



International monetary fund and world bank group: An Overview

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Abstract

The International Monetary Fund (IMF) is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. Created in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership. The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries (and their citizens) to transact with each other. The Fund's mandate was updated in 2012 to include all macroeconomic and financial sector issues that bear on global stability.

The International Bank for Reconstruction and Development (IBRD) is a global development cooperative owned by 189 member countries. As the largest development bank in the world, it supports the World Bank Group's mission by providing loans, guarantees, risk management products, and advisory services to middle-income and creditworthy low-income countries, as well as by coordinating responses to regional and global challenges. Created in 1944 to help Europe rebuild after World War II, IBRD joins with IDA, our fund for the poorest countries, to form the World Bank. They work closely with all institutions of the World Bank Group and the public and private sectors in developing countries to reduce poverty and build shared prosperity.

Keywords: IBRD, IMF, Economic Growth, Sustainable Development, Global Stability etc

Introduction

The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States. The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.

The World Bank Group has set two goals for the world to achieve by 2030

- End extreme poverty by decreasing the percentage of people living on less than \$1.90 a day to no more than 3%
- Promote shared prosperity by fostering the income growth of the bottom 40% for every country

The World Bank is a vital source of financial and technical assistance to developing countries around the world. We are not a bank in the ordinary sense but a unique partnership to reduce poverty and support development. The World Bank Group comprises five institutions managed by their member countries.

Established in 1944, the World Bank Group is headquartered in Washington, D.C. We have more than 10,000 employees in more than 120 offices worldwide. World Bank provides low-interest loans, zero to low-interest credits, and grants to developing countries. These support a wide array of investments in such areas as education, health, public

administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management. Some of our projects are co-financed with governments, other multilateral institutions, commercial banks, export credit agencies, and private sector investors. In order to maintain stability and prevent crises in the international monetary system, the IMF monitors member country policies as well as national, regional, and global economic and financial developments through a formal system known as surveillance. The IMF provides advice to member countries and promotes policies designed to foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards. It also provides periodic assessments of global prospects in its *World Economic Outlook*, of financial markets in its *Global Financial Stability Report*, of public finance developments in its *Fiscal Monitor*, and of external positions of the largest economies in its *External Sector Report*, in addition to a series of regional economic outlooks.

The International Monetary Fund (IMF)

Comprised of 189 member countries including the United States, the International Monetary Fund's main mission is to ensure monetary stability around the world. Member countries work together to foster global monetary cooperation, secure financial stability, facilitate international trade, and promote employment and economic growth. It also aims to reduce poverty around the world.

The IMF maintains its mission in three ways. First, it keeps track of the global economy and those of its member

countries. The group employs a number of economists who monitor member countries' economic health. Each year, the IMF provides each country with an economic assessment. Secondly, it gives practical help to members by providing policymakers by helping them plan fiscal policies, coming up with tax and fiscal legislation, and overseeing the economy through analysis. Finally, it lends to countries with balance of payments difficulties. It provides this financial assistance as long as the borrowing country implements initiatives suggested by the IMF.

But the group's loan program doesn't come without criticism. The IMF helps countries develop policy programs that solve balance of payment problems if a country cannot obtain financing sufficient to meet its international obligations by advancing loans. But they are loaded with conditions. A loan provided by the IMF as a form of "rescue" for countries in serious debt ultimately only stabilizes international trade and eventually results in the country repaying the loan at rather hefty interest rates.

Founding and mission:- The IMF was conceived in July 1944 at the United Nations Bretton Woods Conference in New Hampshire, United States. The 44 countries in attendance sought to build a framework for international economic cooperation and avoid repeating the competitive currency devaluations that contributed to the Great Depression of the 1930s. The IMF's primary mission is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries and their citizens to transact with each other.

Surveillance:- In order to maintain stability and prevent crises in the international monetary system, the IMF monitors member country policies as well as national, regional, and global economic and financial developments through a formal system known as surveillance. The IMF provides advice to member countries and promotes policies designed to foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards. It also provides periodic assessments of global prospects in its *World Economic Outlook*, of financial markets in its *Global Financial Stability Report*, of public finance developments in its *Fiscal Monitor*, and of external positions of the largest economies in its *External Sector Report*, in addition to a series of regional economic outlooks.

