ALEXANDER TECHNOLOGICAL EDUCATIONAL INSTITUTE

OF THESSALONIKI

DEPARTMENTT OF ACCOUNTING AND FINANCE

“A LINGUISTIC APPROACH TO THE ROLE OF THE INTERNATIONAL MONETARY FUND IN A FINANCIAL CRISIS.”

“THE CASE OF GREECE”.

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ABSTRACT

This project deals with a major problem that Greece faces nowadays. The current financial crisis following the domino effect, hit and Greece too, this is already facing its own internal economic and political problems. The main objectives of the final work, is through literature research recording of the situation in Greece until the time of completion and efforts to address against the crisis. Through the statistical analysis is found that despite the difficulty of the present and situations, there are optimistic thoughts as for the future of the country, suspicion and mistrust against the country's political system and a slightly negative attitude toward **International Monetary Fund** (IMF) and the plan of action.

INTRODUCTION

The current financial crisis is a global phenomenon which has an impact not only on individual economies-societies but also in the overall economy of the modern world. Rich-poor, technological developed and not countries, whether or not they have been affected by this, have to cope with the crisis individually and in total, but also to foresight and avoid exposure to future threats. Determinant role in this venture will play each economy ' s government, and monetary partnerships-compounds, too. The most typical institution from whom is expected to play the leading ride is the International Monetary Fund (IMF).

The IMF, also known as the Fund, was conceived at the United Nations conference occurred in Bretton Woods, New Hampshire, United States, in July 1944. The 44 Governments that participated in the conference sought to build a framework for economic cooperation that would avoid a repetition of the vicious circle of competitive devaluations that had led to the Great Depression of the 1930s.

CHAPTER 1: *ESTAMBLISHMENT AND OBJECTIVES OF THE IMF*

1.1 Establishment of IMF:

The establishment of the International Monetary Fund came about as a result of the economic crisis of the 1930s. Then, in order to clean the proven of their economies, developed countries raised a wall in the international trade competitively devalued their currencies and limited the freedom of their citizens to hold foreign currency. The results of these policies were devastating.

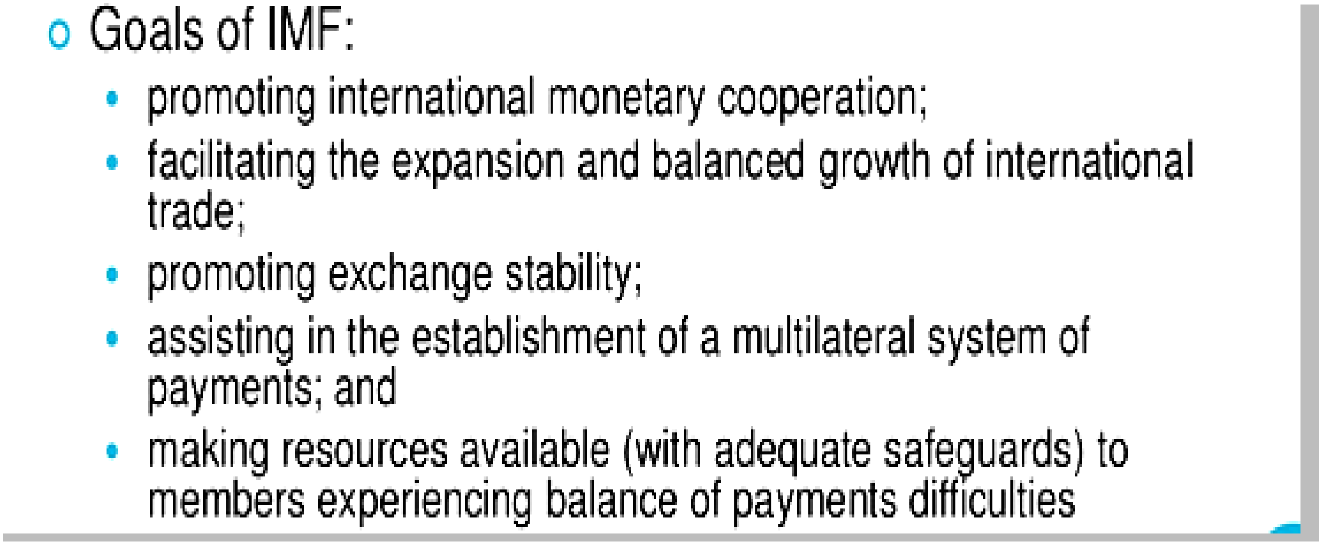
The meeting in the summer of 1944 at Bretton Woods in United States of America, with representatives from 45 countries, was the next step that led to decisions which reversed this situation and urged the revitalization of international cooperation. A result of this was the IMF, which was ultimately founded in Washington, USA, in December 1945 from 29 countries and officially began its operations on the 1st of March 1947. Later the same year, France was the first country-member that resorted to borrowing from cashier's desk. The participation of countries in the IMF increased towards the end of the 50s and 60s, when many African countries gained their independence from the colonial powers. Gradually, especially after 1973, most countries had adopted a system of freely floating exchange rates against the dollar and virtually abolished the core of the post-war monetary order.

Gradually, the IMF initiatives RST began to play an increasingly important role in averting the global crisis. The fall of the Berlin Wall in 1989 and the dissolution of the USSR in 1991 were determinant factors that increased the members of the IMF, and these factors have made the world organization as we all now know it. During the 90s, the IMF has worked closely with other organizations such as the World Bank, in order to lighten the debts of poor countries.

1.2 Goals of the IMF:

The main purpose of the IMF is to ensure the stability of the international monetary system, the system of exchange rates and international payments that enables countries to buy from one another, goods and services. This system is essential for the preservation of sustainable economic development, for increasing living standards and reducing poverty. Thus the objectives of the IMF are:

a. The promotions of international economic cooperation, since it provides the necessary mechanisms for both opinion and for cooperation up to international monetary problems are provided.
b. To facilitate the balanced development and expansion of international trade which will help to establish and maintain high level of employment and real income and hence to reduce poverty levels.
c. To promote exchanging stability in order to avoid competitive currency devaluations for competitive purposes and to promote an open international payment system.
d. To establish a versatile but liberal payment system that respects the transactions between the members of the easing of restrictions of foreign exchange which prevent the growth of world trade.
e. To boost members' confidence by borrowing, with provisional character and to guarantee to enable them to correct balance of payments imbalances, without resorting to measures destructive for national or international prosperity.
f. To reduce the duration and the rate of instability of the external balances of payments of the members.



