

# IMF AND ASIA: CHANGING TRENDS IN ENGAGEMENT (1997-2017)

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## ABSTRACT

*IMF engagement with Asia dates back to its formative years, however the focus had shifted more during the time of devastating 1997-98 Asian financial crisis. During the period the export oriented fast growing economies of viz: Indonesia, Thailand, South Korea etc caught in the quicksand of financial contagion had sought IMF assistance for rescue. IMF financial assistance had salvaged these beleaguered economies however the stringent conditionality had also invited wide criticism, Indonesia is case in point. After a decade (2007-2012), the financial crisis has hit the advanced economies which has again brought IMF to limelight and financial community had realised the relevance of the multilateral lender. During this time IMF has offered significant financial assistance to Eurozone economies, the assistance to Greece was highest of that sort. The conditionalities of the subject programme however has given rise to huge public discontent underscoring the fact that in spite of reviews in IMF conditionality there has been no substantial change in Fund's approach to politically and economically sensitive issues. Another important development in the last two decades is the emergence of Asian countries such as China and India as significant players in global trade. Asian economies relatively unhurt by the global financial crisis undertook significant role in stabilising global economy by associating with G-20 platform, IMF and other multilateral institutions. The establishment of New Development Bank (BRICS Bank) and Asian Infrastructure Investment Bank (AIIB) are other important developments from the region. Sensing the changing trends IMF also as part of its latest governance reforms has provided greater role for emerging economies by increasing their quotas. In fact the major change in the last twenty years is increasing economic relevance of emerging economies of Asia and their reaffirming role in IMF governance structure.*

**Key Words:** IMF, Asian Crisis, IMF's Policy and Assistance

## INTRODUCTION

### *The Establishment of International Monetary Fund (IMF)*

During the post Great Depression period, the economic concern for USA was imperial preferential trading system with trade blocks redirecting trade to their block countries with exchange controls and tariffs. The United Kingdom (UK) was concerned with growing unemployment and convertibility of their currency, Pound Sterling (£). The emerging global economic concerns after 2<sup>nd</sup> world war led to the requirement of new Monetary System. The idea was initially evolved by two eminent Economists, John Mynard Keynes (Advisor to the British Treasury) and Harry Dexter White (Chief International Economist, U.S. Treasury Department) in 1941. Both the economists while, negotiating the post-war International Monetary System, had considered the economic interest of their

respective countries with focus on improving the Balance of Payments (BOP) and contemplated on definite relationship with gold for individual currencies. The final Bretton woods agreement had more tolerant exchange rate control and limited burden to creditors' countries. The final blue print resulted in the establishment of the International Monetary Fund (IMF) and World Bank. In that way the IMF along with World Bank known as Bretton Woods twins, were created in an international conference held in Bretton Woods, New Hampshire, USA in July 1944. The conference was attended by 730 participants from 45 countries. The objective of the conference was to create a global framework for economic development and co-operation among the countries. IMF officially came into existence on 27 December 1945 and the Articles of Agreement<sup>1</sup> was signed by 29 member countries.

<sup>1</sup>URL:<http://www.imf.org/external/pubs/ft/aa/pdf/aa.pdf>

## 2 Structure & Function of the IMF

As per Charter, the mandate of IMF was to promote international monetary cooperation and provide policy and technical advice to the member states. The IMF financial assistance mainly directed to nations, who have Balance of Payment (BOP) problems, provides technical assistance to design policy programs for the countries affected by the crisis. The loan programmes of the IMF are funded by Quota<sup>2</sup> contributions of the member countries. The loans are generally Short and Medium Term. The staff of the IMF are predominantly trained Economist with expertise in macroeconomics and finance.

