

The contents of this document are preliminary and subject to change.

GRAY/05/2991

September 16, 2005

**Statement by Mr. Wang and Ms. Wang on Progress Report on Crisis Resolution  
(Preliminary)**

**Executive Board Meeting 05/80  
September 16, 2005**

We thank the staff for the informative paper and welcome the opportunity to discuss the progress report on crisis resolution.

We are pleased to note progress with respect to the inclusion of CACs in international sovereign bonds. The outstanding stock of emerging market sovereign bonds that include CACs has increased from 31 percent to 53 percent within two and a half years. We are encouraged to see that the inclusion of CACs has not had any observable impact on bond pricing to date. We also welcome the staff's proactive role in this area.

We welcome the efforts made by the Institute of International Finance to broaden the consensus on the Principles for Stable Capital Flows and Fair Debt Restructuring among emerging market issuers and private sector creditors. We note the number of countries supporting the Principles is increasing and the discussions among emerging market issuers and private creditors on a process for implementation the Principles are unfolding. We encourage the staff to continue to monitor developments in this regard and look forward to a more detailed report.

We are encouraged by the developments of a number of countries in their debt restructuring efforts. We should emphasize that resolving the issue of arrears to creditors should be consistent with the Fund's LIA policy. We also share Mr. Misra and Mr. Kanagasabapathy's view that crisis resolution will always remain the second best situation and the Fund has rightly refocused its attention on crisis prevention and strengthening of the surveillance mechanism in its strategic reviews.

On the issue of "Assessing the Determinants and Prospects for the Pace of Market Access by Countries Emerging From Crisis", the staff points out the need to build and sustain credibility in the country's policies when it takes steps to reaccess international capital markets. However, domestic policy alone may not be sufficient to guarantee the preservation of market access, as external conditions are beyond the control of emerging market countries.

On managing systemic banking crisis, we also agree with the suggestion of Mr. Loyo and Mr. Mori to add a disclaimer to the report to reflect the current stage of the discussions.