CHAPTER 2: *IMF's METHODS TO SUPPORT MEMBER COUNTRIES IN CRISIS*

The IMF's primary purpose is to ensure the stability of the international monetary system – the system of exchanging rates and international payments that enables countries (and their citizens) to transact with each other. The basic tools that the IMF has at its disposal in order to achieve its main objectives, but also to help the countries that are in crisis are three; a. **surveillance**, b. **technical assistance** and **training** and c. **lending.**

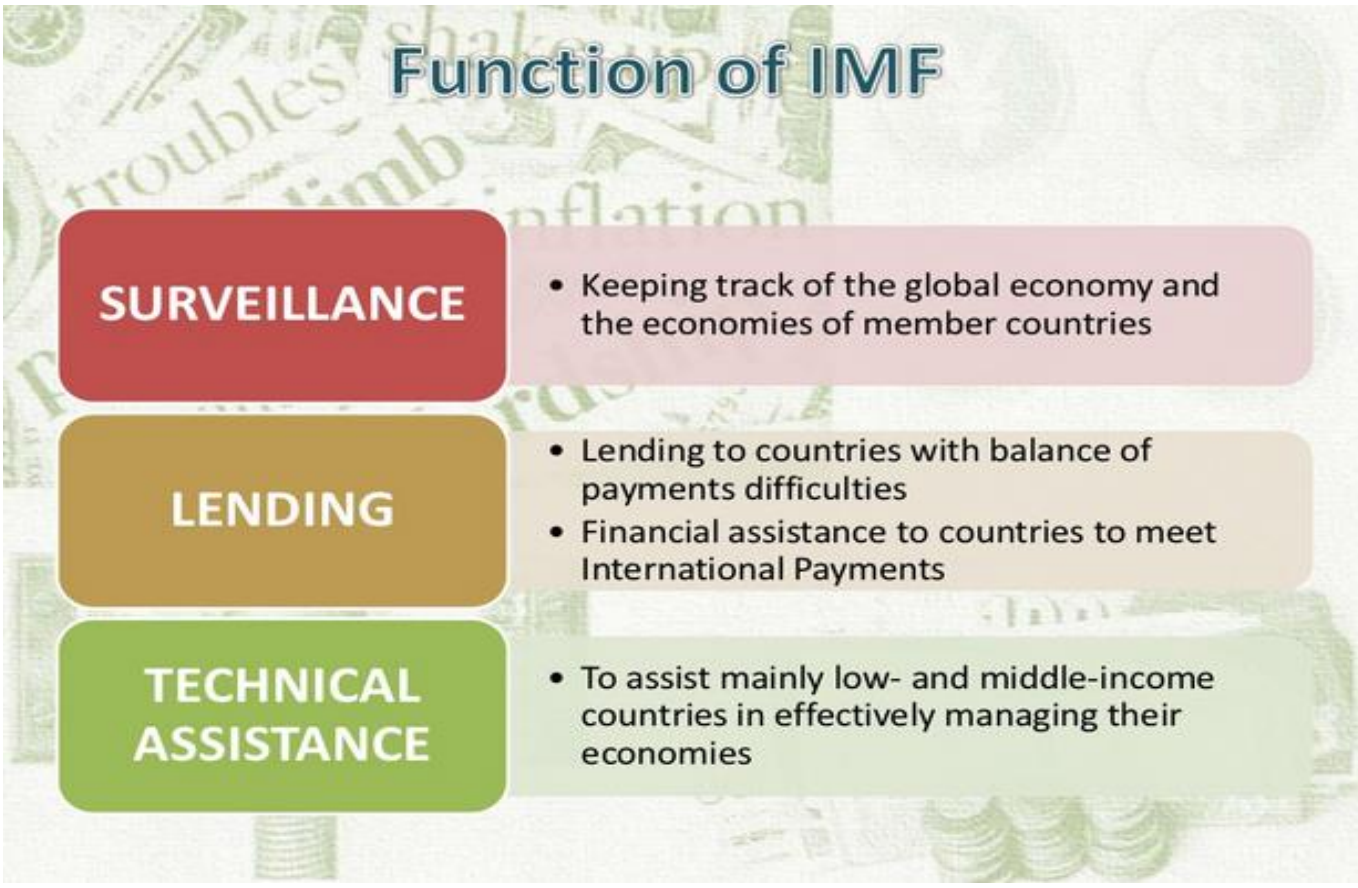
a. Surveillance: In order to maintain stability and to prevent from a crisis in the international monetary system, the IMF reviews country policies and national, regional and global economic and financial developments through a formal system known as surveillance. The IMF advises its 188 member countries, by encouraging policies that foster economic stability, reduce vulnerability to economic and financial crisis and raise living standards. It provides regular assessment as for the global prospects in its World Economic Outlook, the financial markets in its Global Financial Stability Report, and the public finance developments in its Fiscal Monitor, as well as it publishes a series of regional economic outlooks.

b. Technical assistance and training: IMF financing provides to its members breathing room to correct the balance of payment problems: national authorities design adjustment programs in case of cooperation with the IMF that are supported by the IMF financially; ceaseless financial support is conditional on effective implementation of these programs. In response to the global economic crisis, the IMF strengthened its lending capacity and approved a major overhaul of its financial support mechanisms in April 2009, with further reforms adopted in 2010 and 2011. These reforms focused on enhancing crisis, and tailoring instruments based on members' performances and circumstances. To increase financial support to the world's power countries, concessional resources available to low-income countries, through the Poverty Reduction· and Growth Trust were substantially booted in 2009, while average access limits under the IMF's concessional loan facilities were doubled. In addition, access norms and limits were increased by 50% in 2015. These loans are interest free through end-2016, while the interest rate on emergency financing is permanently set at zero. In addition, the IMF provides technical assistance and training to help member countries strengthen their capacity to design and implement effective policies including in the areas of tax policy and administration, expenditure management, monetary and exchange rate policies, banking and financial system supervision and regulation, legislative frameworks and statistics.

c. Lending: The last and most critical case of assistance. In this case the IMF essentially functions as resource-base for "comeback" for countries facing financial problems in their balance of payments. The borrowing country (paves)? the economic program, based on the financing, in cooperation with the IMF and the continuation or not of the financial support depending on the successful implementation of the above program. In low-income area, the IMF provides financial support through borrowing capacity on favorable terms. The IMF has doubled loan access limits and had enhanced its loans to the poorest countries in the world with zero interest rates until 2012.

