Chapter – I

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CHAPTER-I

1.1 Introduction

International monetary fund (IMF) is an international organization that oversees the global financial system by influencing the macroeconomic policies of its members, in particular those with an impact on the exchange rates and balance of payments.

The IMF functions with a stated objective of stabilizing international exchange rates and facilitating development by enforcing liberalising economic policies. IMF tracks global economic trends and performances of the members, alerts them whenever there is any problem on the horizon, and provides a forum for policy dialogue and passes on the know-how to governments on how to overcome their economic difficulties.

The Fund offers members in economic difficulties policy advice and financing with varying levels of conditionality, mainly to its poor countries. IMF also helps its developing nations achieve macroeconomic stability and reduce poverty. Helping the countries adjust and benefit from the changes affecting them from the globalization process while avoiding potential downsides is also another important task for the Fund.

1.2 History

The IMF was funded at a United Nations conference in Bretton Woods, United States, in July 1944. The 44 original governments present at the conference sought to build a framework for economic cooperation that would mainly avoid a repetition of competitive devaluations that had contributed to the Great Depression in 1930s.

The 1st meeting of the Board of Governors of the IMF was convened in 1946, to elect its executive directors and decide the location of the organization’s permanent headquarters. As a result, Washington DC was selected as the place to be.

As of today, IMF stands with 188 members, 24 members of the executive board representing countries or a group of countries, about 2670 staff from 154 countries. Total quotas as of 03/06/14 are at US$368 billion. Loans committed to
members as of this date is US$213 billion, of which US$162 billion have not been
drawn. The biggest borrowers of the Fund are Greece, Portugal and Ireland. Since
surveillance is a very important task of the IMF, surveillance consultations have
grown over the years. In 2011, 122 consultations were discussed and in 2012, 123
consultations were discussed with the member countries.\(^1\)

1.3 Evolution of the IMF

Due to many factors, such as different expectations from the Fund,
globalization and the fast changing global economy, plus larger number of members
since the day of establishment, the Fund has evolved drastically during its 70 years of
existence.

Because of the factors, the Fund’s focus has changed over the years. The
changes may be from efforts to stabilize the countries, helping them in the transition
process of moving into a flexible exchange rate system after the Bretton Woods
system breakdown, to helping countries pass through the financial crises with specific
IMF loans and sometimes focusing on development issues with programs such as
Poverty Reduction and Growth Facility (PRGF) loans or other helps for HIPC (highly
indebted poor countries) countries and other policy advice.

No matter the diversity of the member countries, they all are in a need of a
strong macroeconomic framework to achieve sustainable rapid growth, raise living
standards and reduce poverty.

The international economy will continue to evolve, though we don’t yet know
how. Change will be a continuing process for national governments, as much as for
the Fund. So, for the Fund to stay relevant to its members and the global economy, it
has to keep on changing and adapting to the changes dynamically.

1.4 Objectives of the IMF

Ensuring the stability of the international monetary system- i.e. exchange rate
system and international payments- is the primary objective of the IMF. The system is
essential for promoting sustainable economic growth, increasing living standards, and
reducing poverty.

As mentioned in the article I of the IMF agreement\(^2\), the Fund’s purposes are:

1. To promote international money cooperation through a permanent institution to provide the machinery for consultation and collaboration on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade, and to contribute to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.
3. To promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation.
4. To assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
5. To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without restoring to measures destructive of national or international prosperity.
6. In accordance with the above, to shorten the duration and lessen the degree of disequilibrium in the international balances of payments of members.

### 1.5 Functions and Activities of the Fund

To carry out its mission, the IMF uses three potential tools: surveillance, lending, and technical assistance. These activities contribute to the production of two basic products: policy advice and financing.

**Surveillance:** IMF’s objective is to maintain stability and prevent crises in the international monetary system. As a result, it reviews its members’ policies, as well as national, regional, and global economic and financial developments through surveillance. Under the surveillance framework, the Fund provides advice to its 188 member countries to practice policies that result in better economic stability, to be able to reduce vulnerability to economic and financial crises, and raise living

\(^2\) IMF purposes, 2014, (http://www.imf.org/External/Pubs/FT/AA/index.htm#art1)
standards. The Fund’s staff and researchers provide regular assessment of global prospects, financial markets and public finance developments. The reports are published in IMF’s official journals namely, World Economic Outlook, Global Financial Stability Report and Fiscal Monitor.

**Financial assistance:** Member countries with financial difficulties resulting in balance of payments problems and other difficulties can borrow from the Fund. A policy program is designed between the national authorities of the member country and the IMF. Continued financial support, however, is conditioned on effective implementation of its program. The conditionality attached to the programs has changed over the years and the members are offered more flexible tools and conditions to better overcome their problems.

**Technical assistance:** To strengthen their capacity and implement effective policies, member countries are offered technical assistance and training from the Fund. Tax policy and administration, expenditure supervision and regulation, legislative frameworks, and statistics are some of the areas of expertise of the IMF’s technical assistance.

1.6 IMF’s Financial Resources

Most resources for IMF loans and expenses are provided by member countries, primarily through their quotas subscription. Based on its relative size in the world economy, each country is assigned a quota. This quota determines the maximum contribution of that country to the IMF’s financial resources. Upon joining, a country usually pays up to 25 percent of its quota in the form of widely accepted foreign currencies (the US dollar, euro, Japanese yen, or pound sterling). The remaining can be paid in the country’s own currency.

The IMF’s gold holdings amount to about 90.5 million troy ounces making the IMF the third largest official holder of gold in the world. However, the IMF’s article of agreement strictly limits its use. If approved by an 85 percent majority of voting power of members, the IMF may sell gold or may accept gold as payment by member countries but it is prohibited from buying gold or engaging in any other gold transactions.

1.7 IMF Surveillance

The IMF oversees the international monetary system and monitors the economic and financial policies of its 188 member countries. This is known as surveillance. Through surveillance, taking place at the global and individual country levels, the Fund is responsible for highlighting the possible risks to the stability of the international monetary system and advice the countries if there is a need for policy adjustment. An effective IMF surveillance helps achieving an international monetary system serve its essential purpose of facilitating the exchange of goods, services, and capital among countries, which ultimately leads in sustainable economic growth.