Financial assistance:- Providing loans to member countries that are experiencing actual or potential balance-of-payments problems is a core responsibility of the IMF. Individual country adjustment programs are designed in close cooperation with the IMF and are supported by IMF financing, and ongoing financial support is dependent on effective implementation of these adjustments. In response to the global economic crisis, in April 2009 the IMF strengthened its lending capacity and approved a major overhaul of its financial support mechanisms, with additional reforms adopted in subsequent years. These changes enhanced the IMF's crisis-prevention toolkit, bolstering its ability to mitigate contagion during systemic crises and allowing it to better tailor instruments to meet the needs of individual member countries. Loan resources available to low-income countries were sharply increased in 2009, while average limits

under the IMF's concessional loan facilities were doubled. Access limits under the IMF's non-concessional lending facilities were again reviewed and increased in 2016, when the effectiveness conditions for the 14th Review were met (see below). In addition, zero interest rates on concessional loans were extended through end-June 2019, and the interest rate on emergency financing is permanently set at zero. Finally, loan resources in the amount of SDR 11.4 billion (SDR 0.4 billion above target) were recently secured to support the IMF's concessional lending activities well into the next decade.

Capacity development: The IMF provides technical assistance and training to help member countries build better economic institutions and strengthen related human capacities. This includes, for example, designing and implementing more effective policies for taxation and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks, and economic statistics.

SDRs:- The IMF issues an international reserve asset known as Special Drawing Rights, or SDRs, that can supplement the official reserves of member countries. Total global allocations are currently about SDR 204 billion (some \$283 billion). IMF members can voluntarily exchange SDRs for currencies among themselves.

Resources: Member quotas are the primary source of IMF financial resources. A member's quota broadly reflects its size and position in the world economy. The IMF regularly conducts general reviews of quotas. The latest review (the 14th Review) was concluded in 2010 and the quota increases became effective in 2016. This review doubled quota resources to SDR 477 billion (about US\$661 billion). In addition, credit arrangements between the IMF and a group of members and institutions provide supplementary resources of up to about SDR 182 billion (\$253 billion), and are the main backstop to quotas. As a third line of defense, member countries have also committed resources to the IMF through bilateral borrowing agreements, totaling about SDR 317 billion (\$440 billion).

Governance and organization: The IMF is accountable to its member country governments. At the top of its organizational structure is the Board of Governors, consisting of one governor and one alternate governor from each member country, usually the top officials from the central bank or finance ministry. The Board of Governors meets once a year at the IMF–World Bank Annual Meetings. Twenty-four of the governors serve on the International Monetary and Financial Committee, or IMFC, which advises the IMF's Executive Board on the supervision and management of the international monetary and financial system. The day-to-day work of the IMF is overseen by its 24-member Executive Board, which represents the entire membership and supported by IMF staff. The Managing Director is the head of the IMF staff and Chair of the Executive Board and is assisted by four Deputy Managing Directors.

International Monetary Fund Function

- Overseeing the economies of member countries
- Lending to countries with balance of payments issues

- Helping member countries modernize their economies

Monitoring Member Country Economies

The International Monetary Fund's primary job is to promote stability in the global monetary system. So, its first function is to monitor the economies of its 189 member countries. This activity, known as economic surveillance, happens at both the national and global levels. Through economic surveillance, the IMF monitors developments that affect member economies as well as the global economy as a whole.

Member nations must agree to pursue economic policies that coincide with the IMF's objectives. By monitoring the macroeconomic and financial policies of its member countries, the IMF sees stability risks and advises on possible adjustments.

Lending

The IMF lends money to nurture the economies of member countries with balance of payments problems instead of lending to fund individual projects. This assistance can replenish international reserves, stabilize currencies, and strengthen conditions for economic growth. The IMF expects the countries to pay back the loans, and the countries must embark on structural adjustment policies monitored by the IMF.

Lending through the IMF takes two forms. The first is at no concessional interest rates, while the other comes with concessional terms. The latter is advanced to countries with low income, and bears very low or no interest rates at all.

Technical Assistance

The third main function of the IMF is through what it calls capacity development by providing assistance, policy advice, and training through its various programs. The group provides member nations with technical assistance in the following areas:

- Fiscal policy
- Monetary and exchange rate policies
- Banking and financial system supervision and regulation
- Statistics

The organization aims to strengthen human and institutional capacity. This is very important for countries with previous policy failures, weak institutions, or scarce resources. Through capacity development, member nations can help strengthen and improve growth in their economies and create jobs.

