably around improving the business environment and leveling the playing field for investors, advancing the SOE reform agenda and safeguards related to the Sovereign Wealth Fund; strengthening governance and anti-corruption institutions; and building climate resilience."IMF Press Release, January 11, 2025

(Appendix XII)

In this extract, the word vulnerable a euphemistic device, used for poor people that come under the collectivization referential strategy. In any turmoil, they get affected the most. Pakistan has been urged to bring reforms in state-owned enterprises to boost jobs and inclusive growth. Some of Pakistan's enterprises and institutions have become a liability for the economy for a longer period of time, which includes: Pakistan railways, PIA, Pakistan Steel Mills, NHA, and many more, which are running in debt. For the well-being of the people, Pakistan has to take some concrete steps which should be inclusive for the deprived and vulnerable sections of the society so they can't be severely affected by this current inflation. The phrase inclusive growth means the public policies should be designed in a way that supports all sections of society inclusively, specifically, the underprivileged sections of the society. So, they mayn't feel alienated from the mainstream. Uneven growth and development create anarchy and unrest

amongst the citizens, leading to political instability and riots. They could be supported through BISP, which is a poverty alleviation fund to support the destitute. In the IMF program, very often countries in crisis use the Stand-by Credit facility with other IMF financial programs. This Stand-by Credit program is a real facility used to help the destitute, since this facility comes with 0% markup and its repayment method is flexible. BISP has been one of such programs to support the people under the poverty line, but so far it looks very cosmetic and provides people with a very minimal amount to address financial issues. The net base of this financial assistance isn't broad enough to support a large number of people facing crisis. If used extensively with transparency at least it could support vulnerable people. Moreover, the IMF has asserted to provide equal opportunities and a level playing field for all businesses, so they could thrive and create job opportunities for the masses. The presupposition has been used that bad governance and corruption exist, which has been one of the factors in bringing down the efficacy of organizations to work at their full potential.

13. The caretaker government in place until elections are held in February 2024 has managed to maintain economic stability on the back of decisive policy efforts.

IMF Press Release, January 11, 2025s

(Appendix XIII)

The efforts of the interim government have been appreciated as they continued the same economic policies of previous government and followed in its footsteps to continue growth, which resulted in the continuation of economic stability. The efforts of the government in place has been acclaimed by the phrase decisive policy efforts which evoke a sense of urgent and long-lasting ramifications for the well-being of the masses. The appreciation by the IMF indicated that the government has been following its directions. In

IMF programs, economic policies are purely designed by the IMF authorities, while directives and directions are given through the state bank and finance ministry. The only job of the government is to implement the assignment being given. To ascertain whether the government is following the directions and dictations, there are IMF reviews that keep a check on the policy implementation of the government. In Pakistan's case, if the IMF authorities appreciate the efforts it indicates Pakistan's conformation to the IMF measures and reforms.

14. They are also phasing out incentives to Special Economic Zones, phasing out agricultural support prices and associated subsidies, and refraining from new regulatory or tax-based incentives, or any guaranteed return that could distort the investment landscape, including for projects channeled through the Special Investment Facilitation Council. The authorities have also committed to advance anti-corruption as well as governance and transparency reforms, and gradually liberalize trade policy. IMF Press Release, January 11, 2025

(Appendix XIV)

In this extract, it has been asserted to Pakistani authorities to phase out all subsidies, special grants and incentives given to the export industries and the agriculture sector, so a robust environment could be created among them. An equal opportunity or level playing field should be provided to all. So other industries and sectors could come forward to play its part in the development of the economy. If the authorities didn't opt for these measures, then it might have undesirable consequences for the investment landscape. Argumentum Ad Consequentum fallacy has been at work in this statement, underscoring the authorities to take necessary measures like trade liberalization by

cutting tariffs and quotas on imported goods, and creating a healthy environment, so external investment could come in the country. Presupposition has been used here for corruption, and governance that there have been existing corruption, and governance and transparency issues. These lacunas need to be addressed to take the economy on the right track.

4.2.1 Conclusion of IMF Statements regarding Pakistan

In the analysis of the IMF discourse on bailout programs, it has been seen that IMF urged Pakistan to take immediate and drastic measures and reforms to restore its economic stability including austerity measures, tight monetary policy, devaluation of its currency, increasing commodities prices (6%-13.25%) which badly impacted the impoverished of the society. In IMF discourse, once a country receives its bailout package, taking the measures and reforms dictated to it, it asserts it to take more measures. These reforms are meant to move towards a free market economy, which is one of the ideologies of the IMF. Different discourse strategies are at work in IMF discourse, like positive representation of the policy actions implemented by the government authorities in order to collect revenue. Authorities' efforts have been appreciated and lauded using predicational strategies. Similarly, referential strategies have been used in IMF discourse to represent actors and events. Most notably, collectivization, economization, problematization nomination strategies have been used. To legitimize their actions through discourse, it has used different arguments and fallacies. The commonly used fallacy is *Argumentum Ad Consequentum* fallacy, which has been implied in the IMF discourses to push the authorities to take hardcore measures to avoid getting into an earlier state of the economy where it was facing a potential threat of a default. In IMF discourse, other fallacious arguments have been used where IMF authorities attempted to get the sympathies and empathies of the public by the use of

Argumentum Ad Misericordiam by saying that we care most about the vulnerable without making providing any concrete support to protect them. The fallacy of *Hasty Generalization* has also been implied that Pakistan will achieve long-term sustainability by following the measures and reforms underscored in the IMF plan. Apart from that, in almost every other statement and press release, the IMF has emphasized that Pakistan to do more in terms of measures and reforms which apparently looked as plain and simple; nevertheless, these words are coined very cleverly, which disguises their impact on the lives of the vulnerable. Moreover, it has been noticed that after every IMF program, which has also been proclaimed as a bailout package, comes with tough conditionality where the country gets into it has to take prior actions, which include high indirect taxation on the basic commodities of daily use that affect the poor most. However, attractive and appealing words with softer power have been used, which is termed as a euphemism strategy. The phrase bailout packages gives the sense that it is some kind of grant offer to countries facing balance of payment issues, but in practice, it has been a bitter pill to swallow, and Pakistan has paid through the nose to digest it.

It has been seen that a country that is not in the IMF program (particularly underdeveloped) may not be given financial and developmental assistance from the World Bank and Asian Development Bank, which confirmed it as a political tool being used by bigger powers, but this may not apply for developed nations.

Furthermore, it has been seen that in weak economies, the biggest problem has been the balance of payment issues which means that a country has accumulated a mounting debt over a period of time and facing financial instability, nevertheless, we did not see any mechanism given in the IMF program to with challenges at hand except drastic prescriptions of measures We have

seen the same repeating pattern that a country goes to IMF and then starts the heavy imposition of taxes, and then it continues unstoppable inflation which never reverses.

As a weak economy, we still pay the highest chunk of our budget to the loans of the IMF, which further deteriorate our country's development, and we are totally unable to provide any substantive support to neglected sections of the community. Mostly prominent and independent economists talk against the long-term positive outcomes of IMF programs. This is also the fact that it affects less to the rich, in fact it makes them richer in terms of the money currency. Contrary to the claim that we (IMF) tax the rich but most of the taxes are indirect and hit the poor.

4.3 Analysis of Statements, and Press Releases about Sri Lanka

Press Briefing on Sri Lanka's 2024 Article IV Consultation and the Second Review under the Extended Fund Facility

June 14, 2024

*1. Yesterday, the IMF Executive Board completed the 2024 Article IV Consultation and Second Review under the 48-month **Extended Fund Facility** with Sri Lanka, which is providing the country with immediate access to about \$336 million to support its **economic policies and reforms**. IMF Press Release, June 14, 2025*

(Appendix I)

In this fragment, IMF Executive Board asserted the Sri Lankan government to bring structural reforms to address the financial crisis by an immediate disbursement to the Sri Lankan government under the Extended Fund Facility. The phrase Extended Fund Facility has been used here as a euphemistic term which gives a sense that this IMF program is a facility that is

given with a purpose to help the government only, without any conditions and interest rate, without any strict terms and conditions. However, under Extended Fund Facility a country has to go through an overhaul change in its economic policies set up in IMF program, and there are benchmarks that the country has to achieve within the given time with consistency in order to avail the next instalment. These benchmarks vary from country to country, and from time to time depending upon what it wants you to do. Nevertheless, one thing for sure IMF wants you to do more every time in terms of measures and reforms after every policy review and consultation. IMF has also stressed about privatization in its Extended Fund Facility, particularly of the government departments that the running in debt for a long time and became a white elephant for the economy. To ensure transparency and the smooth functioning of the organizations, IMF asserted government to launch anti-corruption drives, while privatizing the institutions to make their efficiency better and to get rid from the dead debt.

*2. Despite these positive developments, the economy is still vulnerable and the path to debt sustainability remains **knife edged**. Important vulnerabilities associated with the ongoing debt restructuring, revenue mobilization, reserve accumulation and banks' ability to support the economic recovery continue to cloud the outlook. IMF Press Release, June*

14,2025

(Appendix II)

In this extract, the phrase '*despite these positive developments*' has been foregrounded to indicate that the Sri Lankan authorities have made some progress in stabilizing its debt. However, these efforts haven't been enough to put the debt on the downward track. To restore stability, it has to take unpopular steps that might affect the working class. The steps which are needed to be taken include: austerity, market base exchange rate, monitory adjustment, and

increasing tax net to collect more revenue to bridge the gap between revenue and expenditure. These are the initial measures to be taken in order to put the economy on the right path. The word still vulnerable has been used here implying that the financial state of Sri Lanka is unstable. If the same situation persisted or was exposed to any undesirable external shocks or circumstances, then it would get exacerbated. The compound noun knife edged demonstrates the Sri Lankan economy is at verge and vulnerable any slightest shock would take it to the default position again. To get out from these overwhelming tough situation, it has to seriously look after debt restructuring, revenue mobilization otherwise the Damocles sword will continue hanging over its head. *Argumentum Ad Consequentium* fallacy has been used here which instills fear to follow up the reform agenda given to it, in order to have a well to do economy.

3. We encourage the authorities to press ahead with structural reforms to unlock Sri Lanka's long-term growth potential. Steadfast implementation of the governance reforms would support the authorities broader reform agenda. Key priorities include first, further trade liberalization to promote export and foreign direct investment. Second, labor reforms to upgrade skills and increase female labor force participation. And third, state-owned enterprise reforms to improve efficiency and transparency and to contain fiscal risks, and promote a level playing field for the private sector. IMF Press Release, June

14,2025

(Appendix III)

In this extract, the IMF urged the government to undergo structural reforms to bring long term sustainable growth. The terms structural reforms and sustainable growth have been discursively produced to give soft and positive connotative meanings. IMF reforms have always been very severe and strict to be implemented. Since it demands immediate actions in terms of

measures that have a severe impact on the vulnerable. The IMF logic for these measures is that these measures bring sustainability in the economy. A country has to implement these reforms until it is in the IMF program. The IMF team assesses the factors contributing to the instability at the request of the host country. According to IMF discourse, each bailout program is designed to suit the requirements of that particular country. However, contrary to IMF's saying, it is using the technique of one size fits all in underdeveloped countries. Underdeveloped countries often go to IMF to deal with balance of payment issues. In the IMF program, reforms mean privatization of the departments which have been a burden on its treasury, it means that have become a liability for the government, and a white elephant. The term structural reform is a very general and vague term, and it includes so many things, unless stated clearly, we may not be able to know exactly what the IMF wants. But generally it means measures taken by the government highlighted in the IMF agenda to deal with the crisis, it normally includes privatization, trade liberalization, etc. Similarly, steadfast implementation means here that the government has to show reliance, consistency, and diligence in implementing the measures irrespective of its consequences for the public. The noun phrase trade liberalization has been used as an actionalization/ economization strategy to promote trade and investment. The phrase labor reforms which is a somatization referential strategy, refers to creating concentrated labor so they could contribute effectively to the economy. Similarly, the female labor force has also been used as a somatization referential strategy so they could also play their part in the development of the economy.

4. So with respect to the negotiation with the Official Creditors, first, let me just state why this is important, and that is the debt of Sri Lanka is unsustainable. It is important to restore debt sustainability. There are different components to that. One is, of course, the fiscal consolidation and the one is the debt restructuring. So the debt restructuring, has

many components to it, including with the Official Creditors. IMF Press Release, June 14, 2025

(Appendix IV)

In this extract of IMF discourse, the noun phrase 'the Official Creditors' refers to the multilateral and bilateral creditors, which include France, Japan, China, the IMF, and the World Bank, and bilateral countries including Saudi Arabia, Iran, and others. The financial status of Sri Lanka has been portrayed negatively by the use of the negative adjective unsustainable, which implies that Sri Lankan authorities must have to make palpable arrangements with the official creditors to find a way forward to deal with the financial crisis. The term fiscal consolidation means that the Sri Lankan government must cut down public spending while imposing high taxes on the public to bridge the gap between spending and expenditure. The government has to go for austerity, which will badly affect the public. The other way around is to go for debt restructurings with the help of multilateral and bilateral countries. In restructuring, the loans aren't cancelled or forgiven; only the due repayment is rescheduled to a later date. Maybe interest rates have lowered in some cases.

5. On the question with respect to the elections, first, it's important to note that it is, of course, up to the people of Sri Lanka to decide on the outcome in a democratic process. But let me reiterate from our perspective that achieving the program's objectives is the key priority to give Sri Lanka a chance to emerge from one of the worst crises in its history. So there may be different proposals on how to achieve that, and we are willing to listen to different views on how these program objectives can be reached. These need to be realistic and achievable within the timeframe of the program. IMF Press Release, June 14, 2025

(Appendix V)

In this extract, the IMF authorities stressed the continuation of its program in order to achieve the program benchmarks. IMF authorities know that during the elections, the contesting candidates may come up with different agendas to deal with the financial crisis. The IMF authorities fear that these divergent plans could hinder its program. It warns stake holders that any contradicting policy with the IMF program can derail Sri Lankan progress towards stabilization. The *Argumentum Ad Consequentum* fallacy has been used implying if it did not follow the guidelines the consequences may be drastic for the Sri Lankan public.

6. *Sri Lanka has made good progress in terms of getting the recovery going, but the country really isn't out of the woods yet, and it will be important to safeguard the hard-won gains. So a key priority in the time ahead is to persevere with the reforms that will enable a stable and inclusive economic growth and avoid slipping into another crisis. IMF Press Release, June 14, 2025*

(Appendix VI)

In this extract, the efforts of the Sri Lankan authorities have been appreciated in achieving the goals as per the guidelines of the IMF. Even though their orientation and intentions have been clear, and they have been progressing to achieve economic stabilization, but it haven't been out of the danger zone. Sri Lanka has to expedite reforms as being directed. The phrase hard-won gains have been used here predicatively reflecting that by extra ordinary efforts, Sri Lankan government has achieved this mile stone, and a slight negligence would take Sri Lanka back into financial instability. Here in this extract, the IMF perspective is to compel Sri Lanka to continue its efforts to preserve what they have achieved by furthering more concrete steps. There has been perceived threat if Sri Lanka didn't follow the directions being given then it would be in the

same situation again. *Argumentum Ad Consequentum* fallacy has been used here enforcing Sri Lanka to do more as per the guidelines in order to avoid any of the undesirable circumstances which they have faced earlier during default.

7. I believe there was a question on how to address anti-corruption measures and improve governance, especially on tax collection. For there I would also like to point to you the newly published Staff Report. As you will see, our Staff Report talks a lot about the new targets for the government, including new structural benchmarks on improving governance. One of our new structural benchmarks is actually on addressing governance vulnerabilities and anti- corruption in tax collecting agencies. So our new structural benchmark there is to develop in each revenue department, which means that IRD, customs and excise, an implementation plan to launch a program of anti-corruption measures to strengthen the code of conduct, international affairs department, risk management and automation. So we are looking into a holistic approach. The structural benchmark is actually due by the end of August, and we look forward to seeing its implementation. IMF Press Release, June 14,2025

(Appendix VII)

In this extract, the presupposition has been used that there exists corruption and miss-governance which has hindered the progress of Sri Lankan government particularly in tax collection. It has also shown the stance of IMF that it wants to improve governance and bring down the level of corruption in Sri Lanka. The word anti- corruption has been used as *problematization* referential strategy indicating it as a stumbling block towards the Sri Lankan progress

In a similar way, IMF team emphasis on improving the structural benchmarks indicated so that the existing lacunas within departments could be minimized. These measures are crucial in order to strengthen the code of conduct so the departments related to revenue collection could work efficiently which will enable them to get the desired revenue. The structural benchmarks are crucial with respect to IMF perspective and they want its implementation immediately. Here in this excerpt the *Trajectio In Ailium* fallacy has been used reflecting that the lack of good governance and accountability within the tax department could be major hindrance in collection of a targeted revenue.