1.7.1 Importance of IMF Surveillance

International cooperation is very important in today’s integrated economy, where the policies of one country affect many other countries. The cooperation between the 188 members of the IMF is done by the Fund. There are two main aspects to the IMF’s surveillance work: bilateral surveillance or the review of the policies of each member country; and multilateral surveillance responsible for overseeing the world economy.

1.7.2 Implementation of Surveillance

The surveillance which is usually done annually tries to review the policies of the member countries, and exchange ideas and views of the government and the central bank and decide whether those policies are risky to the domestic and global stability and if there is a need for further policy adjustments in their economic or financial policies. Discussions mainly focus on exchange rate, monetary, fiscal, and financial policies. The IMF tries to get the views of other stakeholders such as labour unions, and civil society or representatives of business to get a better understanding of the policies adopted. The staffs later present a report to the IMF’s Executive Board for further review. The review of the Executive Board is then transmitted to the representatives of the country, concluding a process known as an Article IV consultation. Transparency of IMF surveillance is very important and has significantly increased during the recent years. Many member countries are now agreeing to publish a report on IMF review and their consultations.
The global and regional economic trends and the spill-over reports from IMF’s member countries are also another aspect of the IMF surveillance. The reports from these studies are published in regular publications such as World Economic Outlook (WEO), Global Financial Stability Report (GFSR), and Fiscal Monitor. The WEO provides detailed analysis of the state of the world economy, addressing issues of pressing interest, such as the current global financial turmoil and economic downturn. The GFSR provides an up-to-date assessment of global financial markets and prospects, and highlights imbalances and vulnerabilities that could pose risks to financial market stability. The Fiscal Monitor updates medium-term fiscal projections and assesses developments in public finances.

To provide more detailed analysis for five major regions of the world, the IMF publishes regional economic outlook reports. To prepare this, the IMF cooperates with other regional groups such as the group of twenty (G-20). Through its mutual assessment process, the IMF cooperates with the G-20 to analyze the policies of member countries and assess whether they are consistent with sustained and balanced global growth.

Since the policies of the five largest economies in the world namely China, the euro area, Japan, the United States, and the United Kingdom can affect their neighbours and affect the stability of the whole system, the IMF has started preparing the spill-over reports analyzing their policies since 2011. And since 2012, it has prepared a Pilot External Sector Report, which places the external positions of systemically large economies in a globally consistent setting.

1.8 IMF Lending

Any IMF member country with actual or potential balance of payments needs may approach the Fund for financial assistance if it is not able to pay its international payments while maintaining adequate reserve buffers. The member countries can use IMF lending to overcome their financing needs and restore conditions for strong economic growth.

1.8.1 Importance of IMF Lending

The IMF was established to protect the stability of the international monetary system. When a member country is unable to pay its international dues,
it can pose potential threats to this stability. The IMF can help the countries avoid any instability threats by providing them its facilities. Hence, IMF financing is available to all its members whether they are poor or among the advanced economies of the Fund.

The initial objective of IMF loans is to help the member countries tackle their balance of payments problems and restore their economic growth. As per the guidelines in the IMF Articles of Agreement, the IMF resources should not be used to finance projects since the IMF is not a development bank like the WB or other development agencies.

1.8.2 Objectives of IMF Lending

As mentioned in the Article I of the IMF’s articles of agreement, the purpose of lending by the IMF is “... to give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with opportunity to correct maladjustments in their balance of payments without restoring to measure destructive of national or international prosperity.”

However, the purpose of the IMF lending has changed a lot over the years. The Fund has gone from just helping its member countries overcoming their short term balance of payments problems to helping them overcome crisis or helping them with their other needs resulting from trade shocks or natural disasters, poverty reduction or sovereign debt restructuring.

Mainly, IMF lending has three objectives:

1. Smoothing the adjustment process to deal with various shocks, and help the country avoid disruptive economic adjustment or sovereign default, costly for the country and its other countries suffering from the contagion effects of the shock.

2. Helping unlock other financings available, acting as a catalyst for other lenders. By helping the troubled country, the program can serve as a signal

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IMF’s Article I, section (v), (http://www.imf.org/External/Pubs/FT/AA/index.htm#art1)
that the country has adopted sounder policies, reinforcing policy credibility and increasing investors’ confidence.

3. Crisis prevention. The experience is clear: capital account crises typically inflict substantial costs on countries themselves and on other countries through contagion. The best way to deal with capital account problems is to nip them in the bud before they develop into a full-blown crisis.

1.8.3 Classification of IMF Lending Facilities

IMF lending facilities can be classified as:

1. Non concessional lending facilities

2. Concessional facilities

Over the years, the IMF has tried to tailor its lending arrangements and their conditionality according to the strengths of the borrowing country to improve the success rate of the programs. Low-income countries can borrow on concessional terms and use concessional facilities such as the Extended Credit Facility (ECF), the Standby Credit Facility (SCF) and the Rapid Credit Facility (RCF). Through the end of 2014, all these facilities carry a zero percentage of interest rate.

Apart from the non concessional facilities which are designed only for the low-income country member, all member countries can use non concessional loans through Stand-By Arrangements (SBA), the Flexible Credit Line (FCL), the Precautionary and Liquidity Line (PLL), and the Extended Fund Facility. RFI can also be used by member countries facing an urgent need of finance to overcome their balance of payments needs. All non-concessional facilities are subject to the IMF’s market related interest rate. Larger IMF loans will also carry a surcharge. The rate of interest is based on the SDR’s interest rate, which is revised weekly taking account of the changes in the interest rates of the major international money markets.

To make the IMF facilities more tailored to the needs of the LICs, the Fund introduced new concessional facilities in 2010. Plus, the access limits and norms have also been doubled. All the concessional facilities carry a zero interest rate and
the rate will be reviewed every two years. Next decision on the interest rate is scheduled by the end of 2014.

The Extended Credit Facility (ECF): Successor to the poverty Reduction and Growth Facility (PRGF), ECF is the main tool providing medium-term financial support to low income countries experiencing balance of payments problems. This facility carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years.

The Standby Credit Facility (SCF): This facility provides IMF financial resources for those low income countries experiencing short-term balance of payments needs. SCF is a successor to the High-Access Component of the Exogenous Shocks Facility (ESF). This facility can also be used for precautionary purposes. Since it is a concessional facility, it also carries a zero percent interest rate, with a grace period of 4 years, and a final maturity of 8 years.

