

September 19, 1995

Summing Up by the Chairman
Fund Involvement in Post-Conflict Countries
Executive Board Meeting 95/82 - September 6, 1995

Directors in their majority endorsed the staff's views on coordination among the various agencies and bilateral donors and creditors involved in assisting countries in post-conflict situations, and endorsed the suggestion to expand the scope of the present guidelines on emergency assistance to include such situations. However, a number of Directors expressed the need for great caution given the limited role the Fund can play in such circumstances.

Directors welcomed the early provision by the Fund of technical assistance and policy advice in its areas of expertise. In assessing the post-conflict cases reviewed in the paper, they noted that, in general, the Fund had been able to provide financial support at a relatively early stage, bearing in mind the need for adequate safeguards for use of the Fund's resources.

Looking to the future, Directors emphasized the need for the Bretton Woods institutions, the regional development banks, the UN, and bilateral donors and creditors to coordinate closely in supporting countries emerging from conflict situations. They observed that, in the post-conflict cases reviewed, the process of coordination had benefited from the leadership of a single agency or bilateral partner, and that different agencies or countries had performed this role effectively in the various cases. Directors concurred that the institutional flexibility that has prevailed to date remained appropriate. While it was important that a lead be taken by one institution or donor, most Directors would not expect the Fund to be the lead institution. Directors were in broad agreement that coordination would be facilitated through an early preparation, where possible, by the affected member and the lead agency, in consultation with other relevant agencies and bilateral donors and creditors, of a framework paper for organizing technical assistance and financial support. Such a report could be similar to a policy framework paper, but less comprehensive, and with a shorter time horizon.

Most Directors thought that the Fund's existing financial instruments were adequate to deal with some post-conflict situations, but that they may not be fully suitable, or available, in all cases that could merit Fund financial support. A majority of Directors endorsed the idea of expanding the scope of the present policy on emergency assistance to include carefully defined post-conflict situations. However, a number of other Directors saw no need for new policies in this area. In their view, experience had shown that the Fund was able to provide financial assistance when conditions were appropriate.

Regarding the operational aspects related to the proposed expansion of the scope of emergency assistance, most Directors were disposed to endorse those proposed by the staff in post-conflict situations: where the country's institutional and administrative capacity was disrupted as a result of the conflict, so that the member was not yet able to develop and implement a comprehensive economic program that could be supported by a Fund arrangement, but where there was nonetheless sufficient capacity for planning and policy implementation and a demonstrated commitment on the part of the authorities; where there was an urgent balance of payments need to help rebuild reserves and meet essential external payments and a role for the Fund in catalyzing support from other official sources; and where Fund support would be part of a concerted international effort to address the aftermath of the conflict situation in a comprehensive way.

Directors agreed that access to Fund resources in such cases should generally be limited to one credit tranche, and that the access policy under the existing emergency assistance guidelines provided sufficient flexibility to handle exceptional needs. Directors supported having a tranching of total resources in some instances to help ensure the effective use of Fund resources and provide an incentive to develop a comprehensive economic program. Most Directors agreed that the proposed Fund financial assistance for post-conflict countries be made available only if the member intended to move within a relatively short time frame to an upper credit tranche stand-by or extended arrangement, or to an arrangement under the enhanced structural adjustment facility (ESAF). Indeed, the use of emergency assistance should be framed in such a manner as to pave the way toward the adoption of a program that could be supported by such an arrangement.

For ESAF-eligible members, Directors recognized that concessional resources would be appropriate. For these members, most speakers indicated that they would favor the approach of seeking interest subsidies from bilateral donors on a case-by-case basis when Fund resources were provided under the emergency policy. Others, however, expressed caution about this approach.

Directors agreed that Fund assistance, and its conditionality, should be tailored to individual country circumstances, and should address the need to rebuild the administrative and institutional capacity required to put a comprehensive economic program in place. Accordingly, conditions would include a statement of economic policies; a quantified macroeconomic framework, to the extent possible; and a statement by the authorities of their intention to move as soon as possible to an upper credit tranche stand-by or extended arrangement, or to an ESAF arrangement. Part of the response must be a comprehensive technical assistance program, including institution-building aspects, and provision for its financing.

Overall, this has been a productive discussion of Fund involvement in post-conflict cases in which Directors have agreed on the fundamental--but generally not the leading--role of the Fund, regarding both cooperation with other international agencies and the parameters for Fund financial

involvement through an expansion of the scope of the present policy on emergency assistance. While noting the caution expressed by a number of Directors, I would propose that we proceed to expand the scope of the emergency assistance policy on the basis outlined above. This summing up will provide the guidelines for this approach, it being understood that Fund support under an arrangement is the approach to be followed wherever this is possible, while, in the other cases, emergency assistance would be tailored to pave the way in this direction. Except as noted above, the provisions of the existing guidelines on emergency assistance will apply in post-conflict situations.