8. *This is an important part of the program because in a crisis, the poor and the vulnerable, they have the least buffers and they are affected the most by the crisis. And, you know, we actually got to know, for example, some tea plantation workers who are amongst the poorest in Sri Lanka, and that helped us also understand a little bit better the social safety net and how it works. And so we pay a lot of attention to this. So there are different aspects to ensuring, you know, proper social outcomes. IMF Press Release, June 14, 2025*

(Appendix VIII)

In this fragment, poor and vulnerable has been used as an Economization referential strategy. IMF program always comes with strict conditionality, effecting the most vulnerable sections since they have no buffers to protect themselves in case of any unexpected crisis. To manage the crisis, government introduces social welfare programs to give them some sort of financial assistance to cope with it. IMF authorities have shown sympathy towards the poor sections of the society and stress upon to initiate a social safety net program to bring them under the shelter in order to protect them from the crisis. These measures are taken to get the sympathy of the public and give a positive gesture to maintain its credibility by showing concern towards the destitute.

Argumentum Ad Misericordium has been used creating a sense of empathy towards the poor tea plantation workers who have been in misery. Any policy which increases inflation will deteriorate their financial sate even badly. So they need external financial assistance to cope with it. They have no other source of income and are purely relying on their daily wages to earn their bread and butter.

9. *And indeed, I'd like to echo that protecting the poor and the vulnerable is a very important component of our program. When we started the program, we negotiated with the authorities about the minimum spending floor for each quarter. And there is an understanding that if there is significant improvement in the economy, the government can do even more. IMF Press Release, June 14,2025*

(Appendix IX)

In this fragment, the phrase ‘And indeed’ has been used here for emphasis and foregrounded here indicating strong conviction. According to the IMF version, it has been the essence of its bailout package to protect the poor and vulnerable. The poor and vulnerable has been used as *social problematisation* referential strategy which demonstrates that they are severely affected in any financial crisis. Nevertheless, this kind of financial instability not only effects the destitute but also badly effects to middle and lower middle class, and at times push them into poor class. During any crisis, these social classes including lower-middle and middle class tend to become poor due to uncontrolled inflation, or the gap between them is squeezing. IMF authorities assured that they discussed about the social safety of the despondent by giving them targeted subsidy to avoid the heat of inflation. They would even bring down food prices of necessity goods given the Sri Lankan economy improves. Here IMF authorities has created a sense of sympathy and pity for those under cloud by the fallacy of *Argumentum Ad Misericordium*.

10. We are also encouraging the authorities to look at surveys to understand whether targeting has improved and whether there are other ways Sri Lankans can be helped. We understand that along with the World bank and ADB, the authorities are also thinking about a livelihood improvement program that will help people graduate into higher income levels and therefore may not be dependent on cash transfers. And we will continue to strongly encourage the authorities to keep an eye on this vulnerable sector.

IMF Press Release, June 14, 2025

(Appendix X)

In this fragment, 'We' as personal reference has been used as a *collectivization referential strategy* which refers to the IMF authorities. In any financial crisis, the poor people get effected the most, usually they have no buffers or shields to protect them because they are already at stake, living hand to mouth, and any shock can exacerbate them badly. However, the crisis Sri Lanka has been facing currently, it has a different scale and magnitude, effected good numbers in the country. Most of the time, only talked about the poor, and some cosmetic steps are taken to show to the world that it's a comprehensive program which takes care of the despondent. The above taken extract, stressed the Sri Lankan authorities to look at the surveys and ascertain if these measures, giving targeted people some cash money, have contributed to run their circle. Moreover, whether there could be other ways to help them. With the help of the World Bank & ADB, Sri Lankan authorities aim at starting the livelihood improvement program, that might help them in improving their financial crisis. That is an *Appeal to Probability* fallacy. IMF has presented itself as being deeply concerned about the underprivileged sections of society and created an image of a sympathizer and savior.

11. Now on that question, whether there is scope to adjust the program and reduce taxes. So I just pointed you to these two charts that tell the story of how the reduction in government revenues had contributed to this very severe crisis in Sri Lanka. And so rebuilding these revenues is an important objective of the program in order to allow Sri Lanka to emerge from the crisis. And, of course, the idea here is to bring revenue closer to the expenditures that the government is facing to reduce the gap between expenditure and revenue, and that will help to make the debt sustainable again and for Sri Lanka to be able to finance itself at interest rates that it can afford and that are sustainable. IMF Press Release, June 14, 2025

(Appendix XI)

In this extract, IMF authorities reiterated that the crisis of Sri Lanka deepened because of the imbalances between expenditure and revenue. The government had spent recklessly on goods and services, while it could not generate the required revenue that resulting in a gap between spending and earnings. This gap exerted pressure on the debt, which became unsustainable. To make it sustainable, the government has to cut expenditure, in other words, have to move towards austerity while increasing its revenue through taxes and other reform measures.

II. IMF Executive Board Concludes 2024 Article IV Consultation with Sri Lanka and Completes the Second Review Under the Extended Fund Facility

June 12, 2024

12. Directors stressed that pressing ahead with governance and structural reforms, supported by development partners and IMF capacity development, is crucial to unlock growth potential. They welcomed the publication of the authorities' action plan on the key

governance reforms recommended in the Governance Diagnostic Report and called for its steadfast implementation. IMF Press Release, June 12,2025

(Appendix XII)

In this excerpt, the board of directors of the IMF have reiterated the necessity of the structural reforms that include trade liberalization, improving public sector management, financial sector reforms, and the privatization of state enterprises to unlock potential for the resurrection of the economy, which according to them are in slum. IMF officials always underscored the importance of reforms as the panacea that could cure all problems, which is an official part of their lending scheme. The IMF authorities also appreciated the publication of the Governance Diagnostic Report and action plan for the key governance plan and stressed the government to implement it with consistency.

I. Opening Remarks by Peter Breuer, Senior Mission Chief for Sri Lanka at the Press Briefing on Sri Lanka

December12,2023

13. Today's Board approval recognizes the challenging policy actions implemented by the Sri Lankan people to put the crisis behind them. Sri Lanka's performance under the program was satisfactory. IMF Press Release, December 12,2023

(Appendix XIII)

Above mentioned extract has been taken from the IMF official website about Sri-Lanka, where the IMF authorities used an in-group discourse strategy to appreciate the government and people for their collective effort in implementing hardcore measures assigned in the IMF

program. The *Argumentum Ad Populam* fallacy has been used, reflecting due to the efforts of the people of Sri Lanka, the crisis was managed, although people have been affected badly during the crisis and would continue to suffer after the implementation of IMF conditionality. The IMF authorities knew it would be a very tough program to be implemented since it imposed severe taxes on the people that would make their lives difficult to bring bread to the table. Therefore, to create a sense of ownership within people, it has used this in-group strategy. Despite the fact that the government of Sri Lanka has successfully completed many of the targets indicated by the IMF team yet it has been asked to do more.

14. *Commendably, Sri Lanka has also reached important milestones in putting debt on the path towards sustainability. Sri Lanka's agreements-in-principle with the Official Creditors Committee and the Export-Import Bank of China on debt treatments are consistent with the program targets. It is now important for the Sri Lankan authorities and the official creditors to sign the respective **Memoranda of Understanding**. IMF Press Release, December 12, 2023*

(Appendix XIV)

Commendably, has been foregrounded to appreciate Sri Lankan authorities for the efforts they have made; these efforts include increasing food prices, cutting development budgets, which means cutting health and education budgets, removing any existing sort of subsidies or incentives given to any sector to accumulate more money. The IMF authorities has presented a more colorful picture of the Sri Lankan economy in these lines, saying that after taking these strict measures, it has put the crisis behind and is now moving towards sustainability, which is an overstatement. Thus IMF has used the fallacy of *Hasty Generalization* in which prompt conclusion has been drawn without considering all factors. Presupposition has been used in the

first line of the fragment, indicating that before availing the IMF bailout package, its financial condition was on the verge. The word milestone has been used metaphorically for achieving the IMF-given targets. A positive representation of the actors and events have been displayed in the text. The compound noun Memoranda of Understanding has been foregrounded, which reflected the agreements between the Sri Lankan government and the bilateral and multilateral partners to either make an investment or give it loan in hard form to manage the crisis.

15. Sri Lanka has made substantive progress towards advancing debt restructuring to restore debt sustainability. A swift finalization of the Memorandum of Understanding with the Official Creditor Committee and final agreements with the Export Import Bank of China remain a priority.

In this fragment of the text, Sri Lankan efforts have been adulated in IMF discourse as it has made significant efforts in line with the IMF program to restructure debts with the financial creditors. However, it has been compelled to expedite the finalization of the Memorandum of Understanding with the Official Financial Creditors, and Export Import Bank of China to put the debt on the back seat and achieve sustainability. Here, the *Appeal to Probability* fallacy has been used, indicating that Sri Lanka's restricting debt and finalizing MOU with other financial creditors would make debt sustainable. The phrase The official creditor committee has been used as a professionalization referential strategy.

4.3.1 Conclusion of IMF Statements, and Press Releases about Sri Lanka

After COVID-19, Sri Lanka has defaulted; it failed to pay its financial liabilities to the creditors. Thereafter, it declared itself as in default to its liabilities owed to it. Sri Lanka's default resulted in profound chaos and anarchy. There were massive protests and riots in the streets. It brought hue and cry within its public. After default, its currency exponentially devalued against

the dollar. There was immense inflation, and shortage of necessary commodities, and oil scarcity to run even government functions. After the default, the financial institutions like the IMF and other financial bodies were reluctant to release immediate disbursement of funds to address its payment crisis. Only after being helped by the neighboring countries and tangible assurances by the other creditors for debt restructuring. Sri Lanka has assured the IMF to implement all prescribed measures and reforms, only then the IMF agreed to give a loan to Sri Lanka on tight conditions.

The analysis of the IMF discourse on the press releases and statements regarding Sri Lanka has shown that IMF authorities are much assertive in their demands and underscore strict measures and structural reforms in order to get through the financial crisis. IMF has employed different discursive strategies to represent actors, events, and phenomena. The debt of Sri Lanka has been portrayed with a negative appraisal as *the debt of Sri Lanka is unsustainable*. Similarly, it has used presupposition in its discourse about the bad governance and corruption in Sri Lanka by negatively presenting it as factors contributing to financial instability. Sri Lanka's efforts in implementing hardcore measures have been presented in positive terms, which is a positive appraisal strategy. IMF authorities legitimize its bailout programs as they bring stability in the economy of the country by bridging the gap between expenditure and revenue, and an overall improvement in the business environment. Economization referential strategy and *problematization* referential strategies existed. In IMF discourse, it is prevalent that it want to promote a free market economy by deregulating the government intervention in matters of the organizations, which can create monopoly and cartelization in the businesses. This seems as one of the IMF's ideology to promote capitalism. Sri Lanka has a long history of availing IMF programs one after another, and thus established moral hazard. Like other undeveloped

countries, Sri Lanka goes to the IMF after every few years due to balance of payments issues. In IMF discourse, different fallacies work throughout in press releases and statements. The fallacy of *Argumentum Ad Consequentum* is used to push Sri Lankan authorities to expedite working on the reform agenda and structural benchmarks, and the objective of the programs otherwise the whole effort could be ruined especially in the IMF review of the program implementation. *Argumentum Ad Misericordiam* fallacy is also at work, creating empathy for them by their poor financial state.

4.4 Independent Economists' Criticism of the IMF and World Bank

Over the years, the IMF has been subject to a range of criticisms for its bailout packages. Critics claim that it follows the general principle of one size fits all, whereas the circumstances and dynamics of each country vary from one another. The IMF has also been criticized for its lack of accountability and willingness to lend to countries with bad human rights records. In every IMF bailout program, a country that borrows, has to implement the same measures and reforms to address balance of payments issues. For this reason, its programs are being criticized by independent economists.

i. Joseph Stiglitz Views on IMF programs

Joseph Stiglitz is an American economist and a professor at Columbia University. He was awarded the Nobel Memorial Prize in Economic Sciences in 2001 and the John Bates Clark Medal in 1979. He is a former senior vice president and chief economist of the World Bank and a former chair of the U.S. Council of Economic Advisers.

1. *The world needs an international development agency. I don't think anybody really thinks that one should get rid of the World Bank. Reform is one thing, but getting rid of it I think*

would be wrong. The IMF is a more complicated issue. I think there is a broad sentiment among both the left and the right that the IMF may be doing more harm than good. On the right, there's the view that it represents a form of corporate welfare that is counter to the IMF's own ideology of markets. But anybody who has watched government from the inside recognizes that governments need institutions, need ways to respond to crises. If the IMF weren't there, it would probably be reinvented. So the issue is fundamentally reform. The Progressive, June, 2011

(Appendix I)

This extract has been taken from the interviews of Nobel laureate Joseph Stiglitz, a critic of the IMF and World Bank for their policies towards developing nations. According to him, the IMF protects the interests of the US and other powerful European countries while undermining the interests of the borrowing countries. As a consequence, their financial conditions remain debilitated, and these undeveloped countries have to go to the IMF after every few years. Since the inception of the IMF, so far no country has achieved sustainability with the help of IMF bailout programs. IMF as a more complicated issue, has been used here as a *problematization* referential strategy. He has emphasized the need for real reformation in its policies. He suggested to change the ideology of the IMF, which promotes neo liberal economic agenda. As IMF was established to create harmony, and cooperation between the rich and the impoverished. However, after the Washington Consensus, it has changed its ideology and now protects the interests of the US, who is the biggest donor to the IMF and can veto any of its decisions single-handedly. Right-wing, and left-wing politicians agree on this point that IMF's current ideology has strayed from its original agenda of corporate welfare. *Argumentum ad Hominem* fallacy has been used

here for the IMF, which, according to Stlitz, is doing more harm than good. Moreover, it has also been used as Appeal to Probability fallacy.

2. *Finance ministers and central bank governors have the seats at the table, not labor unions or labor ministers. Finance ministers and central bank governors are linked to financial communities in their countries, so they push policies that reflect the viewpoints and interests of the financial community and barely hear the voices of those who are the first victims of dictated policies. The Progressive, June, 2011*

(Appendix II)

In this extract, it has been reflected how decisions are taken in the IMF and the World Bank about the underdeveloped countries without their direct representation, whereas these decisions have long-lasting impacts on the underprivileged. These decisions are taken by finance ministers and central bank governors of the affluent countries about the underdeveloped countries who are represented through their members. One member represents 5-6 developing countries. These countries have no direct representation on these forums, so the decisions taken by these directors don't suit them. In the IMF Executive Board, there are total 25 directors who make the decision about the acceptance and rejection of any loan applied by member countries. The noun *victim* has been used as a *problematisat* referential strategy. Stlitz created a sense of alienation of the undeveloped countries as being disproportionately represented in the IMF, creating a feeling of sympathy, which is *Argumentum ad Verecundiam* fallacy.

ii. Jeffary Sacks Views on IMF packages

Jeffrey Sachs is a world-renowned economics professor at Columbia University. He is a Director of the center for sustainable development at Columbia University and President of

the UN Sustainable Development Solutions Network. He is widely recognized for bold and effective strategies to address complex challenges including debt crises, hyperinflations.

1. *While it pays lip service to "transparency", the IMF offers virtually no substantive public documentation of its decisions, except for a few pages in press releases that are shorn of the technical details needed for a serious professional evaluation of its programs. Remarkably, the international community accepts this state of affairs as normal. The Financial Times, December, 11 1997*

(Appendix I)

In this extract, the IMF policies have been criticized for not providing any proper documentation of its decisions on how its financial program works. Therefore, the evaluation and scrutiny of its program is practically not possible. Although, IMF officials very often talk about transparency in its press releases, on ground, they provide only lip services. In the IMF press releases, there isn't any proper information and documentation provided about the decisions it takes about other countries' financial programs. Many of the documents are kept confidential, and its bailout packages are subjective to the relations with IMF Officials, US, and EU. *Argumentum Ad Hominem* fallacy has been used here to criticize the IMF's biased policies.

2. *One might suspect that seven staffers would not be enough to get a very sophisticated view of what is happening. That suspicion would be right. The IMF threw together a draconian program for Korea in just a few days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems. The Financial Times, December, 11 1997*

(Appendix II)

In this fragment, IMF policies have been criticized for being too superficial and lacking a profound understanding of the dynamics of the program-availing country. Not only did the IMF fail to analyze the requirements of the loan-availing country, but it also lacks good number of staff members to counter the issue. On an average, the IMF has seven staffers to deal with the country's financial health to devise a comprehensive plan to deal with it. He criticizes this very fact and asks for more experts in charge who have a better understanding of the dynamics and situations of the country seeking IMF assistance. The IMF program has been delegitimized and represented through a negative adjective as a draconian program which is against the well-being of the community at large, that is an out-group strategy and a negative appraisal strategy. *Argumentum Ad Hominem* fallacy has been used to criticize the IMF and its bailout programs for being too inhuman to help countries facing financial crisis. In fact, these programs have been designed to punish them, particularly the financial program designed for Korea.

iii. Ngaire Woods Views on Bailout Packages

Professor Ngaire Woods is the inaugural Dean of the Blavatnik School of Government and Professor of International Political Economy. Her research focuses on global economic governance, the challenges of globalization, global development, and the role of international institutions. She founded and is the Director of the Global Economic Governance Program. She is co-founder (with Robert O. Keohane) of the Oxford-Princeton Global Leaders Fellowship program. She leads the creation of the Blavatnik School of Government at Oxford University and, before her appointment as Dean, served as the School's Academic Director.

