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December 24, 1997

To: Members of the Executive Board
From: The Secretary
Subject: **Statement by the Finance Ministers and Central Bank Governors of the
Potential Participants in the Supplemental Financial Assistance Package for
Korea**

Attached for the information of the Executive Directors is today's (December 24, 1997)
Statement by the Finance Ministers and Central Bank Governors of the Potential Participants in
the Supplemental Financial Assistance Package for Korea.

Att: (1)

Other Distribution:
Department Heads

Statement by the Finance Ministers and Central Bank Governors of the Potential Participants in the Supplemental Financial Assistance Package for Korea

We welcome the announcement by the Korean authorities of additional measures to strengthen macroeconomic policy and accelerate structural reforms, particularly in the financial sector. This enhanced program of prior policy actions and reform is an important step that will contribute to the restoration of financial stability and a return to growth.

We also welcome the decisions by the World Bank and the Asian Development Bank to disburse a total of \$5 billion this week in support of a program of structural reforms and financial sector restructuring.

In support of Korea's enhanced policy program, and in the context of a significant voluntary extension of the maturities of existing claims by international bank creditors on Korean financial institutions and adequate progress by Korea toward accessing new sources of private international finance, we would be prepared to support action to advance by early January existing commitments of official finance, including the acceleration of IMF disbursements, and the disbursement of a substantial portion one third (\$8 billion) of the supplemental financial commitments made by Australia, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, New Zealand, Sweden, Switzerland, the United Kingdom, and the United States.

In this context, together with the other participants in this program, we have agreed on a set of operational conditions for the provision of supplemental finance to the Korean authorities. Under this common approach, the availability of this supplemental finance will be conditioned on the forceful and consistent implementation of the policies agreed by the Korean authorities in the context of the programs supported by the IMF, the World Bank and the Asian Development Bank and any additional policies that are necessary; will carry appropriate market-related interest rates; and will be made available in the form of renewable short-term instruments.

The international community shares an important interest in the success of Korea's efforts to restore economic and financial stability. A successful program will require a continued sustained commitment to reform by the Korean authorities, appropriate financial support from the official sector as outlined above conditioned on the strong policies necessary to restore confidence, and a successful effort by the Korean authorities to secure longer term financing from private creditors and the international capital markets.