After the collapse of the Bretton-Woods system fund ceased to lend anymore in order to preserve the exchanging rate and only lent to facilitate the adjustment of the balance of payments. More recently, the main cause of borrowing from the cashier is tackling debt crisis and bankruptcies.

The IMF draws its funds from the member-states of primarily through payment of shares (**quota**), which reflect the economic size of each state and which are reviewed every five years. Originally determined based on a formula that included various economic variables, such as average flow of exports and imports, national income, etc. The contribution that each member state has to pay in the body is determined by the integration into this. This contribution is to a large extent determines the severity of the vote of each country, as well as and the size of the loan you can take, if necessary. After the collapse of the US mortgage lending in 2008, swept away and the other developed and not economies, the IMF once again flooded with countless requests for assistance.



One of the means which help the IMF to tackle with the problems of its member states, is the Special Drawing Rights, which were established as additional reserves along with the gold and the reserve currencies (dollar, pound, mark, etc.). They are in effect a kind of paper gold and an international reserve asset issued by the IMF that can fill the official reserves of the Member States. Thus, the completion of the international liquidity is to strengthen the role of SDRs. Member States shall pay 75% of their share in the national currency and 25% in SDRs or other currencies that are used as reserves. Two grants in August and September 2009 increased the outstanding stock of SDRs almost ten-fold ($ 313 billion). Members may choose to swap between them with SDRs for currency.

In addition, there is the possibility of the New Credit Facility (Entity) which essentially is credit arrangements between the IMF and a group of Member States in order to increase the loan amount towards the fund, when its resources are insufficient for lending an exceptional case and this could disrupt the international monetary system. In the G-20 meeting in April 2009, world leaders pledged to support growth in emerging markets and developing countries, as already noted, the tripling of IMF lending resources by $ 250 billion to $ 750 billion. Keeping this promise on 24/11/2009, existing and potential new participants of the DPA (NAB) agreed to extend a $ 600 billion. The annual expenses of the Fund are covered mainly by the difference between the interest collection (on outstanding loans) and the interest payments (upon quotas used to finance the "reserve" of loan positions), but Member States have recently agreed to adopt a new income model based on a range of revenue sources that are more suited to the diverse activities of the Fund.

CHAPTER 3: *THE ISSUES OF CONDITIONS (CONTITIONALITY) AND MORAL HAZARD.*

The country's resort to borrowing from the IMF is essentially a consensus on the adjustment of economic policies, so as to overcome the problems that forced it to resort to borrowing from the international community. These loan conditions function indirectly as a guarantee that the country will be able to repay the loan. This is basically the concept of ***Conditionality***. That is a clear link between funding into approval by the Fund, or its continuation and the implementation of specific government policies. It is, in other words, one of the components of the comprehensive strategy of the Fund, which is to help its members to strengthen their economic and monetary policy.

Conditionality principle is found in Article II, Section 3 of the international organization and requires the IMF to adopt general policies to help members to resolve imbalances in the balance of payments in a manner consistent with the principles of the organization and with adequate safeguards. In recent years the Fund has rationalize these conditions in order to promote strong and effective national policies, but also to strengthen the ability to solve or prevent seizures.

In a broad sense the conditionality includes both design supported by programs Fund (mainly that structural macroeconomic policies) and tools that ultimately will be used to monitor the progress of the goals set by the country and the Fund and which are not the same in each case. The IMF has the ultimate responsibility for the implementation and monitoring of all conditions relating to the use of its resources. The conditions of the other programs should be applied sparingly and be governed by the following principles:

a. Are within the direct control of the state and is vital for the achievement of the program objectives and to monitor its implementation.

b. Under normal circumstances should consist of variables and structural measures within the areas of responsibility of the Fund, namely, measures that mainly macroeconomic stabilization and financial issues related to the operation of both domestic and international markets. But in case of any other measures that adopted, then these require a detailed analysis of their critical importance.
c. These conditions can expect from the state or to achieve certain goals, so then talk about conditionality based to effective or take (or not take) specific actions so we have the conditionality-Based Actions.

The conditionality that aims to help countries to solve the problems of the balance of payments and to strengthen the economic and monetary policy, without them resorting to measures that could put both the national and international prosperity in danger. Moreover, in this way it is intended to ensure that the economy of the borrower country could be reverted to enable it to repay its debt.

The question of conditionality but has passed and this intense criticism. Many people have expressed skepticism about the effectiveness, as applied by the Fund. Some academics and reaffirm the importance, desire and efficacy of conditionality, and referred to the weakness that exists to control the outcome if a program does not apply. Others questioned the effectiveness of generally referring to the limited effect of some policies considered keys, but also due to the interruption of several programs due to non-compliance of countries with them, and relapse, i.e. the fact that many developing countries find the IMF easy solution and constantly resorting to it for funding.

Beyond the question of conditionality, raises the issue of "***Moral Hazard***" borrowing from the

IMF. Many economists and-makers policy, worried that the existence of available financial assistance from organizations such as the IMF, leading directly to him. For many, the security provided by the support of an organization, reduces the incentive of the insured, in the case of the loan recipient, to take preventive measures. The question is whether the IMF's role as a lender to countries in financial crisis actually encourages borrowers and lenders to behave in ways that exacerbate a crisis. Concerns about moral hazard had a dominant position in discussions on reforming the international financial system, but also on who should be ultimately the role of the IMF.

Several analysts after the successive crises that have occurred in several emerging economies argued that in many cases the support of the IMF can lead to imprudent lending by banks and other financial institutions. The latter is deemed to borrow without taking into account the risk that this entails, and this because they feel the security of the country's borrowing from the IMF if necessary. On the other supported that when countries know that they can resort to the Fund, in a crisis, for borrowing, this may inactivate their incentives to take timely necessary measures to avoid the crisis.

Moral hazard can also occur when the Fund, for example, applying the wrong policies. Then we have the indirect moral hazard. Poor policies can take many forms. One of these is when borrowing from the IMF facilitates risky policies to reform the economy. Election life-cycle of a government is much less than the economic life-cycle of the citizens. And a government can by political expediency to select high-risk policies. If they succeed then they will reap the fruits, but if you fail people will experience the cost of a deeper crisis. To the extent that the IMF supports such governments helps significantly to power transfer, i.e. resources from domestic taxpayers to private investors, a move detrimental to prosperity.

CHAPTER 4: *THE EXPERIENCE OF SOME OLDER SUPPORT PROGRAMS*

IMF had to intervene and act in various situations of countries found in times of great crisis, which could easily drag on this and other countries. This section will briefly examine the cases of two countries, which in the past had to resort to taking support programs. These are Mexico and Argentina.

