News Brief No. 98/51
FOR IMMEDIATE RELEASE
December 11, 1998

International Monetary Fund
Washington, D. C. 20431 USA

New Financial Support for Poorest Countries Neighboring Russia

The International Monetary Fund (IMF) and the World Bank today hosted a special financing meeting to mobilize additional balance of payments support for the poorest countries neighboring Russia which have been hardest hit by the Russian crisis. They had been strongly encouraged to do this by the Netherlands and Switzerland, which represent these countries in the Executive Boards of the IMF and the World Bank. The meeting was chaired by John Odling-Smee, Director of the European II Department of the IMF and Johannes Linn, Vice President of the World Bank, and included participants from the United States, Japan, Russia, Canada, several European countries, the European Union, and the Asian Development Bank. With the recovery of economic growth and the reduction of inflation to single digits before the Russian crisis, Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, and Tajikistan have been highly successful in macroeconomic stabilization and have made significant strides in structural reforms in recent years. The meeting participants saw the financial crisis in Russia as threatening these stabilization gains and endangering the support for reform policies in the whole region.

In recent months these countries have committed themselves to tighten financial policies in order to limit the widening of external imbalances originating from weakening market prospects, lower capital inflows, and contagion effects of Russia's economic crisis. The meeting was called to support these countries' own efforts by raising funds to cover half of the financing gap caused by the Russian crisis. Participants in the meeting pledged nearly US$200 million to bolster these countries' foreign reserves. Moreover, some participants indicated that more may be added in coming months.

In their concluding statement Odling-Smee and Linn said, "These pledges by the participants, combined with the governments' policy adjustments, will address the worsening balance of payments situation resulting from the Russian crisis and will help to promote stability in financial markets."