

The background features a series of concentric circles in light gray, some solid and some dashed, creating a ripple effect. A large, solid red speech bubble is centered on the page, pointing downwards. The text is white and bold, centered within the red bubble.

**INTERNATIONAL  
MONETARY FUND**



# **GENERAL FACTS**

- **AUTONOMOUS ORGANISATION  
AFFILIATED TO UNO**
- **27 DEC 1945 WITH 30 MEMBERS**
- **INDIA IS A FOUNDING MEMBER OF IMF**
- **190 MEMBERS. ANDORRA**
- **WASHINGTON DC**



# **BOARD OF GOVERNORS**

- **ONE GOVERNOR AND ONE ALTERNATE GOVERNOR FROM EACH MEMBER COUNTRIES**
- **FINANCE MINISTER AND HEAD OF THE CENTRAL BANK ARE GENERALLY GOVERNOR AND ALTERNATE GOVERNOR**
- **QUOTA INCREASE OF MEMBER COUNTRIES,SDR,ADMITTING NEW MEMBER COUNTRIES, APPOINTING EXECUTIVE DIRECTORS ETC.**

## **BOARD OF GOVERNORS**

- **The BoG of IMF is advised by two Ministerial Committees: 1. International Monetary and Finance Committee (IMFC) - This body meets twice a year to discuss matters on common concerns affecting global economy and accordingly advises BoG. Many international institutions including World Bank participate as observers in the meetings of IMFC.**
- **2. Development Committee - It is a joint forum of IMF and World Bank Group which also meets twice a year. It gives advice on financial requirements for the economic development in developing countries**

# SPECIAL DRAWING RIGHTS

- IMF lends to member countries in its artificial currency unit known as Special Drawing Rights (SDRs).
- Created in 1969, SDRs are the foreign exchange reserve assets under IMF.
- SDR is not intrinsically a currency but is a unit of account maintained by IMF.
- SPECIAL DRAWING RIGHTS It is neither a proper currency nor a claim on IMF.
- Its value is based on the basket of the following five major currencies: 1. US Dollar - 41.73 per cent Euro - 30.93 per cent Chinese Renminbi - 10.92 per cent (added in 2016 in this basket) 4. Japanese Yen - 8.33 per cent 5. British Pound - 8.09 per cent





# SDR

- **This basket is reviewed a after every 5 years.**
- **Unlike other currencies, SDR is not traded in forex market.**
- **Criterion for inclusion of a currency in the SDR basket:**
- **Export Criterion**
- **Currency to be Freely Usable Issuer of the currency must be an IMF member/monetary union which has IMF members, and**
- **It should also be among the largest exporters of the world.**
- **International Economic Institutions**
- **The currency must be widely used in international transactions for making payment and should be widely traded in principal exchange markets.**

# SDR

- **Growing Importance of SDR as a Global Reserve Currency**
- Critics argue that there is a growing need to replace dollar by a superior sovereign currency specifically SDR. Reasons are as follows:
- Use of US dollar may create global volatility as US economy itself is suffering from weaknesses (especially 2008 crisis onwards).
- SDR can diversify the risk from forex holdings

# IMF Quota

- **Member countries are assigned a quota which determines their maximum contribution to the IMF's finance resources. Quotas are denominated in SDRs.**
- **Quota of a country is determined by its relative position in the global economy.**
- **The member country can pay up to 25 per cent of the quota in foreign currencies (i.e. US dollar, Euro, Yen, etc.). This is called Reserve Tranche.**
- **Quotas are reviewed at least after every 5 years.**
- **The quota system is also used to access a member's relative position and voting rights:**

# IMF QUOTA

- **Currently, the formula to derive quota of a member country is the weighted average of:**
- **Member country's GDP, with assigned weight of 50 per cent**
- **Here, the GDP is measured through a blend of: Market exchange rates, weighing around 60 per cent PPP exchange rates, weighing 40 per cent**
- **Its economic openness, weighing 30 per cent**
- **Its economic variability, weighing 15 per cent**
- **International reserves, weighing 5 per cent**



# IMF QUOTA

- **Role of quota - The quota determines the member country's level of:**
- **Subscriptions to IMF: It indicates the maximum amount of financial resources a member is supposed to deposit with IMF**
- **Voting Power: It determines a member's voting rights in the decision made by IMF**
- **A member's vote comprises basic votes + additional votes for each 1 lakh SDR quota.**
- **Access to IMF Financing:**
- **A member's access to finance in IMF is based on its quota.**

# WASHINGTON CONSENSUS

- **There are a set of policies and conditions known as IMF Conditionalities which member countries taking financial assistance are required to follow.**
- **These Conditionalities by IMF are in addition to the collateral submitted by member countries for financial assistance.**
- **If the conditions are not met, the funds may be withheld by IMF.**
- **Some of these conditions (also known as Washington Consensus) for structural adjustment are: 1. Devaluation of currency. 2. Higher interest rates to stabilize the currency. 3. Balancing budget and not overspending. 4. Removal of price controls and state subsidies. 5. Enhancing the rights of foreign investors vis-à-vis national laws. 6. Trade liberalisation or lifting import and export restrictions.**
- **These conditions are imposed by IMF to ensure that the loan-taking member countries are able to resolve their BOP crisis and are able to repay to IMF.**

**REPORTS  
PUBLISHED  
BY IMF**

- **World Economic Outlook (WEO)**
- **Global Financial Stability Report (GFSR)**
- **Fiscal Monitor Report**
- **External Sector Report**
- **Regional Economic Report**
- **Global Housing Watch**
- **Financial Sector Assessment Program (FSAP)**



# INDIA AND IMF

- **India is the founding member of IMF**
- **From 2003 onwards, the relationship between India and IMF has transformed:**
- **Earlier, India was a borrower. Now, it has emerged as a lender. [ India's is the 13<sup>th</sup> largest IMF quota holding member country (2.76%) India's voting rights has increased from 2.3 per cent to 2.64 per cent.**
- **India borrowed under the Extended Fund Facility (EFF) in 1981 India borrowed under two SBAs in 1991.**

# AJAY BANGA

■ Business & Markets

1440

A portrait of Ajay Banga, a man with a dark beard and a blue turban, wearing a grey suit, white shirt, and red tie. He is looking slightly to the left of the camera with a serious expression.

