**Names:**

**World Bank and IMF Activity**

Read through the hand out.

**What is the purpose of the World Bank and the IMF?**

Your first task as a member of the team is to individually generate a set of 5 questions that you believe may be important for the World Bank to consider in evaluating the stability of a newly independent country prior to lending money. Using the terms associated with the reading and lecture for this section, list the questions that you believe should be considered, keeping in mind that your questions should reflect issues related to economic development, stability, and long-term improvement of the countries’ sustainable infrastructure. In parenthesis after each question, justify why this question is valid and important in loan consideration.

1.

2.

3.

4.

5.

Next, go to the CIA Fact book online and locate a developing country that you believe would be a good risk for the World Bank based on the questions for part one that you deemed important. A good risk is one that will probably pay off. This part should be a written statement, explanation, and summary of the country you deem the best risk for the World Bank.

**Country:**

**Why choose this country instead of others?**

**What specific attributes does the country possess that may make it worthy of consideration?**

**Criticism:**

1. What kind of projects could this loan be used for? What are some potential problem and difficulties with this project or loan?
2. Should the project funding be denied if people would be displaced? Does it matter how many people?
3. Is there anything that can be done to mitigate this dislocation problem?
4. Should the panel members take into account the protesters and lobbyists outside the World Bank office? Should they be invited to speak at the meeting?

**The IMF and the World Bank**

The International Monetary Fund (IMF) and the World Bank are institutions in the United Nations system. They share the same goal of raising living standards in their member countries. Their approaches to this goal are complementary, with the IMF focusing on macroeconomic issues and the World Bank concentrating on long-term economic development and poverty reduction.

What are the purposes of the Bretton Woods Institutions?

The [International Monetary Fund](http://www.imf.org/external/np/exr/facts/glance.htm) and the [World Bank](http://www.worldbank.org/) were both created at an international conference convened in Bretton Woods, New Hampshire, United States in July 1944. The goal of the conference was to establish a framework for economic cooperation and development that would lead to a more stable and prosperous global economy. While this goal remains central to both institutions, their work is constantly evolving in response to new economic developments and challenges.

**The IMF’s mandate.** The IMF promotes international monetary cooperation and provides [policy advice](http://www.imf.org/external/np/exr/facts/surv.htm) and [technical assistance](http://www.imf.org/external/np/exr/facts/tech.htm) to help countries build and maintain strong economies. The IMF also [makes loans](http://www.imf.org/external/np/exr/facts/howlend.htm) and helps countries design policy programs to solve balance of payments problems when sufficient financing on affordable terms cannot be obtained to meet net international payments. IMF loans are short and medium term and funded mainly by the pool of quota contributions that its members provide. IMF staff are primarily economists with wide experience in macroeconomic and financial policies.

**The World Bank’s mandate.** The World Bank promotes long-term economic development and poverty reduction by providing technical and financial support to help countries reform particular sectors or implement specific projects—such as, building schools and health centers, providing water and electricity, fighting disease, and protecting the environment. World Bank assistance is generally long term and is funded both by member country contributions and through bond issuance. World Bank staff are often specialists in particular issues, sectors, or techniques.

Framework for cooperation

The IMF and World Bank collaborate regularly and at many levels to assist member countries and work together on several initiatives. In 1989, the terms for their cooperation were set out in a [concordat](http://www.imf.org/external/pubs/ft/history/2001/ch20.pdf) to ensure effective collaboration in areas of shared responsibility.

**High-level coordination.** During the [Annual Meetings](http://www.imf.org/external/am/index.htm) of the [Boards of Governors of the IMF](http://www.imf.org/external/np/sec/memdir/members.htm) and the World Bank, Governors consult and present their countries’ views on current issues in international economics and finance. The Boards of Governors decide how to address international economic and financial issues and set priorities for the organizations.

A group of IMF and World Bank Governors also meet as part of the [Development Committee](http://web.worldbank.org/WBSITE/EXTERNAL/DEVCOMMEXT/0,,menuPK:60001650~pagePK:60000303~piPK:64000842~theSitePK:277473,00.html), whose meetings coincide with the Spring and Annual Meetings of the IMF and the World Bank. This committee was established in 1974 to advise the two institutions on critical development issues and on the financial resources required to promote economic development in low-income countries.

**Management consultation.** The Managing Director of the IMF and the President of the World Bank meet regularly to consult on major issues. They also issue joint statements and occasionally write joint articles, and have visited several regions and countries together.

