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Concluding Remarks by the Chairman  
Role of the Fund in Financing the Economies in Transition  
Access and Cofinancing Trust Accounts  
Executive Board Meeting 94/54 - June 17, 1994

This has been a very important and constructive discussion. Many of you have emphasized the mandate--the "unequivocal" mandate, in the words of one speaker--we have received from the Interim Committee. Of course, there are different views and different perspectives, but I welcome the clear institutional sense that has permeated the discussion today, both in terms of the mission of the Fund and in terms of our responsibility to safeguard this institution. All Directors agreed that not all elements of the package we are preparing were on the table today. Yet, many referred to the related SDR issues and to CTAs, and I am indeed grateful for the constructive references that were made to the latter instrument. We will discuss this issue separately and soon on the basis of a further paper.

With respect to the more precise issues that were to be discussed today, I would first like to welcome the very broad-based support for a temporary increase in the annual access limit applying to stand-by and extended arrangements. Here, I would like to say in passing that I share Mr. Sirat's concern and uneasiness in not recommending changes with respect to the ESAF at a time when we are raising the access limits for other instruments; of course, as we heard from the staff, here we have an extra constraint, but I promise to come back to this issue on the occasion of a future meeting. While most Directors felt that the proposed increase in access under stand-by and extended arrangements provides sufficient scope for the Fund to be responsive in appropriate circumstances, other Directors thought that a somewhat larger increase in the annual access limit was needed--and I had the impression that the figure of 100 percent was in the minds of some of them. We must see how we can accommodate these views, particularly as a few Directors did not think that there is a strong case to increase the access limit at this time. Nevertheless, I observe that those who hold this latter view are willing to go along with a moderate increase in the annual access limit as part of a broader package.

Several Directors made the observation that the Fund's catalytic role makes it possible for us to provide relatively more financing in individual cases where warranted by strong policies and large balance of payments need; however, it remains generally agreed that the Fund's catalytic role would not be consistent with the Fund substituting for other potential sources of financing.

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Views on the proposals for the STF were diverse. Directors generally favored an extension of the facility for another year to provide assistance for potentially eligible countries that have not yet been able to make use of the facility. Most Directors favored adding an additional tranche to be disbursed only in the context of upper credit tranche arrangements; they expressed concern that higher access on the basis of conditionality that does not meet upper credit tranche standards would increase the risk to the Fund and could weaken the incentive to move to an upper credit tranche arrangement. Some Directors did not favor enlarging STF access. The suggestions to introduce multiple tranches in some cases found little support. Nevertheless, I think this meeting has provided a good opportunity for the staff to clarify its intention in this respect and to explain why it might be useful to maintain temporarily a kind of fall-back approach, in order to provide an opportunity at a later stage for slower reformers to jump on the carriage of the fast-track STF. The staff will reflect further on these issues, in view of your suggestions, to see how they can be reconciled.

I want to stress that there is no intention to weaken conditionality or incentives. Programs supported by the STF would continue to be framed in all cases with the aim of moving as quickly as possible to an upper credit tranche arrangement, preferably by the time of the second purchase, but certainly within the first year of an STF-supported program. As we have discussed before, experience has shown that transition economies, as others, are best served by strong programs, and it is not the intention to back away from this approach. But experience has also shown that some of these countries face greater difficulty and uncertainty than others. There will be setbacks and, although it may be a second-best approach, we should have a way of dealing constructively with these countries.

It is clear that we need further clarification and debate on the other elements of the package. I would propose that we meet on June 23 to consider again the SDR issue. In the light of this discussion, I would then submit to you an overall package, which we could discuss on June 29 with a view to reaching soon a final agreement.