The Rapid Credit Facility (RCF): Low income countries facing urgent balance of payments needs can use RCF. This facility includes limited conditionality and carries a zero interest rate. The grace period is 5½ years, with a final maturity of 10 years.

Stand-By Arrangements (SBA): The majority of IMF non-concessional assistance is provided through SBAs. The objective of this facility is to help member countries with short-term balance of payments needs. The length of a SBA is typically 12–24 months, and repayment is due within 3¼-5 years of disbursement. The SBAs can also be treated as precautionary too.

Flexible Credit Line (FCL): Member countries with strong fundamentals and strong track record of their policy implementation can apply for the FCL. The countries applying for the FCL must meet a pre-set qualification criteria. The length for this facility is about 24 months and the repayment is the same as the SBAs. Access limit is decided by the Executive Board of the IMF on a case-by-case basis. Disbursements under this facility are not conditional on implementation of specific policy understandings as in the case of SBA since the countries eligible for the FCL have already established their strong track record of policy
implementation. The eligible member countries can also treat the FCL as a precautionary facility.

**Precautionary and Liquidity Line (PLL):** The PLL which is succeeding the Precautionary Credit Line (PCL), is another non-concessional facility which can be either used for crisis prevention and crisis resolution purposes by countries with sound fundamentals and policies, and a track record of implementing such policies. The countries which do not qualify for FCL can use PLL. These countries are usually facing some vulnerability that prevent them from qualifying for the FCL, but do not require the same large-scale policy adjustments normally associated with SBAs. Duration of a PLL arrangement can vary from 6 months or 1-2 years. Access limit under shorter arrangements is limited to 250 percent of quota and for longer arrangements; it can be fixed at 500 percent of the quota annually.

**Extended Fund Facility (EFF):** Established in 1974, EFF can be used for medium and longer term balance of payments needs. During the recent crisis, many country members have used this facility. Arrangements under the EFF do not usually exceed three years. However, depending upon the circumstances of the borrowing country the duration can be up to 4 years. Repayment is due within 4½–10 years from the date of disbursement.

**Rapid Financing Instrument (RFI):** RFI is used for countries experiencing rapid financial needs. This facility is provided with limited conditionality. Access limit is limited to 50 percent of quota and a cumulative limit of 100 percent of quota. Repayment of RFIs is within 3¼–5 years.

### 1.9 IMF Conditionality

Upon borrowing from the IMF, the member country’s government agrees to adjust its economic policies that led that country seeking financial aid. The conditions are also used to ensure that the country pays back the Fund and the Fund resources are available again in case other members are in need of resources. These conditions have been streamlined significantly in recent years to promote country ownership and to improve program success.

The IMF monitors the progress of the borrowing country towards achieving stable conditions again through its conditionality. The conditions are intended to
help the country overcome its balance of payments problems and other problems that caused the country to approach the Fund for IMF financial resources. Through exercising its power, the Fund makes sure that the IMF is strong enough to repay its loan and brings back the investor confidence again. Since the streamlining initiatives taken recently, the conditionality of IMF-supported programs should be macro-critical. Only those macro conditions are accepted that are critical to the achievement of macroeconomic program goals or necessary for the implementation of specific provisions under the IMF’s Articles of Agreement.

1.9.1 Achievement of IMF Conditions

Most of IMF financing packages is disbursed in instalments. The instalments are provided to ensure the progress of the borrowing country in the program implementation. The conditions are also set to ensure the safety of IMF resources. As a result, the Executive Board of the IMF reviews the progress of the country in program implementation through the reports presented to the Board by the staff and assess whether the country is on track in their implementation and if there is any need for modification to achieve the program objectives faster. Further disbursements in IMF loans can be approved upon the approval of the progress of the borrowing country by the Executive Board.

Program approval or reviews are based on various policy commitments agreed with the country authorities. These can take different forms:

- **Prior actions** are the measure and actions the borrowing country takes before any disbursement of the IMF finances. These conditions are set to make sure that the program has the necessary foundation to succeed, or is put back on track following deviations from agreed policies. Examples include the elimination of price controls or formal approval of a budget consistent with the program’s fiscal framework.

- **Quantitative performance criteria (QPCs)** are specific and measurable conditions that have to be met to complete a review. QPCs always relate to macroeconomic variables under the control of the authorities, such as monetary and credit aggregates, international reserves, fiscal balances, and external borrowing. For example, a program might include a minimum level
of net international reserves, a maximum level of central bank net domestic assets, or a maximum level of government borrowing.

- **Indicative targets** complement the QPCs for program review. In case the QPCs cannot assess the progress due to data uncertainty about economic trends, the indicative targets are used.

- **Structural benchmarks** are (often non-quantifiable) reform measures that are critical to achieve program goals and are intended as markers to assess program implementation during a review. They vary across programs: examples are measures to improve financial sector operations, build up social safety nets, or strengthen public financial management.

### 1.10 Technical Assistance

The IMF helps countries design economic policies and measure their financial affairs more effectively by strengthening their human and institutional capacity. This is also known as “technical assistance”.

#### 1.10.1 Objectives of Technical Assistance

Apart from IMF financing, the Fund can help the member countries build capacity to implement policies that result in better economic outcomes. Most of the technical assistance is given to the low income country members of the Fund. If the technical assistance given by the Fund is implemented carefully, it can result in a more stable global economy and reduce their vulnerabilities.

Core areas of expertise in which the IMF provides technical assistance include: macroeconomic policy, tax policy and revenue administration, expenditure management, monetary policy, the exchange rate system, financial sector stability, legislative frameworks, and macroeconomic and financial statistics. Efforts in recent years to strengthen the international financial system and fiscal and debt policies have triggered additional demands for IMF technical assistance. For example, countries have asked for help to address financial sector weaknesses identified within the framework of the joint IMF-World Bank Financial Sector Assessment Program and to adopt and adhere to international standards and codes for financial, fiscal, and statistical management.
A major part of the IMF involvement in low income countries is through its technical assistance. The IMF helps this group of countries build capacity to design and implement poverty-reducing and growth programs. Plus, with respect to those low income countries using the HIPC initiative, the Fund can help them undertake debt sustainability analysis and develop debt management strategies. The technical assistance can also help the low income members improve their participation in the global economy.

