1. What are the major international financial institutions? Discuss their organisational structure and mandate.

Approach

Define what are international financial institutions and what is their role in introduction.In next part mention the various organisations and their structure and mandate simultaneously.In conclusion make some reformative suggestions.

Introduction

International economic institutions are vital for the growth of international trade and financial stability maintenance. These institutions aim to provide a level playing field for all the countries to develop their full potential and get concessional loans, direction for development of a nation and neighbourhood region.For example: India recently got loans from Asian development bank, World bank and New Development bank for tackling the Corona virus pandemic.

Body

Major international financial institutions.

1)International Monetary Fund

- 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.

Mandate of IMF

- The IMF promotes monetary cooperation and provides policy advice and capacity development support to preserve global macroeconomic and financial stability and help countries build and maintain strong economies.
- The IMF also provides short- and medium-term loans and helps countries design policy programs to solve balance of payments problems when sufficient financing cannot be obtained to meet net international payments obligations.
- IMF loans are 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.

Structure of IMF

- 24 member executive board chaired by a managing director.
- Joint IMF-World Bank development committee responsible for development project assistance.
- Subsidiary bodies including Area development boards, Functional and special service departments, office of budget and planning etc.

2) World Bank

Mandate of world bank

- The World Bank promotes long-term economic development and poverty reduction by providing technical and financial support to help countries reform certain sectors.
- Implement specific projects—such as building schools and health centre's, 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 on particular issues, sectors, or techniques.

Structure of world bank

- Together, the International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) form the World Bank, which provides financing, policy advice, and technical assistance to governments of developing countries.
- While the World Bank Group consists of five development institutions.
  - International Bank for Reconstruction and Development (IBRD) provides loans, credits, and grants.
  - International Development Association (IDA) provides low- or no-interest loans to low-income countries.
  - The International Finance Corporation (IFC) provides investment, advice, and asset management to companies and governments.
  - The Multilateral Guarantee Agency (MIGA) insures lenders and investors against political risk such as war.
  - The International Centre for the Settlement of Investment Disputes (ICSID) settles investment-disputes between investors and countries.

Governance of IBRD:

- IBRD Boards of Governors: The Boards of Governors consist of one Governor and one Alternate Governor appointed by each member country. The office is usually held by the country's minister of finance, governor of its central bank. The Board of Governors delegates most of its authority over daily matters such as lending and operations to the Board of Directors.
- IBRD Board of Directors: The Board of Directors consists of currently 25 executive directors and is chaired by the President of the World Bank Group. Executive Directors are appointed or elected by the Governors. Executive Directors select the World Bank President, who is the Chairman of the Board of Directors. Executive Directors are authorised for daily matters such as lending and operations.

3) Asian Development Bank

Mandate:

- The Asian Development Bank (ADB) envisions a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty in the region. Despite the region's many successes, it remains home to a large share of the world's poor: 263 million living on less than $1.90 a day and 1.1 billion on less than $3.20 a day.
- ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development.
- ADB maximises the development impact of its assistance by facilitating policy dialogues, providing advisory services, and mobilising financial resources through cofinancing operations that tap official, commercial, and export credit sources.

Structure of ADB

- The highest decision making tier at ADB is its Board of Governors, to which each of ADB's 67 members nominate one Governor and an Alternate Governor to represent them. The Board of Governors meets formally once a year at an Annual Meeting held in a member country.
- The Governors' day to day responsibilities are largely delegated to the 12-person Board of Directors, which performs its duties full time at ADB's Head Quarters in Manila.
- The ADB President, under the Board's direction, conducts the business of ADB. The President is elected by the Board of Governors for a term of five years and may be re-elected.

The world bank, IMF and Asian development bank were all the institutions which were developed in the post war era.These were developed mainly by USA, European countries and mostly were dominated by the developed countries.These institutions while serving the needs of developing countries were also directing policies and interfering the policy making of the nation.To overcome this the developing countries came together to launch their own banks which would not interfere in any nations decision making.Thus. AIIB was launched by China and predominantly Asian developing nations and NDB was launched by the BRICS nations.

4)Asian Infrastructure Investment Bank

Mandate

- To foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.
- To promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.
- To promote investment in the public and private capital for development purposes, in particular for development of infrastructure and other productive sectors.

- To utilise the resources at its disposal for financing such development in the region, including those projects and programs which will contribute most effectively to the harmonious economic growth of the region;
- To encourage private investment in projects, enterprises and activities contributing to economic development in the region when private capital is not available on reasonable terms and conditions.

Structure of AIIB

- AIIB shares its overall governance structure with many other MDBs, with a common hierarchy of three governance levels: Board of Governors, Board of Directors and President.
- The Board of Governors is the Bank's highest authority, composed of one Governor appointed by each member, meeting annually. The Board of Directors is responsible for the direction of the general operations of the Bank and is composed of Directors elected by one or more Governors representing particular members, meeting at least quarterly.
- The President, elected by the Board of Governors, conducts the current business of the Bank, under the direction of the Board of Directors.

