

Preface

The International Monetary Fund was conceived in July 1944, at a United Nations conference in Bretton Woods, New Hampshire, United States. The 44 participating governments sought to build a framework for economic cooperation that would forestall any repetition of the disastrous policies, including competitive devaluations, that contributed to the Great Depression of the 1930s and, ultimately, to World War II.

The IMF now has 189 member countries and has evolved over time as the global economy has expanded, become more integrated, and endured both boom and bust. But the IMF's mission has remained the same: 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 one other and that is essential for promoting sustainable economic growth, increasing living standards, and reducing poverty.

This publication provides a broad introduction to how the IMF fulfills this mission through its financial activities. It covers the financial structure and operations of the IMF and also provides background detail of the financial statements for the IMF's activities during the most recent financial year. Making such financial information publicly available is part of the IMF's overarching commitment to transparency. Transparency in economic policy and the availability of reliable data on economic and financial developments is critical for sound decision-making and for the smooth functioning of the international economy. Toward that end, this publication also contains numerous links to other publicly available information on IMF finances, including on the IMF's website, www.imf.org.

Chapter 1 reviews the evolution of the IMF's financial structure and operations, its role and functions, governance structure, and the nature of recent reforms. Chapters 2 and 3 explain how the IMF provides lending to member countries experiencing actual or potential balance of payments problems, meaning that the country cannot find sufficient financing on affordable terms to meet its net international payments (for example, for imports

or external debt redemptions). This financial assistance enables countries to rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong economic growth, while undertaking policies to correct underlying problems. Chapter 2 reviews IMF lending made at market rates (that is, nonconcessional lending facilities), and Chapter 3 describes the various concessional facilities by which the IMF lends to low-income member countries at favorable rates (currently, a zero interest rate).

Chapter 4 reviews the SDR mechanism; Chapter 5 outlines the sources of income for the IMF; and Chapter 6 outlines the institution's approach to financial risk management. The publication also includes a list of common abbreviations, a glossary, and an index.

What's New

This publication updates a previous report entitled *Financial Organization and Operations of the IMF*, first published in 1986 and last issued in 2001 (the sixth edition). That 2001 report reflected the seismic shifts in the global economy and in the IMF's structure and operations that occurred after the fall of the Soviet Union and the various currency and financial crises of the 1990s. This revised and updated report covers more recent developments, including reform of the IMF's income model, measures taken in response to the global financial crisis of 2007–09, and the institutional reforms aimed at ensuring that the IMF's governance structure evolves in line with developments in the global economy.

The IMF significantly bolstered its lending capacity in the wake of the global financial crisis. This was done to meet the unprecedented financing needs of a number of countries hit hard by the crisis and to help strengthen global economic and financial stability. IMF lending capacity was expanded in several ways, including through borrowing, completion of a general quota review that resulted in a doubling of its quota resources (with a

corresponding rollback of previously increased resources under the New Arrangements to Borrow), and implementation of two SDR allocations. Moreover, the IMF refined its general lending framework to better meet member country needs and, in particular, to emphasize measures to prevent crises in the future.

The IMF also reformed its policies toward low-income countries and significantly increased the resources available to the world's poorest countries. In January 2016, IMF member countries ratified a historic governance reform that creates a more representative, all elected Executive Board and increases the voting power of emerging market and developing economies, while simultaneously preserving the voice of the low-income members.

How to Use This Document

This publication includes descriptions of the IMF's financial organization, its policies and lending arrangements, and details on its financial statements. These are meant only to explain and synthesize official IMF documents, records, and agreements. For authoritative versions of these materials, readers should directly consult the official institutional records, which are available at www.imf.org/external/fin.htm.¹

¹ In addition, a complete archive of the Annual Reports issued by the Executive Board is available on the IMF eLibrary at www.elibrary.imf.org.

Digital technology and the Internet make it easier to create and distribute this type of compendium in multiple formats and also to keep it up to date. This publication will be updated on an annual basis, and in line with the IMF's financial year on April 30, and it will be available in multiple digital and print formats, including print copies, PDF files available for online viewing and print-on-demand, and formats for eReaders (eBook, iBook, Mobi, Kindle, Nook, and more).² We will update individual chapters more regularly if there are significant changes to IMF structures or lending facilities or if we uncover errors in the published edition. These updates will be available online and will note the date of the last revision. The version of record will be the latest electronic version published on the IMF's website and eLibrary.

We invite your feedback and comments. This publication is meant to answer your questions about the IMF. If some of your questions remain unanswered, please contact us at publicaffairs@imf.org.

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² For web PDF files, visit www.imf.org; for other digital formats, visit www.elibrary.imf.org.