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**THE FINANCIAL ASSISTANCE FROM THE IMF SUFFICIENT
TO OVERCOME THE CRISIS: YES OR NO?**

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***Abstract:** In conditions of the global financial crisis, it is being replaced the role of the World Bank and the IMF because the IMF has approved a major aid packages to countries with a chronic deficits in a balance of payments. The IMF has had a major role in the stabilization of the financial system in crisis because countries that have applied for the use of resources had to meet very severe conditions. The problems encountered in the implementation of the IMF stabilization policies have contributed to be a sharply criticized by economists who disregarded his success and the fact that the overcoming crisis is a long and difficult road, and that any solution cannot provide immediate results. If you perceive the long-term role of the IMF in times of crisis, it can be concluded that this institution has played a key role in stabilization and restoring confidence in the financial system.*

***Keywords:** IMF, financial crisis, loans*

1. Introduction

Global financial institutions in the late twentieth and early twenty-first century have invested great effort to solve the problems of formation and instability of the accelerating expansion of the global economy with which have faced many countries. However, many believe that the results of their actions were not particularly impressive. Also, many argue that the situation is much more serious than the officials of the IMF and the World Bank published. Uncertainty and instability in the market and market are still present on the significant level. In such circumstances, the international financial institutions are expected to contribute to the elimination of the negative effects of instability and eliminating the causes of the crisis. From international institutions are expected as follows:

- 1) to conduct a pronounced bilateral and multilateral supervision;
- 2) improve the design and performance of the global financial sector;

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- 3) improve the management of international reserves;
- 4) implement the global reform of governance. (Vujovic 2010, 240)

Although the current crisis originated in the U.S. mortgage market as a result of globalization, in a very short time have its effects felt in markets around the world. In this situation, the countries affected by the crisis, with the help of international financial institutions, take the necessary measures to minimize the damage and losses.

One of the main roles assigned to the IMF as an international institution, during its foundation is to establish stability when it comes to financial and monetary situation in the world. Over time, this institution "upgraded" its role and powers. Today, as we are witnessing a global economic and financial crisis, the question is whether the IMF met "our" expectations, and how its measures and the actions contributed to solving the current crisis that has shaken the whole world. The impact of fund programs on financial market recovery in a crisis is highly debated. There are conflicting views of the success of the IMF in helping the affected countries recover from the crisis and establish long-run economic growth (Kutan, Muradoglu, Sudjana 2012, 164).

Whether the IMF aid package will be enough to overcome the problems of the balance of payments depends on many circumstances. Without the implementation of appropriate structural measures can be expected good results. Therefore, in granting aid package, the IMF often imposes a number of conditions that borrowers must fulfill. These conditions are mainly related to the implementation of austerity measures, the process of financial consolidation and implementation of a number of structural changes. Because of this policy the IMF has been criticized in its history. Conditioning of the member states in approving aid package IMF explained by the fact that without the implementation of these reforms, the country will not be able to solve the problem of the balance of payments. Is it really necessary or not, can not argue with the accuracy. Opinions are generally divided.

2. The Role of the International Monetary Fund and the World Bank

The International Monetary Fund was established more than sixty years ago, at the end of the Second World War. The main objective of the establishment of the IMF was to create an economic framework that will ensure international cooperation and international stability in order not to repeat the crisis in 1929. year. Today, the IMF is an institution whose goal is to secure global financial stability. Among other tasks, the Fund borrows the countries foreign exchange when it necessary, approves them loans to cover the budget deficit, or in the case of debt crises.