The original aim of the establishment of IMF were to (1) promote International Monetary co-operation (2) facilitate the expansion and balanced growth of International Trade (3) Exchange Rate stability (4) support in establishing Multilateral System of Payments (5) ensure the availability of resources to member states facing Balance of Payment problems. The IMF performs its mandated objectives by Surveillance, Lending and Capacity Building. Surveillance<sup>3</sup> essentially involves the task of monitoring the economic and financial policies of the member countries. The IMF also publishes reports highlighting possible risk to economy and provides guidance with regard to domestic policy adjustments. IMF performs the role of a lender by providing financial support to countries facing actual/potential Balance of Payment problems. The support mainly aims at ensuring continuity in International Trade, Currency stability, building up Reserves and to restore and promote economic growth. The Capacity building<sup>4</sup> role of the IMF is aimed at assisting the member states in designing policies that promote growth, stability and institutional capability(IMF, 2009).

The main source of finance for the IMF is Quotas by member states. Multilateral, bilateral borrowing and contribution based trust funds are other source of financial resource. Based on the relative size of the economy each country is assigned a quota in IMF. On

<sup>2</sup>Each member country of the IMF is assigned a Quota, based broadly on its relative position in the world economy. A member country's quota determines its maximum financial commitment to the IMF its voting power, and has a bearing on its access to IMF financing. Retrieved URL: <http://www.imf.org/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas?pdf=1>

<sup>3</sup>Surveillance is conducted at domestic, regional and global levels to monitor potential risk factors

URL: <http://www.imf.org/About/Factsheets/IMF-Surveillance?pdf=1>

<sup>4</sup>URL: <https://www.imf.org/en/About/Factsheets/imf-capacity-development>.

joining the IMF, the country normally contributes 25 per cent of the quota in the form of widely accepted foreign currencies or through Special Drawing Rights<sup>5</sup>. The remaining part is paid through country's own currency. The revision of Quota takes place every five years. IMF also supplements their resources through multilateral borrowing. IMF also has New Arrangements to Borrow (NAB) wherein member countries and institutions can lend resources to the IMF (IMF, 1997). The General Agreements to Borrow (GAB) permits further borrowing from specific number of countries. According to IMF, NAB and GAB are second line of defence that provide enough capacity for the IMF to lend. Bilateral lending is another channel of resource for IMF lending. During the financial crisis in 2009-10, the Fund had resorted to this method and eventually the mechanism was incorporated in to NAB. However with crisis aggravating in Europe, this method was marshalled in as a third line of defence and is maintained under improved policy framework.

IMF also has in its asset base Gold holdings weighing 2814 metric tons and is one of the largest holders of Gold reserves. The Article of Agreement prohibits buying or engaging gold transaction by the institution. However with 85 per cent majority voting power, IMF can sell or accept Gold as payment by member countries. In 2010, as per Board approval IMF has sold 403 metric tons of Gold. The main objective of this sale on market price was to strengthen new income model of the Fund. The part of this income was used to subsidize financing to low income countries (IMF, 2017a).

### SOUTH ASIAN CRISIS (1997)

The South Asian economies have registered remarkable economic growth during the seventies and eighties. It was primarily driven by stellar export performance in the manufacturing sector particularly in electronics and semi-conductor industry. Malaysia was successful in establishing an export oriented food processing industry. Further these economies maintained currency stability through their currencies pegged to US Dollar (Dowling, 1997). The conducive economic environment and macroeconomic stability has attracted both Foreign Direct Investment (FDI) and Portfolio Investment to these performing Asian economies. As per the World Bank and IMF data, the GDP growth rate of the period immediately preceding the crisis (1991-1995), stood at these levels-Indonesia (7.8%), Korea (7.50%), Malaysia (8.7%), Philippines (2.2%) and Thailand (8.5%) (Garnaut and Ross, 2002:22).