*1. The habit of intervention rather than cooperation has left unaddressed the **economic storms** which **besiege** small economies—the brunt of globalization. These include sudden destabilizing shifts in capital flows, energy and commodity prices and exchange rates. In effect, the IMF and World Bank have been used to exhort governments of small, poor economies to paddle faster in the face of external forces including volatility in capital and investment flows (caused by contagion and crises in other countries); in commodity prices (historically the most volatile of all prices), in energy prices; in exchange rates; and in aid disbursements. Progressive Governance, London 2008*

(Appendix I)

In this extract, the discourse of the capitalist world of intervention, not cooperation, has put the economies of poor states at stake. These financially strong states don't cooperate with the underdeveloped countries in technology, industrial advancement, and other avenues. If they had done so, they could also get benefit from their technological advancement. These small poor countries bear the brunt of globalization during any crisis, for which they have been criticized for being too assertive for underdeveloped countries. IMF and other developed countries don't cooperate with them in crisis rather dictate to them for immediate measures that make their economies even more vulnerable. In any financial turmoil, the developed economies pass on the economic shocks to the poor countries, which badly impacts their economic conditions. The role of the IMF and the World Bank in these crises is to push the crisis towards the poor economies, which results in volatility of capital, high commodity prices, and outflow of investments. The impact of globalization has been compared with storms which come very fast and take away everything, leaving nothing in proper shape. According to Ngaire Woods, brunt of globalization besieges small economies like the enemy does, the verb besiege has been used as a

personification device. IMF policies have been represented negatively, which is an out-group strategy. Argumentum ad hominem fallacy has been used for developed countries, IMF, and World Bank as these countries and institutions are equally responsible for keeping the underprivileged in a miserable state by not cooperating with them.

*1. The failure of the IMF and World Bank to deal with the **brunt of globalization** cannot be separated from their governance structures, which have made it easy for industrialized countries to urge other countries to reform without committing themselves to any self-restraining or regulatory actions that would result in a more inclusive globalization.*

Progressive Governance, London 2008

(Appendix II)

In this extract, the writer has negatively portrayed the role of the IMF and World Bank as they have failed to pass on the positive impacts of globalization to the developing economies due to their structural and governance flaws. Globalization has negative impacts on undeveloped states, and these states bear only the negative consequences of it. These poor countries only receive the brunt of globalization. The brunt of globalization has been used as a predicational strategy where globalization has been negatively portrayed for underdeveloped countries. Through her discourse, in her writing, it reflected that the IMF and World Bank only work for the interests of Europeans and the US. IMF and World Bank urge these undeveloped nations to implement reforms that result in more poverty and unemployment in the long run. The developed countries have no checks and balances imposed on them; rather, they are facilitated to set up policies that hinder growth in poor countries. If the IMF had played the role of cooperation and stabilization in the whole world, the results of globalization would have been different. IMF played a hypocritical policy, apparently it showed through its discourse that it cares most about

under privilege and all its policy actions are designed to safeguard the vulnerable. *Argumentum Ad Hominem* fallacy has been used by the IMF and the World Bank to play in the hands of developed countries and protect their interests abroad and within.

2. *In fact, a long-standing agreement between the Europeans and the Americans dictates that the former decides who will lead the IMF, while the latter chooses who will lead the World Bank. The IMF has formally adopted “an open, merit-based, and transparent process” for selecting its managing directors, but this has served merely as a quality check on the Europeans’ pick. Progressive Governance, London 2008*

(Appendix III)

In above mentioned extract, the selection process of the IMF and World Bank Executive Director has been criticized that America and Europe have pre-decided. The World Bank Executive Director would be from the USA, while the IMF would be headed by Europe. So there is a conflict of interest, and both these financial organizations favor the decisions that work better for themselves, and they also use it as a tool to control other nations outside America and Europe. Though the IMF has adopted the system of open merit-based selection, but that only a quality check on the European selection. There is a kind of monopoly over IMF and the World Bank, so their decisions are also managed and manipulated as per the choice of the US and its allies.

4.4.1 Conclusion of Independent Economists' Views about the IMF

After analyzing the statements of the independent economists, one thing has stood out that the IMF and World Bank worked together to safeguard the interests of the major industrialized countries. Additionally, these countries use their influence to intervene in other countries which compromises their sovereignty and integrity. The developed countries have been using the IMF

as a tool to deal with other countries at their discretion. In their discourse, the independent economic experts strongly criticized the policies of the IMF and the World Bank for being biased and following a neo-liberal agenda which only favors the affluent. Joseph Stiglitz asks for reforms of the IMF, so it could deal with the core economic challenges faced by the impoverished. His ideology is to set up IMF on those lines where it helps develop cooperation among different countries without endorsing immediate measures which bring no good for the common people.

Another criticism on the IMF and World Bank is that they have unequal representation of the members, particularly the developing countries don't have a sizeable representation. According to Jeffrey Sacks, there are almost seven economists for each country to make a decision about its future economic policies. IMF policy of one size fits all is a wrong policy, and Jeffrey called it a draconian policy which demands changes that are not required to get back on track. The perspective of the independent experts is to bring reforms so that these international organizations could work for all countries that need help, rather than becoming a facilitator for few countries. The referential strategy of *problematization* works throughout the discourse as independent economists see the IMF policies a problem for the long term development of the under developed countries. For these biased policies the IMF has been criticized using *the Argumentum Ad Hominem* fallacy.

4.5 Explanation of Bailout Programs for Pakistan & Sri Lanka

In the IMF discourse on bailout packages, after analyzing its statements and press releases, one thing is that it strongly advocates a free market economy, which is a capitalist economy. It is an ideology embedded in IMF's press releases and statements. This discourse is manifested through the implementation of IMF measures and structural reforms. This is

also known as the Washington Consensus, established in 1980 among the US Treasury, the IMF, and the World Bank. The consensus was on the policy framework of the IMF. This policy framework has four critical elements. Any country that goes to the IMF for addressing financial issue has to undertake these measure: tight monetary and fiscal policy, market-based exchange rate, and high utility prices. This is the reason IMF policies are considered as one size fits all. The IMF authorities in most of their press releases and statements implied positive representation of the Pakistani authorities, which is an in-group representation of the actors, and appreciated and encouraged their efforts for bringing their economy back on track. At the same time, it has been seen that in whole of these statements and press releases they urge taking more steps and expedite privatization of the enterprises and organizations which have been going in loss for a significant period. Though they don't directly nominate and name these organizations and departments, however, that is one of the policies of the IMF to call for measures and structural reforms. The word reform is a discursive strategy known as *euphemism*, which is excessively used in IMF discourse. The phrase measures and reforms are often used together in IMF discourse. When a country takes measures and reforms indicated in the IMF program automatically brings high inflation which effects the middle class and lower class the most. Very often *Argumentum Ad Consequentiam* fallacy is used which indicates that it enforces the country to take tangible actions for the development of the economy, otherwise all the efforts made earlier will be wasted. When we see and compare the discourse in the press releases and statements for Sri Lanka with Pakistan, we see a slight change in the tone of the IMF authorities, and there seems to be a stricter implementation of the IMF. Since Sri Lanka has defaulted and unable to pay its financial liabilities, which resulted in chaos, riots, and uncertainty. They were at the mercy of the IMF

authorities to resume their financial activities; without the IMF, the other financial creditors don't come forward for any assistance, even the investors take away their capital, seeing that their investments are at risk. Under these circumstances, rushing to the IMF and other crediting countries is a must go on any terms and conditions, and this is what Sri Lanka did. These financial creditors, in return dictate not only the financial matters but also the other policy matters, which somehow compromises the sovereignty and integrity of the sovereign state. The discourse of the IMF in press releases and statements looks the same as its agendas are the same to push the country to bring substantial changes within their structures, so more and more revenue could be collected while undermining its impacts for the public at large. This is what reflected through its statements and measures, since according to neo-liberal economy, the job of the financial institutes and corporations are to protect the interests of their main shareholders and it is evident through the IMF discourse that IMF protects the interest of US who has a veto power to turn down any decision against its interest and otherwise.

It has almost compulsory for the underdeveloped countries to knock IMF's door after a few years to deal with the balance of payment issues. However, the countries stuck in the program find no way to get out of it. In IMF discourse, we found the fallacy of the *Argumentum Ad Consequentum* the most which is used to push countries to follow in letter and spirit the measures and structural changes recommended, and instill fear to expedite its implementation. IMF works fairly well in handling the immediate crisis, having said that, it bears its profound consequences for the underprivileged sections of society. They become more and more vulnerable because of the fact that IMF conditions also underscore to cut development budgets, which impacts the working-class people by unemployment.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

The current study aimed to find the discourse of the IMF regarding Pakistan and Sri Lanka and how it implied different strategies to legitimize its necessity, and how crucial and significant it is to be in the IMF program to get sustainable growth and development while fighting against various challenges. A detailed description, interpretation, and explanation of IMF discourse regarding Pakistan and Sri Lanka about its bailout packages and reforms have been provided in the previous chapter. This chapter deals with the discussion and conclusions. It deals with the discussion and representation of social actors and events, either positively or negatively in order to produce its discourse. Furthermore, it discusses IMF discourse and discursive strategies, the negative and positive traits associated with the actors, and events related to Pakistan and Sri Lanka. It also includes a section on results and findings. Finally, the last section of this chapter provides concluding remarks.

5.1 Discursive Strategies in IMF statements on Bailout Packages

In the case of Pakistan, the IMF authorities in most of its press releases and statements implied positive representation of the Pakistani authorities, which is an in-group representation of the actors, and appreciated and encouraged their efforts for bringing their economy back on track. It has foregrounded the phrase ‘the stabilization achieved’, which gives a positive representation, and validates the IMF discourse that its programs bring stability. Similarly, in statements and press releases it emphasizes and urges to take more steps and expedite privatization, liberation of trade, and provide a level playing field for all industries and organizations, which is an intensification strategy to promote a free market economy. The term ‘measures’ is also used as a discursive strategy, which is a drastic prescription of steps. A country has to immediately increase taxes before and during the IMF program. It includes the four critical elements, but these elements are not expressed in the IMF discourse. These measures include: tight monetary adjustment, tight fiscal policy, high utility prices, and market based exchange rate. These measures always result in high inflation and unemployment if taken in any country. However, these measures are taken to improve macroeconomic indicators to balance the gap with expenditure and revenue. Similarly, attractive and appealing words with apparently softer power have been used, which is termed as a euphemism strategy. The phrase bailout packages gives the sense that it is some kind of grant or facility offer to countries facing balance of payment issues, but in practice, it has been a bitter pill to swallow, and Pakistan has paid through the nose to digest it. These words are used disguisedly to mitigate their real impact. Moreover, the phrase reform program has been used as a euphemism device where the intensity of that phase is lowered. However, in reality, it has profound implications, since such reforms in the case of IMF discourse demand strict implementation of the steps such as privatization, trade

liberalization, removing any subsidies given to any sector, increasing the tax net, and doing the agriculture reforms.

IMF authorities are much assertive in their demands and underscore strict measures and structural reforms in order to get through the financial crisis. IMF has used different discursive strategies to represent actors, events, and phenomena. The debt of Sri Lanka has been portrayed with a negative appraisal as *the debt of Sri Lanka is unsustainable*. Similarly, it has used presupposition in its discourse about the bad governance and corruption in Sri Lanka by negatively presenting it as factor contributing to financial instability. Sri Lanka's efforts in implementing hard-core measures has been presented in positive terms like the phrase challenging policy actions implemented. Similarly, the word ‘commendably’ has been used to laud its authorities, which is the positive representation of the Sri Lankans' effort to implement IMF reforms. Economization referential strategy and problematization referential strategies are existed in the IMF discourse, which are the negative referential strategies used here to refer to the existing corruption in the system, and problematization refers to the unemployed and poor workers in Sri Lanka. The IMF wants to promote a free market economy by deregulating and minimizing the government intervention in matters of the other institutions, which can create monopoly and cartelization in businesses. The underlying ideology of the IMF is to promote capitalism.

5.2 Legitimization Discourse of the IMF using Discursive Strategies

In the press releases of the IMF regarding both Pakistan and Sri Lanka, IMF has used positive representation of both the countries in terms of their financial outlook. The IMF authorities have shown full confidence in the recovery of their respective financial crisis which

legitimizes the credibility of its programs. The IMF lending instrument is the last resort for countries facing potential default or defaulted to their creditors to make them stand again.

Using these phrases in its discourse as *stability achieved* IMF authorities legitimize the benefits of the lending apparatus as it helps in stabilizing the economy. Similarly, it pushes countries to implement more reforms to safeguard the already achieved stability by using the phrase *hard-earned stability*, which is an intensifying strategy. In addition to, the IMF also tries to get the sympathy of the destitute by urging government to take care of them. This is how it legitimize themselves in the eyes of the public by creating a positive perception that not only are its programs designed to safeguard economy but also it takes pain for the poor in protecting them during the crisis. Moreover, the IMF legitimates its importance in the development of Pakistan's economy by foregrounding that it has achieved financial stability once it has joined the IMF program. Additionally, it uses much decorated terms which carry positive connotative meanings, apparently it seems plan and simple but deep down something hard to implement. For instance, the very often used terms in IMF discourse like measures and reforms, which are euphemistic devices. These conditionalities legitimize IMF discourse as they bring stability in the economy of the country by bridging the gap between expenditure and revenue, and an overall improvement in the business environment.

5.3 Ideologies Embedded in the IMF Discourse

The IMF is an international lending organization that provides loans to countries facing financial crisis. These loans are also availed by the developed countries during their needs. However, its lending terms and conditions vary from country to country. For some countries, the IMF conditionalities are very tough while in some selected countries it has more lenient policies. IMF conditionality depends on the country's relation with the US. IMF was established to help

countries facing balance of payments and other financial issues, but now its programs have a more political base. Apparently, its statements and press releases are similar in terms of its content, however, they have different criteria for different countries. These financial programs are very much political, and the conditionalities applied vary from strict to mild depending on the relationship of that particular country with the IMF and US. Financial institutes like the IMF, it always work for its profits, its main goal is to maximize its profits and safeguard the interests of its shareholders. This is the IMF ideology which is a neo-liberal economic theory given by Milton Friedman, which says that the only purpose of corporations is to maximize its profits without taking into account the social responsibility. It reflects from the strict conditionality of the IMF that it ensures itself that it would be able to get its money back, otherwise it doesn't disburse money to the client country. Apart from this, The IMF and US also influence country's foreign policy, and protects their interests within and outside by influencing loan availing country that is one of their ideology. It sees these crisis-driven countries as its clients. IMF authorities never share its complete memorandum of understanding on what conditions and what they have agreed upon with the loan-availing countries, rather IMF simply states about measures and reforms need to be taken that is also its ideology to keep the confidentiality of the agreements. It doesn't share what percent it will charge on a package. World Bank and Asian Development Bank don't support countries with underdeveloped economies unless they are in IMF programs, although this condition is not applicable to the developed countries. They can get any support from these financial institutions. IMF ideology is also to promote capitalism in countries under financial crisis. IMF measures and reforms are steps towards a free market economy. Another embedded IMF ideology is to control other nation states by controlling their economy and creating capitalist hegemony over undeveloped countries.

5.4 Results and Findings

The IMF financial programs have been designed in a way that whenever a country goes for it, then there will be inflation and devaluation of its currency. The IMF justifies and legitimizes its stance that it helps the country to get out of a financial crisis and brings back stability leading to sustainable development and growth. According to the IMF, its policies bring stability in the local currency that boosts the confidence of the foreign investors to invest. However, in reality the IMF demands more and more taxes, cut on development funds to collect more revenue, and imposes high interest rates, so that the buying capacity from the financial intuitions could be capped. These measures create unemployment and inflation. By cutting government spending, the health sector, education sector, and other sectors are compromised. Keeping high interest rates badly affects the business sector. These measures benefit the rich, whereas underprivileged get affected badly.

5.5 Concluding Remarks

The IMF dictates in its bailout packages given to underdeveloped countries to take immediate measures and reforms whereas countries with weak economies have no choice but to implement them. Knowing the consequences of the default, they take this bitter pill. These lending institutes, the IMF and World Bank, take advantage of it. As these are business institutes and see a country as a client. They offer programs which only benefit them while the host country bear the brunt of it. These lending institutions should devise a program in accordance with a country's need and address the issues that need to be addressed rather enforcing underdeveloped countries to label heavy indirect taxes on goods and services, which directly impacts the poor. The IMF calls its financial programs as bailout packages that means a financial facility, but in reality these packages prove to be a burden for a country that it avails. A financial

progress should be in accordance with the financial challenges of that particular country. These programs shouldn't be used as a tool to compromise the sovereignty and integrity of any country.