The key activities of the IMF are:

- 1) to support its members by providing advices to any government, on the basis of previously conducted economic analyzes and experience;
- 2) research, providing forecasts and analysis of global, national and regional markets;
- 3) providing loans to member states to overcome economic difficulties;
- 4) provision of concessional loans to overcome poverty;
- 5) providing technical assistance and staff training. (Blanco, Carrasco 2007, 7-10)

IMF cooperates with the World Bank, the World Trade Organization, the United Nations and a number of other institutions. The World Bank was established in 1944., the

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same year as the IMF. Member countries of the World Bank participate in the work of the organization through the Steering Committee. World Bank seeks to promote economic development in poor countries and in developing countries by giving them a number of loans granted to finance development projects. Countries whose GDP per inhabitant, or GDP per capita is less than \$ 865 are eligible to use credit from the International Development Association (IDA). Since its establishment, the World Bank is working closely with the following institutions:

- International Bank for Reconstruction and Development (IBRD) grants loans to low-income countries,
- International Development Association (IDA) grants interest-free loans and provides guarantees for the poorest countries,
- The International Finance Corporation (IFC) provides loans, capital and technical assistance to stimulate private sector investment in developing countries,
- Multilateral Investment Guarantee Agency (MIGA) provides guarantees to protection against losses caused by non-commercial risks in developing countries,
- International Centre for Settlement of Investment Disputes (ICSID) provides benefits in the alignment with the settlement or arbitration in investment disputes (World Bank 2003, 143).

Perhaps the IMF and World Bank are the first twin organisations which represent an important attempt in the history of economics to apply scientific conception of economic forces to the world economy through their stabilisation and structural adjustment programmes. With these programmes, both the IMF and World Bank deal with economic issues and focus their efforts as well as strengthening the economies of their member nations (Sen 1999, 367).

At the time of establishment there was a clear division of labor between the World Bank and the International Monetary Fund. The IMF is supposed to deal with macroeconomic issues of the country, while, on the other hand, the World Bank was "in charge" for structural issues. Also, the IMF has been tasked to approve loans periodically, if a country falls into economic difficulties. However, the IMF, as Stiglitz points out, took the "imperialist attitude", as all structural issues could affect the overall results the economy, and thus the budget deficit (Zdravkovic 2012, 34). The Fund believes that almost all matters belong to its ambit. It was often impatient with the World Bank, with which there have been frequent controversy about the policies that would be most appropriate for a country - even in years when the ideology of the free market reigned as supreme. (Stiglitz 2002, 28). Over time, comes up to the another important change in the manner of functioning of the IMF. The International Monetary Fund turned from temporary into a permanent institution by which help becomes dependent more and more countries.

3. Cooperation Between the World Bank and the International Monetary Fund

Despite the differences between the World Bank and the International Monetary Fund, these two institutions work closely together. This cooperation has been presented since the founding, and becomes all the more important after the 1970s. year. In achieving its objectives, the two institutions are directed to each other. The World Bank can not do

much to help the country by providing loans for development or investment in a project if its balance of payments in a mess and there are no buyers for their products. In this case, activates the IMF which approves the country the funds to overcome balance of payments difficulties. On the other hand, the IMF can not help the country to maintain a stable exchange rate of the domestic currency if the country does not have a developed economy that is export-oriented.

About 75% of World Bank loans are used to finance construction projects of roads, dams, power plants, agriculture and industry. After a major oil crisis the World Bank has started to grant structural loans. The main purpose of these loans is to assist developing countries to implement the restructuring of their economies and to create the conditions for sustainable economic growth. World Bank loans are mainly granted in the long run. IMF credits are granted in the short term, but in recent times repayment of IMF loans increasingly prolongs for practical reasons.

Officials of the World Bank and the IMF collaborate on a daily basis and attend the same conferences. The exchange of information between them is of vital importance. Only in this way can ensure achieving the goals of stabilization and economic development. Loans for the development of the World bank have to promote the economic development of the country which uses credit, secures financing for those sectors that are not well developed and that require substantial resources. IMF with its loans should enable the country to overcome balance of payments crisis and the stability of the domestic currency. Only with the implementation of the program of stabilization and development can provide sustainable economic growth of the economy.