4.1 Mexico:

Mexico din not only fall on one but two strong economic crises. They were in 1982 and 1995. In both cases, the country reached the brink of failure to fulfill its obligations to third parties. Financial assistance came mainly from the US, but was different in the both cases, and therefore had different effect.

In the first judgment dealing that had the US was softer, as those they considered as interim financing, involving a very small amount and provided it to return in a year, which would give the Mexican government time to negotiate with his creditors, always in agreement with the IMF. But essentially what put the country into isolation from international capital markets. With the outbreak of the second Mexican crisis, however, the Mexican government realized that was an unprecedented scale economic crisis and therefore taking a series of extensive adjustment measures required, including emergency financial assistance.

The second crisis the country came as a result of the very large capital inflows in a rather dynamic financial market, the capital of that country. So when investors suddenly changed their attitude, they led the country into panic and a massive capital outflow. Abrupt withdrawal of capital flow, however, revealed a deep crisis in the domestic financial system, which threatened the stability of the productive sectors.

The challenge in this crisis was not only to reduce the external current account deficit, but also in taking measures to prevent disintegration of the economic and productive sectors. So apart from the fiscal and monetary adjustments, adopting floating exchange rate and progress in structural reforms and liberalization of the market that the government implemented, the Mexican authorities have negotiated a temporary economic package with the US government, the IMF, the World Bank and the Inter-American Development Bank to avoid the suspension of payment of external obligations. Preventing the crisis spreading to other countries was an additional reason which necessitated financial support to Mexico.

So in contrast to the first period of crisis, the second loan involved a much higher amount that would solve the problem of the country's liquidity and the possibility of a return of 2-5 years. The size and terms of the second loan were able to restore the confidence of the Mexican market and to lead the country again in international capital markets at very short notice. The success of the second package is clearly due to the state it was in and the Mexican economy, which was much better than in the first economic crisis. Important role played and the international environment which was more difficult during the first crisis, while private international capital markets were more developed in the 90s.

4.2 Argentina:

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Argentina, after a decade of high inflation and stagnant production, fell into hyperinflation in 1989. "convertibility plan" which stabilized the value of the Argentine peso relative to the US dollar and introduced in 1991, was intended to stabilize with drastic measures and almost irreversible, economy. It included more structural reforms to enhance the productivity and efficiency of the country. With this project, and with the support of IMF programs, short occurred stability to the economy to achieve a growth rate of 6% annually until 1997. However, the recession in the second half of '98, which partly arose due to the limitations of project proved quite serious and lasting. At the end of 2000 Argentina started experiencing the strictly limited access to capital markets, as demonstrated by the severe and sustained increase in spreads. Thus, the country plunged into a catastrophic crisis in late 2001 and early 2002.

Just before the crisis, many have praised the country for the stability and development achieved under the IMF support program. But the partial freeze on deposits, the inability to deal with, caused by the recession led to a fall in production, high unemployment and is therefore in social and political unrest. Century all happened when the country was under the strict control of the IMF because of the application of the above support scheme. Thus, in 1998 Argentina went into deep recession, partly because of the limitations imposed by the fixed exchange rate regime of the peso against the US dollar, which is not allowed to use macroeconomic policy tools to help it recover. The slowdown of the economy and nervousness caused international investors, led the country's debt soaring.

The IMF then intervened by providing financial support to Argentina. However, the incorrect application of promising fiscal reform, political instability and an increasingly worse global macroeconomic environment, leading to complete loss of access to markets. Failure of Argentina to the terms of the IMF support program, led the Fund to suspend funding. Early 2002, with the abandonment of the convertibility regime, the peso plummeted so as to follow the great crisis of the banking sector of the country. The economic and social costs for the people of Argentina, was huge.

Eventually in 2001 the Argentina defied their creditors and walked out of the debts. By autumn 2004, three years after a debt service attitude over $ 100 billion, the country was well on recovery path and achieved without the assistance of external assistance. The economy then achieved a growth rate of 8% for 2 consecutive years. Exports increased, the currency remained stable, investors returned and unemployment has fallen.

Although the responsibility for the economic policies of a Member State of the IMF must be borne exclusively early from the crisis and after, many observers questioned the effectiveness of the financing from the IMF and the quality of the counseling. Many believe that the main mistake of the IMF was that it provided great financial support without requiring a corresponding adjustment of policies the country, while others argue that the policies proposed by the IMF were those that ultimately led to the crisis. In any case, the collapse of the convertibility regime, and the negative economic and social consequences for the country, caused a defamatory cost to the Fund.

CHAPTER 5: *THE ROLE OF THE IMF IN THE CURRENT ECONOMIC CRISIS - FINANCIAL SUPPORT TO VARIOUS EUROPEAN COUNTRIES*

The global economic crisis of 2008 started from the US and is the first major of the 21th century, among other things, questioned the effectiveness of the mechanisms and functions of the international financial system and highlighted the need for reform of global financial institutions to modernize with the requirements of the times and is thus able to help their members effectively. Changes include the modernization of the purpose, governance and command, which essentially reflect changes in the world economy and the new challenges of globalization but also the fact that the developing and the poorest countries should have a stronger voice and representation.

In Europe the crisis hit several countries sooner or later rushed to adopt measures to tackle, while some of them fled to the IMF for support. These include Hungary, Romania, Iceland, Latvia and of course Greece.

In Europe, the crisis originated in Iceland, one of the healthiest economies in September 2008. Initially Icelanders turned to their neighbors for a loan, but negotiations with them failed. The other European countries refused to grant a loan to Iceland if she did not first resorted to the IMF. Iceland is a candidate country to the EU but as a precondition for accession was required to approve an agreement which would return the money lost by the collapse of ICESAVE (OFFSHORE the largest Icelandic private bank), the Dutch and British depositors.

After Iceland came the turn and other European countries, particularly those with high debt in foreign currency c large balance of payments deficits. These include Latvia and Hungary. Both are members of the EU The first is expected to adopt the euro, but has not yet reached this stage, while in Hungary there is still no exact date of adoption of the common currency. The EU and the IMF urged the Latvian government to borrow foreign currency to stabilize the exchange rate of the local currency in order to help borrowers pay mortgages taken out in foreign currency from foreign banks. But as a condition of funding from the IMF needed to be done and the usual cuts by the government.