**Staff collaboration.** IMF and Bank staffs collaborate closely on country assistance and policy issues that are relevant for both institutions. The two institutions often conduct country missions in parallel and staff participate in each other’s missions. IMF assessments of a country’s general economic situation and policies provide input to the Bank’s assessments of potential development projects or reforms. Similarly, Bank advice on structural and sectoral reforms is taken into account by the IMF in its policy advice. The staffs of the two institutions also cooperate on the [conditionality](http://www.imf.org/external/np/exr/facts/conditio.htm) involved in their respective lending programs.

The 2007 external review of Bank-Fund collaboration led to a [Joint Management Action Plan](http://www.imf.org/external/np/pp/2007/eng/092007.pdf) on World Bank-IMF Collaboration (JMAP) to further enhance the way the two institutions work together. Under the plan, Fund and Bank country teams discuss their country-level work programs, which identify macro-critical sectoral issues, the division of labor, and the work needed in the coming year. A [review of Bank-Fund Collaboration](http://www.imf.org/external/np/pp/eng/2010/030310.pdf) underscored the importance of these joint country team consultations in enhancing collaboration.

**Reducing debt burdens.** The IMF and World Bank have also worked together to reduce the external debt burdens of the most heavily indebted poor countries under the [Heavily Indebted Poor Countries (HIPC) Initiative](http://www.imf.org/external/np/exr/facts/hipc.htm) and the [Multilateral Debt Relief Initiative (MDRI)](http://www.imf.org/external/np/exr/facts/mdri.htm). They continue to help low-income countries achieve their development goals without creating future debt problems. IMF and Bank staff jointly prepare country debt sustainability analyses under the [Debt Sustainability Framework (DSF)](http://www.imf.org/external/np/exr/facts/jdsf.htm) developed by the two institutions.

**Reducing poverty.** In 1999, the IMF and the World Bank launched the [Poverty Reduction Strategy Paper (PRSP)](http://www.imf.org/external/np/exr/facts/prsp.htm) approach as a key component in the process leading to debt relief under the HIPC Initiative and an important anchor in[concessional lending by the Fund](http://www.imf.org/external/np/exr/facts/poor.htm) and the Bank. While PRSPs continue to underpin the HIPC Initiative, the World Bank and the IMF adopted in July 2014 and July 2015, respectively, new approaches to country engagement that no longer requires PRSPs. The IMF streamlined its requirement for [poverty reduction documentation](http://www.imf.org/external/np/exr/facts/prsp.htm) for programs supported under the Extended Credit Facility (ECF) or the Policy Support Instrument (PSI).

**Setting the stage for the 2030 development agenda.**Between 2004 and 2015 the IMF and the Bank jointly published the annual [*Global Monitoring Report*(GMR)](http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTGLOBALMONITOR/0,,menuPK:2185108~pagePK:64168427~piPK:64168435~theSitePK:2185068,00.html), which assessed progress towards meeting the [Millennium Development Goals (MDGs)](http://www.imf.org/external/np/exr/facts/mdg.htm). In 2015, with the replacement of the MDGs with the Sustainable Development Goals (SDGs) under the 2030 Global Development Agenda, the IMF and the Bank have actively engaged in the global effort to support the Agenda. Each institution has committed to new [initiatives](http://www.imf.org/external/np/exr/facts/sdg.htm), within their respective remits, to support member countries in reaching their SDGs. They are also working together to better assist the joint membership, including by an enhanced support of[stronger tax systems in developing countries](http://www.imf.org/external/np/sec/pr/2015/pr15330.htm).

**Assessing financial stability.** The IMF and the World Bank are also working together to make financial sectors in member countries resilient and well regulated. The [Financial Sector Assessment Program (FSAP)](http://www.imf.org/external/np/exr/facts/fsap.htm) was introduced in 1999 to identify the strengths and vulnerabilities of a country's financial system and recommend appropriate policy responses.

## The IMF at a Glance

The International Monetary Fund (IMF) promotes international financial stability and monetary cooperation. It also seeks to facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world. The IMF is governed by and accountable to its 189 member countries.

**The IMF’s responsibilities:** The IMF's primary purpose is 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 each other.

**Surveillance:** To maintain stability and prevent crises in the international monetary system, the IMF reviews country policies and national, regional, and global economic and financial developments through a formal system known as[surveillance](http://www.imf.org/external/np/exr/facts/surv.htm). The IMF advises its 189 member countries, encouraging policies that foster economic stability, reduce vulnerability to economic and financial crises, and raise living standards. It provides regular assessment of global prospects in its [World Economic Outlook](http://www.imf.org/external/ns/cs.aspx?id=29), of financial markets in its [Global Financial Stability Report](http://www.imf.org/external/pubs/ft/gfsr/index.htm), and of public finance developments in its [Fiscal Monitor](http://www.imf.org/external/ns/cs.aspx?id=262), and publishes a series of regional economic outlooks.