**President Biden Nominates  
Former MasterCard CEO  
To Lead World Bank**

# WORLD BANK GROUP

- **The term World Bank' generally refers to IBRD and IDA as they have the same head and management, while the term World Bank Group' refers to a group of five institutions, namely**
- **International Bank for Reconstruction and Development (IBRD)**
- **International Development Association (IDA)**
- **International Finance Corporation (IPC)**
- **Multilateral Investment Guarantee Agency (MIGA)**
- **International Centre for Settlement of Investment Disputes (ICSID)**



# INDIA AND WORLD BANK GROUP

- **Among them, IBRID first came into existence.**
- **To be a member of World Bank, a country- needs to be a member of IMF first.**
- **India is a member of four of them (except ICSID).**
- **Headquarters of World Bank is located at Washington DC (United States)**

**BRICS  
BANK/  
NEW  
DEVELOPME  
NT BANK**



**BRICS**

BRICS



# BRICS

- **In 2012, BRICS nations proposed to set up Multilateral Development**
- **The need for New Development Bank (NDB) was felt because of: New Development Bank IMF and WB were inclined more towards the developed Western countries. BRICS nations have less than 15 per cent voting rights in IMF at present although they account for around half of the population of the world**



# BRICS

- **NDB actually came into existence at the 2015 summit in Russia. Headquarters of NDB is located at Shanghai, China.**
- **There are five member nations of NDB - Brazil, Russia, India, China and South Africa (i.e. BRICS nations). The membership is also open for all UN members. However, the collective share of BRICS nations cannot be less than 55 per cent of the voting power.**
- **Present authorised capital of NDB is \$100 billion and subscribed capital is \$50 billion**

**BRICS**



Brazil · Russia · India · China · South Africa



# BRICS

- **All five members have equal contribution and equal voting share. The bank has a One Member, One Vote Policy and no veto policy, unlike World Bank and IMF.**
- **The present president of NDB is Marcos Prado Troyjo from Brazil (since July 2020). He succeeded K.V. Kamath, who was from India.**
- **The tenure of the President is 5 years.**
- **The election of the President of NDB is to be done on rotational basis**

# CONTINGENT RESERVE ARRANGEMENT

- **It was introduced in 2015 by the BRICS countries to overcome the BOP problems of Do countries by providing short-term liquidity support through liquidity and precautionary instruments. The CRA along with NDB is viewed as an example of increasing South-South cooperation. For CRA, there is a total capital contribution of US\$ 100 billion (highest by China: \$41 billion) The voting right of India is equal to that of Brazil and Russia, i.e. 18.10 per cent. China has the highest voting right of 39.95 per cent in CRA. It wants to ensure equity and inclusiveness to the availability of a backup arrangement so that the BRICS nations can go ahead with its necessary and bold policy decisions. It is expected to boost their foreign exchange reserves**

**ADB**



# ASIAN DEVELOPMENT BANK

- **Asian Development Bank (ADB) was established in 1966 as a Multilateral Development Bank initially with 31 member countries (including India). ADB presently has 68 member countries (latest being Niue - added in 2019). There are member countries even from outside Asia such as the United States. Headquarters - Mandaluyong, Philippines. Like World Bank, it has a weighted voting system, votes being distributed in proportion to members' capital subscription. Japan holds the largest portion of share capital, followed by the United States, China and India. Due to this, all Presidents of ADB till now belong to Japan. President has a 5-year term and may be re-elected. Present President of ADB Masatsugu Asakawa (since January 2020).**

ADB



ADB





# INDIA AND ADB

- **India is a founding member and is the Till fourth-largest shareholder in ADB noW, ADB has approved more than 200 projects such as: sovereign loans for India**

AIIB



The logo for the Asian Infrastructure Investment Bank (AIIB) is a red speech bubble shape with the letters 'AIIB' in white. The background of the slide features decorative curved lines in the top-left and bottom-right corners.

AIIB

- **It is a multilateral development bank set up in 2016 to improve social and economic outcomes in Asia.**
- **The idea of establishment of such bank was proposed by China to provide support and improvement in infrastructure building in the Asia-Pacific region.**

AIIB



# ASIAN INFRASTRUCTURE RE BANK

- **Due to the discontent in Bank, many of their members are joining AIIB. AIIB presently has a membership of 103 nations [85 members (including India) + 18 prospective members].**
- **There are member countries even from outside Asia, such as Australia, Canada, Brazil, France, Germany, UK, South Africa, etc.**
- **The United States and Japan are not the members of AIIB.**

AIIB





**AIIB**

- **Headquarters of AIIB - Beijing, China. Present President -Jin Liqun (from China).**
- **Focus areas of AIIB are - rural infrastructure and agricultural development, energy and power, environment protection, urban development, water supply and sanitation, transportation and telecommunication.**
- **The AIIB has accumulated capital of US\$ 100 billion (of which US\$ 29.78 billion is contributed by China).**
- **The voting shares are based on the size of member countries' economy**