

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE
For Immediate Attention

EBS/61/156

CONFIDENTIAL

November 24, 1961

To: Members of the Executive Board
From: The Secretary
Subject: Cuba - Request for Postponement of Repurchase

Attached for consideration by the Executive Directors is a request from Cuba for postponement of repurchase. It is not proposed to bring this matter to the agenda for discussion unless an Executive Director so requests by the close of business on Friday, December 1, 1961. In the absence of such request, the decision proposed by the staff will be deemed approved by the Executive Board and so recorded in the minutes of the next meeting thereafter.

Att: (1)

INTERNATIONAL MONETARY FUND

Cuba - Request for Postponement of Repurchase

Prepared by the Office of the Treasurer in
consultation with the Western Hemisphere and
Legal Departments

November 24, 1961

1. On September 12, 1958, Cuba purchased from the Fund \$25 million. Cuba's request for the purchase contained an undertaking by Cuba to repurchase not later than six months after the date of the purchase (EBS/58/47). In approving the purchase, which represented 50 per cent of Cuba's quota and brought the Fund's holdings of Cuban pesos to 125 per cent of quota, the Fund granted the necessary waiver pursuant to Article V, Section 4, on the repurchase terms proposed by Cuba (EBM/58/44, September 10, 1958).
2. On March 9, 1959 the Fund agreed to a Cuban proposal (EBS/59/17) requesting postponement of the above-mentioned repurchase commitment until the Executive Board reviewed the report of a staff mission which was simultaneously requested (EBM/59/9, March 25, 1959).
3. On April 13, 1959 the Fund approved a proposal by Cuba (EBS/59/17, Supplement 1) to discharge the repurchase commitment by five semiannual payments of \$5 million each beginning March 12, 1960 and ending on March 12, 1962 (EBM/59/10).
4. In a letter dated March 4, 1960, Cuba stated that its reserves position, instead of improving, had worsened despite the efforts made to avoid this and requested a further deferment of 18 months of the above repurchase schedule. According to the new schedule, payment was to be made in five semiannual installments of \$5 million each commencing September 12, 1961, that is, beginning three years and ending five years after the purchase (EBS/60/23). This proposal was approved by the Fund (EBM/60/9, March 11, 1960).
5. In a letter dated August 30, 1961, the Cuban authorities stated that Cuba's reserve position had not improved despite the measures taken by the Government for that purpose and proposed an extension of the repurchase schedule by another 12 months in order to enable the member to accumulate the necessary resources to discharge its commitment to the Fund (Attachment 1). The Managing Director communicated with Cuba on this matter and the exchange of cables is attached (Attachments 2-5). The Fund has now received a cable from Cuba making the following proposal (Attachment 6):

- (1) Cuba undertakes to pay the first three annual installments of \$5 million each commencing September 12, 1962.
- (2) Cuba also undertakes to consult and reach agreement with the Fund, prior to September 30, 1962, for repurchase of the balance of \$10 million.

6. Under the proposed schedule the reduction of the Fund's holdings of Cuban pesos by the equivalent of \$15 million would take place within five years from the purchase, that is, by September 12, 1963, and consultation and agreement regarding the balance of \$10 million is envisaged before September 30, 1962.

7. The following decision is recommended for the consideration of the Executive Board:

Cuba has requested that the discharge of its repurchase commitment equivalent to \$25,000,000 be scheduled as follows:

\$5,000,000 not later than September 12, 1962;
\$5,000,000 not later than March 12, 1963;
\$5,000,000 not later than September 12, 1963;

Cuba also undertakes to consult and reach agreement with the Fund prior to September 30, 1962 for repurchase of the balance of \$10,000,000.

The proposal of Cuba is agreed.

COPY

ATTACHMENT 1

BANCO NACIONAL DE CUBA
Havana, Cuba

August 30, 1961

Mr. Per Jacobsson, Managing Director
INTERNATIONAL MONETARY FUND
19th and H Streets, N. W.
Washington 25, D. C.

Dear Sir:

The Banco Nacional de Cuba submitted in March 1960, for the Fund's consideration, a proposal for total deferment of the scheduled repurchases of \$25 million drawn by Cuba against the Fund in September 1958, pointing out on that occasion the circumstances which prevented it from meeting this commitment. Cuba's request was accepted by the Executive Board, which agreed on March 11, 1960, to postpone the maturities of the five previously agreed semiannual payments until September 12, 1961, on which date the first of these payments was to be made.

Now, since Cuba's reserve situation has not improved despite the measures taken by our Government for that purpose, I propose that the repurchase schedule in question be extended again for a period of 18 months,(sic thus enabling us to gather together the necessary resources for settling our obligations to the Fund.