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APPENDIX

IMF Statements and Press Releases about Pakistan

Pakistan: IMF Reaches Staff-Level Agreement on Economic Policies with Pakistan for 37-month Extended Fund Facility

July 12, 2024

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

Appendix I

- **Building on the economic stability achieved under the 2023 Stand-by Arrangement (SBA), IMF staff and the Pakistani authorities have reached a staff-level agreement on a 37-month Extended Fund Facility Arrangement (EFF) of about US\$7 billion. This agreement is subject to approval by the IMF's Executive Board.**
- The new program aims to support the authorities' efforts to cement macroeconomic stability and create conditions for a stronger, more inclusive, and resilient growth. This includes steps to strengthen fiscal and monetary policy and reforms to broaden the tax base, improve State Owned Enterprises' (SOE) management, strengthen competition, secure a level playing field for investment, enhance human capital, and scale up social protection through increased generosity and coverage in the Benazir Income Support Program (BISP).
- Continued strong financial support from Pakistan's development and bilateral partners will be critical for the program to achieve its objectives.

In response to a request by the Pakistani authorities, an International Monetary Fund (IMF) team led by Nathan Porter, IMF's Mission Chief to Pakistan, held discussions during the May 13-23, 2024 staff visit to Islamabad and virtually thereafter on IMF support for the authorities' medium-term policy and reform plans. At the end of the discussions, Mr. Porter issued the following statement:

"The Pakistani authorities and the IMF team have reached a staff-level agreement on a comprehensive program endorsed by the federal and provincial governments, that could be supported by a 37-month Extended Fund Arrangement (EFF) in the amount equivalent to SOR 5,320 million (or about US\$7 billion at current exchange rates). This agreement is subject to

approval by the IMF's Executive Board and the timely confirmation of necessary financing assurances from Pakistan's development and bilateral partners.

Appendix II

"The program aims to capitalize on the hard-won macroeconomic stability achieved over the past year by furthering efforts to strengthen public finances, reduce inflation, rebuild external buffers and remove economic distortions to spur private sector led growth. Key policy goals of the authorities' program include:

"Sustainable public finances, through a gradual fiscal consolidation based on reforms to broaden the tax base and remove exemptions, while increasing resources for critical development and social spending. In this regard, the authorities plan to increase tax revenues through measures of 1½ percent of GDP in FY25 and 3 percent of GDP over the program. In particular, the recently approved FY25 budget targets an underlying general government primary surplus of 1 percent of GDP (2 percent in headline terms). Revenue collections will be supported by simpler and fairer direct and indirect taxation, including by bringing net income from the retail, export, and agriculture sectors properly into the tax system. At the same time, the FY25 budget provides additional resources to expand social protection by increasing both the generosity and coverage of BISP, education, and health spending.

Appendix III

"A fairer balance of fiscal effort between the Federal and Provincial governments, which have agreed to rebalance spending activities in line with the 18th constitutional amendment through the signature of a National Fiscal Pact that devolves to provincial governments higher spending for education, health, social protection, and regional public infrastructure investment, enabling improved public service provision. At the same time, the provinces

will take steps to increase their own tax-collection efforts, including in sales tax on services and agricultural income tax. On the latter, all provinces are committed to fully harmonizing their Agriculture Income Tax regimes through legislative changes with the federal personal and corporate income tax regimes and this will become effective from January 1, 2025.

"Reducing inflation, deepening access to financing, and building strong external buffers are key to development and resilience. Monetary policy will continue to be focused on supporting disinflation, which will help protect real incomes, especially for the most vulnerable. To buffer against shocks and build reserves, the State Bank of Pakistan (SBP) will maintain a flexible exchange rate and continue to improve the functioning of the foreign exchange market and the transparency around FX operations. On financial stability, the authorities plan to take measures to deepen access to financing, while strengthening financial institutions, addressing any undercapitalized banks, and upgrading their crisis management framework.

"Restoring energy sector viability and minimizing fiscal risks through the timely adjustment of energy tariffs, decisive cost-reducing reforms, and refraining from further unnecessary expansion of generation capacity. The authorities remain committed to undertaking targeted subsidy reforms and replace cross-subsidies to households with direct and targeted BISP support.

Appendix IV

"Promoting private sector and export dynamism by improving the business environment, creating a level-playing field for all businesses, and removing state distortions. In this

regard, the authorities are advancing efforts to improve SOE operations and management as well as privatization (with the highest priority given to the most profitable SOEs) and strengthening transparency and governance around the Pakistan Sovereign Wealth Fund and its operations. They are also phasing out incentives to Special Economic Zones, phasing out agricultural support prices and associated subsidies, and refraining from new regulatory or tax-based incentives, or any guaranteed return that could distort the investment landscape, including for projects channeled through the Special Investment Facilitation Council. The authorities have also committed to advance anti-corruption as well as governance and transparency reforms, and gradually liberalize trade policy.

"The IMF team is grateful to the Pakistani authorities, private sector, and development partners for their hospitality during the visit to Islamabad and fruitful discussions".

Pakistan: End-of-Mission Statement on Economic Policies towards Strong, Inclusive, and Resilient Growth

May 23, 2024

End-of-Mission press releases include statements of IMF staff teams that convey preliminary findings after a visit to a country. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF's Executive Board for discussion and decision.

At the request of the Pakistani authorities, an International Monetary Fund (IMF) team, led by Nathan Porter, the IMF's Mission Chief to Pakistan, visited Islamabad during May 13-23, 2024, to discuss Pakistan's plans for a home-grown economic program that can be supported under the

IMF's Extended Fund Facility (EFF). At the end of the visit, Mr. Porter issued the following statement:

"Building on the economic stabilization achieved through the successful completion of the 2023 Stand-by Arrangement, the IMF and the Pakistani authorities made significant progress toward reaching a Staff Level Agreement (SLA) on a comprehensive economic policy and reform program that can be supported under an Extended Fund Facility (EFF)."

"The authorities' reform program aims to move Pakistan from economic stabilization to strong, inclusive, and resilient growth. To achieve this, the authorities plan to continue to strengthen public finances to reduce vulnerabilities by improving domestic revenue mobilization through fairer taxation while scaling up spending for human capital, social protection, and climate resilience; secure energy sector viability, including reforms to reduce the high cost of energy; continue progress towards low and stable inflation by appropriate monetary and exchange rate policies; improve public service provision through state-owned enterprise (SOE) restructuring and privatization; and promote private sector development, by securing a level-playing field for investment and stronger governance.

"The mission and the authorities will continue policy discussions virtually over the coming days aiming to finalize discussions, including the financial support needed to underpin the authorities' reform efforts from the IMF and Pakistan's bilateral and multilateral partners.

"The IMF team is grateful to the Pakistani authorities, private sector, and development partners for fruitful discussions and their hospitality throughout this mission."

IMF Executive Board Completes Second and Final Review of the Stand-By Arrangement for Pakistan

April 29, 2024

The IMF Executive Board completed the second review under the Stand-By Arrangement (SBA) for Pakistan, allowing for an immediate disbursement of SDR 828 million (around \$1.1 billion), bringing total disbursements under the arrangement to SDR 2.250 billion (about \$3 billion)

The completion of the second and final review reflects the authorities' stronger policy efforts under the SBA, which have supported the stabilization of the economy and the return of modest growth.

Appendix V

To move Pakistan from stabilization to a strong and sustainable recovery the authorities need to continue their policy and reform efforts, including strict adherence to fiscal targets while protecting the vulnerable; a market-determined exchange rate to absorb external shocks; and broadening of structural reforms to support stronger and more inclusive growth

Washington, DC: Today, the Executive Board of the International Monetary Fund (IMF) completed the second and final review of Pakistan's economic reform program supported by the IMF's Stand- By Arrangement (<https://www.imf.org/en/About/Factsheets/Sheets/2023/Stand-By-Arrangement-SBA>) (SBA). The Board's decision allows for an immediate disbursement of SDR 828 million (around \$1.1 billion), bringing total disbursements under the arrangement to SDR 2.250 billion (about \$3 billion)

Pakistan's 9-month SBA, approved by the Executive Board on July 12, 2023, successfully provided a policy anchor to address domestic and external imbalances as well as a framework for

financial support from multilateral and bilateral partners. The program focused on (i) necessary fiscal adjustment and maintenance of debt sustainability via FY24 budget implementation; (ii) protection of critical social spending; (iii) buffering external shocks and eliminating FX shortages by returning to proper FX market functioning; (iv) making progress on disinflation by maintaining a tight monetary policy; and (v) furthering progress on structural reforms, focused on energy sector viability, SOE governance, and climate resilience.

Macroeconomic conditions have improved over the course of the program. Growth of 2 percent is expected in FY24 given continued recovery in the second half of the fiscal year. The fiscal position continues to strengthen with a primary surplus of 1.8 percent of GDP achieved in the first half of fiscal year 2024, well ahead of projections and putting Pakistan on track to achieve its end- FY24 target primary surplus of 0.4 percent of GDP. Inflation, while still elevated, continues to decline, and, with appropriately tight, data-driven monetary policy maintained, is expected to reach around 20 percent by end-June. Assuming ongoing sound policies and reform efforts, inflation should return to the SBP's target with growth continuing to strengthen over the medium term. Gross reserves have increased to around \$8 billion, up from \$4.5 billion at the start of the program, and are projected to continue being rebuilt over the medium term

Following the Executive Board discussion, Antoinette Sayeh, Deputy Managing Director and Chair, made the following statement.

Appendix VI

"Pakistan's determined policy efforts under the 2023 Stand-By Arrangement (SBA) have brought progress in restoring economic stability. Moderate growth has returned; external

pressures have eased; and while still elevated, inflation has begun to decline. Given the significant challenges ahead,

Pakistan should capitalize on this hard-won stability, persevering—beyond the current arrangement—

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with sound macroeconomic policies and structural reforms to create stronger, inclusive, and sustainable growth. Continued external support will also be critical

"The authorities' revenue performance, as well as federal spending restraint, helped achieve a sizeable primary surplus in the first half of FY2024, in line with program targets. Continued revenue mobilization efforts and spending discipline at both federal and provincial levels remain critical to ensure that the primary surplus target is achieved. Beyond FY2024, continued fiscal sustainability and additional space for social and development spending depend on further mobilizing revenues, especially from non-filers and undertaxed sectors, and on improving public financial management.

"The authorities have stabilized the energy sector's circular debt over the course of the SBA through timely tariff adjustments and enhanced collection efforts. While these actions need to continue, it is also critical that the authorities undertake cost-side reforms to address the sector's underlying issues and viability.

"The State Bank of Pakistan's tight monetary policy stance remains appropriate until inflation returns to more moderate levels. Further improvements in the functioning of the foreign exchange (FX) market, together with a market-determined exchange rate, will help buffer

external shocks and attract financing, thereby supporting competitiveness and growth. The significant rebuilding of reserves under the SBA needs to continue. Moreover, stronger action to address undercapitalized financial institutions and, more broadly, vigilance over the financial sector are needed to ensure financial stability.

Appendix VII

"Achieving strong, long-term inclusive growth and creating jobs require accelerating structural reforms and continued protection of the most vulnerable through an adequately-financed Benazir Income Support Program. Priorities include advancing the reform of state-owned enterprises (SOEs), including to ensure that all SOEs fall under the new policy framework; strengthening governance and anti-corruption institutions; and continuing to build climate resilience.

IMF Executive Board Completes First Review of the Stand-By Arrangement for Pakistan

FOR IMMEDIATE RELEASE

The IMF Executive Board decision allows for an immediate disbursement of around \$700 million to Pakistan.

Economic activity has stabilized in Pakistan, although the outlook remains challenging and dependent on the implementation of sound policies.

Appendix VIII

- **Continued timely and consistent implementation of program policies remains critical, with no room for slippage. This requires strict adherence to fiscal targets while protecting**

social spending, a market-determined exchange rate to absorb external shocks, and further progress on structural reforms to support stronger and more inclusive growth.

I. Pakistan: IMF Reaches Staff-Level Agreement on the Second and Final Review of the 9- Month Stand-By Arrangement

March 20, 2024

- IMF staff and the Pakistani authorities have reached a staff-level agreement on the second and final review under Pakistan's Stand-By Arrangement, subject to the approval of the IMF's Executive Board. Upon approval, Pakistan will have access to SDR 828 million (around US\$1.1 billion).

Appendix IX

- **The agreement recognizes the strong program implementation by the State Bank of Pakistan and the caretaker government in recent months, as well as the new government's intentions for ongoing policy and reform efforts to move Pakistan from stabilization to a strong and sustainable recovery.**
- Given the timing of the Second Review mission, immediately following the formation of the new cabinet, we expect the review to be considered by the IMF's Board in late April.

An International Monetary Fund (IMF) team, led by Nathan Porter, visited Islamabad from March 14-19, 2024, to hold discussions on the second review of Pakistan's economic program supported by an IMF Stand-By Arrangement (SBA). At the conclusion of the discussions, Mr. Porter issued the following statement:

This agreement is subject to approval by the IMF's Executive Board, upon which the remaining access under the SBA, US\$1.1 billion (SDR 828 million), will become available.

Appendix X

"Pakistan's economic and financial position has improved in the months since the first review, with growth and confidence continuing to recover on the back of prudent policy management and the resumption of inflows from multilateral and bilateral partners. However, growth is expected to be modest this year and inflation remains well above target, and ongoing policy and reform efforts are required to address Pakistan's deep-seated economic vulnerabilities amidst the ongoing challenges posed by elevated external and domestic financing needs and an unsettled external environment."

"The new government is committed to continue the policy efforts that started under the current SBA to entrench economic and financial stability for the remainder of this year. In particular, the authorities are determined to deliver the FY24 general government primary balance target of PRs 401 billion (0.4 percent of GDP), with further efforts towards broadening the tax base, and continue with the timely implementation of power and gas tariff adjustments to keep average tariffs consistent with cost recovery while protecting the vulnerable through the existing progressive tariff structures, thus avoiding any net circular debt (CD) accumulation in FY24. The State Bank of Pakistan remains committed to maintaining a prudent monetary policy to lower inflation and ensure exchange rate flexibility and transparency in the operations of the FX market.

The authorities also expressed interest in a successor medium-term Fund-supported program with the aim of permanently resolving Pakistan's fiscal and external sustainability weaknesses,

strengthening its economic recovery, and laying the foundations for strong, sustainable, and inclusive growth. While these discussions are expected to start in the coming months, key objectives are expected to include: (i) strengthening public finances, including through gradual fiscal consolidation and broadening the tax base (especially in undertaxed sectors) and improving tax administration to improve debt sustainability and create space for higher priority development and social assistance spending to protect the vulnerable; (ii) restoring the energy sector's viability by accelerating cost reducing reforms including through improving electricity transmission and distribution, moving captive power demand to the electricity grid, strengthening distribution company governance and management, and undertaking effective anti-theft efforts; (iii) returning inflation to target, with a deeper and more transparent flexible FX market supporting external rebalancing and the rebuilding of foreign reserves, and (v) promoting private-led activity through the above mentioned actions as well as the removal of distortionary protection, advancement of SOE reforms to improve the sector's performance, and the scaling-up of investment in human capital, to make growth more resilient and inclusive and enable Pakistan to reach its economic potential.

"The IMF team thanks the Pakistani authorities, private sector, and development partners for fruitful discussions and cooperation throughout this mission."

IMF Executive Board Completes First Review of the Stand-By Arrangement for Pakistan

FOR IMMEDIATE RELEASE

Washington, DC - January 11, 2024: Today, the Executive Board of the International Monetary Fund (IMF) completed the first review of Pakistan's economic reform program supported by the IMF's Stand-By Arrangement (SBA). The Board's decision allows for an immediate

disbursement of SDR 528 million (around \$700 million), bringing total disbursements under the arrangement to SDR 1.422 billion (about \$1.9 billion).

Pakistan's 9-month SBA was approved by the Executive Board on July 12, 2023, in the amount of SDR 2.250 billion (about \$3 billion at the time of approval), aims to provide a policy anchor for addressing domestic and external balances and a framework for financial support from multilateral and bilateral partners. The program is focused on (1) implementation of the FY24 budget to facilitate Pakistan's needed fiscal adjustment and ensure debt sustainability, while protecting critical social spending; (2) a return to a market-determined exchange rate and proper FX market functioning to absorb external shocks and eliminate FX shortages; (3) an appropriately tight monetary policy aimed at disinflation; and (4) further progress on structural reforms, particularly with regard to energy sector viability, SOE governance, and climate resilience.

Macroeconomic conditions have generally improved, with growth of 2 percent expected in FY24 as the nascent recovery expands in the second half of the year. The fiscal position also strengthened in FY24Q1 achieving a primary surplus of 0.4 percent of GDP driven by overall strong revenues.