On the other Hungary although in recent years has managed to reduce its budget deficit and appear to be on a steady growth path, amid the global crisis could not stay steadfast. The market of the country received intense pressure due to the global liquidity reduction and because of high debt levels and the country's balance sheet imbalances. The government has tried several times, but without success to auction government bonds, while the liquidity in the secondary bond market had dried up. The same happened with the stock market.

So during a crumbling real estate market, an industrial production of a currency under pressure, Hungary turned to the IMF. Negotiations were concluded in late October and included bailout $ 15.7 billion, which required deep cuts in public spending.

Romania on the other, between 2003 and 2008 experienced a sudden boom, which largely relied on foreign direct investment and capital inflows, partly from foreign bank branches in Romania helped the rise of consumption and investment. The sharp increase in lending but that drove the economic boom left Romania exposed when the global financial crisis erupted. In addition, the loose fiscal policy contributed to the imbalance economy, with extensive costs, mainly in salaries and pensions, and wound significantly and the industry.

So Romania proceeded to loan amounting to $ 17 billion in May '09, of which $ 6.6 billion was available immediately while the rest is in installments on the basis of quarterly inspections. The total international financial assistance, which comes from other international organizations, will amount to $ 26.4 billion. The loan agreement provided, among other things, the reduction of public spending Romania at € 1, 4 billion, and the total increase in public revenues. This was beyond fiscal consolidation, the country implemented before the IMF. These cuts would achieve to limit planned wage increases by 5%, halt recruitment to the public to cover vacancies and raise some specific duties. The government will simply ensure real incomes of low public and will invest € 60 million in social protection.

CHAPTER 6: *DISCUSSION (IN GREECE AND THE EU) FOR POSSIBLE REFERRAL OF GREECE TO THE IMF.*

The international financial crisis that erupted in 2008 in America has affected almost immediately all EU countries, forcing them to take immediate steps to timely tackle. In Greece, the effect of the above judgment was evident almost a year later. The country was already highly indebted and has lost about 25% of competitiveness since it adopted the euro. In late 2009 the general government deficit had reached 15.4% of GDP, while public debt had risen to about 120% of GDP. Furthermore, in previous years the public sector expenditure grew and revenue decreased.

The following tables shown: a) the state of Greek government debt and budget deficit in the years of the new regime up to 2008, which in recent years have risen steadily, b) the state of Greek public revenues from indirect and direct taxes and social security contributions, which, except the last, there is a significant downturn and c) that public spending in comparison with both the Eurozone countries with other regional countries, Ireland, Italy, Portugal and Spain. The average Greek spending situated below that of the Eurozone's countries but higher than four regional countries.