Our proposal referred to above would modify the present schedule of payments as indicated below:

September 12, 1962	\$5 million
March 12, 1963	5 million
September 12, 1963	5 million
March 12, 1964	5 million
September 12, 1964	5 million
	<u>5 million</u>
	\$25 million

We shall appreciate it very much, Mr. Jacobsson, if our proposal proves to be acceptable to the Fund.

Very truly yours,

/s/

Dr. Raul Cepero Bonilla
Minister-President

COPY

ATTACHMENT 2

TO: Dr. Raul Cepero Bonilla
Bancuba
Havana

Date:
September 6/61

Reference your letter August 30 to Managing Director.
As you know, Fund policy envisages that use of resources will not extend beyond five years. Practice uniformly followed therefore is that repurchase schedules provide for repurchase not later than five years after drawings. Accordingly suggest you propose schedule of repurchases with final date of September 12, 1963 for concurrence of Executive Board. Please advise by cable at earliest convenience in order that matter can be settled by due date.

Cochran
Acting Managing Director
Interfund

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ATTACHMENT 3

TO: Dr. Raul Cepero Bonilla
Bancuba
Havana

Have not received your reply to my cable September 6
concerning your letter August 30. Please expedite.

Date:
September 12/61

Without payment or agreed rescheduling Cuba will be in
default. Rule K-1 of Fund's Rules and Regulations requires
Managing Director to report noncompliance to Executive
Board.

Cochran
Acting Managing Director
Interfund

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ATTACHMENT 4

TO: COCHRAN, ACTING MANAGING DIRECTOR, INTERFUND
FROM: REGINO E BOTI MINISTRO PRESIDENTE, HAVANA
FILING TIME: 610P September 12, 1961

Number: 5

I REFER TO YOUR CABLE DATED SEPTEMBER 6, 1961. INVOKING PARAGRAPH TWO D OF THE RESOLUTION OF THE EXECUTIVE BOARD OF THE FUND OF FEBRUARY 13 1952 WE REPEAT PROPOSAL CONTAINED IN OUR LETTER OF AUGUST 30 1961, NAMELY POSTPONEMENT REPURCHASE OPERATIONS UNTIL SEPTEMBER 12 1962, WHEN WE WILL BEGIN SEMIANNUAL PAYMENTS OF FIVE MILLION U S DOLLARS UNTIL TWENTY-FIVE MILLION U S DOLLARS OUTSTANDING HAVE BEEN PAID OFF. POSTPONEMENT AND PAYMENT PLAN PROPOSED ARE JUSTIFIED BY UNFORESEEN CIRCUMSTANCES BEYOND OUR CONTROL WHICH HAVE ARISEN SINCE MARCH 4 1960, DATE OF PRECEDING AGREEMENT CONCERNING ABOVE-MENTIONED REPURCHASE. REGARDS

DOCTOR REGINO E BOTI
MINISTER-PRESIDENT

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ATTACHMENT 5

TO: Dr. Raul Cepero Bonilla
Bancuba (Havana)

Further reference your letter August 30 and subsequent exchange of cables.

Date:
October 19/61

1. In view of the important considerations of principle and the technical difficulties involved in the proposal contained in your letter August 30, I would be prepared to support a proposal along following lines: Cuba would pay the first three semiannual repurchase instalments of \$5 million in accordance with your letter August 30. With respect to balance of \$10 million Cuba would undertake to consult and reach agreement with the Fund prior to September 30, 1962 for repurchase of such balance.

2. If you submit proposal along lines indicated above I would be prepared to recommend it for approval by the Fund's Executive Directors.

Per Jacobsson

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ATTACHMENT 6

HABANA CUBA NOVEMBER 17, 1961

LT PER JACOBSSON MANAGING DIRECTOR INTERFUND
WASHINGTON DC

941 YOUR CABLE OCTOBER NINETEENTH AND PREVIOUS EXCHANGE OF
CABLES AND LETTERS STOP WE SUBMIT FOLLOWING PROPOSAL FOR APPROVAL
BY THE FUNDS EXECUTIVE DIRECTORS (1) CUBA UNDERTAKES TO PAY
THE FIRST THREE SEMIANNUAL REPURCHASE INSTALMENTS OF DOLLARS
FIVE MILLION EACH IN ACCORDANCE WITH OUR LETTER AUGUST THIRTIETH
1961 (2) CUBA ALSO UNDERTAKES TO CONSULT AND REACH AGREEMENT
WITH THE FUND PRIOR TO SEPTEMBER THIRTIETH 1962 FOR REPURCHASE
OF BALANCE OF DOLLARS TEN MILLION

BANCUBA