Table 1. Main characteristics of the IMF and World Bank

| International Monetary Fund | World bank |
|--|--|
| <ul style="list-style-type: none"> • oversees the international monetary system • promotes exchange rate stability • assists resource constraints • funded mainly quotas of the members which are paid in proportion to its economic strength • there are about 2,300 employees | <ul style="list-style-type: none"> • promotes economic development in poor countries of the world and helps developing countries through long term financing of development projects • provides incentives to private enterprises in developing countries • mediates between lenders and borrowers • there are approximately 7,000 employees |

Source: www.imf.org

4. The Role of the IMF in the East Asian Crisis

East Asian crisis was, above all, to the greatest extent, the crisis of the financial system (Zdravkovic 2012, 81). Although the collapse of the Asian markets initially named "Asian flu", later changed his name to "the Asian contagion," primarily due to the further spread of the crisis to other countries (Latin America, Russia). Many believe that this crisis developed in the late nineties, was much more dangerous and more global in comparison to the crises in the past when it comes to the world's political and economic stability. The fire spread from Thailand to Malaysia, South Korea, the Philippines and Indonesia. Ungrounded rumors that Thailand does not have enough dollars to defend its currency

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started the electronic herd stampede. Banks withdrew loans, real estate market that has flourished so much that it turned into a balloon, burst at the moment (Zdravkovic 2012, 82). The costs are jointly submitted by the states affected by the crisis, foreign private financial and non-financial subjects and supranational financial institutions. Also, among them can be divided in equal parts blame for the outbreak of the financial fire that devastated five Asian economies (Radonjic 2004, 168).

Opinions which explain the causes of the crisis are divided. Many believe that it is necessary to take into account a number of factors to arrive at the right answer. Some authors are of the opinion that the crisis occurred due to an unsustainable current account deficit and strong capital inflows of short-term loans. The following reason is inadequately implemented process of financial liberalization and deregulation which, with inadequate supervision of the financial sector has led to an increase in moral hazard. When it came to the "bursting" of the balloon to the surface erupted long-hidden macroeconomic elements.

The consequences of the situation in Asia were devastating. Foreign creditors massively withdraw their funds. According to estimates by the Institute for International Economics, net private capital has declined from 93 to 12.1 billion dollars within one year (refer to the period from the end of 1996th till the end of 1997th). If we look at the whole 5 Asian countries, total bank loans increased by 210 to 261 billion dollars from the end in 1995. to the end of 1996, while loans of foreign banks increased by 13 billion dollars / period from the end in 1996. to the middle in 1997. By the middle in 1997. crediting Asian countries by foreign private banks grew. (Radonjic 2003, 170). Foreign banks were not fleeing from the region until the situation has not become really difficult, because they believed in two things. The first, they believed that the crisis is current and, the second, that the host countries will not let banks and companies fail, and that if the incurred bad debts, situation will be regulated by state or IMF, although it was not realistic that this applies to most domestic enterprises and banks.

In the early nineties there is a massive entry of foreign capital. A stable macroeconomic environment and strong growth countries in the region attracted foreign capital. The roots of a significant increase in the input of foreign capital can be found in the change of internal economic conditions and world markets. Reciprocally, in the roots of strong inflows of financial capital are the roots of Asian crisis (Radonjic 2003, 174). Premature and sudden liberalization and deregulation of the financial sector led to the crisis.

A huge problem was the dynamic growth of borrowing domestic companies, what has led to excessive risky investments After the privatization of a number of banks, domestic banks borrow too much in foreign markets and carelessly invest in domestic private non-financial sector. Also comes up to excessive borrowing of corporate sector abroad. Over time, in banking sector there is increasing numbers of bad debts.