Table 1-1: Greek gross public debt and budget deficit

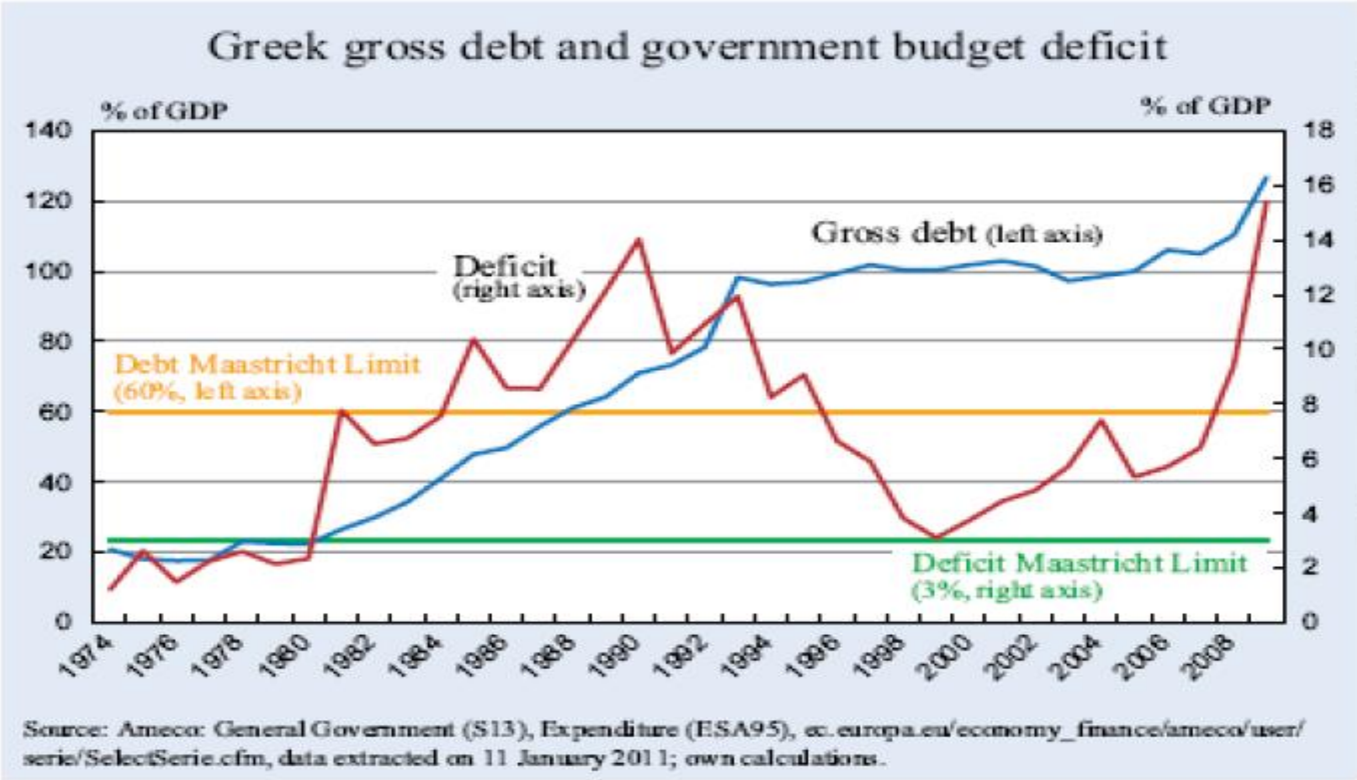


Table 1-2: Government revenue

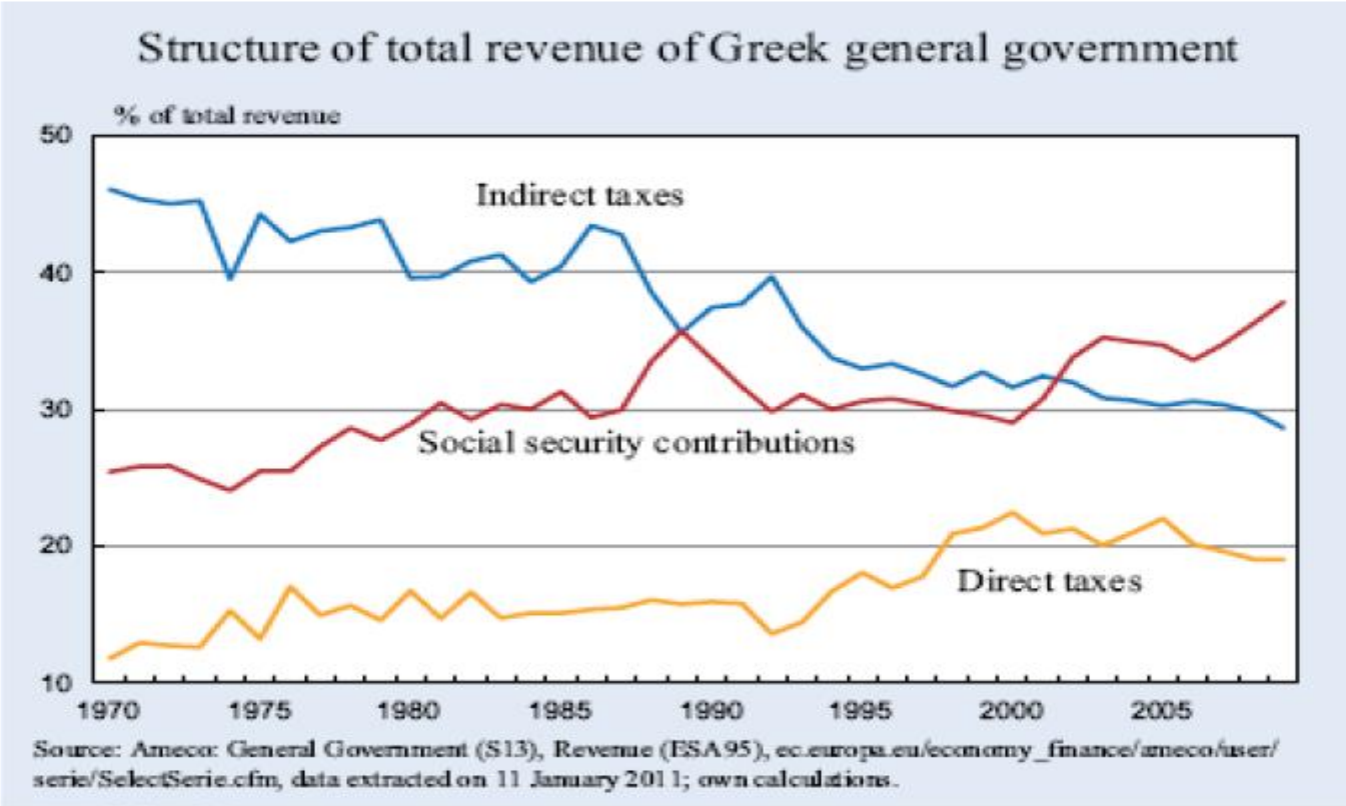
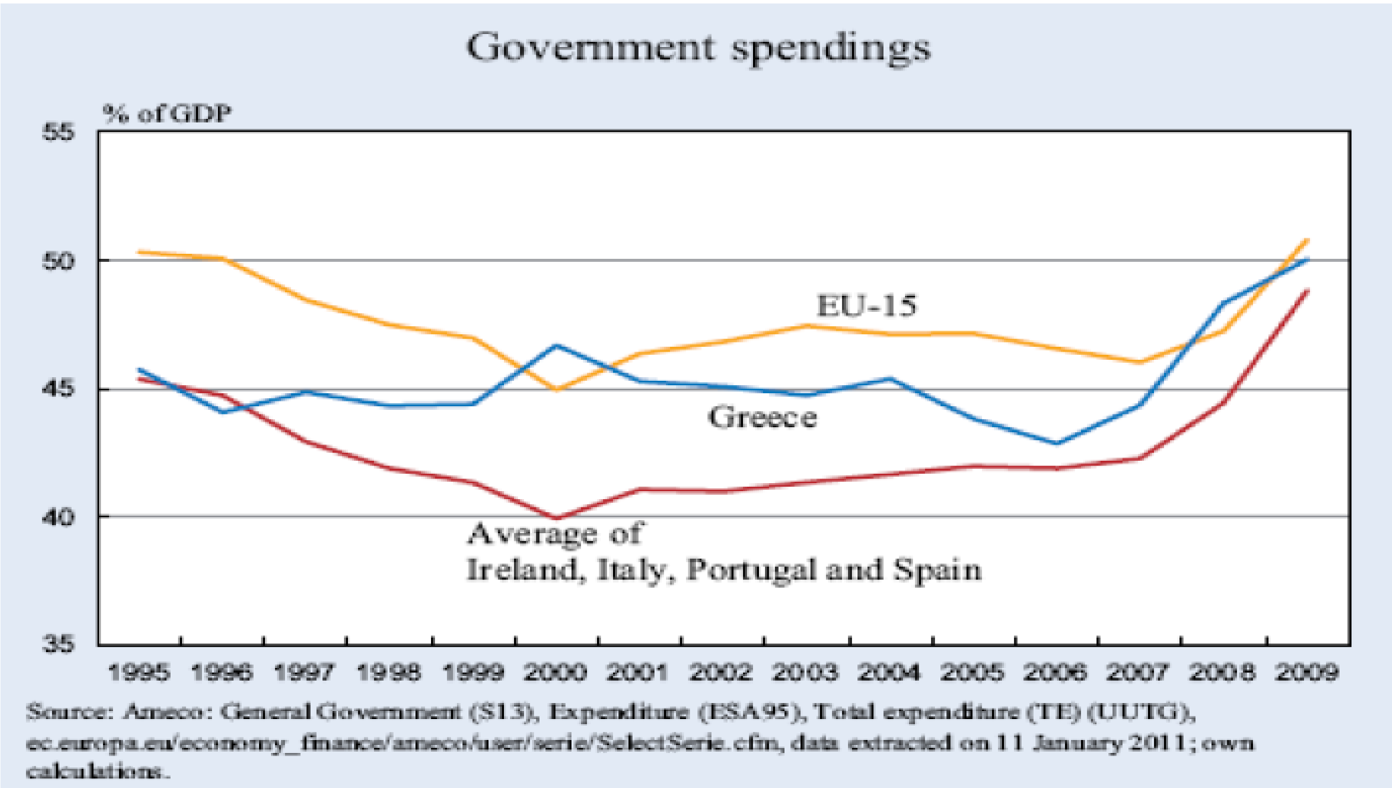


Table 1-3: Public Expenditure



The global recession that came a little later, lower economic activity and increased unemployment leading to worsen the already bad financial situation. Greece's finance costs increased rapidly, aggravating the already existing large debt. During a crumbling economy, just one step before bankruptcy, sounded very strongly the application scenario of Greece to the IMF for lending and exit from the dire economic situation. This possibility however provoked heated debates and controversial reactions inside. On the one HAV supporters who watched the action as the only way of saving the country, and the other opponents of that every step they saw and proclaimed the suffering that would stem from such a solution.

