View metadata, citation and similar papers at core.ac.uk
brought to you by CORE

『社会科学ジャーナル』68〔2009〕
The Journal of Social Science 68[2009]
pp.*115-131*

Managing Economic Crises: What Did the IMF Learn From Asia?

Shinji Takagi *

I. Introduction

The paper examines the evolution of the International Monetary Fund (IMF)'s approach to managing economic crises by comparing its crisis lending programs in Asia (1997) and Europe (2008). The purposes for which the IMF was established include: "to give confidence to members by making the general resources of the Fund temporarily available to them under *adequate safeguards*, thus providing them with opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity" (Article I (v) of the IMF Articles of Agreement; italics added). It is the expression "adequate safeguards" that is the focus of the paper. In principle, the IMF provides temporary financing to a country in crisis with a reasonable assurance that the policies the country adopts are sufficient to solve the underlying balance of payments problem and thus allow the country to repay the Fund.

In its role as a conditional lender, the IMF has provided financial support to a large number of countries experiencing balance of payments difficulties over many years. The IMF's conditionality lending, the modality of which was perfected from the 1970s through the 1980s, was designed to manage a conventional crisis that typically arose from a chronic deficit in the current account of the balance of payments. For this reason, a program of adjustment policies supported by IMF financing typically called for tight fiscal and monetary policies in order to curtail domestic demand. Over time, moreover,

* Professor of Economics, Graduate School of Economics, Osaka University

conditionality began to include a wide range of structural (meaning non-macroeconomic) measures to strengthen international competitiveness and thereby to promote exports over the medium term.

In the 1990s, however, the nature of emerging market crises changed, with a substantial rise in the volume of cross-border capital flows. In a world where capital can move freely, a change in investor sentiment or expectations could trigger a large, rapid outflow of capital from a country. There is no guarantee that, in a crisis of this nature (often referred to as a capital account crisis), the IMF's conventional approach to crisis management will work as intended. The IMF was tested in 1997 when countries in Asia were hit by a capital account crisis, and the IMF responded with what some thought was a conventional tool kit intended for a current account crisis. The IMF is now being tested again as country after country being hit by the ongoing global financial crisis is calling for financial assistance from the IMF.

What lessons did the IMF learn from Asia? And what changes has it since introduced to the way it manages economic crises today? In order to answer these questions, we will compare two sets of IMF programs of crisis lending: Indonesia, Korea, and Thailand in 1997 and Hungary, Iceland, Latvia, and Ukraine in 2008. In both sets of cases, the IMF provided exceptional financing (Table 1). We will examine the content of program conditionality in the IMF's 2008 programs to see whether and how it differed from the conditionality it had applied in Asia in 1997. We then attempt to identify what the IMF learned from Asia and how it applied the lessons to its crisis management strategy in Europe.

Table 1. IMF Financing in Asia (1997) and Europe (2008)

	IMF financing (In billions of US dollars) [1]	As a percent of IMF quota
Asia (1997)		
Indonesia	10	490
Korea	21	1939
Thailand	4	505
Europe (2008)		
Hungary	15.7	1015
Iceland	2.1	1190
Latvia	2.35	1200
Ukraine	16.5	800

[1] Excluding other official financing.
Sources: IMF program documents.

The rest of the paper is organized as follows. Section 2 discusses why the IMF was criticized for its conditionality in Asia by identifying the controversial elements of the Asian programs. Section 3 examines the content of macroeconomic conditionality in Europe, arguing that it differed little from the conditionality in Asia. Section 4 considers the content of structural conditionality in Europe, highlighting in particular the evolution of the IMF's thinking on the topic over the past decade. The next four sections in turn explain how the IMF applied the lessons of Asia to Europe by identifying four key features of the IMF's new approach to crisis management: (i) more emphasis on ownership (Section 5); (ii) greater collaboration among stakeholders (Section 6); (iii) greater transparency and realism (Section 7); and (iv) more flexibility of policy options and program targets (Section 8). Finally, Section 9 presents concluding remarks.

2. The IMF And The Asian Crisis

The IMF was severely criticized during the Asian crisis of 1997 for attaching what some thought was misguided conditionality to its crisis lending programs in Indonesia, Korea, and Thailand. In terms of program conditionality,

there were two controversial aspects to the IMF's crisis management approach in Asia (see, for example, IEO, 2003; also Boorman et al., 2000).