<sup>5</sup>URL: <https://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/.../Special-Drawing-Right-SDR>

According to the IMF, structural weaknesses of these economies were the fundamental reason for the crisis. The financial panic that followed exacerbated the crisis. There were no extensive macroeconomic issues prevalent these economies. However prior to crisis there has been widespread signs of vulnerabilities in these economies .There has been an elevated trend of short term funds being borrowed to finance long term project. The domestic banks piled up short term foreign debts which were channelized to domestic corporate for funding. Neither the domestic bank nor the corporate entity hedged their foreign currency exposure. This also triggered the crisis. Flow of investment to non-productive real estate segment and niche industries was another visible vulnerability in the system (Corsetti,1998).Accommodative Monetary Policy and perceived Exchange Rate stability due to currency peg had been main contributing factor for this rise in foreign currency denominated external debt (Claessens and Ayhan,2013). Further, the flagging economic growth in Japan and Europe dried up the resources for domestic investment. The erratic movement Japanese Yen/USD exchange rate were also the external factors that set the backdrop for the crisis (Stanley,1998).The news of possible interest rate hike in Japan during May 1997 ,though not taken place, has been the first trigger of crisis in the region with beginning of south Asian currency sell off. The crisis began on 2<sup>nd</sup> July 1997 ,with Thailand announcing managed float after using USD 33 billion in foreign exchange(Nanto,1998).

IMF authorities had sensed a possible foreign exchange crisis in Thailand in 1996 itself, when problem became visible in the market.IMF had not made these warnings public to avoid precipitation of a crisis with this information. Thailand was extensively intervening in foreign exchange forward market thereby depleting the

forex reserves .IMF was not aware of this development and against its expectation, the reserve became almost empty by the month of July 2017 and Thailand was forced to approach the Fund for emergency financial assistance.(Aghevli,1999).

Since 1995, Indonesia also experienced distressing developments in the financial market .The Government and the Central Bank has confronted these developments through very modest policy measures. Korea also has witnessed falling signs of economic fundamental during the time frame from 1995-1996. The widening of trade deficit and sluggish export performance along with falling profitability of debt ridden 'chaebols' were indications of the future trouble. Philippines, on the other hand were in more stable position with Government already under IMF programme has initiated privatization drive. The Non-Performing Assets(NPA) level of bank stood at a reasonable level of 3.4 %. However there has been considerable flow of funds to risky private sector projects and real estate sector. During July 1997, Baht, Rupiah and Peso had fallen by 25%, 9% and 10% respectively.The cumulative depreciation was to the extent of 30 % in the next three months with led to attack on Korean Won in October 2017 and trend continued during the year. (Corsetti et al, 1998).

### IMF ROLE IN ASIAN FINANCIAL CRISIS

The worst affected economies of South East Asian economies viz: Indonesia, Thailand and Korea resorted to IMF for assistance. The IMF financing was to the extent of US \$ 40 billion for these economies while another US \$ 85 billion was pooled from other lenders. Refer Table 1 for resources pledged to these economies as given.

**Table 1: Commitment of International community in response to Asian Crisis (US \$ Bn)**

Country	IMF	Multilateral	Bilateral	Total
Indonesia	15	10	24.70	49.70
Korea	21,10	14,2	23.10	58.40
Thailand	4	2.70	10.50	17.20
Source: <a href="https://www.imf.org/external/np/exr/ib/2000/062300.htm">https://www.imf.org/external/np/exr/ib/2000/062300.htm</a>				

The Fund confronted the crisis through three ways viz: financing, macroeconomic policies and structural reforms. In the macroeconomic front, the Monetary Policy was tightened to stem the fall of exchange rate. The fiscal policy was also tightened in all these countries and various steps were initiated to bolster the governance aspect of financial and corporate sector. (Enoch, 2000).

#### 1 IMF Conditionality

The adverse financial condition generally warrants a country to borrow from international community. When IMF lends, the borrowing government agrees to make

appropriate change in economic policies to surmount the problems and these conditions ensure that the loan is repaid to the Fund. According to IMF, conditionality essentially include design of IMF programmes and tools employed to track the progress towards goals mutually agreed by borrowing country and the Fund.(IMF, 2017, p 2).IMF conditionality evolved over a period of time and until eighties it had mainly focussed on macroeconomic policies. However, the scope and gambit of structural conditions were increased with growing lending to low income transition economies.