[**Financial assistance**](http://www.imf.org/external/np/exr/facts/howlend.htm) **:** IMF financing provides its members breathing room to correct balance of payments problems: national authorities design adjustment programs in close cooperation with the IMF that are supported by IMF financing; continued financial support is conditional on effective implementation of these programs. In response to the global economic crisis, the IMF strengthened its lending capacity and approved a [major overhaul](http://www.imf.org/external/np/sec/pn/2009/pn0940.htm) of its financial support mechanisms in April 2009, with further reforms adopted in [2010](http://www.imf.org/external/pubs/ft/survey/so/2010/POL083010A.htm) and [2011](http://www.imf.org/external/pubs/ft/survey/so/2011/POL120711A.htm). These reforms focused on enhancing crisis prevention, mitigating contagion during systemic crisis, and tailoring instruments based on members’ performances and circumstances. Following the effectiveness of the quota increases under the 14thGeneral Review of Quotas, access limits under the IMF’s non-concessional lending facilities were reviewed and increased in early 2016.To increase financial support to the world’s poorer countries, concessional resources available to low-income countries through the Poverty Reduction and Growth Trust were [substantially boosted](http://www.imf.org/external/pubs/ft/survey/so/2009/POL072909A.htm) in 2009, while average access limits under the IMF’s concessional loan facilities were doubled. In addition, access norms and limits were [increased by 50 percent](http://www.imf.org/external/pubs/ft/survey/so/2015/pol070815a.htm) in 2015. These loans are interest-free through [end-2018](http://www.imf.org/en/News/Articles/2016/10/03/PR16442-IMF-Lagarde-Welcomes-Extension-of-Zero-Interest-Rates-on-all-IMF-Concessional-Loans), while the interest rate on [emergency financing](http://www.imf.org/external/np/exr/facts/rcf.htm) is permanently set at zero. Finally, efforts are currently under way to secure additional loan resources of about $15 billion (SDR 11 billion) to support the IMF’s concessional lending activities.

[**Capacity Development**](http://www.imf.org/external/np/exr/facts/tech.htm)**:** The IMF provides capacity development and training to help member countries strengthen their ability to design and implement effective policies including in the areas of tax policy and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks, and statistics.

**Resources:** The primary source of the IMF's financial resources is its members’ quotas, which broadly reflect members’ relative position in the world economy. With the recent effectiveness of the 14th General Review of Quotas, total quota resources amount to about SDR 477 billion (about $668 billion). In addition, the IMF can borrow temporarily to supplement its quota resources. The New Arrangements to Borrow (NAB), which can provide supplementary resources of up to SDR 182 billion (about $254 billion), is the main backstop to quotas. In mid-2012, member countries also [pledged](http://www.imf.org/external/pubs/ft/survey/so/2012/NEW061912A.htm) to increase the IMF’s resources through bilateral borrowing agreements; currently about SDR 280 billion (about $393 billion) are effective.

#### Fast Facts

* **Membership:** [189 countries](http://www.imf.org/external/np/sec/memdir/members.htm)
* **Headquarters:** Washington, D.C.
* **Executive Board:** 24 Directors each representing a single country or groups of countries
* **Staff:** Approximately 2,700 from 148 countries
* **Total quotas:** US$668 billion (as of 9/13/16)
* **Additional pledged or committed resources:**US $668 billion
* **Committed amounts under current lending arrangements (as of 9/8/16):**US$159 billion, of which US$144 billion have not been drawn (see [table](http://www.imf.org/cgi-shl/create_x.pl?fa+2015)).
* **Biggest borrowers (amount outstanding as of 8/31/16):**Portugal, Greece, Ukraine, Pakistan
* **Biggest precautionary loans (amount agreed as of 9/8/16):**Mexico, Poland, Colombia, Morocco
* **Surveillance consultations:** 130 consultations in 2013, 132 in 2014 and 124 in 2015
* **Capacity development:** 274 person years in FY2013, 285 in FY2014 and 288 in FY2015
* **Original aims:**
  + promote international monetary cooperation;
  + facilitate the expansion and balanced growth of international trade;
  + promote exchange stability;
  + assist in the establishment of a multilateral system of payments; and
  + make resources available (with adequate safeguards) to members experiencing balance of payments difficulties.