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THE IMPACT OF INTERNATIONAL MONETARY FUND CONDITIONAL PROGRAMS ON STRUCTURAL REFORMS IN EMERGING MARKET ECONOMIES

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Annotation: This paper analyzes the impact of conditional programs implemented by the International Monetary Fund (IMF) on structural economic reforms in emerging market economies. In recent years, global economic instability, rising external debt, and macroeconomic imbalances have put significant pressure on the economic policies of developing countries. Under these circumstances, the financial assistance provided by the IMF and the related conditions are seen as an important factor in ensuring economic stability and implementing the necessary structural reforms. The results of the study show that the impact of IMF conditions on reforms in different economic sectors is not the same. In particular, while quantitative conditions serve to accelerate the process of liberalization of the trade and foreign financial sectors, structural conditions support changes in the labor market and institutional system. It was also found that the full implementation of the IMF conditions would significantly increase the effectiveness of the reforms.

Keywords: International Monetary Fund, Conditional Programs, Emerging Market Economies, Structural Reforms, Macroeconomic Policy, Economic Liberalization, Institutional Reforms.

XALQARO VALYUTA JAMG‘ARMASI SHARTLILIK DASTURLARINING RIVOJLANAYOTGAN BOZOR IQTISODIYOTIGA EGA MAMLAKATLARDAGI TARKIBIY ISLOHOTLARGA TA’SIRI

Annotatsiya. Ushbu maqolada Xalqaro valyuta jamg‘armasi (XVJ) tomonidan amalga oshiriladigan shartlilik dasturlarining rivojlanayotgan bozor iqtisodiyotiga ega mamlakatlarda tarkibiy iqtisodiy islohotlarga ta’siri tahlil qilinadi. So‘nggi yillarda global iqtisodiy beqarorlik, tashqi qarzning ortishi va makroiqtisodiy nomutanosibliklar rivojlanayotgan mamlakatlar iqtisodiy siyosatiga sezilarli bosim o‘tkazmoqda. Bunday sharoitda XVJ tomonidan taqdim etiladigan moliyaviy yordam hamda unga bog‘liq shartlar iqtisodiy barqarorlikni ta’minlash va zarur tarkibiy islohotlarni amalga oshirishda muhim omil sifatida namoyon bo‘ladi. Tadqiqot natijalari XVJ shartlarining turli iqtisodiy sohalardagi islohotlarga ta’siri bir xil emasligini ko‘rsatadi. Xususan, miqdoriy shartlar savdo va tashqi moliya sektorlarini liberallashtirish jarayonini jadallashtirishga xizmat qilsa, tarkibiy shartlar mehnat bozori va institutsional tizimdagi o‘zgarishlarni qo‘llab-quvvatlaydi. Shuningdek, XVJ shartlarining to‘liq bajarilishi islohotlarning samaradorligini sezilarli darajada oshirishi aniqlangan.

Kalit so‘zlar: Xalqaro valyuta jamg‘armasi, shartlilik dasturlari, rivojlanayotgan bozor iqtisodiyotlari, tarkibiy islohotlar, makroiqtisodiy siyosat, iqtisodiy liberallashtirish, institutsional islohotlar.

ВЛИЯНИЕ УСЛОВНЫХ ПРОГРАММ МЕЖДУНАРОДНОГО ВАЛЮТНОГО ФОНДА НА СТРУКТУРНЫЕ РЕФОРМЫ В РАЗВИВАЮЩИХСЯ РЫНКАХ

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Аннотация. В данной статье анализируется влияние условных программ, реализуемых Международным валютным фондом (МВФ), на структурные экономические реформы в развивающихся рынках. В последние годы глобальная экономическая нестабильность, рост внешнего долга и макроэкономические дисбалансы оказали значительное давление на экономическую политику развивающихся стран. В таких условиях финансовая помощь, предоставляемая МВФ, и связанные с ней условия рассматриваются как важный фактор обеспечения экономической стабильности и реализации необходимых структурных реформ. Результаты исследования показывают, что влияние условий МВФ на реформы в различных экономических секторах отличается от одного и того же. В частности, хотя количественные условия ускоряют процесс либерализации торгового и внешне финансового секторов, структурные условия поддерживают изменения на рынке труда и институциональной системе. Также было установлено, что полное выполнение условий МВФ значительно повысит эффективность реформ.

Ключевые слова: Международный валютный фонд, условные программы, экономики развивающихся рынков, структурные реформы, макроэкономическая политика, экономическая либерализация, институциональные реформы.

