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News: Debt ridden Pakistan ‘ready to meet’ all IMF demands to revive bailout programme

- The Pakistan government has requested the IMF to send its mission to the country at the earliest, preferably next week, to conclude a long awaited agreement to revive the bailout programme, as it conveyed its willingness to accept all the four major conditions set by the global lender.

International Monetary Fund (IMF)

- The **International Monetary Fund (IMF)** is an organization of 189 member countries, each of which has representation on the **IMF's executive board in proportion to its financial importance, so that the most powerful countries in the global economy have the most voting power.**
- The IMF, also known as the Fund, was conceived at a **UN conference in Bretton Woods, New Hampshire, United States, in July 1944.** India is a founder member.
- **Union Finance Minister is the ex-officio Governor on the IMF's Board of Governors.**

- IMF, as per Bretton Woods's agreement to encourage international financial cooperation, introduced a system of convertible currencies at fixed exchange rates, and replaced gold with the U.S. dollar (gold at \$35 per ounce) for official reserve.
- After the Bretton Woods system (system of fixed exchange rates) collapsed in the 1971, the IMF has promoted the system of floating exchange rates.
- Countries are free to choose their exchange arrangement, meaning that market forces determine the value of currencies relative to one another. This system continues to be in place today.
- World Bank and International Monetary Fund (IMF) uses GDP in the comparative analysis of its member nations.
- Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy.
- The IMF's Board of Governors conducts general quota reviews at regular intervals (no more than five years).
- Any changes in quotas must be approved by an 85 percent majority of the total voting power, and a member's own quota cannot be changed without its consent.

- The largest shareholders according to the vote share are **United States (16.50%), Japan (6.14%), China (6.08%), Germany (5.31%), France (4.03%), United Kingdom (4.03%), Italy (3.02%), India (2.63%), Russia (2.59%) and Brazil (2.22%)**.

Special Drawing Right (SDR)

- The SDR is **an international reserve asset, created by the IMF in 1969** to supplement its member countries' official reserves.
- So far SDR **204.2 billion (equivalent to about US\$291 billion) has been allocated to members**, including SDR 182.6 billion allocated in 2009 in the wake of the global financial crisis.
- The value of SDR is based on basket of five currencies – **US Dollar, Euro, Chinese Renminbi, Japanese Yen and British Pound Sterling**.
- The SDR **serves as the unit of account of the IMF** and some other international organizations.
- The SDR is **neither a currency nor a claim on the IMF**. Rather, it is **a potential claim on the freely usable currencies of IMF members**. SDRs can be exchanged for these currencies.
- The respective weights of currencies in SDR are **Dollar (43.38%), followed by Euro (29.31%), Renminbi (12.28%), Yen (7.59%) and Pound (7.44%)**.

Functions of IMF

- To facilitate international monetary cooperation.
- To promote exchange rate stability and orderly exchange arrangements.
- To assist in the establishment of a multilateral system of payments and the elimination of foreign exchange restrictions, and;
- To assist member countries by temporarily providing financial resources to correct maladjustment in their Balance of Payments (BoP).

Reports published by IMF

- Global Financial Stability Report.
- World Economic Outlook.
- Fiscal Monitor.