First, one controversial aspect of the IMF programs in Asia was the tight macroeconomic policies that consisted of monetary and fiscal tightening through higher interest rates and government expenditure cuts. Critics argued that the high interest rate policy damaged the already weak banking sector, thereby worsening and unnecessarily prolonging the impact of the crisis. As to the tight fiscal policy, all three programs envisaged small fiscal surpluses over the program period despite the sharp contraction of economic activity. There is now broad agreement that fiscal tightening as initially programmed in Asia was unwarranted not only in view of a prospective deceleration of output, but also because fiscal balances were initially in surplus and fiscal prodigality was never a cause of the crisis (Ito, 2007). The actual outcome, however, was more expansionary than programmed because the IMF quickly relaxed the targets and automatic stabilizers came into motion.

Second, the IMF programs in Asia required structural reforms in a wide range of areas, including some which were considered by many to be unrelated to the immediate problem of crisis resolution. Critics argued that some of these structural conditionality measures distracted attention from the core macroeconomic and financial issues requiring immediate attention; they were an encroachment into domestic decision making and created an unnecessary political opposition; and they damaged investor confidence by signaling to the markets that the situation was worse than they had feared (Furman and Stiglitz, 1998; Radelet and Sachs, 1998).

Particularly in Indonesia and Korea, structural conditionality went far beyond addressing the critical problems of the distressed financial sector. The Indonesian program included a large number of additional structural reforms related to cronyism and corruption (though not all of them were formally tied to the approval and continuation of IMF financing—benchmarks rather than performance criteria). In Korea, too, the agenda of reform was broader than financial sector restructuring, covering also trade liberalization (especially, the

termination of the so-called import diversification program), capital account liberalization (allowing greater foreign ownership of Korean firms), corporate governance, and labor market reform. Some thought that the IMF had included these measures in the crisis lending programs under pressure from its major shareholders, especially the United States.

3. Macroeconomic Conditionality

As it was the case in Asia over 10 years ago, the European programs of 2008 all incorporated tight monetary and fiscal policies. In terms of monetary policy, interest rates were raised or credit was tightened in all four countries that received IMF financial assistance. For example, Iceland raised the policy interest rate by 6 percentage points (to 18 percent) as a prior action for the program's Executive Board approval; the program also set performance criteria on the provision of central bank credit to the government and the private sector. In Ukraine, although the stance of monetary policy had been tight prior to the crisis, the authorities in the fall of 2008 responded to the global tightening of liquidity by lowering the policy interest rate by 3.5 percent. The IMF program required that monetary policy be reversed back to the tightening stance of the pre-crisis period.

As to fiscal policy, all program documents stressed fiscal tightening as the critical element of the program. In Hungary, for example, the documents explicitly stated that the objective was to implement "a substantial fiscal adjustment" and programmed a tightening that amounted to about 1 percent (2.5 percent in cyclically adjusted terms) of GDP from 2008 to 2009. The tax cut planned for 2009 was also scrapped. The government of Hungary had failed several times to raise funds in the market. A government that cannot borrow in the market cannot be expected to continue to run fiscal deficits. Surely, restoration of fiscal sustainability must be a primary objective of any crisis management program.

In Ukraine also, the program envisioned a fiscal tightening amounting to 1 percent of GDP. Ukraine had continued to run fiscal deficits amid strong

capital inflows, and the need to tighten fiscal policy had been recognized as a priority task even before the onset of the crisis. In Latvia, fiscal tightening was essential, not only to maintain the fixed exchange rate under the currency board arrangement by depreciating the real exchange rate,[1] but also to achieve the national goal of joining the Euro Zone.[2] The program documents stated that, with determined efforts, the Maastricht criteria for fiscal policy convergence could be met by 2012. Under the IMF program, an adjustment equivalent to 7 percent of GDP was carried out for the 2009 budget (compared to the original budget).

4. Structural Conditionality

If there was a difference in the content of program conditionality between the Asian and European programs, it was in the area of structural conditionality. Whereas structural conditionality in Asia covered reforms in a wide range of areas, it was essentially limited to reforms in the banking sector and the fiscal system in Europe. In all countries, bank restructuring was closely connected with the eventual resolution of the crisis. In Iceland, three major banks holding about 85 percent of total deposits had failed and were nationalized. In Hungary, where more than a half of the outstanding housing loans were denominated in foreign currencies, international investors decided to pull out of the country's banking sector when they saw the large balance sheet mismatch. In Latvia, the drying up of liquidity associated with the global financial crisis caused the currency peg to be challenged and led to a precipitous run on the banking system. Except for Ukraine, moreover, conditionality included the introduction of a rule-based fiscal framework to ensure medium-term fiscal sustainability.