Inflation remains elevated, although with appropriately tight policy, this could decline to 18.5 percent by end-June 2024. Gross reserves increased to \$8.2 billion in December 2023, up from \$4.5 billion in June, while the exchange rate has been broadly stable. The current account deficit is expected to rise to around 1½ percent of GDP in FY24 as the recovery takes hold. Assuming sustained sound macroeconomic policy and structural reform implementation, inflation should return to the SBP target and growth continue to strengthen over the medium term.

Following the Executive Board discussion, Antoinette Sayeh, Deputy Managing Director and Chair, made the following statement:

Appendix XI

"Pakistan's program performance under the Stand-By Arrangement has supported significant progress in stabilizing the economy following significant shocks in FY2022-23. There are now tentative signs of activity picking-up and external pressures easing. Continued strong ownership remains critical to ensure the current momentum continues and stabilization of Pakistan's economy becomes entrenched."

Appendix XII

"Boosting jobs and inclusive growth in Pakistan requires continuing protection of the vulnerable through BISP and accelerating structural reforms, most notably around improving the business environment and leveling the playing field for investors, advancing the SOE reform agenda and safeguards related to the Sovereign Wealth Fund; strengthening governance and anti-corruption institutions; and building climate resilience."

RECENT ECONOMIC DEVELOPMENTS

Appendix XIII

The caretaker government in place until elections are held in February 2024 has managed to maintain economic stability on the back of decisive policy efforts. The National Assembly was dissolved on August 9, 2023, and the Election Commission has announced that the elections will take place on February 8, 2024. Although controversial initially, as it went

beyond the constitutional 90-day limit from the dissolution of parliament, the Election Commission argued that the extension was needed to redraw constituency boundaries after the outgoing government's decision to base elections on the new 2023 Census. In the meantime, the caretaker government has made decisive efforts to ease financial pressures and maintain stability in this interim period.

Structural Policies

Continued efforts on the structural reform agenda are critical to improving living standards, socioeconomic outcomes, and climate resilience, and reducing vulnerability to corruption. Key aspects of the agenda include:

Strengthening SOE governance, transparency, and efficiency. The authorities have made strong progress, with ABD support, in implementing the SOE Act that took effect in early 2023.

INTERNATIONAL MONETARY FUND

PAKISTAN

This includes adoption of a policy to operationalize the law; and the amendment via ordinance of four SOE-dedicated laws to bring them in line with the new SOE Act (end-November 2023 SB).

Remaining steps toward full alignment of the individual SOE laws with the new SOE Act will require either an updated ordinance or adoption of these amendments by the new parliament (MEFP 1121a). After some delays in the recruitment process, the authorities are also making progress toward fully staffing a Central Monitoring Unit within the Ministry of Finance (end-December 2023 SB), which will play a key role in SOE monitoring, reporting, and governance.

- A new Sovereign Wealth Fund (SWF) poses governance risks. The creation of a SWF in August 2023, comprising seven profitable SOEs (worth about US\$8 billion), presents governance- and public financial management-related challenges: These SOEs are exempted from the SOE Act's best practice structure, including safeguards related to corporate governance, monitoring, and transparency and accountability. The authorities have recognized this by agreeing to swiftly introduce safeguards to address these challenges (MEFP 118d and MEFP 1121b). These efforts should also be aligned with current SOE privatization and restructuring efforts and the March 2021 SOE Triage Plan.
- Improving the business environment to attract investment and create jobs. Maintaining a level playing field for all investors is critical to sustainably attracting the high-quality, long-term investments that Pakistan needs. In this regard, the legal establishment in August 2023 of the Special Investment Facilitation Council (SIFC), endowed with powers to offer regulatory relief and other immunities in an attempt to attract investment and improve intra-governmental coordination, should be accompanied by the safeguards committed by the authorities (MEFP 1122), bringing projects identified through the SIFC under Pakistan's existing public investment management framework to ensure accountability and transparency.
- Building effective anti-corruption institutions that will enhance the business climate, safeguard public funds, and boost public and donor confidence (MEFP 1123). The authorities have committed to publishing the full UNCAC report and completing the review of Pakistan's anti-corruption institutions by a taskforce with participation of independent experts. The review should identify key corruption vulnerabilities and reform actions to strengthen the independence and effectiveness of institutions (including the National Accountability Bureau, the anti-corruption investigative agency). Integration of asset declarations held by the FBR and the

AML/CFT compliance functions of banks consistent with best practices would help detect, prevent, and deter the laundering of proceeds of corruption, tax evasion and smuggling through the financial sector.

- Efforts to build up climate change adaption capacity and resilience are critical. This includes implementation of the recently-adopted National Adaptation Plan (NAP), focused on six priority sectors; realigning the existing PSDP portfolio with NAP objectives; carrying out a costing exercise for new projects; and exploring channels for mobilizing climate finance. In parallel, the authorities should advance the recommendations of the IMF's recent Climate-PIMA (cabinet adoption end-December 2023 SB, MEFP 1124b).

IMF Statements and Press Releases about Sri Lanka

Press Briefing on Sri Lanka's 2024 Article IV Consultation and the Second Review under the Extended Fund Facility

June 14, 2024

Appendix I

Yesterday, the IMF Executive Board completed the 2024 Article IV Consultation and Second Review under the 48-month Extended Fund Facility with Sri Lanka, which is providing the country with immediate access to about \$336 million to support its economic policies and reforms. This brings the total IMF financial support dispersed so far to about \$1 billion. The program continues to support Sri Lanka's efforts to restore macroeconomic stability and debt sustainability mitigate the economic impact on the poor and vulnerable,

rebuild external buffers, safeguard financial sector stability and strengthen governance and its growth potential.

The IMF Executive Board's approval recognizes the strong program performance. All quantitative targets were met except for the marginal shortfall of the indicative target on social spending. Most structural benchmarks were either met or implemented with delay.

Reforms and policy adjustments are bearing fruit. The economy is starting to recover, inflation remains low, revenue collection is improving, and reserves continue to accumulate. Real GDP expanded by 3 percent year-on-year in the second half of 2023. May 2024, inflation was 0.9 percent, and gross international reserves increased to \$5.5 billion dollars by the end of April of this year. The primary balance improved to a surplus, with tax revenue increasing to 9.8 percent of GDP in 2023.

Appendix II

Despite these positive developments, the economy is still vulnerable and the path to debt sustainability remains knife edged. Important vulnerabilities associated with the ongoing debt restructuring, revenue mobilization, reserve accumulation and banks' ability to support the economic recovery continue to cloud the outlook. The key to transitioning from stabilization to a full economic recovery is sustaining the reform momentum amidst strong ownership by the authorities and the Sri Lankan people more broadly. We encourage the

authorities to continue to build on these hard-won gains and remain steadfast with their reform commitments.

To restore fiscal sustainability, sustaining revenue mobilization efforts, promptly finalizing the debt restructuring in line with program targets and protecting social and capital spending remained critical. Advancing public financial management will help enhance fiscal discipline and strengthening the debt management framework is also needed.

Monetary policy should continue to prioritize price stability, supported by a sustained commitment to refrain from monetary financing and safeguard central bank independence. Continued exchange rate flexibility and gradually phasing out the balance of payments measures remain critical to rebuilding external buffers and to facilitate external rebalancing. Restoring bank capital adequacy and strengthening governance and oversight of state-owned banks are top priorities to revive credit growth and support the economic recovery.

Sri Lanka has made substantive progress towards advancing debt restructuring to restore debt sustainability. A swift finalization of the Memorandum of Understanding with the Official Creditor Committee and final agreements with the Export Import Bank of China remain a priority. It is also important to complete the restructuring with external private creditors consistent with program targets. IMF staff will continue to assist the authorities with creditor coordination in line with the IMF's policies.

Appendix III

We encourage the authorities to press ahead with structural reforms to unlock Sri Lanka's long-term growth potential. Steadfast implementation of the governance reforms would support the authorities broader reform agenda. Key priorities include first, further trade

liberalization to promote export and foreign direct investment. Second, labor reforms to upgrade skills and increase female labor force participation. And third, state-owned enterprise reforms to improve efficiency and transparency and to contain fiscal risks, and promote a level playing field for the private sector.

We would like to thank the authorities for their commitment and look forward to our continued close engagement with the authorities as well as other stakeholders in Sri Lanka. Thank you very much.

MS. VU Thank you, Peter. And now we'll take questions from the floor. If you would like to ask a question, please raise your virtual hand and wait for me to call on you. When it's your turn to speak, please turn on your camera and your microphone. Kindly introduce yourself and your news organization. And when you're not speaking, please mute your microphone. Thank you.

QUESTIONER: Thank you. Thank you, Peter, for your presentation. I have two questions. Question one is the IMF Executive Board has called for a swift finalization of the MOUs with Official Creditors and the agreements of the EXIM Bank of China. Now, have the creditors given any reason for the delay in reaching these agreements? And secondly, the directors have underscored that important vulnerabilities and uncertainties remain, especially with the upcoming elections. Now, has the IMF raised any concerns about these, or is there any concern that any future government may want to revisit or amend the existing agreement with the IMF? Thank you.

MS. VU Thank you. I think I take one more question.

QUESTIONER: Yes, yes, I am Prasad from Rupavahini Television. I would like to ask that you mentioned about reforms mainly in three sectors in your last comment. So what's your overall view about the ongoing reforms process? And especially, you mentioned about the reforms regarding the state-owned enterprises, which is much challenging task for any government to continue. So what's the IMF's current view regarding this sector, as well as the labor reforms and other areas?

MS. VU: Thank you, Prasad. Peter, over to you, please.

MR. BREUER: Thanks so much. So I'll respond to the first set of questions, and Katya can respond to the second one, and Sarwat too.

Appendix IV

So with respect to the negotiation with the Official Creditors, first, let me just state why this is important, and that is the debt of Sri Lanka is unsustainable. It is important to restore debt sustainability. There are different components to that. One is, of course, the fiscal consolidation and another one is the debt restructuring. So the debt restructuring, there are many components to it, including with the Official Creditors and that is the question that Zulfick had here.

We have been following the process very closely and have assessed that there is sufficient progress for the debt restructuring to move forward and to restore debt sustainability. So, in fact, both agreements are very close. There is agreement on the substance of the financial and legal terms with both types of Official Creditors, and it is procedural issues that need to be resolved, and we anticipate that this will happen very soon.

Appendix V

On the question with respect to the elections, first, it's important to note that it is, of course, up to the people of Sri Lanka to decide on the outcome in a democratic process. But let me reiterate from our perspective that achieving the program's objectives is the key priority to give Sri Lanka a chance to emerge from one of the worst crises in its history. So there may be different proposals how to achieve that, and we are willing to listen to different views on how these program objectives can be reached. These need to be realistic and achievable within the timeframe of the program.

Appendix VI

Sri Lanka has made good progress in terms of getting the recovery going, but the country really isn't out of the woods yet, and it will be important to safeguard the hard-won gains. So a key priority in the time ahead is to persevere with the reforms that will enable a stable and inclusive economic growth and avoid slipping into another crisis.

Katya, would you like to get started with the other set of questions?

MS. SVIRYDZENKA: So the other question was on the status of the SOE reform. Just to summarize why we got there. SOEs have been a burden on the public finances, limiting the fiscal space that could be used, for example, for strengthening and increasing the size of social safety net in Sri Lanka. So it is important to ensure going forward that the state-owned enterprises are financially viable and managed in an efficient and transparent manner to avoid any additional burdens on public finances.

There are many different elements of the SOE reform. What we are supporting under the IMF program is cost recovery for fuel and electricity. This is important to make sure that the SOEs are financially viable going forward. There are other aspects of the SOE reform that are done by the government with assistance from the World Bank and the Asian Development Bank. These include improvement in the governance and transparency of the SOEs and making sure that they are running in an efficient way so they can deliver public services in a cost-effective manner.

Thank you.

QUESTIONER: Yes, thank you. I have two questions, Peter. One is about you released the Governance Diagnostic Report on Sri Lanka, the first in Asia. How do you see the progress? Because as per last, one of the last year prescriptions, you all expected Sri Lanka to come up with the relevant law to stolen asset recovery by April this year. Now it's already June. Do you see a delay there and how concerned are you on the implementation of it⁷? That's one thing. Second one, do you see the equal comparability in the Chinese bilateral loans⁷? Because IMF has been so concerned about the Chinese loan when it comes to the bilateral loan restructuring agreement. So how do you see that? Thank you.

MS. VU: Thank you, Shihar. I would like to invite IndikaSakalasooriya. Indika, please go ahead.

QUESTIONER: Hello. Hi, can you hear me?

MS. VU: Yeah, there's a bit of echo but yes, we can hear you.

QUESTIONER: Yeah. Thank you for the opportunity. So my question goes to -- question is about the new tax policy measures that is expected to be subjected to parliament by end of this month. So don't you think that this would be sort of counterproductive because regarding

economy is lagging and, you know, slapping more taxes on people would be sort of counterproductive for the growth of the country? That is my question. Thanks.

MS. VU: Thank you, Indika. Peter, would you like to respond?

MR. BREUER: Yes. So I'll take the one on the debt and on the tax policy, and then maybe Sarwat can come in on the Governance Diagnostic Report.

So -- I think we're picking up some background. So with respect to comparability of debt treatments, this is a concept that is important for Official Creditors. They are concerned whether the debt relief that they offer is in line with that offered by other creditors. It is not something that is relevant for the IMF, at least not directly. It is indirectly in the sense that we need all creditors to participate in the debt restructuring in order to restore debt sustainability. But from the IMF's perspective, what matters is whether the debt restructuring targets are being met. And so we have been provided with information with respect to the debt relief that is being offered and have looked at that. And similarly, the official creditor committee secretariat has looked at the same information from the comparability of treatment perspective.

So it's really a question to the creditors with respect to the comparability. And then with respect to the question on the tax measures. So, yes, in some economies, when the economy is in a downturn, then you think about stimulating the economy, and so you would adjust fiscal policy accordingly. In Sri Lanka, however, the cause for the crisis is the collapse in fiscal revenue that led to the fact that Sri Lanka was not able to service its debt anymore and it went into default. So in Sri Lanka, one of the key causes of the crisis is the lack of revenue, and that is, you know, being addressed with the program.

In fact, I'd like to direct your attention to two charts that we have in the Staff Report. On page 13, they show how government revenue to GDP has evolved over time in Sri Lanka. And you can see that that has gone from the region of 20 percent of GDP in the 1980s to around 8 percent in 2022. So it used to be three times as much as it was in 2022. And in order to sustain a government that delivers the essential services that a society wants, it is important to have the revenue to do that. And in the chart, you can see how the program is seeking to rebuild this revenue collection.

So significant progress has been made in '23 as well as in '24. And it is sort of one more push to get revenues to the region of 15 percent of GDP in 2025. Thereafter, you can see it's only a small adjustment. And there is a chart also that shows where Sri Lanka is in comparison to other middle-income countries. And you can see that, on average, between 2019 and '22, Sri Lanka had general government revenues on average of about 9.3 percent, and that compares to an average of these other countries of 26 percent of GDP. So again, almost three times as much. So this is really what, what this program is seeking to address.

Over to Sarwat. Thank you.

MS. JAHAN: Thank you, Peter. On the Governance Diagnostic Report, indeed, the report did come out in September, and the report did have time bound recommendations on improving governance and addressing vulnerabilities in that sector. Since we last met after the First Review, there has been some benchmarks that on the governance area.

Let me take you through a few of those structural benchmarks. One of them was publishing a government action plan for implementing the recommendation on the Governance Diagnostic Report. This publication was actually published in May 2024, and the structural benchmark was

met. There was another important governance structural benchmark that was on publishing on a semi- annual basis on a designated website that would have all public procurement contracts above \$1 million, along with comprehensive information on the award winners. There would also be a list of firms receiving tax exemptions, either through the board of investment or the SDP, and there would be a list of firms receiving tax exemptions on luxury vehicles.

These two structural benchmarks were met. As the question had asked, there was also a structural benchmark on the comprehensive asset recovery law, which in our program documents had a target date of end April. We understand that the authorities are working on this recovery law and the process has not been completed. Therefore, as you will see in the Staff Report that has just been published, we have reprogrammed this structural benchmark so that it is indeed met and the new target date is end November 2024.

MS. VU: Thank you, Peter and Sarwat. I see a couple of more hands. Asantha, do you want to come in?

QUESTIONER Yeah. Thank you. There is this new taxes that are supposed to go to the local government bodies from housing and so on. Is there any plans to have a kind of law to make sure that this money is spent properly and that it's prioritized? Because what we see is many of these bodies which are cash rich, some of them are cash rich, and they kind of go and build buildings and shopping complexes and new shops to various people who are politically friendly. So how do you ensure that this money actually goes to public services, and they are not misspent as it's happening now?

MS. VU Thank you. Madhusha, do you want to come in?