5)New development bank

Mandate:

- The bank aims to contribute to the development plans established nationally through projects that are socially, environmentally and economically sustainable. Taking this into account, the main objectives of the NDB can be summarised as follows
- Promote infrastructure and sustainable development projects with a significant development impact in member countries.
- Establish an extensive network of global partnerships with other multilateral development institutions and national development banks.
- Build a balanced project portfolio giving a proper respect to their geographic location, financing requirements and other factors.

Structure of NDB

- The Agreement on the New Development Bank entered into force in July 2015, with the official declaration of all five states that have signed it. The five founding members of the Bank include Brazil, Russia, India, China and South Africa.
- Bank's Articles of Agreement specify that all members of the United Nations could be members of the bank, however the share of the BRICS nations can never be less than 55% of voting power.
- Expanding the NDB's membership is considered by some experts to be crucial to its long-term development by helping boost the bank's business growth.[25]
- According to the Bank's General Strategy: 2017–2021, the NDB plans to expand membership gradually so as not to overly strain its operational and decision-making capacity.

Conclusion

The international financial institutions have played a major role in aiding development in developing countries on various issues such as poverty alleviation, Sanitation, public distribution system, irrigation, sustainable development gaols and so on which have been helpful to alleviate the socioeconomic indicators in last decades.Further the goal should be to reform these institutions especially the IMF, World bank and Asian development bank to do away with dominance of major countries and prescription of rules which interfere in domestic policy making.Further the current crises of post Covid economic depression needs to be tackled by all institutions collectively for a better and prosperous world.

2. What is the Financial Action Task Force (FATF)? What are its objectives and mandate? Discuss.

Approach

Make a general introduction on FATF and contextualise to India.In next part write its objectives and Mandate.Further add information on the Indian relations with FATF. Write a summary based conclusion and add information on current context.

Introduction

The Financial Action Task Force (FATF) is an intergovernmental organisation that was established by the G7 nations in 1989 during a summit in Paris, France. The task force was created in response to the difficulties nations experienced in trying to cooperate and enforce an effective global Anti-Money-Laundering (AML) policy.Recently it has been in news do to its constant vigil on terrorist funding and keeping Pakistan on grey list.

Body

Information about FATF

- The Financial Action Task Force (FATF) is the global money laundering and terrorist financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. As a policy-making body, the FATF works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
- With more than 200 countries and jurisdictions committed to implementing them. The FATF has developed the FATF Recommendations, or FATF Standards, which ensure a co-ordinated global response to prevent organised crime, corruption and terrorism. They help authorities go after the money of criminals dealing in illegal drugs, human trafficking and other crimes. The FATF also works to stop funding for weapons of mass destruction.
- The FATF reviews money laundering and terrorist financing techniques and continuously strengthens its standards to address new risks, such as the regulation of virtual assets, which have spread as cryptocurrencies gain popularity. The FATF monitors countries to ensure they implement the FATF Standards fully and effectively, and holds countries to account that do not comply.

Objective of FATF

- The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

- Starting with its own members, the FATF monitors countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and, promotes the adoption and implementation of the FATF Recommendations globally.

Mandate of FATF

- The Financial Action Task Force (FATF) was established in July 1989 by a Group of Seven (G-7) Summit in Paris, initially to examine and develop measures to combat money laundering. Click here to see the Economic Declaration from that G-7 Summit.
- In October 2001, the FATF expanded its mandate to incorporate efforts to combat terrorist financing, in addition to money laundering. In April 2012, it added efforts to counter the financing of proliferation of weapons of mass destruction.
- Since its inception, the FATF has operated under a fixed life-span, requiring a specific decision by its Ministers to continue. Three decades after its, creation, in April 2019, FATF Ministers adopted a new, open-ended mandate for the FATF.
- The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. Starting with its own members, the FATF monitors countries' progress in implementing the FATF Recommendations; reviews money laundering and terrorist financing techniques and counter-measures; and, promotes the adoption and implementation of the FATF Recommendations globally.
- The FATF's decision making body, the FATF Plenary, meets three times per year.

FATF and India

- India plans to share more evidence with the key FATF members on the narco-terror cases linked to Pakistan-based syndicates, through which funds are allegedly being supplied to the terrorists operating in Jammu and Kashmir.
- The Enforcement Directorate and the National Investigation Agency have been probing several such cases.

Conclusion

Thus FATF played an import role of acting as a standard body to put pressure on terrorism funding and money laundering. Any blacklisting of a country cuts the lifeline of terrorist activity supported by the state through blockage of funds. Thus FATF act as a pressure group helping in combating terrorism and money laundering.Further in the COVID-19 aftermath and the collapse of Afghanistan its role becomes more important to curb the terror financing and money laundering.

3. In terms of objectives and foundational philosophies, discuss the similarities and differences between the World Bank and The IMF?

Approach

Make a general introduction defining what are IMF and world bank.In next part mention their similarities and differences.To add value write criticisms of these institutions ,In conclusion take a balanced view and contextualise to current economic situation.

Introduction

The World Bank (WB) is an international organisation which provides facilities related to "finance, advice and research to developing nations" in order to bolster their economic development. It plays a stellar role in providing financial and technical assistance to developing countries across the globe. It is a unique financial institution that provides partnerships to reduce poverty and support economic development.