In early 1997th, Thailand and South Korea were first countries which faced with the insolvency of the financial sector. From the moment when Thailand in 1997th. announced that it is no longer able to repay its debt to foreign countries, East Asian crisis spread to almost half the world. Many never expected this development due to the impressive growth that had the "Asian Tigers" in the period since 1980s. until the 1990s. In South Korea, comes up to an enormous monetary impact. If the investors during 1996th. invested 120 billion. dollars, the following year, the state would have a negative rate of investment of 20

billion dollars. Since the IMF was established precisely in order to forestall the crisis of this kind, or to work on their overcome, the fact that it failed in so many ways has led to renewed scrutiny of his role with the participation of many people in the USA and other countries who called for "general repair" of many policies, and the institutions of the Fund (Stiglitz 2004, 100). The IMF and the U.S. Treasury have sharply criticized the countries affected by the crisis. Their criticisms were based on the notion that the countries are rotten, governments corrupted and that it is necessary to implement comprehensive reforms. Before the crisis, at a time when the region was booming, the IMF and the World Bank did not knowingly pay attention to study of this part of the world. Only under pressure from Japan, which has provided financial support, they began to work the study of economic growth in East Asia. The reason for the hesitation was obvious: these countries have been successful not only due to the fact that they followed most of the dictates of the Washington Consensus, but precisely because they did not (Stiglitz 2004, 103).

It is believed that the crisis in Asia could be stopped by quick and firm loan, as was the case during the "Tequila Crisis" in Mexico, which was evidence that the the U.S. Treasury Department did not want to let Mexico fails. Regarding the IMF assistance to Mexico in 1995th, Friedman (1998) argues that IMF assistance may create creditor moral hazard in that it encourages investors to take on excessive risk because they believe that expected IMF support to a crisis-country provides implicit guarantees to its creditors (i.e. IMF bailouts) when they lend and invest in countries in trouble (Kutan, Muradoglu, Sudjana 2012, 164). From all that Asia had nothing. However, as soon as the crisis in Asia started to flaring a number of authorities in financial circles pronounced an identical statement: "Do not help Asia" (Zdravkovic 2012, 83). Although the the U.S. Treasury Department and the IMF were not interested in solving this crisis, in the end, they decided to give "aid" but not with fast and the necessary loan, but through a long list of demands, with the belief that this crisis is an opportunity in disguise. Assistance which is provided at the end has only worsened the situation. Daily loss in Korea was about a billion dollars, and the debt was increasingly devaluated. Getting credit to overcome the liquidity problem was the result of the implementation of the five basic operations: closure of insolvent banks the fulfillment of capital adequacy standards, restrictive monetary policy (high interest rates and credit restrictions), a restrictive fiscal policy (reduced government spending) and the restructuring of the corporate sector. It turned out that the implementation of policy caused by the IMF only added fuel to the fire (Radonjic 2003, 181).

The IMF has made yet another mistake. He did not represent the view that the government should perform an active role of restructuring, but that should allow sale of assets, reduce production capacity and bring management from abroad (Zdravkovic 2012, 86). Thailand followed the tips and instructions the IMF and has failed to achieve the desired results, and the government of South Korea and Malaysia took an active role in the restructuring of the financial sector, where they have achieved satisfactory results.

Malaysia has often sharply criticized by the IMF. The reason for this was the Malaysian rejection the strategy of overcoming the crisis issued by the IMF. Malaysia did not have confidence in the IMF programs, and did not want any foreign authorities. When it comes to the banking sector, the state has applied a strong regulatory measures. In that way it wanted to preserve the domestic banks on the volatility of exchange rates. Because of fear that the crisis will spill over from Thailand to its territory, Malaysia takes measures which the IMF is thought to lead to major negative effects. In September 1998. this country was

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fixed its currency - ringgit - in relation to 1 USD \$ = 3.80 ringgitS. In addition, it reduces the domestic interest rates and requires that all of the local currency which were located abroad be returned in the country by the end of the month. However, it is emphasized openness to long-term foreign investment. Some economists - those on Wall Street, whom joined the IMF - predicted disaster when the controls were introduced, saying that foreign investors will be afraid for years and won't come to the country. They expected that foreign investments drop sharply, the stock market crashes and to form a black market in local currency, with all the accompanying distortions (Stiglitz 2004, 135). However, despite the negative attitude of the IMF in relation to these measures and the belief that there will be massive capital outflows, Malaysia achieves satisfactory results. Within a year, it abolishes taxes on export of capital, which was sufficient period of time to successfully restructure banks and corporations. Malaysia did much better in comparison with countries that have adopted the guidelines the IMF, whereby even managed to influence the increase in foreign investments.