QUESTIONER Hi. I have two questions. First one is, if Sri Lanka's path to debt sustainability remains knife edged, can a newly elected government come and renegotiate certain reforms, such as reducing taxes? If so, how will such measures can impact the recovery once again? Second question is, you said Sri Lanka has been performing well under the IMF program, but we see, there are very few, if any, measures to address high level corruption, especially at IRD and customs. What is the IMF stance on this? And why isn't alleviating corruption being pushed well enough under the reforms?

MS. VU: Thank you, Madhusha. I will take one more question and then I come to Peter and the team. Sampath, please go ahead.

QUESTIONER: Yes, I am Sampath from BBC the Sinhala Service (phonetic). My question is, Sri Lanka is going to hold presidential election in next few months. How does it affect this loan program? There is also talk that presidential election should be postponed. So what is the IMF opinion about it?

MS. VU Thank you. Peter, over to you, please.

MR. BREUER: Thank you very much. So let me start with the election and the sort of scope to reduce taxes. We, of course, fully respect the democratic process for elections to take place in any country and we adapt to that process. So, you know, this may affect a little bit the timing of our missions that we conduct in order to discuss compliance with the program and reforms going forward. So, you know, we -- the elections have, of course, not been called yet. So we will await that and then discuss with the authorities how we can adapt our schedule to that of the elections.

Appendix VII

Now on that question, whether there is scope to adjust the program and reduce taxes. So I just pointed you to these two charts that tell the story of how the reduction in government revenues had contributed to this very severe crisis in Sri Lanka. And so rebuilding these revenues is an important objective of the program in order to allow Sri Lanka to emerge from the crisis. And, of course, the idea here is to bring revenue closer to the expenditures that the government is facing to reduce the gap between expenditure and revenue, and that will help to make the debt sustainable again and for Sri Lanka to be able to finance itself at interest rates that it can afford and that are sustainable.

So, I mean, more broadly speaking, with respect to, you know, proposals, as I said before, we're willing to listen to different views of how the program objectives can be reached, and these need to be realistic and achievable within the timeframe of the program. So that's very important.

The first question, and Sarwat will speak about the one on corruption. The first question, I think, it was sort of, if I get it right, it's sort of a question on public financial management. And there maybe I can point to the public financial management law that has now been sent to parliament, which will help to strengthen the fiscal framework and enhance fiscal responsibility. So that should help, you know, to ensure that sort of funds are being spent as intended. But maybe Sarwat can also speak a little bit there about the social and corruption aspects of that question.

MS. JAHAN: Thank you, Peter. I believe there was a question on how to address anti-corruption measures and improve governance, especially on tax collection. For there I would also like to point to you the newly published Staff Report. As you will see, our Staff Report talks a lot about the new targets for the government, including new structural benchmarks on improving governance. One of our new structural benchmarks is actually on addressing governance

vulnerabilities and anti- corruption in tax collecting agencies. So our new structural benchmark there is to develop in each revenue department, which means that IRD, customs and excise, an implementation plan to launch a program of anti-corruption measures to strengthen the code of conduct, international affairs department, risk management and automation. So we are looking into a holistic approach. The structural benchmark is actually due by the end of August, and we look forward to seeing its implementation.

MS. VU: Thank you, Peter and Sarwat. I think Prasad has a follow up question. Prasad, do you want to come in? And this is going to be the last question because we are running out of time.

QUESTIONER Thank you. One major component in this IMF program is regard taking care of the vulnerable communities. So although IMF always get accused, but not concerning about the people. It's one major component I see. So what's the latest situation regarding the Second Review and in the future reviews? What are the key components that you are taking care about this vulnerable sector in Sri Lanka and especially effect under these economic crises as well as the tough reform programs?

MS. VU Thank you, Prasad. Peter.

Appendix VIII

This is an important part of the program because in a crisis, the poor and the vulnerable, they have the least buffers and they are affected the most by the crisis. And, you know, we actually got to know, for example, some tea plantation workers who are amongst the poorest in Sri Lanka, and that helped us also understand a little bit better the social safety net and how it works. And so we pay a lot of attention to this. So there are different aspects to ensuring, you know, proper social outcomes.

Inflation had affected the poor a lot and bringing down inflation from these very high levels, from 70 percent to, well, it was 0.9 percent recently, but to these low single digit levels was a key way of ensuring that the poor are not being punished further by continuing high inflation. And then there's, of course, the floor, the minimum spending that we have agreed with the government on social protection. And maybe Sarwat, would you like to come in on this

Appendix IX

And indeed, I'd like to echo that protecting the poor and the vulnerable is a very important component of our program. When we started the program, we negotiated with the authorities about the minimum spending floor for each quarter. And there is an understanding that if there is significant improvement in the economy, the government can do even more. We have discussed with the authorities and have continually encouraged them to meet the spending targets.

There have been some administrative issues that the authorities have faced. For example, they received quite a lot of grievance cases and there were issues with opening up of bank accounts. And we have strongly encouraged the authorities to overcome these bottlenecks so the cash transfers can be smoothly provided to those who need it the most. We understand that the second round of applications was called and about 450,000 applicants had applied for the cash transfers. The data validation is underway.

Appendix X

We are also encouraging the authorities to look at surveys to understand whether targeting has improved and whether there are other ways Sri Lankans can be helped. We understand that along with the World bank and ADB, the authorities are also thinking

about a livelihood improvement program that will help people graduate into higher income levels and therefore may not be dependent on cash transfers. And we will continue to strongly encourage the authorities to keep an eye on this vulnerable sector. Thank you.

IMF Executive Board Concludes 2024 Article IV Consultation with Sri Lanka and Completes the Second Review Under the Extended Fund Facility

June 12, 2024

The IMF Executive Board completed the 2024 Article IV Consultation and Second Review under the 48-month Extended Fund Facility with Sri Lanka, providing the country with immediate access to SDR 254 million (about US \$336 million) to support its economic policies and reforms.

Performance under the program has been strong. All quantitative targets for end-December 2023 were met, except the indicative target on social spending. Most structural benchmarks due by end-April 2024 were either met or implemented with delay. Nevertheless, the economy is still vulnerable and the path to debt sustainability remains knife-edged. Sustaining the reform momentum and efforts to restructure debt are critical to put the economy on a path towards lasting recovery and debt sustainability.

The Article IV Consultation focused on wide-ranging reforms to restore macroeconomic stability and debt sustainability, maintain price stability, safeguard financial stability, rebuild external buffers, and implement growth-oriented structural reforms, including by strengthening governance.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) completed the second review under the 48-month Extended Fund Facility (EFF) Arrangement, allowing the authorities to draw SDR 254 million (about US\$336 million). This brings the total IMF financial support disbursed so far to SDR 762 million.

The EFF-supported program aims to restore Sri Lanka's macroeconomic stability and debt sustainability, mitigate the economic impact on the poor and vulnerable, rebuild external buffers, safeguard financial sector stability, and strengthen governance and growth potential.

Signs of economic recovery are emerging. Real GDP expanded by 3 percent (y-o-y) in the second half of 2023. May 2024 inflation was 0.9 percent and gross international reserves increased to US\$5.5 billion by end-April 2024. The primary balance improved to a surplus with tax revenue increasing to 9.8 percent of GDP in 2023. Despite improvements in non-performing loans, pockets of vulnerabilities remain in the banking sector.

The recovery remains gradual, and the medium-term growth potential hinges on appropriate policy settings. Growth is projected to recover moderately in 2024-25 given constrained bank credit and fiscal consolidation, while facing uncertainties around the debt restructuring and policy direction following the elections. Inflation is expected to temporarily increase due to one-off factors. The current account is expected to remain positive in 2024, driven by improved tourist arrivals and remittances. Domestic risks could arise from waning reform momentum, especially on revenue mobilization. External risks are associated with intensified regional conflicts, commodity price volatility, and a global slowdown. Slow progress in debt restructuring could widen financing gaps.

Following the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

"Sri Lanka's performance under its Fund-supported program remains strong. All quantitative targets were met, except for the marginal shortfall of indicative target on social spending. Most structural benchmarks were either met or implemented with delay. Reforms and policy adjustment are bearing fruit. The economy is starting to recover, inflation remains low, revenue collection is improving, and reserves continue to accumulate. Despite these positive developments, the economy is still vulnerable and the path to debt sustainability remains knife-edged. Important vulnerabilities associated with the ongoing debt restructuring, revenue mobilization, reserve accumulation, and banks' ability to support the recovery continue to cloud the outlook. Strong reform efforts, adequate safeguards, and contingency planning help mitigate these risks.

"To restore fiscal sustainability, sustained revenue mobilization efforts, promptly finalizing the debt restructuring in line with program targets, and protecting social and capital spending remain critical. Advancing public financial management will help enhance fiscal discipline, and strengthening the debt management framework is also needed

"Monetary policy should continue prioritizing price stability, supported by a sustained commitment to refrain from monetary financing and safeguard central bank independence. Continued exchange rate flexibility and gradually phasing out the balance of payments measures remain critical to rebuild external buffers and facilitate external rebalancing.

"Restoring bank capital adequacy and strengthening governance and oversight of state-owned banks are top priorities to revive credit growth and support economic recovery.

"The authorities need to press ahead with their efforts to address structural challenges to unlock long-term potential. Key priorities include steadfast implementation of the governance reforms; further trade liberalization to promote exports and foreign direct investment; labor reforms to upgrade skills and increase female labor force participation; and state-owned enterprise reforms to improve efficiency and fiscal transparency, contain fiscal risks, and promote a level playing field for the private sector.

Executive Directors commended the authorities' strong performance under the Fund-supported program, noting that reforms are bearing fruit. The economy has started to recover, inflation remains low, revenue collection is improving, and reserves continue to accumulate. Directors underscored, however, that important vulnerabilities and uncertainties remain, including with respect to the ongoing debt restructuring and the upcoming elections. Against this backdrop, they called on the authorities to continue strengthening macroeconomic policies to restore economic stability and debt sustainability and to sustain the reform momentum to promote long-term inclusive growth

Directors underscored that restoring fiscal sustainability requires additional revenue measures underpinning the 2025 Budget, further tax administration reforms, as well as limiting tax exemptions and making them more transparent. They called for protecting growth-enhancing and social spending, and for improving the social safety net. Directors welcomed the submission of the new Public Financial Management bill to Parliament, which would strengthen fiscal discipline and establish a solid fiscal framework. They noted that further efforts to strengthen the debt management framework are also needed. Directors welcomed the progress on achieving cost-recovery in energy pricing, noting its criticality for containing risks from state-owned enterprises (SOEs).

Directors welcomed the progress made to advance debt restructuring to restore Sri Lanka's debt sustainability. They called for a swift finalization of the Memorandum of Understanding with the Official Creditor Committee and final agreements with the Export-Import Bank of China. Directors stressed the importance of seeking comparable, transparent, and timely completion of restructurings with external private creditors consistent with program targets.

Directors emphasized that maintaining price stability remains the top priority for monetary policy, which requires anchoring inflation expectations, continuing to refrain from monetary financing, and the gradual unwinding of government security holdings as markets allow. They also stressed the importance of strengthening central bank independence. Directors underscored the need to continue building external buffers, while maintaining exchange rate flexibility to facilitate external rebalancing and preserve the credibility of the inflation targeting regime. They called for gradually phasing out the balance of payments measures.

Directors underscored the need to strengthen financial sector resilience to support the recovery. They called for swift completion of the restructuring of remaining domestic law, foreign currency loans and for adequate recapitalization of commercial and state-owned banks. Directors welcomed the enactment of the Banking Act amendments and emphasized the importance of their effective implementation to enhance supervision and the governance of state-owned banks. They also called for further efforts to strengthen the anti-money laundering and counter-terrorism financing framework

Appendix XI

Directors stressed that pressing ahead with governance and structural reforms, supported by development partners and IMF capacity development, is crucial to unlock growth

potential. They welcomed the publication of the authorities' action plan on the key governance reforms recommended in the Governance Diagnostic Report and called for its steadfast implementation. Directors also recommended prioritizing reforms to further liberalize trade, improve the investment climate and SOE efficiency, reduce gender gaps in the labor market, and mitigate climate vulnerabilities.

IMF Executive Board Completes the First Review Under the Extended Fund Facility Arrangement with Sri Lanka

FOR IMMEDIATE RELEASE

- The IMF Board completed the first review under the 48-month Extended Fund Facility with Sri Lanka, providing the country with access to SOR 254 million (about US\$337 million) to support its economic policies and reforms.
- Sri Lanka's performance under the program was satisfactory. All but one performance criteria and all but one indicative targets were met at end-June. Most structural benchmarks due by end-October 2023 were either met or implemented with delay. Notably, the authorities published the Governance Diagnostic Report, making Sri Lanka the first country in Asia to undergo the IMF Governance Diagnostic exercise.
- The authorities have made commendable progress toward restoring debt sustainability, raising revenue, rebuilding reserves buffers, reducing inflation, and safeguarding financial stability. Strong commitment to improving governance and protecting the poor and vulnerable remains critical.

Washington, DC - December 12, 2023: The Executive Board of the International Monetary Fund (IMF) completed today the first review under the 48-month Extended Fund Facility (EFF) Arrangement. The completion of the first review allows for an immediate disbursement of SOR 254 million (about US\$337 million), bringing the total IMF financial support disbursed so far to SOR 508 million (about US\$670 million).

The total amount of Sri Lanka's EFF Arrangement is SOR 2.286 billion (about US\$3 billion) as of the time of program approval on March 20, 2023 (see Press Release). The program supports Sri Lanka's efforts to restore macroeconomic stability and debt sustainability, safeguard financial stability, and enhance growth-oriented structural reforms.

Following the Executive Board discussion on Sri Lanka, Mr. Kenji Okamura, Deputy Managing Director, issued the following statement:

"Macroeconomic policy reforms are starting to bear fruit and the economy is showing tentative signs of stabilization, with rapid disinflation, significant revenue-based fiscal adjustment, and reserves build-up.

"Performance under the EFF-supported program has been satisfactory. All quantitative performance criteria for end-June were met, except the one on expenditure arrears. All indicative targets were met, except the one on tax revenues. Most structural benchmarks were either met or implemented with delay by end-October 2023. The publication of a Governance Diagnostic Report, the first in Asia and a structural benchmark under the program, is a commendable first step towards addressing deep-rooted corruption weaknesses. Continued commitment to improving governance and timely implementation of the report's recommendations can deliver tangible economic gains to all citizens.

"Sri Lanka's agreements-in-principle with the Official Creditors Committee and Export-Import Bank of China on debt treatments are consistent with the EFF targets. They are an important milestone putting Sri Lanka's debt on the path towards sustainability. A swift completion and signature of the Memoranda of Understanding with the official creditors is important. Timely implementation of the agreements, together with reaching a resolution with external private creditors on comparable terms, should help restore Sri Lanka's debt sustainability over the medium term.

"To ensure a full and swift recovery, sustaining the reform momentum and strong ownership of reforms is of paramount importance. Key priorities include advancing revenue mobilization, aligning energy pricing with costs, strengthening social safety nets, rebuilding external buffers, safeguarding financial stability, eradicating corruption, and enhancing governance.

"Reinforcing the revenue-based fiscal consolidation supported by revenue administration reforms is critical to recover from program slippages and promote a break from past policy shortcomings.

"The Central Bank of Sri Lanka should continue to focus on the multi-pronged disinflation strategy to safeguard the credibility of its inflation targeting regime. Accumulating reserves, supported by exchange rate flexibility, remains an important priority under the EFF.

"Implementing the bank recapitalization plan and strengthening financial supervision and crisis management framework are crucial to safeguard financial sector stability.

"Further strengthening the social safety net and protecting social spending remains critical to safeguarding the poor and vulnerable

TRANSCRIPT

Transcript of Press Briefing: IMF Executive Board Completion of Second Review for IMF-Supported Program for Sri Lanka

December 12, 2023

Appendix XIII

Today's Board approval recognizes the challenging policy actions implemented by the Sri Lankan people to put the crisis behind them. Sri Lanka's performance under the program was satisfactory. All quantitative performance criteria for end-June were met, except the one on expenditure arrears. All indicative targets were met, except the one on tax revenues. Most structural benchmarks were either met or implemented with delay by end-October 2023. These macroeconomic policy reforms are starting to bear fruit and the economy is showing signs of stabilization, with rapid disinflation, significant revenue-based fiscal adjustment, and reserves build-up

The key to transitioning from stabilization to a full and swift recovery is sustaining the reform momentum amid strong ownership by the authorities and the Sri Lankan people more broadly. We encourage the authorities to continue to build on these hard-won gains and further advance revenue mobilization, align energy pricing with costs, strengthen social safety nets, rebuild external buffers, safeguard financial stability, combat corruption and enhance governance. Reinforcing the revenue based fiscal consolidation with revenue administration reforms is critical to recover from program slippages and to fund the provision of essential government services. The Central Bank of Sri Lanka should continue to focus on the multi-pronged disinflation strategy to safeguard the credibility of its inflation targeting regime. Accumulating reserves, supported by exchange rate flexibility, remains an important priority under the EFF

Implementing the bank recapitalization plan and strengthening the financial supervision and crisis management frameworks are crucial to safeguarding financial sector stability. We encourage the authorities to remain steadfast on their reform commitments.

