

DOCUMENT OF INTERNATIONAL MONETARY FUND
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**IMMEDIATE
ATTENTION**

EBS/83/128

CONFIDENTIAL

June 21, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Romania - Proposed Further Purchases Under Stand-By Arrangement

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Friday, June 24, 1983. In the absence of such a request, the draft decision will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

INTERNATIONAL MONETARY FUND

Romania - Proposed Further Purchases under Stand-by Arrangement

Prepared by the European Department

(In consultation with the Exchange and
Trade Relations Department and the Legal Department)

Approved by L. A. Whittome and Subimal Mookerjee

June 21, 1983

During the December 1982 Executive Board review of the current 3-year stand-by arrangement (approved on 6/15/81, EBS/81/111, 6/1/81) it was decided to limit total purchases by Romania in 1983 to SDR 367.5 million (see EBS/82/218, 11/24/82, paragraph 6 of Board Decision, No. 7277-(82/164), adopted December 20, 1982). At the most recent Board review on March 30, 1983 (EBS/83/54, 3/8/83) approval was given for the purchase of SDR 92 million (25 per cent of quota) bringing Romania's total purchases under the present stand-by arrangement to SDR 542 million (147 per cent of quota). At the same time, the Board decision provided that the phasing of the remaining purchases during 1983 (totalling SDR 275.5 million) would be established only after a decision by the Fund that satisfactory arrangements have been made for the rescheduling of debt service payments falling due in 1983 (see paragraph 4 of Executive Board Decision No. 7375-(83/56), adopted March 30, 1983).

The arrangements have now been completed in a manner which the staff regards as satisfactory. As indicated in EBS/83/118 (6/8/83), under the Paris Club frame agreement, signed on May 18, 1983, Romania obtained a rescheduling of 70 per cent of principal due and not paid in 1983 to official and officially guaranteed creditors, with the first installment of 10 per cent due in November 1984 and the remaining 60 per cent to be repaid over a six and a half year period ending December 31, 1989. With the Paris Club agreement in place Romania was able to sign the 1983 debt rescheduling agreement with the coordinating group of commercial banks on June 20, 1983 on the same conditions as those for creditors under the 1983 Paris Club agreement. The total debt relief obtained in 1983 under the rescheduling agreements is estimated to amount to US\$736 million (10 per per cent of estimated convertible current account receipts in 1983) and is consistent with the assumptions underlying the balance of payments projections in the 1983 program described in EBS/83/54. Romania has also met all the performance criteria for the first quarter of 1983.

On this basis, it is recommended that the Executive Board decide that satisfactory debt rescheduling has been achieved. The staff also proposes that Romania be permitted to make a further purchase of SDR 91.9 million under the stand-by arrangement immediately upon approval of the proposed decision (see below), thus increasing Romania's purchases under the present stand-by arrangement from SDR 542 million at present to SDR 633.9 million. Under the proposed phasing, Romania would be permitted to make a third purchase during 1983 of SDR 91.8 million in the period after July 31, 1983 subject to a satisfactory outcome of the first review referred to in paragraph 3(b)(i) of Executive Board Decision No. 7375-(83/56) and in paragraph 13 of the February 1983 letter of intent. Finally, the staff proposes that Romania be permitted to make the remaining purchase for 1983 after November 30, 1983 of SDR 91.8 million, subject to the satisfactory completion of both the first review and the second review referred to in paragraph 3(b)(ii) of Executive Board Decision No. 7375-(83/56) and in paragraph 13 of the February 1983 letter of intent. The third and fourth purchases in 1983 would also remain subject to the observance of the performance criteria, established at EBM/83/56.

In view of the foregoing, the following draft decision is proposed for the adoption by the Executive Board:

1. The Fund decides, pursuant to paragraph 4 of the Executive Board Decision No. 7375-(83/56), adopted March 30, 1983 that satisfactory arrangements have been made for the rescheduling of debt service payments falling due in 1983.
2. Purchases under the stand-by arrangement shall not, without the consent of the Fund, exceed SDR 817.5 million through December 31, 1983, provided that purchases shall not exceed the equivalent of SDR 633.9 million through July 31, 1983, nor the equivalent of SDR 725.7 million through November 30, 1983.