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International Monetary Fund
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IMF's Köhler Supports Turkey's Announcement of Lira Flotation

Horst Köhler, Managing Director of the International Monetary Fund, said:

"The IMF supports the decision of the Turkish authorities to float the lira.

"Looking forward, we welcome the Turkish government's goals of continuing to reduce inflation, and ensuring sustainable growth. Continued fiscal adjustment and a strict monetary policy should help stabilize the exchange rate and ensure—possibly after an initial increase—that the inflation rate continues to decline, and that the other substantial gains under the IMF-supported economic program are preserved.

"Although the goals of the Turkish government's economic program are unaltered, the change in the exchange rate regime requires a revision of the macroeconomic framework for the economic program supported by the IMF. The authorities have announced that the structural components of the program will be implemented as planned.

"We expect that discussions between IMF staff and the authorities of the necessary changes in the program will begin this week, with a view to allowing the next disbursement to Turkey under the current IMF agreement within the coming weeks. These discussions will explore the possibilities of making resources available under the program to cover some of the increased fiscal costs of bank restructuring.

"The continued involvement of private creditors is critical to the success of Turkey's adjustment program. The Fund expects that commercial banks

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will continue to maintain their exposure to Turkish commercial banks, in line with the voluntary agreement reached in December 2000.”