The IMF conditionality was prevailing since 1957 in different forms, it was codified and came to effect on 2

March 1979 .During the period it has undergone modifications with an extensive review which took place on 2002 and further in 2009 March.IMF Board has reviewed conditionality guidelines again in 2012 bringing in Operational guidance primarily focussing on macro-social issues and improving surveillance .The 2014 IMF Review which had come into effect on June 2015 has broadened policy outlook and included more flexible public debt rather than external debt criteria. (IMF, 2017, p 2).

IMF financing approval and review is based on mainly four aspects viz: Prior actions, Quantitative Performance Criteria (QPC), Indicative Targets and Structural Benchmarks. Prior actions essentially refers to creating conducive policy background for successful implementation/continuation of the program.IMF has cited the removal of price control as an example for prior action by the borrower country.QPC is the most important gaugeable condition that has to be achieved for the Fund to complete the review process. According to IMF monetary and credit aggregates, forex reserve level, fiscal position and external debt level are some of the measurable conditionality set during the program implementation. Indicative targets which are measurable criteria are also put in place apart from QPCs. In case of certain specific situation in a borrowing country, indicative targets may precedes the QPC and as conducive economic environment is created the indicative target is appropriately structured as QPC. Structural benchmark is another critical element of conditionality prescribed to achieve the programme objective. Financial sector reforms, improving public finance are examples for structural benchmarks which are mutually agreed during programme implementation. (IMF 2017b, p 3)

## 2 Indonesia

The signs of financeable troubles became evident in Indonesia in the early nineties with average current account imbalance hovering around 3-4 per cent of GDP and the Non-Performing Assets ratio was 13 per cent. There were presences of many small under capitalised banks in the country.

During the first half of the decade the Debt-GDP ratio of the country was in the range of 57 – 68 %, while short term debt to foreign reserves were to the tune of 177 per cent. The ratio of foreign liabilities to assets of Banks was 424% in 1996 (Corsetti et al 1999, Rieffel 2007). Sign of inflation and fall in trade surplus was visible in 1996.During the year, Bank of Indonesia (BI) made modest change interest rate and reserve requirement were raised from 2-5%. In order to manage the capital flows the Rupiah trading band was raised from 2 per cent to 8 per cent in three stages. However, there was no dearth in capital flows appreciating the domestic currency.BI reduced the interest by 1 per cent during December 1996 to May 1997 to moderate capital flow. It is to be mentioned that Indonesian corporate were borrowing significantly from abroad.(Corsetti et al,1998).The pressure on currency became more visible in August 1997 and Indonesia confronted this by expanding intervention band. However with further sharp depreciation of currency Indonesia floated the currency in October 1997.On5 November 1997, Indonesia has entered into a Standby Arrangement of USD 10 bn with the IMF.

**Table 2: Indonesia**

Economic Indicator (Indonesia)	1996	1997	1998
Real GDP Growth (% of change)	8.20	1.90	(-) 14.20
Current Account Balance (% of GDP)	(-) 3.40	(-)0.90	4.4
External Debt (% of GDP)	54.50	163.10	91
Source: <a href="https://www.imf.org/external/np/exr/ib/2000/062300.htm">https://www.imf.org/external/np/exr/ib/2000/062300.htm</a>			