Two major errors IMF in fighting the Asian crisis are: the first, for Thailand, Malaysia and Korea it immediately demanded the introduction of fiscal savings, tax increase and spending cuts to reduce large budget deficits. The second, the IMF demanded "structural reform" - major changes that substantially exceeded the monetary and fiscal policy. This theory has proved completely wrong (Zdravkovic 2012, 91).

The IMF did not care about the infection that from one capital markets spread to another what caused the fear of foreign investors. Its policies formed countries much weaker than the change of investors, will. The key word in this story is the trust. If had not been an adequate level of confidence in a market as a result it would have appeared absence of trust in the emerging markets. Generally speaking, it can be seen that the results of the IMF acting as a market psychologist leaves the impression that something is missing. However, even if the Fund has invested more effort in order to reach the return of confidence are imposed following conclusions: focusing on the protection of investors, the Fund has forgotten those in these countries, who need its greatest help; focusing on financial variables, such as foreign exchange rates, the Fund has almost forgotten the real side of the economy. Therefore, it lost insight to its original mission (Stiglitz 2004, 120).

5. The Role of the IMF in Prevention of Icelandic Crisis

In the period since 2008th to 2011th The Island was engulfed by deep economic and political crisis. At the end of September 2008th it was announced that the bank Glitnir will be nationalized. Next week, 7 October 2008th the Flitnir bank and Landsbanki were submitted to the management of the Financial Supervisory Authority (FME). Two days later, the same organization put the largest Icelandic bank Kaupthing into bankrupt. At the end of the second quarter of 2008th Iceland's foreign debt was 9533 billion Icelandic kronor (\$ 50 billion). More than 80% of the debt was a debt of the banking sector. Thus, the crisis in Iceland has caused excessive borrowing of the banking sector. The value of the Icelandic krona has slumped, foreign currency transactions were suspended for several weeks, and the market capitalization on the Icelandic stock market has fallen more than 90%. The main measures that have been taken to fight the crisis were: strict control of capital, the implementation of strict savings measures, a package of financial IMF support.

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Immediately after the outbreak of the crisis, the Icelandic government has asked assistance package amounting to 2 billion euros. The IMF has approved 167 million dollar tranche for rescue and loan of 1.37 billion dollars. After the completion of negotiations about aid package the IMF in its report said that Icelandic post-crisis stabilization continues and represents support defined program policies.

Iceland's financial crisis was officially on August 31st, 2011th, when the rescue program by the IMF completed. However, Iceland did not totally abolish capital control and as long as this control exists not there it can, it be argued that this country has managed to overcome the crisis. Capital controls increases the costs of capital, which amount to 1% of GDP. The consequence of this control in the long term is the weakening the competitive position of Icelandic industry (Arnason, Danielsson 2011,).

Besides to excessive borrowing by banks that caused the financial crisis 2008th, there was another reason for the crisis in Iceland and this is the use of inflation targeting strategy. Throughout the period of implementation strategy, the inflation rate was above the target which led to the fact that interest rates are high (Danielsson 2008). IMF offered Iceland aid package and support program which were implemented in the period of three years. After the implementation of all measures, Icelandic gross domestic product began to rise and Iceland has realized surplus. The heads of the IMF stated that Iceland's recovery had been impressive, of course, thanks to the quick help their institution. Initially, the government of Iceland was afraid that the help will not arrive in time, but the negotiations were successfully completed, and the IMF, in the case of Iceland, did a good job.

