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Current situation affecting the International Monetary Fund financial standing caused by the accumulation of debt by Member States.

## INTRODUCTION

The International Monetary Fund (IMF) was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944. It is an organization that has 189 countries members, to take care of the global monetary cooperation, secure economic stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. More in detail, the IMF is involved in the monitoring of economic and financial development, provisioning advise and preventing economical crisis, it also is in charge of helping countries that are passing through economical instability, also it provides technical assistance.

In recent years, the IMF has established as an objective to strength the international financial system, and nowadays their principal threat and their main objective to eliminate is the Money Laundering, as a method to end up with financial terrorism, this two things have a direct correlation, because money laundering is the result of successful illegal activities which generate profit (tax evasion, corruption, manipulation, fraud, black markets or drug traffic), the result of this can be a lot of money which is not legally produced or allowed, and as a consequence this contributes to the instability of a country, so in the last 10 years the IMF has had as an objective to fight against this financial abuses in order to reestablish the stability in the markets.

Another important situation the IMF has been involved into the last year is the Brexit, this situation has concerned a lot the IMF not only because of the speculation that it would affect the UK, but also because it is thought that if this happens other countries like France, Portugal, Spain could result affected, like Spain, that is passing through an economical and unemployment problem, or France, which is expected that when Brexit occurs, the country could suffer a stop in the Economic Growth.

It's important to understand where the IMF gets its money. The quota system is when each country of the IMF is assigned a quota that is based on its size in the world economy.

The IMF can use currency holdings from financially sound economies to finance the loans it provides. The Board of Directors selects currencies every three months. Most of these are currencies from industrial countries, but currencies of emerging market economies are also included in the list. The holdings of these currencies, coupled with SDR holdings, constitute the IMF's own lending resources. If necessary, the IMF can obtain loans to temporarily supplement these resources.

## **HISTORICAL BACKGROUND**

### Important events

#### Cooperation and Reconstruction(1944-71)

When the WWII ends, the job of rebuilding economies begins . The IMF is charged with overseeing the international monetary system to ensure exchange rate stability and encouraging members to eliminate exchange restrictions that hinder trade.

#### The End of the Bretton Woods System(1978-81)

After the system of fixed exchange rates collapses in 1971, countries are free to choose their exchange arrangement. Oil shocks occur in 1973-74 and 1979, and the IMF steps in to help countries deal with the consequences.

#### Debt and Hard new Reforms(1982-1989)

The oil shocks lead to an international debt crisis, and the IMF assists in coordinating the global response.

#### Societal Change for Eastern Europe and Asia(1990-2004)

IMF helps the countries of the Soviet bloc transition, from a central planned economy to market-driven economies, this for helping them against crisis and instability.

The implications of the continued rise of capital flows for economic policy and the stability of the international financial system are still not entirely clear. The current credit crisis and the food and oil price shock can affect the IMF in many ways, there are many possible consequences, and one of them, is the disintegration of this union, this can directly affect us all, because one of the main objective of this organization is to maintain global economy in balance and helping countries in.

Following the international financial crises of the 1990s, the IMF and other agencies have set themselves the task of finding ways to reduce the risk of future crises. One of the main instruments has been the development of international standards and codes of good practice in economic and financial performance. This work has been going on for some time, at least since the basic principles of Basel for effective banking supervision were formulated in 1988. Moreover, many countries - especially those with developed financial markets serious economical problems.

### **CURRENT RELEVANCE**

Nowadays the main problem is the illegal money laundering and the brexit, this two things affect directly in the economy of Europe and the worldwide economy, because if these problems are not solved they can have serious long term consequences, for example, actually there are many countries in Europe like Spain and Greece that are passing through an economical instability, and have had a little growth in their GDP, after the Brexit the crisis could Return.

Also the crime and the illegal activities are a problem worldwide, many of this activities are realized with the objective of an economic compensation, all this activities, factors and consequences create a disequilibrium in the economy.

All this can be resumed in a single Idea: the IMF and the World bank have a direct effect in the economy nowadays, not only in Europe, but in all the world, this organizations have the indispensable work of maintaining stability and helping countries that can't reach it by their own methods and resources

The IMF promotes international cooperation in the monetary field and provides both economic policy advice and technical assistance to help countries build and maintain a sound economy. It also provides loans and collaborates with countries in formulating programs to address balance of payments problems when it is not possible to obtain sufficient financing under conditions that are accessible to meet international net payments. IMF loans are short-term and medium-term loans and are financed by contributions from member countries. The staff of the institution are predominantly economists with extensive experience in macroeconomic and financial policy.

Globalization offers extensive opportunities for truly worldwide

development but it is not progressing evenly. Some countries are becoming integrated into the global economy more quickly than others. Countries that have been able to integrate are seeing faster growth and reduced poverty. Outward-oriented policies brought dynamism and greater prosperity to much of East Asia, transforming it from one of the poorest areas of the world 40 years ago. And as living standards rose, it became possible to make progress on democracy and economic issues such as the environment and work standards.

The three main responsibilities of the IMF are: Surveillance — specifically to monitor the economic and financial policies of its members; financial assistance through loans to its members experiencing balance of payments issues; and technical assistance to help members design and implement economic policies that foster stability and growth.

## INTERNATIONAL ACTIONS

The IMF maintains relation with other organizations like:

The World Trade Organization  
The World Bank  
G-20  
Civil Society Organizations

All of these organizations have mutual support with the IMF and their main objective is to achieve stability and develop economy worldwide

To meet ever increasing financing needs of countries hit by the global financial crisis and to help strengthen global economic and financial stability, the Fund greatly bolstered its lending capacity after the onset of the global crisis in 2008.

Promoting financial stability:

Success can not only depend on alert and prevention mechanisms; Preventive action must also be taken. There is a lot of room for improvement here. IMF supervision is still, to a certain extent, confidential policy advice, coupled with pressure from other countries in the international community. But this pressure between equals can also mean protection between equals. There is a need to improve the incentives for countries to take IMF supervision seriously.

We have to anticipate in greater measure some of the events that are likely to affect the world economy in the coming decades. Judging from current trends, financial globalization will intensify. Emerging markets will have an even greater share of the world economy than the current one. Within this segment, future giants - India and China - may pose some specific systemic challenges. On the other hand, the aging of the population in industrial countries could also lead to an increase in cross-border capital flows, which will need to be monitored.

## UN ACTIONS

The United Nations signed an agreement with the IMF on September 17, 1947. This agreement has a series of points and it is still in force nowadays:

This pact is made up of 13 articles which resumed focus on establishing how the relation between the organizations is going to be, focusing on the confidentiality of information and having as a main goal to make society better, develop and make countries grow, respect mutual interests and objectives and achieving a unified and more stable Europe.

Leaders of the World Bank Group, the International Monetary Fund (IMF) and the United Nations (UN) met with finance ministers to discuss climate change, where they tackled the challenges they face in their own countries. The practical solutions they are already implementing, and the support they need.

The role of the IMF in the global war on poverty: progress and pending tasks. The United Nations conference in Monterrey in 2002 gave some coherence to ongoing efforts to reduce poverty worldwide. In the framework of the Monterrey Consensus, developing countries recognized that they should help themselves through good governance and sound policies. The developed countries, for their part, accepted their responsibility to contribute to this effort by increasing trade and financial assistance.

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