International Monetary Fund

International Monetary Fund (IMF) is a specialized agency of the Bretton Woods system of the United Nations, established under an international treaty in 1945 to work on enhancing the safety of the global economy. Its headquarters located in Washington DC and directed by its 186 members who include almost all countries of the world.

The emergence of the Fund:

International Monetary Fund was established by the end of World War II in the context of seeking to build a new international and more stable economic order and to avoid the mistakes of previous decades, which resulted in heavy losses. Over the past sixty years, the Fund remained in the case of a permanent change and adapt, but it was formed since the inception of the events of history and was influenced by economic and political ideas prevailing over years.

When members of the delegations of 44 countries met in Bretton Woods, New Hampshire in July 1944 for the establishment of two institutions that govern international economic relations in the aftermath of World War II, their focus was to avoid repeating the failures suffered by the Paris Peace Conference, which put the end of World War 1, they saw that the establishment of an International Bank for Reconstruction and Development (EBRD) would work on restoring economic activity, and the establishment of an International Monetary Fund would help restoring viability of currency exchange and the multilateral trading activity.

For each of John Maynard Keynes, a man of economy that led the British delegation, and Harry Dexter White, the man of the largest contribution in the formulation of the agreement that formed the fund and representative of the American delegation, the principle motivation for the establishment of the Fund was to achieve economic growth after World War II by establishing an institution to prevent turning into the gap of isolation and protection, and not only to avoid repeating Great Depression.

The role of the Fund:

International Monetary Fund (IMF) is the central institution in the international monetary system – which is the system of international payments and currency exchange rates which allows commercial transactions between different countries.

The Fund aims to prevent crises in the system by encouraging different countries to adopt sound economic policies; it is also - as its name shows– a fund that its members who need temporary funding could benefit to encounter problems they may face in the balance of payments.

Legal objectives of the International Monetary Fund include facilitating the expansion and the balanced growth in international trade, stabilization of exchange rates, avoid the competitive reduction of currencies values, and organize correction for the malfunctioning balance of payments that countries may face.

To achieve these objectives, the Fund does the following:

- Monitor developments and economic and financial policies in the member countries on the world level, and presenting advice on policies for its members on the basis of the experience gained since its inception.
- Lending member countries with balance of payments problems, not only to supply temporary financing, but also to support the correction policies and reform efforts to resolve basic problems.
- Provide technical assistance and training in the areas of expertise of the Fund to the member states' governments and their central banks.

IMF area of specialty:

The International Monetary Fund (IMF) is concerned with the supervision of the economic policies of member states and the economy perform as a whole - which is often referred to as the performance of the overall economy. This performance includes total spending (and its basic components such as consuming spending and business investment), output, employment, inflation, as well as the balance of payments in the country – that is the balance of its dealings with the rest of the world.

The fund focuses primarily on macroeconomic policies of countries – policies relating to the balance of the government, cash management, credit and exchange rate - and financial sector policies, including regulation of banks and other financial institutions and control, in addition to that International Monetary Fund directs enough attention to structural policies that affect the performance of the overall economy - including the Labor market policies that affect the behavior of employment and wages. Also the fund provides advice for each member state about how to improve its policy to achieve goals such as high employment rate, low inflation, and persisted economic growth- that is the growth that can be sustained without leading to difficulties such as inflation and the balance of payments problems.

IMF Objectives:

The objectives of the IMF are as follows:

1. Encourage international cooperation in the field of cash by a permanent body creates ways of consultation and collaboration in respect of the international monetary problems.
2. Facilitate the expansion and balanced growth of international trade, and thus contribute to achieving high levels of employment and real income and maintaining them, and in the development of the productive resources of all member states on

the condition that these are the basic objectives of their economic policies.

3. The work on achieving stability in the exchange rates and maintaining regular exchange arrangements among member states, and to avoid the competitive reduction in currency values.
4. Help establishing a multilateral system of payments with respect to transactions taking place between member countries, and the abolition of restrictions on exchanging and impeding global trade growth.
5. Strengthening confidence among the member countries, by allowing them to use its public resources temporarily through sufficient guarantees, in order to be able to correct the imbalances in the balance of payments without resorting to actions harmful to the national or international prosperity.
6. Working in accordance with the above-mentioned goals to shorten the duration of the imbalance in the countries balances of payments and mitigation its intensity.

Decision-maker in the Fund:

International Monetary Fund (IMF) is accountable to its member states, and this responsibility is a necessary element to achieve effectiveness. Executive Board carries out the daily affairs of the fund. The board represents the 187member states and international staff led by Director-General and three Deputy Director General. Each deputy is chosen from a different part of the world. The powers invested in the Executive Board use in running the Fund come from the Board of Governors, the supervisory authority.

The Board of Governors, which includes representatives of all member states is the senior power for the management of the International Monetary Fund (IMF), which usually meets once a year during the annual meetings of the International Monetary Fund and the World Bank. Each member state appoints a governor – usually the finance minister or central bank governor in the country - and an Alternate

Governor. The Governing Council rules the issues of the major policy, but authorized the Executive Board in decision-making relating to the Fund's everyday work.

Consideration is being given in the issues of basic policy related to the system of international monetary twice a year in the framework of a committee of the Governors dubbed the International Affairs Committee of monetary and financial affairs (which was known as the temporary Committee until September 1999). While the Committee of Development, which is a joint committee between the Board of Governors of the International Monetary Fund and the World Bank, they offer advice to Governors and raise reports on development policies and other matters of interest to developing countries.

The Executive Council consists of 24 directors, chaired by the Director-General of the Fund, and the Executive Board meets usually three times a week in sessions each of which takes a full day, and additional meetings can be held if necessary, at the Fund's headquarters in Washington, DC. Independent seats are assigned in the Executive Council of the five largest contributing countries - the United States, Japan, Germany, France and the United Kingdom - as well as China, Russia and Saudi Arabia.

The other sixteen managers are elected by groups of countries known as circuit (Constituencies) for two-year period.

IMF financial resources:

The main source of the resources (or capital) of the International Monetary Fund (IMF) is the quota subscriptions paid by the countries when they join the membership of the Fund or in the periodic reviews when quotas increased. Countries pay 25% of the subscriptions shares SDRs (Gold Paper) and 75% of national currency for the purposes of lending as needed.

Quotas determine not only subscription required payments from a member country, but also the number of its votes and the amount of funding available to it of the Fund and its share of SDR allocations. The aim of the overall quota is to serve as a mirror to the relative size of the member country in the global economy, the greater the volume of User's economy in terms of output and the breadth and diversity of its business increased, likewise its stake in Fund increased.

The United States, the largest economy in the world, contribute the lion's share in International Monetary Fund (IMF) as its share is 17.6% of the total shares. The Seychelles, the smallest Economy in the world, contributing a share of 0.004%.

The implementation of the findings of the Review Quotas (11th) in January 1999 ,quotas increased in the International Monetary Fund (for the first time since 1990) by approximately 45% to $ 212 billion SDR (about 290 billion U.S. dollars).

IMF Manager:

Christine Lagarde since July 5, 2011.