Table 2. Changes in the Icelandic GDP per capita in the period from 2000 to 2012

| Year | GDP per capita | % changes |
|-------|----------------|-----------|
| 2000. | 26 956 | 4,96 |
| 2001. | 28 325 | 5,08 |
| 2002. | 28 634 | 1,09 |
| 2003. | 29 724 | 3,81 |
| 2004. | 32 574 | 9,59 |
| 2005. | 35 272 | 8,28 |
| 2006. | 37 123 | 5,25 |
| 2007. | 39 737 | 7,04 |
| 2008. | 40 779 | 2,62 |
| 2009. | 37 996 | -6,82 |
| 2010. | 36 729 | -3,33 |
| 2011. | 38 700 | 1,05 |
| 2012. | 39 400 | 1,02 |

Source: www.indexmundi.com

Based on the data from Table 2 it can be concluded that the value of GDP per capita in Iceland dropped dramatically 2009th year (about 6.82%). And next year continued the trend of falling value of GDP per capita (in 2009, GDP per capita compared to 2008th decreased for 3.33%). The trend was interrupted in 2011th (achieved increase compared with the previous year for about 1.05%). Growth of GDP per capita continued in 2012th year.

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6. Success and Failure of the IMF Program

During the eighties and nineties, arises the question how the IMF understands your goals and ways their realization. Most of the IMF's efforts were unsuccessful, though it believes that accomplishes its tasks in an efficient manner (establishing global stability, aid to developing countries). Many believe that the Fund did not properly understand their own mission and that of its establishment, often contributed to instability and deepening problems of many countries.

According to the J. M. Keynes, there is a market failure and therefore markets may not be left alone. He believes that the market can generate permanent unemployment, and that required global collective action to eliminate their disadvantages. Such collective action is necessary due to the spillover effects of actions from one country to another. He also believes that in terms of economic decline may happen that monetary policy can not achieve the desired results and that the country can not borrow. However, in such circumstances, and under the influence of other lacks of markets, Keynes insists that the necessary intervention institutions such as the IMF, in order to put pressure on countries to maintain the economy at full employment and provide liquidity.

Today, however, the market fundamentalists dominate in the IMF: they believe that markets largely work well and the governments largely work badly. Here we have an obvious problem: a public institution which was created to deal with certain shortcomings of the market (and solve them) which today is lead by economists who have a high degree of confidence in the market and the low level of trust in public institutions (Stiglitz 2004, 206).

In terms of turning to the theory that exchange rates and any other rates should be left to the action of market forces, the world accepts a system of flexible exchange rates. The IMF in this area organized major intervention, and one example is spending billions of dollars to the courses in order to maintain courses of Russian and Brazilian currency at unsustainable levels. IMF justifies these interventions based on the assessment that markets sometimes exhibit excessive pessimism, they "transferred", and then "calmer hand" of international bureaucrat can help to stabilize the market (Stiglitz 2004, 208).

In Thailand, the real estate and stock markets werw becoming inflated due to the excessive enthusiasm, where those balloons strengthen under the influence of the inflow of speculative money into the country. After changing the direction of capital flows, the enthusiasm replaces excessive pessimism, where the change of direction of speculative money left an impact on the currency exchange rates. In an effort to eliminate the negative effects of this situation, the IMF "poured" billions of dollars in the market and with this action made the situation even more difficult.

One of the criticisms relating to the functioning of the the program of the Fund - bailout which are established for the repayment of loans western creditors. This leads to the development of moral hazard, which that was originally characterized only for the insurance area. As a result, lenders take less careinto when granting loans, down criteria when it comes to potential borrowers, because they rely on the coverage of the bailout when the loan becomes uncertain. On the other hand, borrowers, relying on this type of "insurance", invest in many risky jobs.