In November 1997, further to IMF assistance, Indonesian government put in place policy actions as per Memorandum of Financial and Economic Policies. The conditionality covers various policy initiatives to be undertaken in fiscal and monetary policy fronts as well as structural reforms. The salient features include sticking to sound fiscal policy aiming at budget surplus of 1 per cent. The monetary policy would target reining in inflation and arrest the sharp decline of exchange

rate. The policy envisages maintain fiscal discipline by eliminating subsidies including that of fuel and electricity. In order to bolster the revenue, government would phase out VAT exemptions. The proposal include levying 5 per cent local sale tax of gasoline, increasing luxury tax and review of market value of land, building, plantation etc. The structural reforms include comprehensive assessment of health of banking system. Accordingly sixteen unhealthy banks were

closed in November 1997. Structural reform aspect also proposed further foreign trade liberalization and exhorted for significant deregulation and privatisation drive. The removal of administrative price mechanism of cement was one of the measures implemented. The removal of import monopoly on certain food commodities enjoyed by government owned enterprise, BULOG was another decision (IMF, 1998).

After initial settling down, Rupiah again came under pressure during December 1997 and January 1998. On November 1997, Indonesian closed sixteen insolvent banks in line with IMF Conditionality that had led to bigger uncertainties in domestic financial sector undermining the confidence of the depositors. The political and social unrest followed in the country had evened to the resignation of the President.

### 3 Greece

The period prior to the sub-prime crisis, Greece had been a big borrower from abroad. The joining of Euro by Greece in 2001, further reduced the risk perception of economy and more funds flew to Greece from within Europe. Greece had been reporting average 5 per cent of budget deficit as against Eurozone mandated 3 per cent. The current account deficit was at 9 per cent while the external debt in 2009 was nearing 100 per cent of GDP. In October 2009, the new government revised government budget deficit to 12.7 per cent which has led to rating agencies downgrading Greece (Belkin et.al,2011).The uncertainty regarding government data created panic among investors and this was reflected in the sovereign bond spread increasing to 400 basis pint vis-a-vis German bond. In March 2010 European Union (EU) in concert with IMF has initiated financial assistance to Greece (Nelson, 2017).

**Table 3: Greece**

Economic Indicators (Greece )	2009	2010	2011
Real GDP Growth (% of change)	(-) 2.0	(-) 4.0	(-) 2.60
Current Account Balance (% of GDP)	(-) 11.20	(-) 8.40	(-)7.10
External Debt (% of GDP)	83.40	92.81	103.10

Source: <https://www.imf.org/external/pubs/ft/scr/2010/cr10110.pdf>

The Greece was offered a very ambitious standby Arrangement of 110 bn Euro with EUR 30 bn from IMF and remaining from European Authorities. The lending programme also warranted Greek authorities to embark upon an extra ordinary effort to comply with IMF adjustment offer. The fiscal conditionality include specific steps to bring down the Debt-GDP ratio from 2013 and government deficit to reach below 3 per cent by 2014.The expenditure measures included the elimination of allowance of high pensioners. The measures also included consolidation of local bodies and reduction in assistance to public enterprises. Revenue enhancing measures include increase in standard VAT Rate. Reduction in public sector wages and pension was critical element of structural reform list. Reforms in health sector were also suggested. The list includes reframing of legal aspects regarding wage bargaining in private sector. In order to create conducive business environment it was suggested authorities would take steps to reduce red tapism and also initiate measure for liberalization and improve competition regulation. Better safety net mechanism for banking sector with suggestion to improve supervisory mechanism were also part of the Plan (IMF Country Report, 2010)

### 4 Analysis of IMF Conditionality: Indonesia and Greece

A study on IMF loan conditionality by Jesse Griffiths and Konstantino Todoulos (2014) undertaken for European Network on debt and development in 2014 has underscored the fact that there has been no reduction in actual conditionality. The Eurodad research undertaken during 2003-4 observed that the were average fourteen conditions then while its 19.5 as per latest estimate. The structural conditionality was forty-one for Greece. Further report also found that politically sensitive conditionality such as raising VAT, wage reduction, restructuring of public sector were still widely used. (Griffith and Konstantino,2014)

During the Asian crisis, IMF loans conditionality and policy prescription focused on fiscal discipline, bank restructuring and maintaining high interest rate to manage the capital flows and exchange rate.(Corset et al,1998).This approach has initiated a debate on whether the strategies or policy prescriptions of IMF has helped to alleviate the intensity of crisis or has placed these economies in more miseries. Analyst argued that the higher interest policy followed by these economies during crisis time has further increased banking and corporate bankruptcy. The economist including Paul Krugman dismisses the loose policy argument. (Krugman,1999).