While,The International Monetary Fund (IMF) is an international organisation that aims to promote global economic growth and financial stability meant to encourage international trade and reduce poverty. It is working to foster global monetary cooperation, secure financial stability, facilitate international trade, and promote high employment and sustainable economic growth.

Body

Similarities between the WB and IMF

- Both the International Monetary Fund and the World Bank were formed together at Bretton Woods, New Hampshire, in July 1944. They are called Brettonwoods twins.
- Both were created to support the world economy in their own unique ways.
- Both are headquartered in Washington D.C, the U.S.A.
- They have the same membership as no admission to the World Bank is possible without the IMF membership.
- The management structure of the World Bank is largely similar to that of the IMF. Voting rights in these institutions depend primarily on capital contribution of the member countries.

Differences between the WB and the IMF

Despite similarities, however, the Bank and the IMF remain distinct. Following differences exist between them:

- The World Bank is primarily a development institution but the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations.

- The IMF exists to preserve an orderly monetary system whereas the World Bank performs an economic development role.
- Both have different purposes. The IMF supervises the economic policies of its members and expects them to allow free exchange of national currencies. To keep this financial order, the IMF also acts as a provider of emergency loans to members who run into difficulties, in exchange for a promise from the member to reform its economic policies.
- The World Bank finances economic development among poorer nations by funding specific and targeted projects, aimed at helping to raise productivity. The World Bank consists of two organisations: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD lends to developing nations at preferential interest rates, while the IDA only lends to the poorest nations, on an interest-free basis.
- They have different funding sources. The IMF raises its money through membership fees, known as quotas. Each member country pays a quota based on its relative economic size so that the larger economies pay more. The World Bank raises most of its money through borrowing by issuing bonds to investors. It also receives grants from donors.
- The IMF exists primarily to stabilise exchange rates, while the World Bank's primary goal is to reduce poverty.

Criticism of the WB and the IMF

- The International Monetary Fund promotes monetary cooperation internationally and offers advice and assistance to facilitate building and maintaining a country's economy. The IMF also provides loans and helps countries develop policy programs that solve balance of payment problems. However, the loans offered by the IMF are loaded with conditions.
- Critics are concerned about the 'conditionalities' imposed on borrower countries. The World Bank and the IMF often attach loan conditionality's based on what is termed the 'Washington Consensus', focusing on liberalisation—of trade, investment and the financial sector—, deregulation and privatisation of nationalised industries. Often the conditionality's are attached without due regard for the borrower countries' individual circumstances. Additionally, the prescriptive recommendations by the World Bank and IMF fail to resolve the economic problems within the countries.
- Both the WB and the IMF have been accused of coercing poor countries to undertake structural adjustment programmes (SAPs) under the aegis of economic globalisation. Sometimes, this has led to under-development of these economies bringing severe domestic crisis in multiple dimensions. This contributes to a yawning economic gap between different countries across the globe.
- The World Bank's role in the global climate change finance architecture has also caused much controversy. Civil society groups see the Bank as unfit for a role in climate finance because of the conditionality's and advisory services usually attached to its loans.

- The WB has been accused of financing unsustainable carbon-intensive developmental projects. Hence, there is an increasing call from environmental activists that the WB and IMF should finance only carbon-neutral sustainable development projects.
- There are also concerns related with the accountability of the projects run by them especially in the Third World countries.
- The WB and the IMF have also been criticised for being western-dominated undemocratic bodies. Decisions are made and policies implemented by leading industrialised countries because they represent the largest donors without much consultation with poor and developing countries.
- The IMF has quota system which is yet to give adequate weightage to the emerging economies like India, China and Brazil despite their increased economic importance in contemporary times. The global economic centre of gravity has shifted from the "global North" to the "global south". But these Brettonwoods institutions are yet to realise that even though there has been the formation the BRICS bank and the AIIB.
- There are also ethical issues related to the funding of types of projects by the World Bank. For example, the funding of hydroelectric dams in some countries by the WB has resulted in massive displacement of the indigenous peoples.
- The WB's propensity to privilege the private sector and market forces has brought about justifiable concerns regarding the sovereign decision-making capabilities of states getting tied funds from the World Bank.
- The Bank's private sector lending arm – the International Finance Corporation (IFC) – has also been criticised for its business model, the increasing use of financial intermediaries such as private equity funds and funding of companies associated with tax havens.
- Critics of the World Bank and the IMF are also apprehensive about the role of the Bretton Woods institutions in shaping the development discourse through their research, training and publishing activities. Their views and prescriptions may undermine or eliminate alternative perspectives on development.

Conclusion

Many of the criticisms aimed against the WB and IMF are historical and may not hold true in contemporary times. The two institutions are trying to reorient themselves as per the changed geo-economic realities and changing developmental requirements. The internal assessment has also been catalysed by the geopolitical and geo-economic impact of the BRICS bank and the AIIB as a challenge to the Bretton Woods institutions.Therefore in the present economic situation there is need for both these institutions to come together and help in funding for vaccination, medical supplies, to the developing and African countries.