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Business



International Monetary Fund Established on July 22, 1944 and emancipated on December 27, 1945, the International Monetary Fund (IMF) originally envisioned ensuring stability of exchange rate and the world's payment system.

In general sense, the IMF was instituted to strengthen the International Financial System. With this, it has three elemental types of work which include surveillance, lending, and technical assistance (International Monetary Fund, 2012). These all comprise the actual contribution of IMF in economic research and statistics (International Monetary Fund, 2012).

Strengthening the international financial system through effective prevention or resolution of crises created a move on the part of IMF to combine surveillance and technical assistance to emancipate standards and codes of best practices to strengthen the financial sectors (International Monetary Fund, 2012). Aside from all of these, the IMF has specific functions and initiatives created to help ensure financial stability in the world.

The IMF, with its provision of world liquidity, allows countries to deposit reserves in a form of money, gold, or any convertible foreign currencies that can be used in times of needs or deficit, at least in a short span of time, while finding the resolution of financial problems may be ongoing (Gilpin, 2011, p. 246). This initiative could be found under the Special Drawing Rights (SDRs), by which countries should make sure of official reserves as an exchange of IMF's supplementary actions for its members (International Monetary Fund, 2012). SDRs are "potential claims on the freely usable currencies of IMF members, so they are "neither a currency, nor a claim on the IMF" (International Monetary Fund, 2012). In other words, the IMF could provide the best option in providing a country some financial alternatives

while it may be still looking for eventual solutions to obtain the desired liquidity. Countries placing reserves at IMF are therefore able to obtain financial assistance especially in times they are in need of restoring financial liquidity.

Liberalisation of international free trade is important for economic benefits. After all, international trade by itself affects the world economy. The IMF has a great role to play in the liberalisation of the economy. While regulations and policies are crucial to the success of the liberalisation of international free trade, the IMF considers some important steps in order to guarantee globalisation will work for all. One important actions it comes to consider is a “ successful trade round” (International Monetary Fund, 2001).

According to its report, the IMF disclosed information revealing impoverished countries engaged with its policies and facilities to have come to surmount global crisis (International Monetary Fund, 2012). IMF has available facilities for low-income countries which include tools that could focus on medium-term policy support (International Monetary Fund, 2012). This provides easy access among poor countries to avail IMF’s facilities and supports that would fit into their needs and capacity.

When it comes to payment, poorest countries have a great deal of consideration with the balance of payments difficulties. With this, IMF has initiated action by “ providing concessional financing” assistance for these countries in a form of Trust Fund (International Monetary Fund, 2004).

References

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