Criticism of the bailout strategy led to the changes, thus creates a new strategy which many call bail-in strategy. The Fund started to insist that before granting a loan for

bailout to the country, has to provide substantial "participation" of lenders from the private sector (Stiglitz 2004, 213). They should forgive a substantial part of the debt which they claimed. This strategy was initially applied in Ecuador and Romania as countries which are not strong enough to resist the influence of the IMF, whereby the strategy proved as conceptually problematic.

Regarding the IMF, the lack of coherence emerges as an obvious problem. This can be justified in two ways. On the one hand, the Fund faces with serious problems, where it is often necessary to make difficult decisions in a short time. On the other hand, Fund in addition to the targets set his scope of activities, has to take into account the interests of the west financial community. It should be noted that these interests are often in conflict with the objectives of the Fund.

The IMF has insisted that, when making payments to creditors, should first settle debts to those from abroad, and then to domestic firms. It is obvious that the Fund argued that the loan providers from the G-7 to be paid. However, Stiglitz believes that the IMF as an alternative could choose the following options:

- to introduce the institute of mode (temporary interrupt of payments) in order the states to had time to recover and restart their economies,
- to regulate the process of accelerated bankruptcy (however, for IMF was not an option because the bankruptcy means that the creditor will not be paid).

The IMF was initially concerned about the interests of the financial community of the West. In the East Asian crisis, the IMF and the U.S. Treasury are member-borrowers blamed for the problems, especially for the lack of transparency (Stiglitz 2004, 221). However, if these countries had been so vulnerable such as the IMF and the U.S. Treasury considered, this vulnerability would not be based on a lack of transparency, but on the other deciding factor: the premature liberalization of capital and financial market. Actually, it was important that the IMF and the U.S. Treasury place the blame on the other, so for the crisis and their failure recovery program accused the countries affected by the crisis.

Despite all the efforts of the IMF and the U.S. Treasury to shift the blame away from major international lenders, the truth is that each loan has the one who offers as well as one who seeks it. If a loan is bad, the blame lies with the lender and the borrower. IMF certainly bears some of the blame, among other things, because the bailout contributed to the the absence of prudential loan providers.

The IMF and the U.S. Treasury argued that the problems which have arisen are not the result of reforms (implementation of capital market liberalization), but because of the lack of a comprehensive reform implementation. Their attention was focused on the weaknesses in crisis countries. They are not only completely rejected the blame for their own failures, but after all but, after all, even stronger imposed their own programs.

7. The Necessity of Institutional Reform of the International Monetary Fund

In its work, the International Monetary Fund has made a lot of mistakes. A good example of the Fund is inconsistent action previously described East Asian crisis. Although in some cases (Icelandic crisis, for example), proved itself as one effective institution that

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can provide adequate help to overcome the crisis, the Fund many times have not justify its existence. Therefore it is often sharply criticized and the idea of the necessity of its structural change is increasingly gains relevancy. Outside the IMF existsis widely accepted idea that the Fund should be limited to its original action (crisis management and enhanced stability) and should not be engaged in the development or transition issues. The International Monetary Fund has done very little to combat poverty in the world, on its accountability and transparency (Djonlagic, Kozaric 2010, 121).

Key reforms which should be implemented in the IMF are as follows:

