What is the IMF?

The IMF is the world's central organization for international monetary cooperation. 185 countries work together ‚to promote common good'

History:
1944: Representatives of 45 countries formulate statuary purpose in Bretton Woods, USA
→ created framework for economic cooperation & avoid future crises like in the 30ies.
1945: 29 countries signed the articles of agreement – member countries steadily increased.
Initially, exchange rates were pegged to the dollar (and the dollar to gold), but this was discarded 1971, when the US suspended the convertibility into gold.
→ after 1971: free currency flow allowed.

Tasks of the IMF:
1) monitoring national, regional & global economic and financial development and advice
    → Surveillance of countries, regions and global activities.
    → Consultations, reviews and discussions with the Executive Board.
2) Lending hard currencies to correct payment balance problems
3) Offering technical assistance and expertise to governments

Crisis Prevention and Resolution:
→ IMF promotes countries to have 'shock absorbers' and good governance
→ In-depth assessments of countries financial sectors
→ In cooperation with WB: standards of good practice (more transparency for investors)
→ promotes dialogue between countries and private investors

Lending:
IMF's lending is not the same as loans, since countries have to purchase foreign currencies with their own and later repurchase it. Helps members to counter payment balance problems. Mostly used by developing-economy countries.
→ Instruments: countries pay interest-related market rates and service charges (special rates for low-income countries)

Services to the member countries:
→ Many countries do not have the expert knowledge of i.e. public finance or central banking. Here the IMF provides assistance and training in order to help these countries improve their economic policies.
→ Technical assistance and training in:
1) monetary and financial policies
2) fiscal policy and management
3) compilation, management, dessemination and improvement of statistical data
4) economic and financial legislation

Collaborations with:
World Bank, regional development banks, World Trade Organization, United Nations Agencies, member of the Financial Stability Forum, etc.

Structure of the IMF:
Board of Governors: one governor from each country, they meet once a year
Executive board: Board of governors give the 24 Executive Governors on the board their power. They meet thrice a week and carry out the day-to-day work of the IMF. The Executive board also selects the IMF´s Managing Director.
Voting: Although most decisions are based on consensus, there might be voting necessary sometimes. Then a weighed voting system is used. This means that every country has an equal number of "basic votes" and additional votes which are roughly given according to their economic size.
IMF employees are international civil servants and have responsibility to the IMF and not to national authorities.

Resources of the IMF:
- When joining the IMF, each member state has to deposit a quota. This quota is roughly determined by the economic size of the country
- The IMF can borrow from financially strong member states
- Income from fees and interest charges on its loans