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IMF, Its Objectives, Structure, Functions, Members, Role, History

Three Ways the IMF Protects the Global Economy

By [Kimberly Amadeo](#) | Updated on January 20, 2022

✔ Reviewed by [Somer G. Anderson](#)

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IMF Director Christine Lagarde (L) and German Chancellor Angela Merkel attend a press conference at the German federal Chancellery on March 11, 2015 in Berlin, Germany. These are two of the most powerful people in Europe. PHOTO: PHOTO: ADAM BERRY/GETTY IMAGES

The International Monetary Fund is a 189-member organization that works to stabilize the global economy.^[1]

Objectives

The IMF meets its goal by targeting three objectives:

1. It monitors global conditions and identifies risks among its member countries.
2. It advises its members on how to improve their economies.
3. It provides technical assistance and short-term loans to prevent financial crises. The IMF's goal is to prevent these disasters by guiding its members.

Survey Global Conditions: The IMF has the rare ability to look into and review the economies of all its member countries. As a result, it has its finger on the [pulse of the global economy](#) better than any other organization.

The IMF produces a [wealth of analytical reports](#). It provides the World Economic Outlook, the Global Financial Stability Report, and the Fiscal Monitor each year. It also delves into regional and country-specific assessments. It uses this information to determine which countries need to improve their policies. Hence, the IMF can identify which countries threaten global stability. The member countries have agreed to listen to the IMF's recommendations because they want to improve their economies and remove these threats.^[2]

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Advise Member Countries: Since the Mexican peso crisis of 1994–95 and the Asian crisis of 1997–98, the IMF has taken a more active role to help countries prevent financial crises. It develops standards that its members should follow. ^[3]

For example, members agree to provide adequate [foreign exchange reserves](#) in good times. ^[4] That helps them increase spending to boost their economies during recessions.

The IMF also issues member country reports that investors use to make well-informed decisions. That improves the functioning of financial markets. The IMF also encourages sustained growth and high living standards, which is the best way to reduce members' vulnerability to economic crises.

Provide Technical Assistance and Short-term Loans: The IMF provides loans to help its members tackle their [balance of payments](#) problems, stabilize their economies, and restore sustainable growth. ^[5]^[6]

Note

specific projects that will fight poverty.^[7] Unlike the World Bank and other development agencies, the IMF does not finance projects.

Traditionally, most IMF borrowers were [developing countries](#). They had limited access to international capital markets due to their economic difficulties. An IMF loan signals that a country's economic policies are on the right track. That reassures investors and acts as a catalyst for attracting funds from other sources.

The IMF's Changing Role

The role of the IMF has increased since the onset of the 2008 global financial crisis. In fact, an IMF surveillance report warned about the economic crisis.^[8] World leaders soon regretted that they ignored it.

As a result, the IMF has been called upon more and more to provide global economic surveillance. It's in the best position to do so because it requires members to subject their economic policies to IMF scrutiny. They have also committed to policies that keep prices stable. For example, they agree to avoid manipulating exchange rates for an unfair competitive advantage.^[9]

For example, the 2010 [eurozone crisis](#) prompted the IMF to provide short-term loans to bail out Greece. That was within the IMF's charter because it prevented a global economic crisis.^[10]

IMF Structure

The IMF chief has been Managing Director Kristalina Georgieva since Sept. 25, 2019. The Managing Director is the chief of the IMF's 2,700

The [IMF Governance Structure](#) begins with the IMF Governing Board which sets direction and policies. Its members are the finance ministers or central bank leaders of the member countries. They meet each year in conjunction with the World Bank. The International Monetary and Financial Committee meets twice a year. These committees review the international monetary system and make recommendations. ^[13]

Members

Rather than listing all 189 members, it's easier to list the countries that are not members. ^[14] The seven countries (out of a total of 196 countries) that are not IMF members are Cuba, East Timor, North Korea, Liechtenstein, Monaco, Taiwan, and Vatican City. The IMF has 11 members that are not sovereign countries: Anguilla, Aruba, Barbados, Cabo Verde, Curacao, Hong Kong, Macao, Montserrat, Netherlands Antilles, Saint Maarten, and Timor-Leste.

Members do not receive equal votes. Instead, they have voting shares based on a quota. The quota is based on their economic size. If they pay their quota, they receive the equivalent in voting shares. The [Member Quotas and Voting Shares](#) was updated in 2010. ^[15]

History

The IMF was created at the 1944 Bretton Woods conference. It sought to rebuild Europe after World War II. The Conference also set up a modified gold standard to help countries maintain the value of their currencies. ^[16] The planners wanted to avoid the trade barriers and high-interest rates that helped cause the Great Depression.

What is SDR in the IMF?

Special Drawing Rights (SDR) refers to an asset created by the IMF to help bolster member countries' currency reserves. When it was initially created in 1969, each SDR was worth 0.88671 grams of [fine gold](#). Today, the IMF adjusts SDR valuation every five years using a basket of fixed conversion rates with the dollar, euro, yuan, yen, and pound sterling. SDRs can be exchanged with member countries for these currencies. [\[17\]](#)

When did India become a member of the IMF?

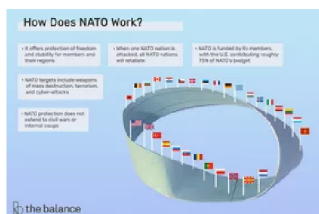
[India](#) belongs to the inaugural group that became IMF members on December 27, 1945. [\[18\]](#) The U.S. and Canada also became IMF members on that day, along with many other nations. [\[19\]](#)[\[20\]](#)

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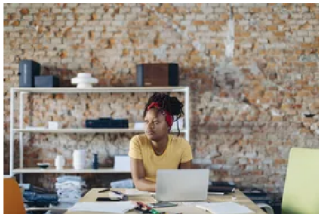
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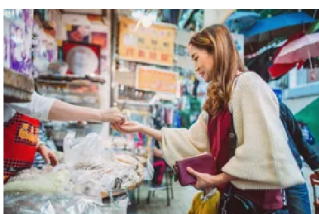
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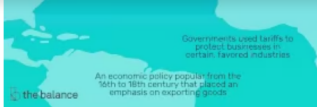
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