There were two possible scenarios that could be heard on economic assistance. Recourse to the IMF by EU consensus and bilateral or multilateral loans only from the EU with participation or non-German, generally its role in the overall attitude towards Greece, it was catalytic. Also discussed the joint intervention model, which was adopted by other European countries such as Hungary and Latvia, and related financial support from both the IMF and the EU and the World Bank, but the Fund to play a leading role.

There was a strong belief that initially the use of the Greece to the IMF as a means of pressure on the EU to refine and accelerate the assistance process and calming thereby purchases. In fact, neither in Greece, nor in Europe pleasantly sounded the action in the IMF. The first one, because the negotiating power in relation to the loan terms would be reduced as it was essentially borrowed from the bank and it is clear that the Fund would impose their terms of without question, as in each case a loan from a bank. On the other hand, the EU You would not want the involvement of such a body, so the US the role of the Fund is primary, within the Eurozone’s. The similarities, however, the measures the EU is introducing all those that would require the Fund in the event of recourse to it, were not few. Increases taxes centered VAT, cut tax exemptions, reducing staff, wage and pension cuts, reform of insurance, etc., measures where implemented facilitated while deficit financing, but deepened the recession.

In European background, officials in Brussels tried to convince Germany and A. Merkel to change her mind favoring new plan would support the Greek economy without Germany's participation, which was discussing the possibility even of Greece withdrawal of a quality Eurozone so there are no reactions inside the well did not wish to provide assistance to the country. The views expressed on the need for Greece to help were many.

In March 2010 the IMF through director external relations assured that the fund had not yet received a request from the Greek government for financial support and that the IMF works closely with the European Commission and only offered after chargeable two parties were expertise, and said the IMF expects the EU and the Eurozone countries will want to resolve the problem themselves.

In this spirit were the statements of the President of the Fund, Dominique Strauss-Kahn in early April, which welcomed the rescue package would be given to Greece from the Eurozone, saying that the fund would be ready to contribute to this effort to the extent that it will requested from the Greek authorities, so far the Fund did not participate in the consultations simply provided technical support. The Greek prime minister stated that contrary to what he had hoped, the markets are not reacting positively to the austerity measures that were designed by the government to reduce the country's debt, so it was nations and a pressing need to move closer to EU and the IMF.

So although the February 2010 Deputy Greek GOVERNMENT Mr. Th. Pangalos in an interview to the newspaper "Vima" resolutely stated that excluding the possibility for the country to resort to the IMF because it cannot and it’s necessary to do so, on April 23 of that year C. Papandreou instructed the Minister for economic use of the country in the support mechanism. The minister will announce to the chairman of the IMF on the next day. Following this statement, the markets moved differently from that in the previous period expressing the wake of the above action.

At a press conference a day after the Ministry Finance said that it was an ambitious stabilization and development program three of which came in cooperation with European partners, and raised and strong conditionality criteria, the sole purpose of leaving the Greeks from the bad economic situation which the country had fallen. On the other hand, Strauss-Kahn said that the international community is present and ready to help marmalades return to normality through a loan, not a grant as stressed several billion euros and that essentially what is at stake is not only the Greek economy but above all confidence in it.

On May 2, Greece comes to an agreement with the IMF, the EU and the ECB for a bailout package € 110 billion three years to stabilize the Greek economy, restore market confidence and increase competitiveness. Generally the program to reduce public spending, reduce and freeze wages and pensions for three years and tax increases to address the debt and budgetary problems of the country with the commitment that the Greek government would take measures to better management of public business, improving the general business environment but Kraft arrangements for dealing with waste, tax evasion and corruption.

The three credit agencies will assure the proper implementation of the measures taken the Greek government through quarterly inspections, while the release of the installments based on the observance of the quantitative performance criteria and a positive evaluation of progress in the

Memorandum Economic and Financial Policies tests, which determines the detailed criteria for successive evaluations until the middle of 2013. The Ministry of Finance shall provide to the involved lenders details of monthly income and expenses, the level of internal and external debt, all sources of funding, including capital transactions, and arrears payments Government. Moreover, the Bank of Greece will provide detailed monthly data on the assets and liabilities of local authorities and social security funds. On the other hand, the authorities are bound to consult with the European Commission, the ECB and the IMF on the adoption of policies that do not comply with the MEFP and will provide them with all necessary information for monitoring the progress of the economic and financial situation throughout the duration of the program.

From the basic obligations of the Greek government was the establishment, by the Bank of Greece, an independent Monetary Fund Stability, with a strong governance structure to address potential solvency issues and to preserve the financial sector soundness and its ability to support the Greek economy, by providing equity support to banks if needed.

The support package agreed demonstrates the large access to IMF resources while going for nu amount exceeds 3.2% of the contribution of Greece to the Fund, for the adoption of which used procedures of emergency financing mechanism. The Prime Minister in the May 2 announcement stated that no Greek citizen could never have imagined the magnitude of the country's debt and that target t is initially to restore the credibility of the Greeks in their country and then to restore the country's credibility in Europe and worldwide since the October 2009 nobody gave importance to Greece. Moreover, he stated that all negotiations were difficult because of the narrow framework of trading and therefore the weight that would have asked to lift the Greeks is very large. He promised three things: a) that would make it possible to protect the patient classes, b) the restoration and consolidation of the sense of justice is lost, and c) converting the crisis into an opportunity for change.

The first formal check on implementation of the government program done by the members of the three organizations or troika as they say, at the end of July 2010. According to the analysis program, except my other included anti situation only 20% of retiring employees in the public, reduction of payroll and public sector pensions by reducing benefits, reform of public administration and local government, reduction of investments financed from domestic resources, broadening the base of VAT to services which hitherto were excluded, adjustment of objective values property, started to implement dynamically however some significant difficulties and risks remained. Thus, the Troika agreed to the provision in Greece the second tranche of the loan, the amount of which amounted to € 9 billion (6.5 billion of which come from Eurozone and the rest from the IMF).