1.11 IMF Governance

The IMF is an international institution that is owned and established by the member governments. The Fund is therefore responsible to the governments of the member countries. The governments are also responsible to their own citizens. Thus, the IMF as a global institution is responsible towards the governments and their citizens for its policies and actions it takes. All the Fund’s actions will be judged by public opinion and other groups that affect or are affected by the IMF.

IMF governance is a very broad topic. The most important issue of IMF governance is the quotas of the members. Second issue of IMF governance is the issue of choosing the senior management of the Fund. The Executive Board of the IMF makes the third issue of the governance to be studied. The relationship of the IMF with other regional or international institutions is also another issue in IMF governance. These groups may consist of the relationship of the IMF with G-7 countries, or the G-20 or even the European Union, etc. All of these issues together make the IMF governance. Each of these issues is decided based on the guidelines provided in the Articles of Agreement of the IMF on the governance.

1.11.1 Quotas and Voting Power

Once a country joins the IMF, it is assigned an initial quota based on its relative economic size in the global economy. The quotas are decided by using the quota formula the Fund uses for all its members.

The current quota formula is a weighted average of GDP (weight of 50 percent), openness (30 percent), economic variability (15 percent), and international reserves (5 percent). For this purpose, GDP is measured through a blend of GDP—based on market exchange rates (weight of 60 percent)—and on
PPP exchange rates (40 percent). The formula also includes a compression factor that reduces the dispersion in calculated quota shares across members.

Quotas are denominated in Special Drawing Rights (SDRs), the IMF’s unit of account. The largest member of the IMF is the United States, with a current quota of SDR 42.1 billion (about $64 billion), and the smallest member is Tuvalu, with a current quota of SDR 1.8 million (about $2.7 million).\(^5\)

A member’s quota is very important since it can be representative of the following:

- **Subscriptions (quota share):** A member’s quota determines the maximum amount of financial resources the member country should contribute to the Fund. 25 percent of its quota can be paid in accepted major currencies or in SDRs. The rest can be paid in the country’s own currency.

- **Voting power (voting share):** A member’s quota level determines the voting power of that country in IMF decisions. Each IMF member’s votes are comprised of basic votes plus one additional vote for each SDR 100,000 of quota. The 2008 reform fixed the number of basic votes at 5,502 percent of total votes. The current number of basic votes represents close to a tripling of the number prior to the effectiveness of the 2008 reform.\(^6\)

- **Access to financing:** The access limit of IMF finances is decided based on the member country’s quota levels. For example, under Stand-By and Extended Arrangements, a member can borrow up to 200 percent of its quota annually and 600 percent cumulatively. However, access may be higher in exceptional circumstances.

### 1.11.2 Choice of Management and Staff

The executive board of the IMF will choose the head of the organization. The convention is that, the Europeans propose the managing director of the IMF by an ad hoc internal process, and the US president proposes the president of the World Bank.

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\(^6\) IMF membership ([https://www.imf.org/external/about/members.htm](https://www.imf.org/external/about/members.htm))
According to the IMF’s Articles of Agreement, the Managing Director “shall be chief of the operating staff of the Fund and shall conduct, under the direction of the Executive Board, the ordinary business of the Fund. Subject to the general control of the Executive Board, he shall be responsible for the organization, appointment, and dismissal of the staff of the Fund.”  

The Managing Director is assisted by a First Deputy Managing Director and three Deputy Managing Directors. He or she appoints the Deputy Managing Directors.

The IMF has had eleven Managing Directors since it began operations in 1947. Christine Lagarde became the IMF’s eleventh Managing Director on July 5, 2011. Ms. Lagarde was appointed for a five-year term.

1.11.3 Chairs and the Executive Board

The chairs of the IMF are represented by the executive board of the Fund. The board is charged with the supervision of the activities of the institution. The executive directors are appointed or elected by member governments. They are paid by the Fund. Currently, there are 24 chairs in the IMF’s Executive Board representing single or a group of countries.

1.12 IMF Performance

Since the day of its establishment, IMF has been playing a major role in the functions dictated as its objectives such as surveillance, economic cooperation and financial stability.

The fund has made major contributions to the resolution of problems that have confronted the global economic global and financial system over the past several decades. These have included:

- The oil crises of the 1970’s
- The emerging market debt crises of the late 1980’s

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7 IMF Article XII, section 4(a), (http://www.imf.org/External/Pubs/FT/AA/index.htm#a12s4)
8 IMF Article XII, section 3, (http://www.imf.org/External/Pubs/FT/AA/index.htm#a12s3)
• The integration of the transition of the Eastern Europe and the former Soviet Union into the global system in the 1990’s

• The long-smoldering debt crisis of the low income countries, culminating the HIPC initiative in the 1990’s

• The Mexican, Asian, Russian, Turkish, and Latin American crises of the mid and later 1990’s and early years of this decade.

• Dealing with subprime mortgage crisis in 2008

• Euro zone crisis since the late 2009

1.13 Review of Literature

In order to create a foundation for the study, to understand the various nuances and dimensions of the topic of the study, as well as to prepare a proper methodology and framework for the study, efforts have been made to review the available literature on the topic. Some of the significant literature and their points of view are presented here below.

There have been a number of papers focusing on different responsibilities of the IMF such as its surveillance, its lending and also its governance. Thematic review of the papers is done on three main categories:

• Studies on surveillance
• Studies on lending
• Studies on governance

These papers are classified below:

1.13.1 Studies on Surveillance

Surveillance of the IMF is a very important part of its responsibilities as the main organization with this power in the international monetary system.