According to Martin Feldstein, IMF is resorting to traditional fiscal policy measures such as higher taxes

and low government spending, credit rationing by following high interest regime that were successful in Latin America. He observed that in these economies IMF has imposed the policy initiatives that can overhaul their economic and political system. He has cited the example of IMF involving to the extent of issues like gasoline price, curtailing business privileges of Indonesian President's family interests. According to Feldstein that these measures are advantageous for the economy but do not fall in the broader objective of Fund (Feldstein,1998).

It was argued that the fiscal discipline imposed by IMF has dampening effect on these economies. IMF has also revisited the strict fiscal conditionality and in case of Indonesia, the Fund had to revise the fiscal surplus estimate of 1 per cent to Budget Deficit below 8.50 per cent within a year of implementation of programme. . (Corsetti et al, 1998).

The closing of sixteen banks in Indonesia as part of IMF banking reforms has received wide criticism. According to Jeffery Sachs, the policy action of IMF had send misleading signals to the market and is observed as a "serious mistake". It may be mentioned that following the closing of banks, panicky depositors started moving their deposits to more safe government and foreign banks triggering liquidity issues. Most of the banks were not able get fund in interbank market and there was unhealthy practice of trading excess liquidity and this has warranted central bank to intervene and infuse liquidity(Richardson,1998).

The Asian crisis has revealed an important aspect regarding how multilateral institutions must approach the crisis ridden economies. It brought out the fact the financial crisis has to be dealt differently from macro economic crisis. In the former case the institutions in distress has to be immediately supported and program must give priority to resurrect dwindling demand rather

than insisting on stringent conditionality (Sterland, 2017).

There is an argument that that the IMF conditionality in Asia, has exceeded the purpose mentioned in Articles of Agreement and aspects such as deregulation, liberalization, public sector reforms do not come under the purview of Articles of Agreement. Hence conditionality were economically unviable and IMF action are possibly undermining the political and economic sovereignty of the respective country (Lee,2003).It may mention that the case study of Indonesia and Greece cited above also revealed the fact that though there has been substantial rationalisation of IMF conditionality during the period , intimidating nature of conditionality were glaringly visible both in Indonesia (1997) and Greece (2010) programme. Both in case of Indonesia and Greece there has been an undue pressure for budget balancing. The conditionality continue to insist on sensitive issues such as removing subsidiaries, increase in VAT and other taxes to shore up revenue, effort to reduce wages and pension, restructuring public sector, local government set up and all these are perfect recipes for exacerbating crisis and triggering political upheaval. This aspect was visible in both Indonesia and Greece.

### **IMF GOVERNANCE REFORMS AND EMERGING ASIA**

IMF Governance Reform undertaken in 2010 and came to effect in January 2016 is a significant development for emerging economies particularly of Asia. The doubling of quota enabled shift of 6 % shares to dynamic emerging economies with Brazil, China, Russia and India becoming top 10 IMF shareholders. Two seats in board of European countries have also shifted to emerging economies. After the 14 quota review, IMF quota has been raised to SDR 476.8 bn (2010) from SDR 238.4 bn.(2008).(Tweedie et.al,2010).