- 1) accepting the danger of liberalization of the capital market and as well as fact that short-term capital flows impose huge costs borne by those not directly involved in the transaction;
- 2) reforms of Institutions of bankruptcy - an appropriate way of solving problems when private borrowers can not repay loans - it is through bankruptcy and not through a bailout;
- 3) less reliance on the bailout - while increasing use of the institutions of rest and bankruptcy, it will be less needed bailouts which were paid to th western creditors more than they otherwise would be or foreign exchange rates were overvalued and maintained at a higher level than they otherwise would be;
- 4) improving of banking regulation in the design and implementation both in developed and developing countries - weak banking regulations in developed countries can create a bad practice in granting loans;
- 5) improving the risk management - now countries around the world faced with great instability in exchange rates. Developing countries need to learn to manage these risks, possibly by buying insurance against such risks in international capital markets.
- 6) improving the social safety net - part of the task the risk management is to increase the ability of the most vulnerable to manage the risk. Many developing countries have weak social safety net and do not have insurance programs for employees.
- 7) to improve crisis response - during the East Asian crisis, the IMF's help was scarce and poorly implemented. Therefore, it is necessary to restore the balances: the interests of employees and creditors must be adjusted;
- 8) back to basic economic principles - it is necessary to establish the aggregate demand in developing countries (Stiglitz 2004, 246-251).

There are other changes that would be desirable to implement. It is necessary that the IMF has the obligation to publish in advance the expected effects of the program in terms of its impact on the main macroeconomic variables and, in the event that planned results are not achieved, takes responsibility.

8. Conclusion

According to many theorists and practitioners, crises in the last forty years and more intense than ever. In these circumstances, international institutions are those which are expected to support and implement measures to overcome the crisis. Exactly in this situation has found IMF many times. From its establishment until today, the Fund is expected to establish global stability, in terms of financial and monetary situation in the

world. Over time, the role of the Fund determined by its original concept extends and it takes "imperialist attitude" in relation to the World Bank, whereby it begins to deal with structural issues which were in charge of the World Bank.

A good example of of inadequate action of the Fund are events which have occurred during the East Asian crisis. When the nineties crisis emerged, the IMF initially was not interested in helping vulnerable countries. Although the assistance provided later, it turned out it was worthless. Thailand, which followed the instructions IMF failed to achieve the desired results. On the other hand, the governments of South Korea and Malaysia, have led their own vision and policy, took an active role in the restructuring of the financial sector, what is the IMF opposed. Still, Malaysia and Korea have achieved satisfactory results. Despite very bad criticism of countries which have rejected the Fund's programs for solving the crisis, it was clear that much better did countries which did not leave a into the hands of the IMF.

On the other hand, the recent crisis which affected Iceland 2008th was relatively quickly resolved with the help of the IMF. Immediately after the crisis, Iceland turned to the Fund for help. Although the government of Iceland was in fear that the help will not arrive in time, the IMF in this case reacted adequately and stretched out its and help pulled the country out from the crisis.

As international institution, the IMF is an important factor in resolving the crisis. Its financial support repeatedly manifested as a key element in the process of overcoming the arising difficulties . On the other hand, there are numerous failures of the Fund which the world will not easily forgive. Many think that the Fund, taking often by inaccurate interests and occupying a dominant position in terms of its powers, lost sight of its original mission and purpose. In this sense, there are necessary fast and effective reforms of this institution, to provide it another opportunity to justify its existence.

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FINANSIJSKA POMOĆ MMF-A DOVOLJNA ZA IZLAZAK IZ KRIZE: DA ILI NE?

Rezime: U uslovima svetske finansijske krize dolazi do zamene uloge Svetske banke i MMF-a, jer je MMF odobrio velike pakete pomoći zemljama koje su imale hronične deficite u platnom bilansu. MMF je imao veliku ulogu u stabilizaciji finansijskog sistema u uslovima krize jer je zemlje koje su konkurisale za korišćenje sredstava uslovljavao da ispune veoma oštre uslove. Problemi na koje nailazi MMF u sprovođenju stabilizacione politike su doprineli da bude oštro kritikovan od strane ekonomista koji su zanemarili njegove uspehe i činjenicu da je izlazak iz krize težak i dug put i da nijedno rešenje ne može dati rezultate odmah. Ukoliko se sagleda dugoročna uloga MMF-a u uslovima krize, može se zaključiti da je ova institucija odigrala ključnu ulogu u stabilizaciji i vraćanju poverenja u finansijski sistem.

Ključne reči: MMF, finansijska kriza, krediti