1. The paper done by Barry Eichengreen and Michael Mussa entitled "Capital account liberalization and the IMF", (1998) studies the role of the IMF in capital account liberalization. According to him, the IMF should promote the orderly liberalization of capital movements since it is inevitable considering
the growth of technology and revolutionary changes in global economy. However, the IMF should help countries set policies to limit the excess volatility and contain potentially damaging effects of financial disturbances that come with liberalization.9

2. A study by Michael Bordo, entitled "The International Monetary Fund: Its present role in historical perspective", (2000), studies the surveillance role of the IMF and states that the IMF should contribute to the development and monitoring of global policy responses, including fiscal, monetary and financial sector policies.10

3. The paper “Should the IMF discontinue its long-term lending role in developing countries? “ (2003), by Paul Mosley and Graham Bird affirms the important surveillance role of the IMF in the international monetary system and especially with the developing countries. It discusses that the IMF should constantly strengthen its capacity to provide independent, objective and persuasive assessments of the risks that policy makers face at the national and international level, including the implications of large cross-border capital flows.11

4. The paper by Mervyn King, following his speech at the Bank of England, entitled “Advancing Enterprise”, (2005), advocated that the IMF should have a major role in addressing the proper functioning of the international monetary system. The international monetary system should be seen as a multilateral arrangement where all the countries can communicate with each other. We need to rethink the role of the IMF in the IMS. The future of the Fund should be more than an occasional lender of last resort for middle-income countries suffering crises.12

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5. The study by Domenico Lombardi, entitled "The IMF's Role in Low-Income Countries: Issues and Challenges ", (2005), discusses that the IMF should help low income countries avoid measures destructive of national and international prosperity. It should help them establish a broad macroeconomic framework which seeks to avoid macroeconomic disequilibrium.\textsuperscript{13}

6. Ted Truman, in his book entitled “Reforming the IMF for the 21st Century Role”, (2006), states that surveillance and the associated process of policy coordination and cooperation are central roles of the IMF. Regional and global surveillance should play an increasingly important role, and be better integrated with bilateral surveillance.\textsuperscript{14}

7. A study by Rosa Lastra, entitled "The Role of the IMF as a Global Financial Authority", (2010) studies the importance of IMF surveillance. According to the paper, the IMF is the institution best placed to assume the role of global financial authority. The IMF shall oversee the international monetary system in order to ensure its effective operation and shall oversee the compliance of each member with its obligations.\textsuperscript{15}

8. A study by Michaels Camdessus, Alexandre Lamfalussy, Tommaso Padoa-Schioppa, entitled “The reform of the international monetary system, a cooperative approach for the 21\textsuperscript{st} century”, (2011) observed that, the global crisis, came as a shock and swept through many economically well-developed nations. The costs, after the crisis, have been too much. This pointed to a very important point, misguided policies, and structural weaknesses in financial institutions, failures in regulation and supervision, and also weaknesses in international monetary arrangements. The risks inherent in the current system are too large to ignore. As a result, a set of reforms are needed in the international monetary system and dependant organizations (i.e. IMF and the World Bank).\textsuperscript{16}


\textsuperscript{14} Truman, Ted, 2006, “Reforming the IMF for the 21st Century Role”, (http://www.iie.com/publications/chapters_preview/3985/03iie3985.pdf)


1.13.2 Studies on lending

IMF lending has evolved over the years since its day of establishment. However, it has always played a significant role in helping its member countries overcome their difficulties.

1. A study by Graham Bird, "The catalyzing role of policy-based lending by the IMF and the World Bank: fact or fiction?", (2000), focuses on the surveillance and lending role of the IMF. The IMF's focus is to regulate currency exchange rates to facilitate orderly international trade. In times of the balance of payments difficulty, IMF should act as a lender of last resort to its member countries.17

2. The paper by Louis Dicks-Mireaux, entitled "Evaluating the effect of IMF lending to low-income countries", (2000), analyzes the effects of IMF-supported programs on economic developments of the low-income countries. The study reveals that IMF lending and policy advice has statistically beneficial effects on output growth and the debt/service ratio of these countries.18

3. The study by Graham Bird, entitled "IMF and Poor countries: towards a more fulfilling relationship", (2004), states that the Fund can play a very important role in low-income countries. Especially when they are facing balance of payments problems, the Fund can help fill the gap in external financing that would otherwise be left by private capital and foreign aid. Plus, it states that the IMF's performance in LICs has received mixed reviews. It is unwise for the Fund to disengage from its relationship with low-income countries, unless there are fairly compelling reasons to believe that the Fund's role could be better played by other agencies such as the World Bank. Until then, the Fund should look to establish a more fulfilling relationship with the LICs. Policy reforms are needed to achieve this goal through changes in conditionality and design of IMF programs to help these countries.19

4. The paper by Domenico Lombardi, "The Role of the IMF in low-income countries", (2007), discusses that the IMF should be contributing to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members specially the low-income and developing countries. Plus, the Fund should offer its informational role to the LICs by providing them with lending and policy advice and assist them with capacity building since the cost of information-gathering activities and lending are very high for them elsewhere.20

5. A study by Devesh Kapur and Richard Webb, entitled “Beyond the IMF”, (2007), states that due to high conditionality attached to IMF loans and high political costs associated with borrowing, the developing countries have started to look at other alternatives for financing and advice outside the IMF. The paper argues that although there are many reform proposals given over the years, even with the reforms to reconsider the position of these countries, the developing countries may not rely on the IMF like before. The paper argues that the focus on reform should be complemented with an exploration of alternatives outside the IMF to give the developing countries the bargaining leverage against the Fund.21

6. A study by Gheroghe Voinea, entitled “Redefining the role of the IMF in the light of the current economic and financial crisis”, (2009), discusses how the current financial and economic crisis has left some the developing and low income countries with financial gaps, and hence, the need for financing has increased which the IMF is incapable of filling. The paper, also, calls for a more enhanced surveillance framework since the IMF has no leverage over strong developed economies. Plus, the current IMF governance structure does not present all its members correctly and should be reformed to regain legitimacy.22

7. A study by Martin Weiss, entitled "The Global Financial Crisis: the Role of the IMF", (2009), discussed two important roles for the IMF in helping to resolve the current global financial crisis: (1) immediate crisis control through balance of payments lending to emerging market and less-developed countries, and (2) increased surveillance of global economy through better coordination with the international financial regulatory agencies.\(^\text{23}\)

8. A study by Esteban Ugalde, entitled "The Role and Evolution of the International Monetary Fund", (2010), states that the historic mission of the IMF to make loans to developing nations has been recognized as insufficient by many member nations. Plus, regarding the conditionality attached to the loans, the IMF's "one policy fits all" approach with respect to emerging market countries has shown to be outdated. A recognized IMF, one that is not as Euro and US-centric, and recognizes the legitimacy of its critics, would better fulfill its mission as enabler of world trade and interaction.\(^\text{24}\)

9. "Crisis Management and Resolution: Early Lessons from the financial Crisis", a study by Stijn Calessens (et. All) in 2011, discusses the importance of the IMF's role both as a crisis responder by providing advice and financial support to countries adversely impacted by the crisis, as well as its role in promoting policies that will minimize the prospects of future crises and strengthen the international financial system.\(^\text{25}\)

10. A paper by Elzbieta Chonja-Duch, entitled “Challenges for the IMF during the financial crisis 2008-2012 ”, (2012), states that the difficulties in identifying the role of the IMF, are likely to increase as the financial crisis develops over the years. The inability to reach a political consensus on crisis resolution measures slows down the actions of the IMF and makes it difficult for the Fund to properly address the needs of the global system. One of the ways the


paper proposes to facilitate the IMF to respond to economic crises would be to prolong the duration of the adjustment programs beyond three years. Such a solution may contribute to supporting growth initiatives in countries of IMF operations.  