Quota and Governance Reform Summary
Doubling of Quotas
Over 6 % shift to dynamic emerging market and developing countries
Accordingly the quota share of the top ten countries in percentage terms are USA (17.41),Japan (6.46),China (6.39),Germany (5.59),France (4.23),UK (4.23),Italy (3.16),India (2.75%),Russia (2.71) and Brazil (2.32).
Largest beneficiaries in increase in quota in percentage terms from Asia are China (2.40), Korea (0.39),India (0.31),Singapore (0.23).
Size of Elected Executive Board to remain 24 and the process of reviewing it in every 8 years to be implemented.
Reduction in 2 Executive Directors representing advance European Countries thereby benefiting the representation of emerging market and developing countries.
Moving towards all Elected Executive Board system
Source:Twedle A. et .al (2010)

The entry of two Development Banks from Asia is another important development in global finance. Asia Infrastructure and Investment Bank (AIIB) led by China was established with capital base of USD 160 bn on 24 Oct 2014. The main focus of this developmental institution is infrastructure financing (S.R, 2014). The New Development Bank (BRICS Bank) was established by Brazil, China, India, Russia and South Africa with a composite capital base of US \$ 50 bn in July 2015 (Berensmann Kathrin, 2016). Both the intuitions are based in China and it essentially reflect the power shift from industrialised countries to emerging Asian countries (Wang, 2016) As per IMF estimates Asia would be emerging as largest economic zone replacing G 7 by 2030<sup>6</sup>. The region has resurrected from the devastating effect financial crisis of 1997 and now has become the most promising economic zone of the world.

## CONCLUSION

IMF engagement with Asia dates back to its formative years, though focus had shifted more during the time of devastating 1997-98 Asian financial crisis. IMF was extensively associated the crisis ridden economies of Asia with a cumulative assistance to the tune of assistance USD 40 bn. IMF financial assistance during the Asian financial crisis had salvaged these beleaguered economies however the stringent conditionality had also invited wide criticism. The argument was that fiscal discipline and structural reforms initiated subsequent to financial assistance has many occasion has been inimical to feeble growth prospects the subject countries. It is also argued that conditionality and structural reforms has shaken the existing economic and political system occasionally undermining the economic sovereignty of borrowing countries. The crisis ridden economies of Indonesia (1997) and Greece (2010) are cases in point. IMF also as part of the learning from the past twenty years had also undertaken various step to streamline the loan conditionality giving more focus on social aspects and growth. However the case analysis of Indonesia and Greece reveal that though conditionality have been modified there has been no substantial reduction in number as well as approach towards issues sensitive to domestic economic and political environment. The budget balancing austerity measures such as reduction in wages, pension reforms, increasing tax, reviewing distribution of subsidies and public sector reforms as observed in Greece, still invite criticism and public discontent.

<sup>6</sup>BarkelyTom (2010) ,Asian Economies will be bigger than G7 by 2030,says IMF ,*The Australian Business Review* ,Retrieved from <http://www.theaustralian.com.au/business/economics/asian-economy-will-be-bigger-than-g7-by-2030-says-imf/news-story/3ecdee2a602250925f3a0189ca85689f>

The study also broadly underscore the fact that IMF conditionality require greater understanding of political and economic realities of borrowing countries and minimise the public discontent .It also point towards the requirement to be more inclusive in the prevailing socio-economic conditions. The paper intends to serve as background study and offers further scope for indepth analysis of countrywise specific structural benchmark set by the IMF.

The last two decades had also witnessed the emergence of Asian countries such as China and India as significant players in global trade. Asian economies relatively unhurt by the global financial crisis undertook significant role in stabilising global economy by associating with G-20 platform, IMF and other multilateral institutions. Sensing the changing trends IMF also as part of its governance reforms in 2010 has provided greater role for emerging economies by increasing their quotas. As IMF is dominated by advanced Western industrialised economies, emerging economies led by China has also floated their own multilateral institutions. The establishment of New Development Bank (BRICS Bank) in 2014 and Asian Infrastructure Investment Bank (AIIB) in 2016 are reflection of increasing relevance of emerging east Asian economies in global financial sector. In the last two decades, Asian Emerging economies have made remarkable stride in terms economic growth and obviously emerged as main partners in IMF governing body as well as Fund's effort to maintain global financial stability.

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