---

(1) Since January 2005, the Latvian lat (LVL) has been pegged to the euro at the central rate of 0.702804 LVL per euro (with a margin of one percent on either side) under a currency board arrangement (where the base money is backed by gold and foreign currency reserves).

(2) An EU member country wishing to adopt the euro is in principle required to meet the convergence criteria agreed under the Maastricht Treaty, including the requirements that the annual fiscal deficit not exceed 3 percent of GDP and that the balance of gross government debt not exceed 60 percent of GDP.

Structural conditionality was more extensive in Latvia, in view of its decision to maintain the currency board without devaluing the central rate against the euro. In addition to banking sector and fiscal system reforms, structural benchmarks were placed on the development of a comprehensive debt restructuring strategy, an amendment of the Insolvency Law, and the establishment of a framework of wage restraint in the form of a committee in the National Tri-Partite Council. The framework of wage restraint is designed to depreciate the real exchange rate when the nominal rate is fixed and thereby to restore international competitiveness. Although not part of formal conditionality, Latvia's letter of intent also included measures to "promote the development of new products and technologies, increase labor market flexibility," and to strengthen "the business environment."

The more simplified conditionality of the 2008 European programs reflected the consensus that had emerged within the IMF during the course of post-Asian crisis debate on the need to "streamline" structural conditionality in a limited number of "macro-critical" areas. The IMF's 2002 conditionality guidelines and associated documents stated: "conditions that are not of critical importance for achieving the macroeconomic goals of the program…are to be avoided" (IMF, 2002). The IMF's internal review of conditionality, comparing structural conditionality in IMF programs between 1995-97 and 2001-03, noted that major shifts had occurred in the direction of "greater focus on criticality" (IMF, 2005).

5. More Emphasis On Ownership

Latest criticisms of recent IMF programs have focused on the essentially unchanged nature of macroeconomic conditionality. For example, the Bretton Woods Project, a civil society organization that critically monitors IMF and World Bank operations, stated in April 2009: "The old recipes of tight fiscal policies…and single-digit inflation seem to be at the top of the Fund's conditions and advice to countries that it has bailed out" (BWP, 2009). These criticisms, however, miss the real changes that had taken place since the Asian crisis in the

IMF's conditional policies and procedures. In this and subsequent three sections, we identify the features of recent IMF programs that reflect these changes under four headings.

One feature of the IMF's new approach to crisis management concerns the emphasis it places on "ownership," which the IMF defines as "a willing assumption of responsibility for an agreed program of policies" by responsible officials in a borrowing country (IMF, 2001, p. 6). Ownership is not a new concept. At least in principle, all past IMF programs have been the "IMF-supported programs" of government-owned policies. But the Asian crisis led to a serious reflection on ownership as an essential element of any successful IMF intervention in member countries, but particularly during a capital account crisis. It became clear that to demand a policy measure to which a government (and the society it represents) did not fully commit itself, no matter how desirable the policy might be to the national economy, could increase the chance of program failure and end up undermining market confidence.

Accordingly the European program documents emphasized, far more than the Asian program documents had done, that the choice of any policy measure was the authorities' and that the IMF was simply supporting that choice. For example, the Hungarian government had already raised the policy interest rate in early 2008, and the IMF program simply maintained the stance of policy already chosen. In Iceland, the government had been raising the policy interest rate (before the reversal in mid-October) and pledged to reform the Housing Financing Fund (as a way of containing the provision of credit). Here again, the IMF program simply held on to the previously chosen course of policy. Latvia's choice to keep the exchange rate peg unaltered represented an ultimate form of country ownership. Here, the program documents emphasized that, with that choice, the rest was the government's responsibility: the authorities accepted the need for "exceptionally strong domestic policies" and understood the "possibility that recession could be protracted."