1.13.3 Studies on Governance

The governance of the IMF is also a very complicated issue and is always a very important part of the criticisms and reform proposals.

1. The paper by Tony Killick, entitled "IMF programs in developing countries: design and impact", (1990), discusses that since the developing countries are gaining more weight and importance in the global economy, the IMF must respond effectively to address identified weaknesses in financial regulation and supervision, macroeconomic policies and international cooperation in them.  

2. A study by Ariel Buira, entitled "Does the IMF need more financial resources?", (2005), discusses that to restore the role of the Fund at the center of the international monetary system, the Fund needs a large increase in its resources and a reform of its governance structure to reflect changes that have taken place in the structure of the world economy, particularly the increased importance of a significant number of emerging market countries that are substantially under-represented.  

3. A study by David P. Rapkin, and Jonathan R. Strand, entitled “Reforming the IMF's weighted voting system”, (2006), studies the IMF's quota determination process and voting regime. Decision rules of the IMF, clearly hamper developing country influence with the Fund and therefore, there should be a system that provides developing countries with greater voice in the IMF decision making. The paper also discusses that the problems of developing countries representation are not likely to be fixed by just a simple reallocation.

(http://economics.soc.uoc.gr/macro/docs/Year/2012/papers/paper_1_137.pdf)


28 Buira, Ariel, 2005, "Does the IMF need more financial resources?", Institute for International Economics Publications.
of quota. There must be more fundamental institutional adjustments in IMF to make it more legitimate in the eyes of developing countries.\textsuperscript{29}

4. “Reforming the International Monetary Fund, Why its Legitimacy is at Stake”, (2007), by Hector R. Torres states that the international monetary fund was designed to promote international monetary cooperation and foreign exchange stability, so as to facilitate international trade, high levels of employment and real income, and to give confidence to potential borrowers by offering opportune and meaningful financial assistance in case of trouble, has been seriously put into question. The Fund's governance structure is inconsistent with its multilateral nature and is dysfunctional to its purposes. There is also an ideological bias in its policy advice that prevents the Fund from being responsive to citizens' concerns and challenges posed by globalization. The ongoing reform process is tinkering on the margins and if not redressed will fail to bring additional credibility and effectiveness to the Fund.\textsuperscript{30}

5. A study by Cynthia Crawford Lichtenstein, entitled “A new Role for the IMF in a new World Economic order”, (2008), states that to support the global monetary stability, the Fund should design a reform package in which both the surveillance and quota reform go together. None of them done separately can result in anything positive. The surveillance framework should be reformed in a way to focus more not on the domestic economic management of debtor countries, but on the economic policies of systematically important countries, and the consequent risks to the global financial system.\textsuperscript{31}

6. “The reform of the IMF quotas”, a study by Andrea Colabella, Enrica Di Stefano, and Claudia Maurini, (2009), states that the current voting share distribution at the IMF neither reflects the weights and roles of member countries in the world economy nor does it protect the voice of low income countries. In order to address these issues, a comprehensive quota and reform package should be taken into action to enhance the Fund’s credibility among


\textsuperscript{31} Lichtenstein, Cynthia, 2008, “A new Role for the IMF in a new World Economic order”, Boston College Law School Faculty Papers.
its members and strengthen the role of new global players along with the representation of low income countries.\textsuperscript{32}

7. “IMF governance reform”, a study by Reza Moghadam and Sean Hagan, (2010), finds the reform of the governance of the IMF and quotas very essential for further implementation of reforms. However, they believe that to actually make this process happen, will take a long time as they have to go through a political bargaining process.\textsuperscript{33}

8. A study by N.Woods, entitled "Global Governance after the financial crisis, A New Multilateralism or the Last Gasp of the Great Powers? ", (2010), states that the IMF's lending resources given to emerging market economies are provided from the better-off member countries. Considering the recent economic and financial situations recently, IMF's resources are not enough and the Fund cannot rely on this source and needs an alternative income stream. He suggests that the transformation to support emerging market economies has not been accomplished so far.\textsuperscript{34}

9. A study by Kirill Pogorelskiy, entitled “implications of the quota and voice reform of the IMF”, (2010), reviews the governance reforms of the IMF and believes that the reforms taken so far have a positive effect on redistribution of power in favor of several developing countries at the expense of the more developed ones, but only from a relative point of view. In his view, the voting power distribution is almost negligible. Plus, the 85% majority role is a major setback since the IMF cannot make major decisions independently. Therefore, more efficient reforms must be taken to revive IMF’s role in the International monetary system.\textsuperscript{35}

10. A study by Graham Bird and Dane Rowlands, entitled "The IMF and the challenges it faces", (2010), studies the reforms of the IMF taken during the early 2000 to 2009.although it finds many of the reforms useful, it says that

the reforms are not enough. The Fund should construct an international financial institution that carries legitimacy by adequately representing the interests of all member countries but without threatening its effectiveness by enticing powerful advanced economies to disengage from it. It should seek to establish a more effective and efficient organizational structure. Plus, the Fund should practice more surveillance over the members. In the financing section, it should continue to modify its conditionality and also to deliver better policy advice. With respect to low-income countries, the IMF should reassess its lending role with them.36

11. The paper "The Role of the International Monetary Fund in Global economy", (2011), by Henry Amm, discusses that the current structure of the IMF is incapable of achieving the roles of the Fund assigned to it in the Articles of Agreement, and leads to criticism and failure. The governance reforms of the Fund have not been able to win back the confidence emerging countries completely, and hence the reform should go on.37

1.14 Statement of the Research Problem

Along with all the accomplishments the IMF has made over the years, however, there are inadequacies. The way in which the Fund has gone about some of its activities, has been questioned.

