

For Immediate Attention

EBS/62/112
Supplement 3

November 23, 1962

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

Reference is made to the earlier correspondence on this subject (EBS/62/112 (September 14, 1962), Supplement 1 (September 27, 1962), and Supplement 2 (October 9, 1962)).

Attached for consideration by the Executive Directors is a reply which the Managing Director will send to Cuba in the absence of objection by the Executive Directors. 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 Wednesday, November 28, 1962. In the absence of such request, the letter will be deemed approved by the Executive Board and so recorded in the minutes of the next meeting thereafter.

Att: (1)

Dear Dr. Cepero Bonilla:

Thank you for your letter dated September 28, 1962, in which you request the Fund to agree on a schedule of repurchase to begin five and one half and end seven and one half years after Cuba's drawing from the Fund.

I should like to clarify an aspect of the Fund's practice which I judge from your letter is not entirely clear to you. You refer to the fact that in requesting a further postponement under paragraph 2(d) of the Board's decision of February 13, 1952, you were requesting "the application of a rule which has been in force for over ten years and has been applied to the commitments of other countries." I wish to point out, however, that throughout the whole history of the Decision, there has been only one case in which the Fund agreed to prolong the period of the use of its resources beyond five years. That was some years ago, and the prolongation was of a technical character because at the same time the Fund was granting a stand-by arrangement in a form under which it would have been possible to revolve the repurchase that was postponed. Thus, the postponement was for a period that could have been obtained in any event by the use of the stand-by arrangement. Even so, this technical postponement was strongly criticized by several Executive Directors as inconsistent with the Fund's policies. Since that time the uniform practice has been to adhere to a maximum period of five years for the use of the Fund's resources. Consequently, although, as in the case of Cuba, extensions have been given up to a maximum of five years, extensions beyond that time have been refused.

The practice of the Fund, therefore, has been that the revolving character of its resources must be maintained by repurchases that take place not later than five years after the drawings to which they relate, and members have consistently observed this practice. Thus, the practice of the Fund, on which you rely, does not in fact support your request.

I should also like to clarify the fact that paragraph 2(d) of the Decision of February 13, 1952, does not create any right to a postponement. That paragraph states only that in certain circumstances the Fund will consider extensions of time. I have, of course, put your above-mentioned request for an extension to the Executive Directors for their consideration and they have concluded that there should not be a postponement beyond the Fund's operating maximum of five years, particularly where, as in this case, the original commitment was to repurchase not later than six months after the drawing and where the period has already been extended up to five years.

I trust that you will understand the clarification of Fund practice that I have set forth, and, therefore, it is my hope that Cuba will not maintain its present position and that it will take itself out of default by discharging its existing repurchase commitments at the very earliest opportunity. I should like to hear from you how Cuba will most expeditiously discharge those repurchase commitments.

Yours sincerely,

Per Jacobsson
Managing Director

Dr. Raúl Cepero Bonilla
President
Central Bank of Cuba
Havana, Cuba