Abstract

The International Monetary Fund was created to promote financial stability, global monetary cooperation, high employment, international trade and sustainable economic growth. Together with the World Bank, IMF has a "monopoly" on offering loan programs for countries in deep crises or for development projects. In this thesis, we examine the effect of IMF, i.e. loan size and quotas, on the economic growth and inflation rate, by applying a dynamic panel regression on our dataset. In addition, we look at how the IMF Quotas influence the size of the loans. Our empirical results display significant evidence that IMF loans influence the GDP growth in a positive manner, in the medium term. Both Control of Corruption and Voice & Accountability have a negative influence on the economic growth. In other words, less corruption and stronger civil rights will halt the growth level of the economy. We also determined that IMF Quotas is not a robust indicator of the loan size. It is only driven by the past loan levels. Regarding Inflation determinants, IMF loans are not affecting the Inflation in a significant manner, while FDI and Control of Corruption - do. FDI exercises a positive influence on the CPI, while perception of less corruption has a negative effect on Inflation rate.

JEL Classification	D73, E31, F12, F21, F23, F32, F33, F34, F53, H81, O11, O16, O19
Keywords	IMF, Conditionality, Quotas, GDP, Inflation, Corruption, Voice & Accountability, FDI.

Author's e-mail	valeriu.covalenco@gmail.com
Supervisor's e-mail	roman.horvath@gmail.com