

## UPSC Civil Services Examination

### UPSC Notes [GS-I]

#### Topic: International Monetary Fund (IMF)

IMF was formed in 1944 at the Bretton Woods Conference. IMF came into operation on 27th December 1945 and is today an international organisation that consists of 189 member countries. Headquartered in Washington, D.C., IMF focuses on fostering global monetary cooperation, securing financial stability, facilitating and promoting international trade, employment and economic growth around the world.

Some of the highlights of IMF have been discussed in the table below:

<b>IMF Full Form</b>	International Monetary Fund (IMF)
<b>Year of Formation</b>	27th December 1945
<b>IMF Headquarters</b>	Washington D.C., United States of America
<b>Head Organising Body</b>	United Nations
<b>IMF Website</b>	<a href="http://www.imf.org">www.imf.org</a>

#### Formation of IMF

The breakdown of the international monetary co-operation during the Great Depression led to the development of IMF which aimed in improving the economic growth and reducing poverty around the world. The International Monetary Fund (IMF) was initially formed at the Bretton Woods Conference in 1944. 45 government representatives were present at the conference to discuss a framework for postwar international economic co-operation.

IMF became operational from 27th December 1945 with 29 member countries who agreed to bound to this treaty. It began its financial operations on 1st March 1947. Currently, IMF consists of 189 member countries.

IMF is regarded as a key organisation of the international economic system which focuses on rebuilding the international capital along with the maximizing the national economic sovereignty and human welfare.

### Organizational Structure of International Monetary Fund (IMF)

The United Nations is the parent organisation that handles the proper functioning and administration of the IMF. The IMF is headed by the Managing Director who is elected by the Executive Board for a 5-year term of office. The International Monetary Fund (IMF) consists of the board of governors, Ministerial Committees and the Executive Board.

To know more about the organizational structure of IMF, refer to the table below:

Structure of International Monetary Fund (IMF)	
Governing Bodies of IMF	Roles and Responsibilities
<b>Board of Governors</b>	<ul style="list-style-type: none"> <li>Each governor of the Board of Governors is appointed by their respective member country.</li> <li>Elects or appoints executive directors to the Executive Board.</li> <li>Board of Governors is advised by the International Monetary and Financial Committee (IMFC) and the Development Committee.</li> <li>An annual meet up between the Boards of Governors and the World Bank Group is conducted during the IMF–World Bank Annual Meetings to discuss the work of their respective institutions.</li> </ul>
<b>Ministerial Committees</b> <ol style="list-style-type: none"> <li>International Monetary and Financial Committee (IMFC)</li> <li>Development Committee</li> </ol>	<ul style="list-style-type: none"> <li>It manages the international monetary and financial system.</li> <li>Amendment of the Articles of Agreement.</li> <li>To solve the issues in the developing countries that are related to economic development.</li> </ul>
<b>Executive Board</b>	<ul style="list-style-type: none"> <li>It is a 24 member board which discusses all the aspects of the Funds.</li> <li>The Board normally makes decisions based on consensus, but sometimes formal votes are taken.</li> </ul>

## Objectives of IMF

IMF was developed as an initiative to promote international monetary cooperation, enable international trade, achieve financial stability, stimulate high employment, diminish poverty in the world and sustain economic growth. Initially, there were 29 countries with a goal of redoing the global payment system. Today, the organization has 189 members. The main objectives of International Monetary Fund (IMF) are mentioned below:

1. To improve and promote global monetary cooperation of the world.
2. To secure financial stability by eliminating or minimizing the exchange rate stability.
3. To facilitate a balanced international trade.
4. Promoting high employment through economic assistance and sustainable economic growth.
5. To reduce poverty around the world.

### What are the functions of the IMF?

IMF mainly focuses on supervising the international monetary system along with providing credits to the member countries. The functions of the International Monetary Fund can be categorised into three types:

1. **Regulatory functions:** IMF functions as a regulatory body and as per the rules of Articles of Agreement, it also focuses on administering a code of conduct for exchanged rate policies and restrictions on payments for current account transactions.
2. **Financial functions:** IMF provides financial support and resources to the member countries to meet short term and medium term BOP disequilibrium.
3. **Consultative functions:** IMF is a centre for international cooperation for the member countries. It also acts as a source of counsel and technical assistance.

Candidates preparing for the [UPSC 2020](#) should have a clear concept regarding world history and other developments under the United Nations.