

This episode also highlights the necessity for international financial institutions and major economies to be able to respond rapidly and in a well coordinated fashion, when confronted with a problem that could have adverse economic consequences for a significant number of countries or pose a significant threat to the stability of the world's increasingly integrated financial system.

Issues pertaining to financing mechanisms can be identified in terms of the **means** by which funds can be made available and the **sources** of such funds. The IMF's facilities continue to represent an important source of financing for macroeconomic stabilization in many countries. Moreover, an IMF arrangement is an essential element for any agreement with the BIS and creditor governments on a short-term bridging facility. In the aftermath of Mexico, attention might usefully be focused on the adequacy of the Fund's current mechanisms (including use of the "exceptional circumstances" clause on a selective and *ad hoc* basis).

- **We would propose the establishment within the IMF of a new standing procedure -- "Emergency Financing Mechanism" -- involving a fund arrangement with strong conditionality but with high up-front access and faster procedures to access Fund resources in crisis situations under the "exceptional circumstances" clause.**

The IMF presently has adequate usable resources to finance its commitments to Mexico and other projected lending without a significant increase in its liquidity. Nevertheless, in order to support the above-mentioned new standing procedure, we would ask:

- **that the G-10 and other countries with the capacity to support the system develop financing arrangements with the objective of doubling as soon as possible the amount currently available under the GAB to respond to financial emergencies;**

To ensure that the IMF has sufficient resources to meet its ongoing responsibilities, we urge continued discussions on a new IMF quota review.

#### Strengthening International Cooperation

Should financial market crises arise, it is important that we improve existing mechanisms for sharing our analyses and strengthen our ability to coordinate a quick response. A willingness to cooperate is obviously essential but this must be backed up by fast and reliable channels of communications at all levels of operational responsibility.