



Blog #2

Title: Three Fatal Flaws in the IMF's AI Preparedness Index (AIPI)

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In the US, when a manufacturer discovers a serious flaw in a product, it recalls the product, fixes the problem, and sends it back to consumers. The IMF should consider doing the same with its AI Preparedness Index—the one cited by its Managing Director Kristalina Georgieva at the World Economic Forum in Davos to classify countries into three tiers, placing India in the second tier. Minister Ashwini Vaishnaw rightly pushed back. Here's why the index is fundamentally flawed:

1 IMF's index has little to do with AI.

Despite its name, the AIPI measures very little that is specific to AI. It would be more accurate to call it a Digital or Internet Preparedness Index. If the IMF truly wants to assess AI readiness, it should adopt a more appropriate framework—such as the five-layer stack proposed by Ashwini Vaishnaw and Jensen Huang: energy, infrastructure, compute, models, and applications.

2 It ignores scale effects.

Like many global digital indices, the IMF measures preparedness on a per capita basis, overlooking economy-wide scale effects that are central to the digital and AI economy. ICRIER's State of India's Digital Economy (SIDE) report corrects for this and finds India to be the third-largest digitalised economy in the world, after the US and China (<https://icrier.org/publications/state-of-indias-digital-economy-side-report-2025/>)—a result echoed by Stanford's AI Vibrancy Index.

3 The rankings fail the reality check.

Seven of the top ten countries in the IMF ranking are European, while large emerging markets trail far behind: China is ranked at 30, Indonesia at 60, Brazil at 65, and India at 71 (see below slide from one of my presentations from the SIDE report). Anyone familiar with the Draghi Report knows how far many European economies lag on AI adoption and deployment. The rankings simply don't pass the smell test!

Do we really need more evidence that the IMF should recall, fix, and reissue its AI Preparedness Index?

The same outdated approach is now being carried forward to measuring AI

IMF (2024): Seven of the top 10 countries on AI are European, while large emerging markets are lagging behind