6. Greater Collaboration Among Stakeholders

Another feature of the IMF's new approach is its collaborative relationship with other stakeholders. Except for Ukraine, the European program documents stated that several stakeholders, such as the European Union (EU), the European Central Bank (ECB), the World Bank, and Nordic countries, had participated in the preparation of the programs. In Asia, in contrast, the programs were negotiated almost exclusively by the IMF staff and the authorities of the countries concerned, with limited direct participation by other stakeholders. Even the participation of the World Bank in the program negotiations was limited.(3)

The resources of the IMF can never be fully adequate in a capital account crisis. If investor confidence is totally lost, for example, not only foreign investors but also domestic residents could in principle take money out of the country by liquidating assets and converting the proceeds into foreign currencies. In this regard, the objective of IMF financing is to induce international investors to stay in the country (or better still to bring additional money into the country) by presenting a program of adjustment policies worthy of their confidence. This requires not just volume, but the credibility of the overall financing package. This is where IMF programs can be strengthened by collaboration with other stakeholders.

The need to collaborate with other multilateral institutions has been well recognized by the IMF since the Asian crisis. The 2002 conditionality guidelines clearly state that the IMF's "program design….and conditionality will, insofar as possible, be consistent and integrated with those of other international institutions within a coherent country-led framework" (IMF, 2002). Strengthening the IMF-World Bank collaboration in particular has been a constant theme (see, for example, IMF, 2004). In Europe, the IMF's new collaborative approach went even further, as it allowed anybody who was

(3) There was, however, a suspicion that the IMF had incorporated the views of the United States in a non-transparent way (even though the country did not offer a penny in the case of Thailand).

willing to provide financing to participate in the preparation of the programs, including regional bodies and bilateral donors.

7. Greater Transparency And Realism

A third feature of the IMF's new approach involves greater transparency and realism in the design of programs. For one thing, purpose and logic were fully explained in the documents for the European programs. In terms of high interest rate policy, for example, the documents in most cases stated that the purpose was to stabilize the exchange rate while noting the negative consequence of premature monetary easing for this purpose. At the same time, the documents also stated the need for banking sector restructuring as an objective of the program and, insofar as high interest rate policy conflicted with this objective, the need to manage monetary policy flexibly. In Ukraine, the documents were explicit in stating the need for further monetary tightening but only after the pressing liquidity problem of the banking sector was resolved.

Not disclosing information can give surprise to the market and may end up undermining the program. This is a lesson of the Asian crisis. Thus, compared to the Asian programs, a far greater amount of information was disclosed to the public about the European programs, from the initial stage of the negotiations to the announcement of the approved programs. Transparency has increased in many public institutions throughout the world over the past decade, with the IMF being no exception. In the context of IMF programs, transparency has also been considered to be a vehicle of enhancing ownership through deepening the "base of support for sound policies among a country's domestic interest groups" (Drazen and Isard, 2004).

As a reflection of greater transparency, the European programs were also more realistic in their assumptions and forthright about risks. Particularly noteworthy were the forecasts for economic growth, which were all negative for 2009 (Table 2). In comparison, the growth assumptions in the Asian programs were overly optimistic, with all forecasting a positive growth of 2.5-3.5 percent for 1996. One of the most significant academic lessons of the Asian crisis is that

a large output collapse is likely in an emerging market economy when there is a sharp capital outflow reversal accompanied by substantial currency depreciation (see Takagi, 2008). The European programs correctly recognized the inevitable.

Table 2. Real GDP Growth under IMF programs (In percent per annum) [1]

	Program year (projected or programmed)	Following year (programmed)
Asia (1997)		
Indonesia	5.0	3.0
Korea	6.0	2.5
Thailand	2.5	3.5
Europe (2008)		
Hungary	1.8	-1.0
Iceland	1.6	-9.6
Latvia	-2.0	-5.0
Ukraine	6.0	-3.0

[1] Calendar or fiscal year, as indicated in the program documents.
Sources: IMF program documents.

In terms of fiscal policy, the European programs were also realistic about what is feasible and what is not. Although all programs stressed fiscal tightening and placed performance criteria on fiscal deficits, they nonetheless allowed the deficits to continue (or even increase) in 2009 except in Ukraine (Table 3). The logic of fiscal conditionality in the European programs is that it realistically allows deficits to remain or increase in the short run while upholding fiscal consolidation as the central objective. The documents for Iceland explicitly stated that medium-term fiscal consolidation would formally commence in 2010. As a consequence of realism, moreover, the programs incorporated flexibility. The document for Ukraine, for example, acknowledged the possibility of relaxing the fiscal target for 2009 depending on the prevailing circumstances.[(4)]

(4) The program documents all referred to the need to protect the poor through a social safety net measure. The consideration of the social impact of a program was a response to the criticisms voiced at the time of the Asian crisis and such need has routinely been noted in all recent IMF program documents.