Introduction

In the context of the modern global economy, the economic system of developing countries is frequently subjected to macroeconomic instability due to various external and internal factors. Fluctuations in world financial markets, sharp changes in raw material prices, instability of capital flows and changes in international trade conditions have a significant impact on the economies of many developing countries. In particular, global financial crises and economic downturns significantly limit the opportunities of these countries to ensure economic stability and maintain the rate of economic growth. Under these conditions, the issues of maintaining macroeconomic balance, ensuring the stability of public finances and modernization of the economic system in the economic policy of developing countries are of particular importance. The increase in public debt in many developing countries in recent years has created additional complexities in conducting economic policy. According to statistics, in countries with developing and emerging market economies, public debt increased by an average of ten percentage points relative to gross domestic product since the 2017 year, and by 2,188 years amounted to about fifty-four percent of gross domestic product. This increase in public debt limits governments' ability to pursue independent fiscal policies to support the economy. As a result, many countries are forced to seek assistance from international financial institutions to address financial resource shortages, balance of payments problems, and macroeconomic imbalances.

As one of the most important institutions of the international financial system, the International Monetary Fund plays an important role in providing financial assistance to countries. This organization requires the allocation of financial resources to countries facing economic difficulties, as well as the implementation of a series of economic measures aimed at stabilizing economic policies. These requirements generally encompass economic reforms aimed at improving public finances, monetary policy, foreign trade policy, and institutional governance. Such conditions are expected to serve to eliminate existing macroeconomic problems in the country's economy, develop market mechanisms and ensure the stable functioning of the economic system. At the same time, the issue of the impact of conditions imposed by international financial institutions on economic reforms is one of the topics widely discussed in the economic literature. Some researchers believe that these conditions

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serve to liberalize the economic system and accelerate institutional reforms, while other scholars argue that such requirements may in some cases exacerbate socioeconomic problems or slow down short-term economic growth. Therefore, an in-depth study of the impact of economic programs proposed by international financial institutions on the economies of developing countries on the basis of empirical data is of scientific and practical importance. The relevance of this study is explained by the need to analyze on the basis of modern empirical data the extent to which the economic requirements imposed by international financial institutions affect the structural economic reforms carried out in developing countries. The results of the study contribute to the evaluation of the effectiveness of international financial assistance programs and to draw important scientific conclusions for formulation of economic policies aimed at ensuring sustainable economic development in developing countries.

Literature review

The impact of conditional programs applied by the International Monetary Fund on economic reforms in developing countries is one of the issues that has been extensively studied in the economic literature. A number of researchers argue that international financial aid programs play an important role in accelerating economic reforms. For example, Vreeland (2003) and Bird (2007) note in their research that the financial assistance provided by international financial institutions provides governments with the necessary economic and political resources during times of economic crisis. They believe that countries facing economic difficulties will be able to strengthen fiscal discipline, stabilize monetary policy and implement institutional reforms due to international financial assistance. For this reason, some scholars consider the programs of international financial institutions to be an important mechanism for stimulating economic reforms.

However, there are also critical views in the scientific literature regarding the effectiveness of these programs. Dreher and Rupprecht (2007) argue in their research that stringent economic requirements imposed by international financial institutions can in some cases have a negative impact on the level of economic freedom. Dreher (2009) also notes that programs by international financial institutions can slow down the rate of economic growth or lead to drastic reductions in government spending in the short term. According to this approach, economic conditions may exacerbate socio-economic problems in some countries or limit the flexibility of economic policies.

In addition, a number of researchers argue that the success of economic programs is largely due to the degree to which national governments adopt these programs. For example, Bird and Willett (2004) and Killick (1995) in their studies show that the effectiveness of economic reforms is closely related to governments' acceptance of policies recommended by international financial institutions as national economic strategies. They believe that economic reforms supported by governments will be implemented more quickly and efficiently than policies that are imposed from outside. In recent years, researchers have been making extensive use of modern econometric methods to assess the effectiveness of economic conditions imposed by international financial institutions. For example, Nozaki, Gelos and Sharma (2019) and Dreher and Walter (2010) empirically explore the impact of international financial aid programs on the reform of various economic sectors, using comprehensive statistics on developing countries in their research. The results of these studies show that the impact of the economic conditions imposed by international financial institutions on different sectors is not the same. In particular, some conditions may accelerate liberalization processes in the trade and financial sectors, while other conditions may stimulate institutional and labor market reforms.

An in-depth empirical analysis of the impact of conditional programs implemented by international financial institutions on structural economic reforms in developing countries is

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scientifically important. This study aims to investigate this issue using modern statistical methods and comprehensive data.

Methodology

This paper used the "entropy balancing" econometric method to assess the impact of IMF programs in developing countries. This method makes it possible to equalize macroeconomic differences between countries participating in IMF programs (treated group) and those not participating (control group) and to eliminate the problem of endogenity (selection error). Panel data from 64 developing countries from 1980-2014 were used for the analysis and IMF conditions were studied by dividing them into two main categories: quantitative (debt limits, budget deficit) and structural (legislative change, privatization).

Results of analysis and analysis

The results of the empirical analysis showed that conditional programs applied by international financial institutions increase the likelihood of structural economic reforms in developing countries. However, the effects of conditions are not uniform across all economic sectors. The results of the study show that different types of conditions imposed within the framework of international financial programs give different results in individual sectors of the economy. In particular, quantitative conditions can accelerate liberalization processes in the trade and financial sectors by ensuring macroeconomic stability. Structural conditions, on the other hand, are more likely to influence institutional changes and reforms in areas such as the labor market and the product market.

