

# NEWS BRIEF

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## JOINT STATEMENT BY THE GOVERNMENT OF ESTONIA AND THE INTERNATIONAL MONETARY FUND ON CURRENCY REFORM

The Government of Estonia has announced the adoption of a currency reform in Estonia featuring the introduction of a national currency, the *kroon*. This is a historic decision with profound consequences for the Estonian economy. The International Monetary Fund has been kept fully informed of the key elements of the reform and has assured the authorities of its full support in the implementation of the reform.

Over the past several months the IMF staff has been discussing the design and implementation of a stabilization and structural reform program with the Government of Estonia and the Bank of Estonia. This program includes as an integral element the introduction of the *kroon*, as announced on June 17. The currency reform will impose financial discipline on the economy and requires the implementation of supporting price, incomes, budgetary, and structural policies in the immediate future. These policies, a number of which were announced yesterday by the Prime Minister of Estonia, are essential for the success of the currency reform and will allow Estonia to create the conditions for sustained growth in the period ahead.

Broad agreement has been reached between the Estonian authorities and IMF staff on a package of policies that could form the basis of an IMF-supported financial program, although additional work on elaborating measures is required. Provided that this work can be brought to a satisfactory conclusion, the management of the IMF is prepared to recommend to the Executive Board that the program be supported by IMF resources, and to help Estonia seek financial support from industrial countries to ensure that its external financing requirements can be met.

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