consultations should be flexible and responsive to changes in country policies and the external economic environment.

In cases where external financing is required to support early policy actions, the Fund is able to provide financial support through a variety of facilities. These differ largely in terms of the nature of the macroeconomic and structural problems they seek to address and the degree of conditionality attached to them. The IMF and MDBs also provide significant financing for structural reforms. Such reform programs are designed to reduce major economic distortions with a view to creating more dynamic economies, which are better able to cope with external shocks should they arise in the future.

Financing Mechanisms

The international community's ability to respond to short-term liquidity needs and medium-term balance of payments difficulties in individual countries is centred principally on two institutions, the IMF and the BIS. At times, these have been supplemented by *ad hoc* bilateral and multilateral mechanisms. The IMF has at its disposal a number of financing facilities, each of which generally requires the negotiation of an acceptable economic policy program as a prelude to disbursement of loans which, in turn, are predicated on the fulfilment of the agreed policy commitments and targets.

Should the financial need of one or more member economies be sufficiently large to strain the IMF's regular resources or threaten the functioning of the international financial system, the G-10 countries stand ready to provide loans to the IMF through the General Arrangements to Borrow (GAB). To bridge the gap between the urgent liquidity needs that often arise in a time of crisis and the weeks or months that may be required for the IMF to begin disbursing its loans, the monetary authorities of the G-10 countries have found it necessary on occasion to extend short-term credits, either directly or through the BIS.

A key question should be what constitutes the right mix of surveillance, adjustment and financing -- rather than viewing the crisis as the consequence of inadequate financing. The Mexican crisis clearly illustrates that the vast financial flows that are now commonplace in private markets pose important new challenges. It also illustrates the importance of strong policy action in responding to such crises, and the crucial need for any financial support to be conditional on that. While this episode points to a need to review both the size and the speed of access to the financing mechanisms, it is also understood that there can be no presumption that multilateral financing will be provided in every instance of local or regional financial crisis.