The results of the analysis are presented in the table below, which shows the impact of quantitative and structural conditions imposed by international financial institutions on the reforms of various economic sectors.

Table 1

The Impact of International Financial Institutions Conditions on Sectoral Reforms

Area of reform	Effect of Quantitative Conditions	Impact of Structural Terms	Note
Reforms of the trade market	+0.023 (2.3 percentage points)	-0.007 (-0.7 percentage points)	Quantitative conditions reduce trade barriers and accelerate the process of foreign trade liberalization
Foreign financial reforms	+0.031 (3.1 percentage points)	+0.007 (0.7 percentage points)	Liberalization of the financial sector and liberalization of capital movements
Reforms of the product market	+0.016 (1.6 percentage points)	+0.013 (1.3 percentage points)	Helps strengthen competition and market mechanisms
Reforms of the labour market	+0.006 (0.6 percentage points)	+0.009 (0.9 percentage points)	Supports improvement of labor laws and institutional changes

The table results show that quantitative conditions have the highest efficiency in the trade and foreign finance sectors. In particular, the impact of quantitative conditions on trade market reforms is 2.3 percentage points, suggesting that this could significantly accelerate the process of trade policy

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liberalization. In the external financial sector, this indicator is 3.1 percentage points, indicating a positive impact on the international capital movement and financial integration processes.

On the other hand, the impact of structural conditions is important for certain sectors. For example, the impact of structural conditions on labor market reforms is 0.9 percentage points, indicating that it has a positive impact on the process of improving labor market regulatory institutions and harmonizing legislation. Structural conditions also play an important role in product market reforms, serving to enhance market competition and increase cost-effectiveness.

Table 2

The effectiveness of reforms depending on the level of fulfillment of the conditions of international financial institutions

Degree of Fulfillment of Conditions	Growth of reforms	Note
Condition where conditions are fully fulfilled	+0.039 (3.9 percentage points)	Reforms will accelerate significantly
Condition partially fulfilled or unfulfilled	+0.020 (2.0 percentage points)	The pace of reform will be relatively low

The results of the second table show that the level of fulfillment of economic requirements imposed by international financial institutions has a direct impact on the effectiveness of reforms. According to the study, the overall growth rate of structural reforms is 3.9 percentage points when economic requirements under international financial institution programs are fully met by governments. Conversely, in cases where conditions are partially met or not met at all, this indicator remains around 2.0 percentage points.

These results show that effective implementation of agreements with international financial institutions can significantly accelerate the process of economic reforms. Also, when agreed measures on economic policy are strictly implemented by governments, the possibility of liberalizing the economic system and accelerating institutional change increases. The results of the analysis show that conditional mechanisms used by international financial institutions are one of the most important factors stimulating economic reforms in developing countries. However, it has also been found that the effectiveness of these programs largely depends on the political will, institutional capacity, and determination of governments to implement economic policies.

CONCLUSION AND SUGGESTIONS

The results of the study show that conditional programs implemented by the International Monetary Fund are one of the most important mechanisms for stimulating structural economic reforms in countries with emerging market economies. The economic requirements imposed by the financial assistance programs provide an important impetus to ensure macroeconomic stability, balance economic policies, and implement institutional changes. The results of the study showed that quantitative economic conditions play an important role in accelerating liberalization processes in the trade and foreign financial sectors. Structural conditions mainly serve to improve the labor market, product market and institutional governance system. At the same time, the analysis showed that the effectiveness of economic conditions imposed by international financial institutions in a large part depends on their content and suitability for the economic conditions of countries. Therefore, using a one-size-fits-all approach to the development of economic programs may not always yield the expected result.

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Based on the results of the research, the following scientific and practical proposals were developed:

1. It is necessary to develop conditional programs applied by international financial institutions, taking into account the level of economic development and institutional capacity of countries. Since each country has a different economic structure, level of market development and institutional system, it is desirable that economic programs should also be shaped on the basis of an individual approach.

2. It is desirable to focus quantitative economic conditions mainly on the stabilization of the financial and trade sectors. The results of the study showed that these types of conditions are effective in accelerating the processes of trade liberalization and financial integration.

3. It is recommended that the structural conditions focus on institutional reforms, improving the labor market and the education system. This approach serves to improve the long-term efficiency of the economic system and develop human capital.

4. The active participation and approval of national governments in the implementation of the programmes of international financial institutions is necessary. Reforms will increase their effectiveness only if they are adopted by the government as part of the national economic strategy.

5. Particular attention should be paid to institutional capacity building in the implementation of international financial assistance programs. Improving public administration, economic policy planning and economic monitoring system will help ensure that the reforms produce sustainable results.

Conditional programs implemented by international financial institutions play an important role in stimulating economic reforms in developing countries. However, in order to ensure the long-term effectiveness of these programs, national economic conditions, institutional capacities and development strategies should be carefully taken into account when developing economic policies.

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