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**About the IMF**

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.

**Membership:** [189 countries](http://www.imf.org/external/np/sec/memdir/members.htm)

**Headquarters:** Washington, D.C.(Dec, 1945)

**Executive Board:** 24 Directors each representing a single country or a group of countries

**Reports Published by IMF:** 1. World Economic Outlook

2. Global Financial Stability Report

###### **Why the IMF was created and how it works**

The IMF, also known as the Fund, was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944. The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.

**The IMF's responsibilities**: 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.

**Original 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.

### The Role of the SDR

* The SDR was created by the IMF in 1969 as a supplementary international reserve asset, in the context of the Bretton Woods fixed exchange rate system.
* A country participating in this system needed official reserves—government or central bank holdings of gold and widely accepted foreign currencies—that could be used to purchase its domestic currency in foreign exchange markets, as required to maintain its exchange rate.
* But the international supply of two key reserve assets—gold and the U.S. dollar—proved inadequate for supporting the expansion of world trade and financial flows that was taking place.
* Therefore, the international community decided to create a new international reserve asset under the auspices of the IMF.
* The SDR is neither a currency, nor a claim on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members.
* Holders of SDRs can obtain these currencies in exchange for their SDRs in two ways: first, through the arrangement of voluntary exchanges between members; and second, by the IMF designating members with strong external positions to purchase SDRs from members with weak external positions.
* In addition to its role as a supplementary reserve asset, the SDR serves as the unit of account of the IMF and some other international organizations.

**Criticism of IMF**

* Developed countries were seen to have a more dominant role and control over [less developed countries](https://en.wikipedia.org/wiki/Developing_country) (LDCs).
* Secondly, the Fund worked on the incorrect assumption that all payments [disequilibria](https://en.wikipedia.org/wiki/Disequilibria) were caused domestically. The Group of 24 (G-24), on behalf of LDC members, and the [United Nations Conference on Trade and Development](https://en.wikipedia.org/wiki/United_Nations_Conference_on_Trade_and_Development) (UNCTAD) complained that the IMF did not distinguish sufficiently between disequilibria with predominantly external as opposed to internal causes. This criticism was voiced in the aftermath of the [1973 oil crisis](https://en.wikipedia.org/wiki/1973_oil_crisis).
* Then LDCs found themselves with payments deficits due to adverse changes in their [terms of trade](https://en.wikipedia.org/wiki/Terms_of_trade), with the Fund prescribing stabilization programmes similar to those suggested for deficits caused by government over-spending. Faced with long-term, externally generated disequilibria, the G-24 argued for more time for LDCs to adjust their economies.
* Some IMF policies may be anti-developmental;  [deflationary](https://en.wikipedia.org/wiki/Deflationary) effects of IMF programmes quickly led to losses of output and employment in economies where incomes were low and unemployment was high. Moreover, the burden of the deflation is disproportionately borne by the poor.
* IMF's policies lack a clear economic rationale. Its policy foundations were theoretical and unclear because of differing opinions and departmental rivalries whilst dealing with countries with widely varying economic circumstances.
* The IMF has been criticised for being "out of touch" with local economic conditions, cultures, and environments in the countries they are requiring policy reform
* Argentina, which had been considered by the IMF to be a model country in its compliance to policy proposals by the Bretton Woods institutions, experienced a catastrophic economic crisis in 2001, which some believe to have been caused by IMF-induced budget restrictions.