Table 3. Fiscal Balances under IMF Programs
(In percent of GDP) [1]

	Program year (projected or programmed)	Following year (programmed)
Asia (1997)		
Indonesia	0.8	1.0
Korea	-0.5	0.2
Thailand	-1.1	1.0
Europe (2008)		
Hungary	-3.4	-2.5
Iceland [2]	-0.2	-13.5
Latvia	-3.0	-4.9
Ukraine [2]	-1.0	0.0

[1] Calendar or fiscal year, as i ndicated in the program documents.
[2] Excluding the cost of bank restructuring.
Sources: IMF program documents.

Risks were highlighted more clearly. For example, the program documents indicated that recession was inevitable in Latvia; and 2009 would be a tough year for Ukraine, with the likelihood of a prolonged recession. Behind this approach is the philosophy that, when there is bad information, it is better to disclose it at the outset than to hide and let the market discover the information at a later time. In the end, it is not unfounded optimism but honesty that pays off in terms of enhancing the probability of success. Although the public will never know if all unfavorable information was disclosed, downside risks were sufficiently spelled out in the program documents to dispel any impression that the IMF was trying to appear overly optimistic to sell the program.

8. More Flexibility Of Policy Options And Program Targets

Finally, the European programs were more flexible in allowing the countries to use “unorthodox” policy measures as well as in the setting of program targets. As to policy options, Iceland and Ukraine were allowed to retain the restrictions they had introduced prior to approaching the IMF on capital outflows and payments for some current transactions; Latvia also retained the exchange

control related to the frozen bank deposits. For those who are familiar with the IMF's long-held position on these measures, what it allowed these countries is a historic departure and represents its increased flexibility.

Exchange restrictions related to current transactions (except those approved under the transitional arrangements of Article XIV) are in violation of Article VIII of the IMF Articles of Agreement, and are normally not permitted in IMF programs as "measures destructive of national or international prosperity" (IMF, 2002, p. 2). Capital controls, on the other hand, do not violate the IMF Articles as long as they do not restrict payments for current transactions, but the IMF has generally taken a position unfavorable to any administrative measure that interferes with the free movement of capital.[(5)] Now the IMF permitted exchange restrictions in Europe on the condition that they would be removed as soon as practical, and appears to consider capital controls as a legitimate crisis management tool.[(6)]

Greater flexibility applied to the setting of program targets as well. As economic conditions that influence investor behavior change frequently, an inflexible program may eventually become self-defeating. For this reason, the program documents for Ukraine, while targeting a balanced budget for 2009, stated that the target could be adjusted flexibly in view of prevailing conditions. The biggest uncertainty in all of the programs was the cost of banking sector restructuring. Thus, the cost of bank restructuring (including depositor protection) was excluded from fiscal conditionality in all four countries. This would allow the countries to increase fiscal spending flexibly without violating the terms of conditionality. In contrast, the cost of bank restructuring became a controversial element of fiscal conditionality in Asia.

(5) In 1998, many observers thought that the IMF was hostile to the introduction of a capital outflow control by Malaysia. See IEO (2005) for a general review of the IMF's approach to capital account liberalization and related issues.

(6) On the other hand, as EU member countries, Hungary and Latvia did not have the option to introduce capital controls.

9. Conclusion

The paper has examined the IMF's recent crisis management programs in Europe to see how it applied the lessons of Asia over 10 years ago. We have observed that, compared to the Asian programs of 1997, the structural conditionality of the European programs of 2008 was more focused on the critical areas of financial sector restructuring and fiscal system reforms. The overall thrust of macroeconomic conditionality, however, was much the same: fiscal and monetary tightening. As noted in the text, a civil society organization has recently criticized the IMF for continuing to uphold the "old recipes of tight fiscal policies ··· and single-digit inflation."

The paper has argued that the difference between the Asian and European programs was subtle, as it was more about approach than about content. In particular, we have argued that relative to the Asian programs, the European programs were characterized by (i) more emphasis on ownership; (ii) greater coordination among stakeholders; (iii) greater transparency and realism; and (iv) more flexibility of policy options and program targets. This new approach to crisis management reflects the quiet changes incorporated over the past decade in the IMF's conditionality policies and associated procedures, namely, the lessons of Asia.

