Abstract

The International Monetary Fund is an international organization that oversees the stability of the International Monetary System by influencing the macroeconomic policies of its members, in particular those with an impact on the exchange rates and balance of payments.

To ensure the stability of the International Monetary System, IMF offers its financial and non-financial services to its member countries in case they face any balance of payments problems or other financial difficulties. In return for its services, the countries agree to go through levels of conditionality the IMF sets for the borrowing country to restore macroeconomic stability and reduce poverty.

Over the years since the day of its establishment, the membership of the IMF has increased and the members have relied on the services from the Fund. The existence of such an institution is inevitable in the international monetary system. The Fund has contributed in solving the problems of many member countries overcome crisis, or tackling other kinds of their financial difficulties.

However, the performance of the IMF has been a target of great criticism especially from the developing country members. The objection is that the policies and conditions in the Fund are set according to the preferences of the advanced economy members of the Fund. These members, along with the low-income member countries, are complaining that they are under-represented in the Fund and they are not as involved as they should be in the decision making process of the Fund.

This thesis is an attempt to examine the changing role of the IMF in the International Monetary System. The thesis has dealt with the current role of the Fund and also changes in different aspects. Plus, Lending and conditionality framework of the IMF is studied in this thesis. Against this background, the thesis has made out a case for reforming the Fund and its implications for the member countries.

The governance of the IMF is also studied. To examine the anomalies in the governance of the IMF, the quotas and votes allocated to the member countries have been examined. To test whether these anomalies have affected the loan scheme of the Fund (according to the criticisms of the developing countries), the loans allocated to
all these member countries have also been examined. Plus, the SDRs allocated to these members over the three phases of SDR allocation have also been analyzed to identify biases in the distribution in any of the categories.

In the thesis, all the recent reforms of the IMF over the past two decades have been discussed and their effects have also been explained. Further, an attempt has been made to identify the existing issues and challenges the Fund is still facing after the recent reforms. The scope for further reforms of the Fund in each of these aspects has also been explored.

The thesis is an attempt to prove the necessity for the existence of such an institution in the International Monetary system to ensure the stability of the system. However, to stay legitimate in the system and be trusted by its member countries (especially the developing and low-income members) it is essential for the Fund to go through serious rounds of reform to overhaul its structure.