Appendix XIV

Commendably, Sri Lanka has also reached important milestones in putting debt on the path towards sustainability. Sri Lanka's agreements-in-principle with the Official Creditors Committee and the Export-Import Bank of China on debt treatments are consistent with the program targets. It is now important for the Sri Lankan authorities and the official creditors to sign the respective Memoranda of Understanding. Timely implementation of the agreements, together with reaching a resolution with external private creditors, should help restore Sri Lanka's debt sustainability over the medium term

MF staff will continue to assist the authorities with creditor coordination in line with the IMF's policies

The publication of a Governance Diagnostic Report

(<https://www.imf.org/en/Publications/CR/Issues/2023/09/29/Sri-Lanka-Technical-AssistanceReport-Governance- Diagnostic-Assessment-539804>), the first in Asia and a structural benchmark under the program, is another commendable step taken by the authorities. Continued commitment to Improving governance and timely implementation of the report's recommendations can deliver tangible economic gains to the citizens of Sri Lanka. We look forward to further engagement and collaboration with stakeholders and civil society organizations on this critical reform area.

Finally, we welcome the authorities' firm commitment to strengthen social safety nets, including through a minimum spending floor, the selection of beneficiaries through objective eligibility criteria, and well-targeted spending through the dynamic Social Registry. We emphasize the importance of continuing to support the poor and the vulnerable.

We would like to thank the authorities for the commitment and look forward to our continued close engagement.

Moderator: Thanks a lot. Before I turn the floor over to you for questions, I'd just like to remind everybody that we've posted the press release. You can find it on our website. You can also find the staff report and several other documents if you have any problems with that. After this press conference, please feel free to reach out to us and we will help you out. Now I'll turn the floor over to you for questions. If you could please identify yourself. The name of your outlet and also unmute yourself when I turn it over to you. So now I will turn the floor over to you for questions.

Please raise your hand. Or you can even type in a question via chat

Reporter: Could you explain a bit about the central bank recapitalization? Plan that is required and how you expect it to happen? And also about this industry, the valuation that you are asking, do you think, mark to market volatility that you are you're concerned about?

Reporter: My question is you have mentioned the future missions that Sri Lanka should keep on wanting. What's your overall assessment of Sri Lanka path of recovery and now with the increasing of taxation, especially now the government has seen produce back from next January and it will be a huge impact on the social spatial divide, not about communities. so now how can Sri Lanka minimize these social effects of these type of drastic measures? Because now there are

some, you know, social unrest and the need for the change. We had various kind of agitations coming on. So how can Sri Lanka manage these situations in this context?

Moderator: I am going to take two other questions, and then I will turn it over to Peter.

Reporter: You did say that all of the targets were met, barring one, and that was the one on tax revenues. My question is pretty similar to what I heard also, was that at a time when, you know, the people in the country are facing a lot of trouble, do you think

Reporter: Increasing tax revenues could put forth for the burden on them? And so, how are you, you know, directing the government to make sure that some of the tax revenue targets are met and are and are adhered to? Is there any roadmap for that? Technology. •I'll take one other question and then I'll turn it over to Peter, after which I will have a second round

<https://www.imf.org/en/News/Articles/2023/12/13/tr121223-transcript-sri-lanka-press-briefing-imf-executive-board-complete-ffid-rev-supported-program>

Reporter: Thank you for your presentation. I would like to ask if you could set the record straight at the beginning, because a benefit would come into being that. We're working that most of the revenue and most of the decisions that the government is doing is the ultimate goal to do this. Could you also set the record straight on that, on what are actually doing in the government funded support program? Could you elaborate on the time that that's going on or the time taken for the approval? What is the construct and how long do you think it would take for the next month? Thank you.

Mr. Breuer: The economy is doing as a whole. And then there were questions on the taxes. So on the growth front, high frequency indicators suggest that the economy is starting to possibly enter

the territory of expansion, which is very good news. And we are projecting that next year there will be positive growth. I think there are signs that the all these reforms are paying off. But clearly, the economy is not yet out of the woods. A lot more reforms need to happen. And sustaining this reform momentum is really key for the economy to safely emerge from the crisis.

So, as you know, it contracted. In the in the second quarter, 3.1%. And we are projecting that for the year as a whole, the economy in 2023 will have declined 3.6%. So we're hoping we are projecting a turnaround to positive growth of 1.8 next year. Now, with respect to the questions on taxation, on increasing the value added tax. Sri Lanka continues to be an economy with exceptionally low tax revenues. I'd like to draw your attention to a chart in the staff report that we published a couple of hours ago. It's on, I think it's page ten and the published version on government revenues in emerging markets and middle income economies. And then you can see that in 2022 Sri Lanka's. Revenue was 8.3% of GDP compared to an average of other emerging market countries of just above 26%. So almost three times as much. And this revenue is needed for the government to provide the essential services that the government provides without such revenue.

It's not possible for the government to provide the services that the citizens expect of the government. So raising revenue continues to be of paramount importance in Sri Lanka. Despite all these measures that have been taken, there's still a long road ahead to get revenue to a level where the expenditures can be supported. And yes, we are cognizant that VAT is not an optimal tax. It would be more desirable to have a more progressive tax system in place. But despite the tax reforms last year, there have been small shortfalls in tax collection. And in a situation like that, one has to look into second best options. And so raising the VAT is one of those. Now. You know, that VAT rate is not unprecedented. But over the medium term, it will in fact be advisable

to look into other measures for a more progressive tax. There was also a question sort of how can tax revenue be. Increased and how can we make sure that Sri Lanka will, in fact, you know, raise its revenue to a more viable level? And there I'd like to point to point you to two measures that the Sri Lankan authorities have undertaken, also described in our report.

One of them is the introduction of key performance indicators related to tax administration. So these relate to payments and filings, reporting and registrations of taxpayer assets. So that should hopefully contribute to making tax administration to be able to enable them to raise the taxes needed. And then the second area of reforms is the introduction of various subunits in the Internal Revenue Department relating to high net worth individuals and how to design and monitor various tax indicators. So these are measures that that should help to raise taxes. Perhaps someone can speak a bit about the social aspect and the how the social impact can be mitigated. And Katya capture on the CBC recapitalization

Ms. Jahan: Thank you, Peter. I'd just like to take a moment to add on to the question on raising VAT. I'd also like to point out that exemptions relate lifted from many items, but some of the most essential items, including the ones that are consumed by low-income households, are still exempted. These include fruits, vegetables, rice, flour and wheat flour. So despite the increase in the VAT, there are measures to help the poor and the vulnerable. I'd also like to mention that the tax reforms that we have helped the authorities design are highly regressive in nature. So those who can afford to pay do so and in a fair manner. In terms of social unrest, we see that it is very important in the program, again, to mitigate the impact on the poor and vulnerable from many of the economic reforms that are being undertaken. So part of the program, we have designed a social protection scheme where there is a minimal spending floor. Last year it was about billion. This year, in 2024, the budget has increased to about Q05 billion, and this amounts to around 2.6

- 2.7% of GDP. We have also worked with the authorities to ensure that there is better targeting and better coverage and accuracy of the social protection scheme, which will continue to help the poor and the vulnerable. And I think these are some of the measures that will help check the social unrest. In the end, I would like to say that through macroeconomic stability and through achieving recovery slogans, we'll be better off for all Sri Lankans, including the poor and the political. And that, I think, will help mitigate a lot of the social unrest and helps to look and see that keeping to the reform program is in the benefit of all Sri Lankans. Thank you.

Ms. Svirydzenka: A few words on the central bank recap now. Okay. So on the central bank recap question. As you know, one part of the domestic debt operation this summer was an exchange of CBS Holdings of T-bills into longer term T bonds. And this was done to reduce the government's growth financing needs and also to reduce the refinancing risks for the government. At the same time, this comes at the cost to the ECB to sell equity. Why is that? So if you hold your assets over a longer time horizon, which is in T bonds, when you discount them to the net present value, their value becomes lower. And this is where the role of adequate interest rates comes in. These T bonds needs to be valued at the interest rate that is closer to the market.

Independent Experts Opinion about IMF

The Progressive

By Lucy Komisar

June, 2011

Among the economic policy elite, Joseph Stiglitz is a heretic. The most prestigious critic of the International Monetary Fund (IMF) and the "Washington consensus," Stiglitz has voiced his views in the corridors of power. In 1993, he became a member of the President's Council of Economic Advisers, and later its chairman. In that role, he cautioned against free market "shock

therapy" for Russia. Then, in 1997, he became chief economist of the World Bank, where he tried to push the institution in a more progressive direction. He also stepped up his criticisms of IMF and U.S. economic policies toward Russia and East Asia. These criticisms did not endear him to Treasury Secretary Lawrence Summers, who allegedly pushed him out of the World Bank in December.

Stiglitz is a giant among economists; peers assume he will win a Nobel Prize. When he was a junior at Amherst, the economics faculty met and decided that they had nothing more to teach him. One of them was deputized to call MIT to have him admitted to study there. After two years, he went to Oxford as a research fellow, then returned to MIT as assistant professor, and from there he went to Yale. Two years later, the Yale faculty voted to make him a full professor—at twenty-six. He has taught in Nairobi and at Stanford, Oxford, and Princeton. In his field, he helped create a new branch, the economics of information, and he is a leader in the economics of the public sector.

As chairman of the Council of Economic Advisers, Stiglitz was the highest official charged with analyzing the impact of economic policies on Americans. As chief economist of the World Bank, he was the top official responsible for analyzing how economic decisions affected the world's poor. He has been strategically placed to judge the winners and losers of global economic policies.

Stiglitz is an avuncular man of fifty-seven with close-cropped gray hair and a beard. He favors a loose gray V-necked sweater over a blue shirt and black pinstriped trousers. For a Washington official, he is astonishingly amiable and inspires warm affection, almost reverence, among his staff and close associates.

I spoke with Stiglitz several times in April. He was generous with his time, unpretentious, and genial. He tends to talk not in sound bites or clichés but in professorial explanations. I spoke with him for three hours and read over his recent speeches. Here is an edited transcript of his views.

Q: What was your reaction to the protests in April against the IMF and World Bank in Washington?

Joseph Stiglitz: I thought they were very effective in conveying the sense of values and concerns that a lot of young people, and people generally in the U.S., have beyond the narrow materialistic issues. They are concerned about poor people in developing countries, about democracy and democratic participation, governance issues, and the environment. There were people advocating protectionist issues, or who were more violent than I would approve of, but the point of marches is to convey a sense of values and concerns. How can one object to Americans caring about issues that go beyond our borders, to caring about poor people?

Q: What do you think of the call to shut down the IMF and the World Bank?

Appendix I

Stiglitz: The world needs an international development agency. I don't think anybody really thinks that one should get rid of the World Bank. Reform is one thing, but getting rid of it I think would be wrong. The IMF is a more complicated issue. I think there is a broad sentiment among both the left and the right that the IMF may be doing more harm than good. On the right, there's the view that it represents a form of corporate welfare that is counter to the IMF's own ideology of markets. But anybody who has watched government from the inside recognizes that governments need institutions, need ways to respond to

crises. If the IMF weren't there, it would probably be reinvented. So the issue is fundamentally reform.

Q: The IMF has extraordinary powers to affect countries in times of crisis. Who does it represent? Who controls it?

Appendix II

Stiglitz: Finance ministers and central bank governors have the seats at the table, not labor unions or labor ministers. Finance ministers and central bank governors are linked to financial communities in their countries, so they push policies that reflect the viewpoints and interests of the financial community and barely hear the voices of those who are the first victims of dictated policies.

Q: How does this play out in the IMF's decisions?

Stiglitz: In the midst of the East Asian crisis, there were choices. One choice would have been to encourage countries to implement a bankruptcy law that could have threatened the interests of the lenders. But the mindset of IMF officials was so strong that they acted as if there were no choices. Even as debate on reforming the international economic architecture has proceeded, the people who would inevitably face many of the costs of the mistaken policy have not been invited to the discussions. Workers' rights should be a central focus of development. But nowhere, in all of these discussions, did issues of workers' rights, including the right to participate in the decisions which would affect their lives in so many ways, get raised. Conditionalities are adopted without social consensus. It's a continuation of the colonial mentality. I often felt myself the lone voice in these discussions suggesting that basic democratic principles be followed. I

recommended that not only should workers' voices be heard, but they should actually have a seat at the table. You have the old boys' club discussing how the old boys' club should be reformed.

Q: Who wins when the U.S. and the IMF impose their bailouts on countries in crisis?

Stiglitz: These policies protect foreign creditors. If I came to the problem of what can I do to maintain the Thai economy from the perspective of the chairman of the collection committee of the international creditors, I might mistakenly say the most important thing is to make sure people don't abrogate their debt. Senior people in the IMF actually said that not paying the debt was an abrogation of a contract, whereas anybody who knows about capitalism knows that bankruptcy is an essential part of capitalism.

In East Asia, you had private debtors. The appropriate response when you have private debtors who can't pay is bankruptcy. It is not the nationalization of private debts, which the IMF has facilitated in many countries. Nationalization of private debts undermines prudential lender behavior and is a government intervention in the market. But that's not the view you'd take if you were chairing the creditors.

The IMF insisted that both Russia and Brazil maintain their currency at over-valued levels. Who are you protecting when you try to maintain that exchange rate by having high interest rates? You're protecting domestic and foreign firms that have gambled on the exchange rate. And who is paying the price? The small businesses that did not gamble [and no longer can afford loans], the workers who are going to be put out of jobs.

The lenders in the more advanced countries tend to recover most, if not all, of the amounts lent, with the costs of the bailout (including the costs of economic restructuring) being largely borne

by workers. There is a transfer from the workers to the large international banks and other creditors in the U.S., Germany, and Japan.

Q: How else do IMF and World Bank policies affect workers?

Stiglitz: During my three years as chief economist of the World Bank, labor market issues were looked at through the lens of neoclassical economics. "Wage rigidities"--often the fruits of hard-fought bargaining--were thought part of the problem facing many countries. A standard message was to increase labor market flexibility. The not-so-subtle subtext was to lower wages and lay off unneeded workers.

They had a strategy for job destruction. They had no strategy for job creation. Many of the policies the IMF pursued as they were killing off jobs made job creation almost impossible. In the U.S., you couldn't have job creation with interest rates of 30 or 40 percent. They had a philosophy that said job creation was automatic. I wish it were true. Just a short while after hearing, from the same preachers, sermons about how globalization and opening up capital markets would bring them unprecedented growth, workers were asked to listen to sermons about "bearing pain." Wages began falling 20 to 30 percent, and unemployment went up by a factor of two, three, four, or ten.

Q: How would you define "the Washington consensus"?

Stiglitz: It is a set of policies formulated between 15th and 19th streets by the IMF, U.S. Treasury, and World Bank. Countries should focus on stabilization, liberalization, privatization. It's based on a rejection of the state's activist role and the promotion of a minimalist, noninterventionist state. The analysis in the era of Reagan and Thatcher was that government was interfering with the efficiency of the economy through protectionism, government subsidies,

and government ownership. Once the government "got out of the way," private markets would allocate resources efficiently and generate robust growth. Development would simply come.

The Washington consensus also considers capital market liberalization essential, and the IMF took it as a central doctrine. Capital market liberalization includes freeing up deposit and lending rates, opening up the market to foreign banks, and removing restrictions on capital account transactions and bank lending. The focus is on deregulation, not on finding the right regulatory structure.

Q: What did the Washington consensus tell the former Communist countries to do?

Stiglitz: Countries were told they had no incentives because of social ownership. The solution was privatization and profit, profit, profit. Privatization would replace inefficient state ownership, and the profit system plus the huge defense cutbacks would let them take existing resources and have a higher GDP and an increase in consumption. Worries about distribution and competition--or even concerns about democratic processes being undermined by excessive concentration of wealth--could be addressed later.

Q: How did U.S. Russia policy develop?

Stiglitz: In the early 1990s, there was a debate among economists over shock therapy versus a gradualist strategy for Russia. But Larry Summers [Under Secretary of the Treasury for International Affairs, then Deputy Secretary of the Treasury, now Secretary] took control of the economic policy, and there was a lot of discontent with the way he was driving the policy.

The people in Russia who believed in shock therapy were Bolsheviks--a few people at the top that rammed it down everybody's throat. They viewed the democratic process as a real impediment to reform.

The grand larceny that occurred in Russia, the corruption that resulted in nine or ten people getting enormous wealth through loans-for-shares, was condoned because it allowed the reelection of Yeltsin.

Q: What effect did the policies pushed by the United States and the IMF have on the Russian people?

Stiglitz: Both GDP and consumption declined. Living standards collapsed, life spans became shorter, and health worsened. Russia achieved a huge increase in inequality at the same time that it managed to shrink the economy by up to a third. Poverty soared to close to 50 percent from 2 percent in 1989, comparable to that of Latin America--a remarkable achievement in eight years.

Q: How did that happen?