Critics, as well as some supporters of the Fund, have offered a laundry list of ways in which the institution is said to have expanded its activities well beyond its original mandate while, at the same time, coming up short on the job, it is supposed to perform under the original Articles of Agreement and the Amendments. The list includes:

1. A widening, and alleged weakening, of the focus of its surveillance activities

37 Amm, Henry, 2011, "The Role of the International Monetary Fund in Global economy", (http://henryamm.files.wordpress.com/2012/02/the-role-of-the-international-monetary-fund-in-the-global-economy-v1-0.pdf)
2. Straying into areas in which it has little expertise or an uncertain mandate

3. The broadening of the focus of its work in the low-income countries

4. The breadth of the structural conditionality included in financial arrangements with member countries

5. An unnecessary proliferation of the facilities for providing financing to countries seeking its assistance

There also has been criticism, that the institution has not been doing, or not doing sufficiently well, some of the responsibilities it should be doing – perhaps distracted by its activities in areas peripheral to its core mandate. The responsibilities on which it is said to fall short include:

1. Monitoring of or, more importantly, the force of its policy advice regarding global imbalances, a key threat that has confronted, and countries to confront, the global economy.

2. Its lack of influence over the policies of the larger industrial countries; an insufficient involvement in global financial sector issues.

3. Lack of engagement with emerging market economies on some of the policy issues of greatest concern to them, including on the practical aspects of managing their exchange rate regimes and the opening of their capital accounts.

These issues go to the heart of the Fund’s surveillance responsibilities. With the current direction the Fund has taken in its surveillance, it cannot confront the challenges of the globalization as well as the stability of the global economic and financial system as they have lack of precision and timeliness in their advice and surveillance towards the member countries.

Another great area on which the Fund falls short involves the financing role of the IMF. First of all, most of the industrial countries are against new lending packages towards other members such as the developing countries, where as the developing countries are asking for new plans for IMF contingent or insurance financing. The most debated issue in this section is the conditionality attached to the lending facilities. According to the critics, these conditions set by the Fund are
causing more troubles for the country rather than solving the already existing ones. The conditions, in their idea, are too rigid and lack flexibility that needs to be considered in each country’s case. They believe that no single condition can be applied to all the members as each of these members is unique in their own political, economical and financial positions.

The next section in which the Fund is lacking adequacy is its involvement with the low-income countries. First of all, the level of involvement of the Fund with these countries is of great consideration. According to the criticisms, too much involvement with these countries has not been at all mentioned in the original objectives of the Fund and hence the Fund has gone beyond its limit with these countries. IMF is not the only organization which can help them take charge of their problems. The World Bank is a very important partner of the Fund in this area. Their role is overlapping in many areas and is causing many problems. The role of the Fund in working with these low income countries are critical to the future of the Fund.

The finances given to these countries by the Fund are gathering lots of attention. First of all, the conditions set for these countries have been mostly structural reforms and conditions which are causing lots of problems for these countries. According to the critics, the Fund should both limit the structural conditions it attaches to its financing and concentrate them in the core areas of expertise, e.g., fiscal and budgetary systems, financial markets, etc. And leave to others, especially the World Bank, these structural conditions such as civil service reform, privatization and the like.

Governance of the Fund, also, is so inefficient in many areas. With the current system of representation of countries in their chairs and shares in the Fund, IMF is said to be illegitimate. These two, shows the representation of the countries and their power in the Fund and hence, many of the emerging and developing countries are underrepresented in the Fund whereas many others are largely overrepresented. As a result, this structural limitation questions the Fund’s legitimacy. Although, much has been done in this area, such as increasing the number of basic votes, it is not adequate. Much is needed to address the
substantive issues of voice and vote in the Fund. This calls for a reconsideration of
the quotas in the Fund.

Beyond quotas, another aspect of the voice and vote issue is receiving
insufficient attention which is also causing illegitimacy in the Fund. This involves
the size and composition of the executive board. The board is, today, made up of
24 seats. Most importantly, overrepresentation of the European countries, in the
executive board is drawing too much attention and criticism.

To summarize, after the breakdown of the Par Value system in 1971, the IMF
lost its role in the international monetary system. The Fund was established to help
countries maintain their fixed value of exchange rates that did no longer exist. The
guidelines after that year provided very vague help to the IMF operations. However,
the recent global financial instability has proved that IMF is very much needed in the
international monetary system to help its member countries with policy advice and
finances to help them get back on track.

A series of reforms have been implemented to make the Fund more efficient in
its operations and more satisfying to its members especially the developing member
countries and low income countries. In this context, study is designed to examine the
effectiveness of the recent reforms and the need for further reforms to help the IMF
stay a legitimate monetary institution in the international monetary system. A few
researchable issues that emerge in this context are:

a) What is the new role of the IMF in the international monetary system after the
breakdown of the Bretton woods system?

b) What are the inadequacies of the IMF with respect to the developing and low-
income member countries?

c) What reforms should be taken to restore the position of the IMF in the
international monetary system?

d) What is the effectiveness of the recent reforms taken and what further reforms
are needed?
1.15 Case for Reforms

The world needs a strong and effective international monetary fund as the principal multilateral institution responsible for international economic and financial stability. A consensus on the role of the Fund and the scope of its activities in the 21st century is needed to achieve this objective. However, such a consensus doesn’t exist today. In others’ views, the Fund has failed to exercise effectively its intended role as steward of international monetary system. Consequently, the IMF, once the preeminent institution of multilateral international financial cooperation, faces an identity crisis.

No single change by itself can restore the IMF to its prior position as a highly respected international monetary institution. Effective reform of the IMF must encompass many aspects of the IMF’s activities—where it should become less as well as more involved. During the past decade, a large number of changes in the international financial architecture and in IMF’s operations have been put in place. Those reforms have not been sufficient to restore the IMF at the centre of today’s international monetary system.

Successful reform of the IMF must engage the full spectrum of its members. The IMF should not focus primarily on its low-income members and the challenges of the global poverty. It should not focus exclusively on international financial crises affecting a small group of vulnerable emerging market economies. Instead, it must be engaged with each of its members on the full range of their economic and financial policies. However, the Fund should give priority attention to the policies of the 20 to 30 systematically important countries that impact the functioning of the global economy, including the policies of its wealthiest members that remain the principal drivers of the world economy and, there, are the source of the greatest risk to the global economic and financial stability.