According to the Memorandum, Greece was obliged to second an official inspection carried out in November, has implemented other measures to allow it to proceed with the disbursement of the third tranche of the loan, some of which were: the introduction of a medium- financial framework based on a rolling three-year expenditure ceilings for the state, the introduction of mandatory reserve Emergencies in the budget of 10% of total appropriations of government departments, other than wages, pensions and interest, ensuring that the parliament does not change the overall size the budget at the approval stage, the introduction of stronger expenditure control mechanisms which spending entities regularly reported to the Ministry of Finance and the government of entire and the creation of a Single Payment Authority for public sector wages. At the same time it would act to modernize the health system, strengthening labor market institutions by adopting among other legislation to reform wage bargaining in the private sector and that competition in open markets, predominantly in the liberalization of closed professions.

In this second audit found that the troika that Greece has made very important steps to achieve the program objectives. However, the committee found again problems in the collection of taxes and the extensive expenses locally, problems that the government is balanced with cuts in public spending.

In mid-February 2011 and was third quarterly audit for the disbursement and tetanus loan installment. Among other objectives that should be achieved under the Memorandum, is the effective integration of the EU directive on review procedures concerning the award of public contracts, while important are the changes due to take place on security and defense expenditure. The Greek Government had committed to take additional measures to improve the business environment in which TTA carrying it out plan for the railway sector recovery, while the parliament would adopt legislation for the liberalization of the activities of the sectors of electricity and gas.

So, according to the overall assessment of the Troika, the program has made further progress in achieving its objectives and while there are delays in some areas, gradually implementing the budgetary and not only reforms that are necessary to achieve the medium term objectives of the program. However there remains a need for additional programming and implementation of major reforms to create the conditions that will ensure fiscal sustainability and economic recovery.

CHAPTER 7: *AN ASSESSMENT FOR AND AGAINST IMF SUPPORT IN GREECE.*

The reactions in Greece, after the application of the country to the IMF, are varied. There are two views of those who are probably the minority who argue that this action will pull the country out of the impasse which has led and will give impetus for a new beginning and those who believe that the loan will enable external factors to impose the views and policies in the country, leading measures and changes that would be untenable for the whole population.

Proponents of appeal highlight the positive aspects arising from the imposed structural changes and measures to be taken for the implementation of the Memorandum and which is towards the reorganization of many sectors of the Greek economy with a view to increasing its competitiveness.

Unlike the negative voices that have emerged because of this borrowing is more and not limited only to the Straits of state border but come from abroad. Studying the entire Greek suffix course with this level of debt are many who not only see errors of Greek administration and foreign intervention which contributed to the intensification of the problem. Many foreign journalists and analysts have stressed the role played by foreign interests and speculation, but finally the Greeks Elvin citizens those who will bear more and this weight of debt of the country by the EU and the IMF. So, according to them, is true for other countries facing similar problems, such as Iceland and Latvia.

At the same time for many of the results of borrowing of Greece from the IMF not only negative for the country itself but also for the Eurozone and the EU as a whole, and that it was a great disturbance, which demonstrated the gaps which exist in its operation. The Eurozone lost prestige and the entire development is expected to reduce the share of the euro in global foreign exchange reserves. This whole process has shown that both the EU still have difficulties in making decisions on important issues, something which often is accused, that there is a high graduation on "weight" of each Member-states of the EU So as to lose any equivalence concept in the functioning of the Union and the other that, "weight" of each Member of the organization and the decision-making led the European Commission in disputes with Germany and the final retreat of the highest executive body of Union against the will of a member state. Also, the operation of the Eurozone presents insurmountable gaps which undermine the future of the position or even the existence of. Moreover, the IMF's involvement in the formulation and implementation of fiscal policy hand Member State of the Eurozone could be a negative development as far as the ECB is bound to consult the IMF in the formulation of monetary policy.

CHAPTER 7: *CONCLUSIONS AND POLICY RECOMMENDATIONS*

On the data so far, the measures taken under the abovementioned agreement have led the country into a dangerous stagflation. The Fund could be argued that the Greek government's measures taken to combat ton deficits rather than public debt, which is planned to come from the sale of state enterprises. But if the government proceeded to privatization only profitable public enterprise, the true debt will be reduced by the sales amount and the deficits will increase against non-levied annual dividends, if profitable business. Conversely, if privatizations loss-makers, on the one hand will automatically reduce the deficit when transferring their losses in the private sector, other revenues would reduce debt.

Apart from Greece and the situation in the country, all that evolution had its impact in the EU, in which our country is an integral member and the Eurozone because of the use by Greece of the common currency. For this reason TCG and to avoid similar situations in the future, the leaders of Eurozone Member States and they agreed in taking long-term measures which will help address the structural problems. Thus resulting in the adoption of stricter procedures for the compliance of states with excessive deficits accumulated the bigger and better coordination of economic policies among member-states, closer supervision to ensure that governments will not allow finances to go out of control and introducing a predetermined mechanism for dealing with future crises.

CONCLUSION

Studying different cases countries were present to the IMF for lending principally the general feeling that emerges is that while this may temporarily alleviate the immediate problem of economies, offering ephemeral solution to the liquidity problem that usually they face, however the overall impact of intervention, is not the best in the overall functioning of the economy.

Here years strongly prevalent belief that the IMF has not been able to adjust to a changing world and therefore the influence is now limited. So strongly criticized the effectiveness of specific programs, leveling used regardless case. So, as for the most part, borrowing from the Fund is accompanied by taking austerity measures, but which are based on conditions most often not changed. These conditions especially include massive rate increases and low government spending. Many are even those who argue that the IMF, unlike that at times the same officially supports, deliberately excludes from its political development in it, including any failure risks to which lenders should not be exposed.

With regard to Greece, there is a strong sense of both internal and external circles that pressure brought on early by the Eurozone countries to resort to debt in order to avoid disrupting financial markets. According to Anatole Kaletsky, economic analyst of the newspaper “The Times”, all of this could have been avoided without the EU give substantial money in Greece, only if investors knew that the Greek debt is guaranteed by the EU, whereby it would continue to provide funding in the country, with twice the rate of that lend Paris or Berlin, and so crisis would end without substantial borrowing.

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