Stiglitz: Put yourself in the shoes of one of these oligarchs who has been given a gift of \$10 billion. Russia is in a deep depression. Nobody's investing. There is a widespread political consensus that the way you got your wealth is illegitimate. Through political connections, you got the government to give you a huge oil field. You sell oil. What do you do with the revenue? You have a choice: You can invest it in the booming New York stock market, or you can invest it in Russia, which is in a depression. If you invest it in Russia, you are risking that eventually there will be a new government that says, "Yeltsin was a crook, and you got the money in an illegitimate way." And the IMF invites you to take the money out, because free capital markets are the way of the future. Then, to make your life even easier, in August 1998 the IMF comes in

and says we'll give you \$5 billion or \$6 billion to up the exchange rates so you can get more for your rubles to take over to Cyprus in the next day or so.

Q: What would you have done?

Stiglitz: The incentives worked.

Rather than providing incentives for wealth creation, privatization provided incentives for asset-stripping, with huge movements of capital abroad--\$2 billion to \$3 billion a month. Policies seemed almost deliberately designed to suppress new enterprise and job creation. The excessive focus on macro-stabilization led to interest rates of 20, 30, 40, 250 percent. There is little domestic or foreign investment except in natural resources. How many Americans will start a business if the interest rates are 150 percent?

Q: How did the East Asian crisis happen?

Stiglitz: In East Asia, reckless lending by international banks and other financial institutions combined with reckless borrowing by domestic financial institutions precipitated the crisis, but workers bore the costs. The roots of the crisis in East Asia were in private sector decisions. The biggest problems were the misallocation of investment, most notably to speculative real estate, and risky financing, especially borrowing short-term debt on international markets.

Q: The first country to be hit was Thailand. What happened there?

Stiglitz: The crisis began as a currency crisis with large devaluations in Thailand in July 1997. Pressed by the U.S. Treasury and the IMF on financial and capital market liberalization, Thailand had opened itself to capital flows and foreign banks.

There was a real estate bubble. Bank contraction in Japan led to credit contraction in Thailand, and the real estate bubble burst. When capital stopped flowing in, there was pressure for the exchange rate to fall, the government tried to support it, and in a short time it spent enormous amounts of money and used up its reserves.

The IMF organized a typical rescue package, based on fiscal austerity and high interest. There were massive bankruptcies. The magnitude of unemployment was hard to believe. Real wages went down 20 to 30 percent. The crisis spread to Indonesia, Malaysia, and the Philippines, and eventually Korea. Stock markets lost 40 to 80 percent of their values, and banks failed.

I talked to [IMF Deputy Director] Stan Fischer and others at the beginning of the crisis. They had a peculiar view: "If you're right, we'll correct the policies." But there are important irreversibilities. If you destroy a firm, you can't pull it out of bankruptcy overnight. They ignored that. They ignored that high interest rates wouldn't attract capital and increased the probability of default.

Q: What should the IMF have done in East Asia?

Stiglitz: If you had approached the problem of East Asia from the perspective of what would be best for the global economy, you would say that the countries needed more resources so they wouldn't bring down their neighbors. That was the philosophy of Bretton Woods [the founding conference for the IMF and World Bank in 1944] to stop a global slowdown.

But what did the IMF do? It went to the countries and told them to be more contractionary than they wanted, to increase interest rates enormously. It was just the opposite of the economic analysis that was the basis of the founding of the IMF. Why? In order to make sure that creditors got repaid. When you're facing the threat of recession, you need to have an expansionary

monetary and fiscal policy. Pre-Keynesian, Hooverite views are dead everywhere except on 19th Street in Washington.

Q: Is there a double standard on trade liberalization?

Stiglitz: As people in Seattle were saying, the international institutions go around the world preaching liberalization, and the developing countries see that means open up your markets to our commodities, but we aren't going to open our markets to your commodities. In the nineteenth century, they used gunboats. Now they use economic weapons and arm-twisting.

When you have a march in Seattle, you hear voices saying maybe trade policies haven't been done in the interest of broader constituencies but in the interest of special interests.

All of a sudden people get woken up to a different perspective.

Q: What was your reaction to the protests against the WTO in Seattle?

Stiglitz: The Seattle march was a wake-up call to much of the world that had taken the advantages of globalization for granted, that many people saw globalization through different lenses, saw the process being pursued behind closed doors for the benefit of special interests-- banks, businesses, and the rich.

Q: How were decisions on these issues made in the Clinton White House when you were on the Council of Economic Advisers?

Stiglitz: The decision-making process in the White House does not let most issues get up to the President. The Council thought opening up global markets to derivatives that would destabilize other countries wasn't likely to create a lot of jobs in the U.S. and might adversely affect U.S. interests by causing global economic instability.

Larry Summers opposed us.

Q: If there's a disagreement of this sort, doesn't the issue go to the President?

Stiglitz: Treasury made sure there was a consensus not to bring it to the President. I knew the President agreed with me. That was why some of my concerns never went to the President. But it wasn't as if I felt isolated. Treasury is only one view within the Administration, and even some people in the Treasury would agree with me. At the World Bank, Jim Wolfensohn [the president of the Bank] agreed with me on most of the substantive issues. There were other people who agreed with me strongly on the general principle of open discussions.

Q: How did top U.S. officials try to shut you up?

Stiglitz: Stan Fischer wrote an op-ed in the F.T. [Financial Times] that all he's asking countries to do is to have a balanced budget. Not since Herbert Hoover have we heard something like that! We have fought against a balanced budget amendment to the Constitution on grounds that it would eliminate the ability to use fiscal policy as an anti-cyclical device in a recession.

I wrote an op-ed saying we don't believe in a balanced budget during recession in the U.S., why should we be telling that to other countries? The reaction that I got from the U.S. Treasury and the IMF was enormous. There were phone calls to Jim Wolfensohn, mainly from the Treasury but also from the IMF, not to allow me to talk to the press. Wolfensohn, who believed I was right, tried to manage the difficult process of how do you keep at bay your largest shareholder, how do you maintain relations with your sister institution in a world of clubs in which you don't criticize each other. He told me to tone it down. I had made my point.

Q: I heard that Summers told Wolfensohn that if he didn't fire you, he wouldn't be reappointed.

Stiglitz: I heard the same rumors. I have no way of knowing. In an article in the Financial Times when I left, somebody observed that these guys are smart enough that they wouldn't leave fingerprints.

The IMF Is a Power Unto Itself

By Jeffrey Sachs

The Financial Times

December, 11 1997

It is time that the world take a serious look at the International Monetary Fund. In the past three months, this small, secretive institution has dictated economic conditions to 350m people in Indonesia, South Korea, the Philippines, and Thailand. It has put on the line more than \$100bn of taxpayers' money in loans.

These bailout operations, if handled incorrectly, could end up helping a few dozen international banks to escape losses for risky loans by forcing Asian governments to cover the losses on private transactions that have gone bad. Yet the IMF decisions have been taken without any public debate, comment, or scrutiny.

Appendix I

While it pays lip service to "transparency", the IMF offers virtually no substantive public documentation of its decisions, except for a few pages in press releases that are shorn of the technical details needed for a serious professional evaluation of its programmes.

Remarkably, the international community accepts this state of affairs as normal.

Appendix II

The world waits to see what the Fund will demand of country X, assuming that the IMF has chosen the best course of action. The world accepts as normal the idea that crucial details of IMF programs should remain confidential, even though these "details" affect the well-being of millions. Staff at the Fund, meanwhile, are unaccountable for their decisions.

The people most affected by these policies have little knowledge or input. In Korea, the IMF insisted that all presidential candidates immediately "endorse" an agreement they had no part in drafting or negotiating - and no time to understand.

The situation is out of hand. However useful the IMF may be to the world community, it defies logic to believe that the small group of 1,000 economists on 19th Street in Washington should dictate the economic conditions of life to 75 developing countries with around 1.4bn people.

These people constitute 57 per cent of the developing world outside China and India (which are not under IMF programs). Since perhaps half of the IMF's professional time is devoted to these countries - with the rest tied up in surveillance of advanced countries, management, research, and other tasks - about 500 staff cover the 75 countries. That is an average of about seven economists per country.

One might suspect that seven staffers would not be enough to get a very sophisticated view of what is happening. That suspicion would be right. The IMF threw together a draconian program for Korea in just a few days, without deep knowledge of the country's financial system and without any subtlety as to how to approach the problems.

Consider what the Fund said about Korea just three months ago in its 1997 annual report. "Directors welcomed Korea's continued impressive macroeconomic performance [and] praised the authorities for their enviable fiscal record." Three months ago there was not a hint of alarm, only a call for further financial sector reform - incidentally without mentioning the chaebol (conglomerates), or the issue of foreign ownership of banks, or banking supervision that now figure so prominently in the IMF's Korea program.

In the same report, the IMF had this to say about Thailand, at that moment on the edge of the financial abyss. "Directors strongly praised Thailand's remarkable economic performance and the authorities' consistent record of sound macroeconomic policies."

With a straight face, Michel Camdessus, the IMF managing director, now blames Asian governments for the deep failures of macroeconomic and financial policies that the IMF has discovered. It would have been more useful instead, for the IMF to ponder why the situation looked so much better three months ago, for therein lies a basic truth about the situation in Asia.

There is no "fundamental" reason for Asia's financial calamity except financial panic itself. Asia's need for significant financial sector reform is real, but not a sufficient cause for the panic, and not a justification for harsh macroeconomic policy adjustments. Asia's fundamentals are adequate to forestall an economic contraction: budgets are in balance or surplus, inflation is low, private saving rates are high, economies are poised for export growth.

Asia is reeling not from a crisis of fundamentals, but from a self- fulfilling withdrawal of short-term loans, one that is fueled by each investor's recognition that all other investors are withdrawing their claims. Since short-term debts exceed foreign exchange reserves, it is "rational" for each investor to join in the panic.

Without wider professional debate, the IMF has decided to impose a severe macroeconomic contraction on top of the market panic that is already roiling these economies. Consider the Korea program (or at least those parts that have been announced to the public). The won has depreciated by around 80 per cent in the past 12 months, from around 840 a dollar to a record low of 1,565, yesterday, this currency depreciation will force up the prices of traded goods. Yet despite that, the IMF insists that Korea aim for an essentially unchanged inflation rate (5.2 per cent in 1998, in comparison with 4.2 per cent in 1997). To achieve unchanged low inflation in the face of a huge currency depreciation, Korea will need a brutal monetary squeeze. And indeed this is just what the Fund has ordered. Short-term interest rates jumped from 12® per cent to 21 per cent upon the signing of the program, and have since risen further.

The Fund argues that these draconian monetary measures are "to restore and sustain calm in the markets" and "[to] demonstrate to markets the government's resolve to confront the present crisis". It is hard to see how recessionary monetary policy will restore calm. Indeed, the panic has so intensified since the signing of the agreement that Korean banks may now be on the verge of outright default. Just one day after the measures were unveiled, the 11th largest-conglomerate declared bankruptcy when Korean banks abruptly refused to roll over its short-term debts. In recent days more well-known local companies have gone under.

In addition to the rise in interest rates, the IMF is insisting that fiscal policy be tightened by 1-1® per cent of GDP. On top of this, the IMF required that 9 out of 30 merchant banks suspend operations. The IMF is aiming for Korean growth to fall to 2.5 per cent in 1998 from 6 per cent in 1997. But the projected slowdown may turn out to be the least of Korea's worries by next year, since the underlying macroeconomic measures could easily push the economy into outright

contraction. None of this overkill makes sense for an economy that was (rightly) judged to be pursuing sound macroeconomic policies just months earlier.

A better approach would have been for the IMF to stress the strengths rather than the weaknesses of the Korean economy, thereby calming the markets rather than further convincing them of the need to flee the country. Months ago, when the financial crisis began, the Fund could have quietly encouraged Japan, the US and Europe to provide some credit support to the Bank of Korea. It might well have worked with the major banks to encourage them to roll over their short-term debts without inflaming the panic. With appropriate confidence-building measures, Korea could probably have got by with a modest slowdown in growth, no credit crunch, and a realistic time horizon of a few years to complete its needed financial reforms.

In more than six dozen developing countries, the IMF is in a position to choose make-or-break financial policies. While its instincts are often correct, they can sometimes be wrong, with serious consequences.

In recent years, the IMF mishandled the Russian reforms (for example, by insisting for more than a year that all 15 successor states to the Soviet Union share a common currency, thereby delaying stabilization and undermining the political support for reforms). In Bulgaria, the IMF signed a program in July 1996 based on 2.5 per cent growth and 20 per cent inflation in 1997. Instead, Bulgaria has suffered an outright collapse of gross domestic product of more than 10 per cent, and inflation in the hundreds of per cent. The IMF (in common with others) failed to foresee the Mexico crisis in 1994, and the Asian crises in 1997.

Three general conclusions can be reached. First, the IMF is invested with too much power: no single agency should have responsibility for economic policy in half the developing world.

Second, the IMF's executive board should do its job of overseeing the staff, rather than simply rubber-stamp the staffs' proposals. It is high time the board consult outside expertise in the exploratory stages of IMF operations; it should also canvas international opinion about the origins and policy implications of the Asian crisis.

Third, IMF operations should be made public, so that professional debate and review can help ensure the highest possible professionalism of the institution, especially since (for all its faults) the Fund will surely continue to play an important role for many years in the future.

From intervention to cooperation: reforming the IMF and World Bank

Ngaire Woods

Cooperation among governments is urgently required to deal with the financial crisis catalyzed by the collapse of the US sub-prime mortgage market, immediate threats posed by fragile and collapsing states, climate change and a more inclusive globalization. In principle, the IMF and World Bank are ideally placed to play a key role. They sit at the heart of intergovernmental cooperation: conducting consultations on exchange rate policy; lending to countries in financial crisis; providing assistance after conflict and natural disasters; and setting standards, offering advice and providing development assistance. In practice, neither institution is adequately equipped to ensure cooperation to deal with current crises. Two reasons stand out. First, neither institution has globalized its governance. The IMF and World Bank are ostensibly global institutions but each is run by a small directorate of industrialized countries, who cling to their influence over each organization. Seriously under-represented are emerging economies. But they are not desperately calling for reform. They have alternatives: they are stockpiling their own reserves (and hence have little need of the IMF); in some cases they are setting up their own

multilateralised swaps arrangements (the CMI); they have access to multiple sources of own multilateralised swaps arrangements (the CMI); they have access to multiple sources of development financing (and hence little need for World Bank loans); they are planning new multilateral development initiatives (the Bank of the South); and several now have their own aid programs. They are not formally disengaging from the IMF or World Bank but in practice the institutions have slipped to the margins of their policy-making since they have little confidence that the agencies will act as multilaterals rather than as agents of the OECD, G7 or G1 economies. Put simply, neither institution has a governance structure which today commands the confidence of emerging economic powers whose cooperation is vital if global collective action is to resolve the crises mentioned above. A second serious problem is that both institutions have a habit of intervention rather than cooperation. Both the IMF and World Bank have been used to bring about change in developing countries over the past few decades. Neither has developed as a forum for serious multilateral cooperation. In the words of former IMF chief economist Raghuram Rajan: “some of the largest industrialized countries see themselves as more sovereign than others, and their politicians brook no interference in their own domestic policies, while being fully prepared to use multilateral agencies to intervene in the domestic politics of others”.

Appendix I

The habit of intervention rather than cooperation has left unaddressed the economic storms which besiege small economies—the brunt of globalization. These include sudden destabilizing shifts in capital flows, energy and commodity prices and exchange rates. In effect, the IMF and World Bank have been used to exhort governments of small, poor economies to paddle faster in the face of external forces including volatility in capital and investment flows (caused by contagion and crises in other countries); in commodity prices

(historically the most volatile of all prices), 2 in energy prices; in exchange rates; and in aid disbursements.

Appendix II

The failure of the IMF and World Bank to deal with the brunt of globalization cannot be separated from their governance structures, which have made it easy for industrialized countries to urge other countries to reform without committing themselves to any self-restraining or regulatory actions that would result in a more inclusive globalization. In sum, the IMF and World Bank should be uniquely placed to promote cooperation among governments to address global collective action problems. In practice, serious reform is required to equip them to do this.

In sum, the IMF and World Bank should be uniquely placed to promote cooperation among governments to address global collective action problems. In practice serious reform is required to equip them to do this. globalizing the institutions: the role for progressive governments What can be done? Reinvigorating the IMF and World Bank to make globalization more inclusive will first require rebuilding the multilateral character of each institution. Emerging (and other) economies need to be fully engaged. For this, they will need assurance that the institutions are as much theirs as others'. At present, they see the institutions as instruments of US or G7 economic interests and values. Capturing confidence is possible. When the institutions were created this was achieved through their governance. The original 1944 structure of the IMF and the World Bank ensured the engagement of the United States (and Wall Street). Since the US was the world's largest creditor at the time, and Wall Street the world's largest potential purchaser of

World Bank bonds, this confidence was crucial. It was delivered through a system of formal and informal controls over the organization.