The new approach recognizes that the success of crisis management programs, far more than conventional adjustment programs, requires the restoration of investor confidence. Attempts were thus made to enhance credibility and prevent surprise to the market, including by being realistic about assumptions, forthright about risks, and flexible about policy options and program targets. Country ownership of policy measures was emphasized to affirm national authorities' commitment; collaboration among various stakeholders, with the IMF serving as coordinator, enhanced the credibility of the official financing package. When policy measures were of the type that could cause controversy, the purpose and logic were fully explained.

It is still premature to make a firm judgment on the effectiveness of the IMF's new crisis management strategy. If exchange rate stability in any way

reflects the restoration of investor confidence, the European programs of 2008 may be said to have achieved some measure of initial success. Capital and exchange controls might have also contributed to this outcome in some cases, but it is well to remember that such measures are now part of the IMF's strategy that is both realistic and flexible. Only time can tell if the lessons learned in Asia and applied in Europe were indeed equal to the task.

References

Boorman, J., Lane, T., Schulze-Ghattas, M., Bulir, A., Ghosh, A. R., Hamann, J., Mourmouras, A., and Phillips, S. (2000). Managing Financial Crises: The Experience in East Asia. *Carnegie-Rochester Conference Series on Public Policy*, *53*, 1-67.

Bretton Woods Project (BWP). (2009). *Rhetoric versus Reality*. Update 65, April 17 Retrieved from www.brettonwoodsproject.org.

Drazen, A., and Isard, P. (2004). *Can Public Discussion Enhance Program Ownership?* (IMF Working Paper 04/163).

Furman, J., and Stiglitz, J. E. (1998). Economic Crises: Evidence and Insights from East Asia. *Brookings Paper on Economic Activity, 2*, 1-135.

Independent Evaluation Office (IEO). (2003). *The IMF and Recent Capital Account Crises: Indonesia, Korea, Brazil*. Washington: International Monetary Fund.

Independent Evaluation Office (IEO). (2005). *The IMF's Approach to Capital Account Liberalization*. Washington: International Monetary Fund.

International Monetary Fund (IMF). (2001, December 5). *Strengthening Country Ownership of Fund-supported Programs*. Policy Development and Review Department.

International Monetary Fund (IMF). (2002, September 25). *Guidelines on Conditionality*. Legal and Policy Development and Review Departments.

International Monetary Fund (IMF). (2004, February 24). *Strengthening IMF-World Bank Collaboration on Country Programs and Conditionality—Progress Report*.

International Monetary Fund (IMF). (2005, March 3). *Review of the 2002 Conditionality Guidelines*. Policy Development and Review Department.

Ito, T. (2007). Asian Currency Crisis and the International Monetary Fund, 10 Years Later: Overview. *Asian Economic Policy Review, 2*, 16-49.

Radelet, S., and Sach, J. D. (1998). The East Asian Financial Crisis: Diagnosis, Remedies, Prospects. *Brookings Papers on Economic Activity, 1*, 1-90.

Takagi, S. (2008). The Legacy of the East Asian Crisis: An Academic Perspective on Four Great

Lessons. *Journal of JBIC Institute, 36*, 202-207.

* This is a shortened version of the paper presented at the international symposium "The Global Financial Crisis: Implications for Asia," International Christian University, Tokyo, 23 February 2009. The author thanks Charles Adams for useful comments. He assumes responsibility for all remaining errors.

Managing Economic Crises: What Did the IMF Learn From Asia?

<Summary>

Shinji Takagi

The paper examines the evolution of the IMF's approach to managing economic crises by comparing its crisis lending programs in Asia (1997) and Europe (2008). Although the Asian and European programs differed little in the content of macroeconomic conditionality, the 2008 programs were more streamlined in structural conditionality, with a focus on financial sector restructuring and fiscal system reforms. The two sets of programs also differed in the way they were designed, explained, and presented. In particular, relative to the Asian programs, the European programs were characterized by (i) more emphasis on ownership; (ii) greater collaboration among stakeholders; (iii) greater transparency and realism; and (iv) more flexibility of policy options and program targets. The new approach incorporates the changes made since the Asian crisis in the IMF's conditionality policies and associated procedures, namely, the lessons from its experience with the Asian crisis.