1.16 Research Gap

The IMF and other international organizations have done plenty of research on the performance of the IMF. The criticisms due to the inadequacy of the IMF performance have led to a series of reform proposals and moves to change the IMF in a better way.
The focus in the reviewed studies has also been analytical. The orientation of these studies has been with a regional focus. The relationship of the Fund with its developed member countries has been studied thoroughly in the previous studies. Plus, there is a series of proposals and suggestions on how the Fund can be reformed to have a better relationship with this group of countries. These suggestions have been made with regard to different aspects of IMF operations such as its lending, governance or its surveillance. Over the past few years, the relationship of the Fund with respect to its low-income member countries has also gained much attention. According to this interest, the Fund has gone through major reforms to improve its relationship with the low-income countries. However, it is just the beginning.

However, although there are several studies on the relationship of the Fund with its developing country members, this group of countries is being ignored a lot in the process. The developing countries, especially those in Asia are gaining more power in the global economy and hence their relative power and importance is not taken into consideration. Most important of all are China and India. These two countries along with other developing countries are showing sustainable growth in the past two decades after the Asian crisis. Many of them are in the process of integrating to the global economy. But, the IMF and even other international organizations have not facilitated these country members with ways to ease the way. The criticisms arising from this group of countries shows that the Fund is losing its legitimacy in the region as these countries are relying on other private institutions for financing and policy support or even accumulating huge piles of reserves not to turn to IMF in times of crisis.

Since most of the IMF members, especially at the time of its establishment were advanced economies, the policies the Fund follows are mostly oriented towards the preferences of these countries. As a result, the developing and even the low income member countries are under great pressure to follow the policies that are clearly too heavy for them. The Fund’s surveillance, its governance and even its lending facilities and all the reviews that have been done on these issues have failed to take into consideration the developing and low income countries’ stand on the matters.
Plus, in the recent years, especially after the emergence of the global financial crisis, the IMF’s focus has been shifted to crisis resolution. The reviews and the reports coming out from the IMF are mostly focusing on the issues of the countries in trouble, which are mostly the advanced economies in the Europe. This shift of focus of studies has also prevented the Fund from satisfying the needs of its other members.

If goes like this, the Fund will lose its legitimacy over its developing nations and also some of its low income countries which now account for the majority of its membership.

This study is done to review the adequacy of IMF’s performance with respect to all its members, especially the developing countries and the low income members. IMF’s policies and arrangements in its governance, lending framework and surveillance practices are not fair to these member countries especially with the recent developments they have made during the past two decades.

1.17 Objectives

1. To examine the changing role of the IMF in the international monetary system
2. To examine the distribution of lending facilities among the member countries.
3. To examine the distribution of quotas and votes among the member countries.
4. To examine the distribution of IMF chairs among the member countries.
5. To examine the trends in the allocation of the SDRs among the member countries.

1.18 Hypotheses

1. IMF loans are fairly distributed among its member countries.
2. Distribution of IMF quotas and votes is not a fair representation of the member countries relative power in the global economy.
3. IMF is biased towards the developed country members in the allocation of chairs.
4. The SDR allocation among the member countries is influenced by the governance structure of the Fund.
1.19 Methodology and Database

A combination of the analytical and descriptive design is employed for the present study. Secondary data has been used for data collection and data analysis. Sources of secondary data include the International Monetary Fund website, the staff reports and working papers of the IMF, the World Bank publications, the European Central Bank publications and the Independent Evaluation Office (IEO) papers. The data relative to the IMF lending arrangements with its member countries over the years are also obtained from MONA database responsible for Monitoring of Fund Arrangements and IMF’s e-library database.

All the secondary data are collected for the period 1990-2013. During this period, all the Fund arrangements to the developed countries, developing and least-developed countries have been studied.

To test the hypothesis, IMF members are grouped into 3 groups of developed, developing and least-developed countries. The quota and vote share of each country is collected and the average quotas and votes share for each country group is also calculated. To examine the anomalies in the distribution of the quotas and votes of the IMF, and to find any significant difference between the country groups, ANOVA test in SPSS has been employed. In case of any significant difference between the tested groups, LSD test have been performed to find the significantly different country group.

To study the chairs of the IMF’s Executive Board, and to compare the population per chair for the member countries, the members are grouped into 2 different country groups. The average population per chair for the developed countries is compared against the average population per chair for the developing and least-developed country members. F-test has also been employed to find any significant variance between the two country groups.

Lending arrangements of the IMF assigned to the 3 different country groups of the IMF have also been studied. The average loan per country for each country group is calculated and ANOVA test and LSD test have also been used to find any significant difference between the 3 groups.
To study the trends in SDR allocation of IMF to its member countries, the relative share of each country group is calculated for the 3 SDR allocation of the IMF.

### 1.20 Organization of the Thesis

The thesis is organized into eight chapters as follows:

The first chapter explains the background of the study. There is discussion about the operations and structure of the IMF, and case for reforms of the Fund. Against this background, the study has explained major researchable issues, objectives, hypotheses, methodology and scope of the study.

The second chapter gives a theoretical background of the role of the IMF in the international monetary system and how the changes in the system have also changed the role of the IMF. The problems in the current international monetary system and how the IMF should be reformed have also been discussed.

The third chapter deals with the lending facilities of the IMF and the arrangements of the Fund with its member countries. The trends in conditionality framework of the IMF have also been studied over the years. Plus, the lending and conditionality reforms of the IMF so far and their effects on its member countries have also been dealt with in this chapter.

The fourth chapter studies the governance of the IMF. The quotas and votes of the IMF as well as the chairs of the IMF are studied. The distribution of the share and votes and chairs among the member countries are studied. The recent governance reforms and the respective changes in the quota structure of the Fund have also been studied.

The fifth chapter studies the role of the IMF’s SDRs in the international monetary system. Focus is on reforms and possible future role of SDRs in international monetary system.

The sixth chapter is dealing with testing of hypotheses. The quotas, votes, loans and the SDRs allocated to the member countries have been examined to identify the anomalies in the allocations.
The seventh chapter deals with the study of the challenges for further reforms of the IMF. The issues that should be addressed in further reforms of the Fund are also explained in this chapter.

The eighth chapter summarizes the major findings, conclusions and articulates a few policy measures.