IMF Benefits

The IMF offers its assistance in the form of surveillance, which it conducts on a yearly basis for individual countries, regions and the global economy as a whole. However, a country may ask for financial assistance if it finds itself in an economic crisis, whether caused by a sudden shock to its economy or poor macroeconomic planning. A financial crisis will result in severe devaluation of the country's currency or a major depletion of the nation's foreign reserves. In return for the IMF's help, a country is usually required to embark on an IMF-monitored economic reform program,

otherwise known as Structural Adjustment Policies (SAPs). There are three more widely implemented facilities by which the IMF can lend its money. A stand-by agreement offers financing of a short-term balance of payments, usually between 12 to 18 months. The extended fund facility (EFF) is a medium-term arrangement by which countries can borrow a certain amount of money, typically over a three- to four-year period. The EFF aims to address structural problems within the macroeconomy that are causing chronic balance of payment inequities. The structural problems are addressed through financial and tax sector reform and the privatization of public enterprises. The third main facility offered by the IMF is known as the poverty reduction and growth facility (PRGF). As the name implies, it aims to reduce poverty in the poorest of member countries while laying the foundations for economic development. Loans are administered with especially low interest rates. The IMF also offers technical assistance to transitional economies in the changeover from centrally planned to market run economies. The IMF also offers emergency funds to collapsed economies, as it did for Korea during the 1997 financial crisis in Asia. The funds were injected into Korea's foreign reserves in order to boost the local currency, thereby helping the country avoid a damaging devaluation. Emergency funds can also be loaned to countries that have faced economic crisis as a result of a natural disaster. All facilities of the IMF aim to create sustainable development within a country and try to create policies that will be accepted by the local populations. However, the IMF is not an aid agency, so all loans are given on the condition that the country implement the SAPs and make it a priority to pay back what it has borrowed. Currently, all countries that are under IMF programs are developing, transitional and emerging market countries (countries that have faced financial crisis).

Fast Facts

- Membership: 189 countries
- Headquarters: Washington, D.C.
- Executive Board: 24 Directors each representing a single country or groups of countries
- Staff: Approximately 2,700 from 150 countries
- Total quotas: SDR 477 billion (US\$661 billion)
- Borrowed resources envelope: SDR 500 billion (US\$693 billion)
- Committed amounts under current lending arrangements: SDR 152 billion (US\$210 billion), of which SDR 96 billion (US\$133 billion) has not been drawn.
- The largest borrowers: Argentina, Ukraine, Greece, Egypt
- The largest precautionary loans: Mexico, Colombia, Morocco
- Surveillance consultations: 132 consultations in 2014, 124 in 2015 and 132 in 2016.
- Capacity development spending: US\$332 million in FY2016, over a quarter of the IMF's total budget
- Primary aims:
 - Promote international monetary cooperation;
 - Facilitate the expansion and balanced growth of

international trade;

- Promote exchange stability;
- Assist in the establishment of a multilateral system of payments; and
- Make resources available (with adequate safeguards) to members experiencing balance-of-payments difficulties.

World Bank and World Bank Group

- The World Bank's purpose is to aid long-term economic development and reduce poverty in developing countries. It accomplishes this by making technical and financial support available to countries. The bank initially focused on rebuilding infrastructure in Western Europe following World War II and then turned its operational focus to developing countries.
- World Bank support helps countries reform inefficient economic sectors and implements specific projects, such as building health centres and schools, or making clean water and electricity more widely available.

Note

The World Bank has two goals set for 2030: End poverty by decreasing how many people live on less than \$1.90 a day and promoting shared prosperity through income growth for the lowest 40% of each country.

Five Institutions, One Group

The World Bank Group consists of five organizations

- The International Bank for Reconstruction and Development
- The International Development Association
- The International Finance Corporation
- The Multilateral Investment Guarantee Agency
- The International Centre for Settlement of Investment Disputes

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Financial Products and Services:-

World Bank provides low-interest loans, zero to low-interest credits, and grants to developing countries. These support a wide array of investments in such areas as education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and

natural resource management. Some of our projects are financed with governments, other multilateral institutions, commercial banks, export credit agencies, and private sector investors, also provide or facilitate financing through trust fund partnerships with bilateral and multilateral donors. Many partners have asked the Bank to help manage initiatives that address needs across a wide range of sectors and developing regions.

Innovative Knowledge Sharing

World Bank offer support to developing countries through policy advice, research and analysis, and technical assistance. Our analytical work often underpins World Bank financing and helps inform developing countries' own investments. In addition, we support capacity development in the countries we serve. We also sponsor, host, or participate in many conferences and forums on issues of development, often in collaboration with partners.

To ensure that countries can access the best global expertise and help generate cutting-edge knowledge, the Bank is constantly seeking to improve the way it shares its knowledge and engages with clients and the public at large.

World Bank assistance is typically long-term, funded by countries—mainly the world's richest—that are members of the bank through the issuing of bonds. The bank's loans are not used as a type of bailout, as is the case with the IMF, but as a fund for projects that help develop an underdeveloped or emerging market nation and make it more productive economically.

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