Angeline Close
International Business

The IMF

The International Monetary Fund was created in 1945 to help promote the health of the world economy. Headquartered in Washington DC, it is governed by and accountable to the governments of the 184 countries that make up its near-global membership.

What is the International Monetary Fund?

The International Monetary Fund—also known as the "IMF" or the "Fund"—was conceived at a United Nations conference convened in Bretton Woods, New Hampshire, U.S. in July 1944. The 45 governments represented at that conference sought to build a framework for economic cooperation that would avoid a repetition of the disastrous economic policies that had contributed to the Great Depression of the 1930s.

Facts on the IMF

* Current Membership: 184 countries
* Staff: approximately 2,690 from 141 countries
* Total Quotas: $316 billion (as of 12/31/03)
* Loans Outstanding: $107 billion to 87 countries, of which $10 billion to 60 on concessional terms (as of 12/31/03)
* Technical Assistance provided: 356 person years during FY2003
* Surveillance Consultations concluded: 136 countries during FY2003, of which 96 voluntarily published their staff reports

IMF's main responsibilities

* promoting international monetary cooperation;
* facilitating the expansion and balanced growth of international trade;
* promoting exchange stability;
* assisting in the establishment of a multilateral system of payments; and
* making its resources available (under adequate safeguards) to members experiencing balance of payments difficulties.

IMF activities

More generally, the IMF is responsible for ensuring the stability of the international monetary and financial system—the system of international payments and exchange rates among national currencies that enables trade to take place between countries. The Fund seeks to promote economic stability and prevent crises; to help resolve crises when they do occur; and to promote growth and alleviate poverty. It employs three main functions—surveillance, technical assistance, and lending—to meet these objectives.

* The IMF works to promote global growth and economic stability—and thereby prevent economic crisis—by encouraging countries to adopt sound economic policies.

Surveillance is the regular dialogue and policy advice that the IMF offers to each of its members. Generally once a year, the Fund conducts in-depth appraisals of each member country's economic situation. It discusses with the country's authorities the policies that are most conducive to stable exchange rates and a growing and prosperous economy. The IMF also combines information from individual consultations to form assessments of global and regional developments and prospects. Its views are published twice each year in the World Economic Outlook and the Global Financial Stability Report.

Technical assistance and training are offered—mostly free of charge—to help member countries strengthen their capacity to design and implement effective policies. Technical assistance is offered in several areas, including fiscal policy, monetary and exchange rate policies, banking and financial system supervision and regulation, and statistics.

* In the event that member countries do experience difficulties financing their balance of payments, the IMF is also a fund that can be tapped to help in recovery.

Financial assistance is available to give member countries the breathing room they need to correct balance of payments problems. A policy program supported by IMF financing is designed by the national authorities in close cooperation with the IMF, and continued financial support is conditional on effective implementation of this program.

The IMF is also actively working to reduce poverty in countries around the globe, independently and in collaboration with the World Bank and other organizations.

The IMF provides financial support through its concessional lending facility—the Poverty Reduction and Growth Facility (PRGF)—and through debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative.

In most low-income countries, this support is underpinned by Poverty Reduction Strategy Papers (PRSP). These papers are prepared by country authorities—in consultation with civil society and external development partners—to describe a comprehensive economic, structural and social policy framework that is being implemented to promote growth and reduce poverty in the country.

IMF governance and organization

The IMF is accountable to the governments of its member countries. At the apex of its organizational structure is its Board of Governors, which consists of one Governor from each of the IMF's 184 member countries. All Governors meet once each year at the IMF-World Bank Annual Meetings; 24 of the Governors sit on the International Monetary and Finance Committee (IMFC) and meet twice each year. The day-to-day work of the IMF is conducted at its Washington DC headquarters by its 24-member Executive Board; this work is guided by the IMFC and supported by the IMF's professional staff. The Managing Director is Head of IMF staff and Chairman of the Executive Board, and is assisted by three Deputy Managing Directors.

The IMF's resources are provided by its member countries, primarily through payment of quotas, which broadly reflect each country's economic size. The total amount of quotas is the most important factor determining the IMF's lending capacity. The annual expenses of running the Fund are met mainly by the difference between interest receipts (on outstanding loans) and interest payments (on quota "deposits").

Source: The IMF