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Supplement 1

CONFIDENTIAL

October 14, 1993

To: Members of the Executive Board

From: The Secretary

Subject: Cambodia - Overdue Financial Obligations to the Fund -
Termination of the Limitation of Use of the Fund's General
Resources and Suspension of the Right to Use SDRs

Attached for the information of Executive Directors are the texts of two communications dated October 8, 1993 from the Acting Managing Director (i) to the Governor of the Fund for Cambodia and (ii) to all Fund Governors except the Governor for Cambodia.

Att: (1)

Other Distribution:
Department Heads

ATTACHMENT I

Honorable Thor Peng Leath
Governor of the Fund for Cambodia
Phnôm Penh (Cambodia)

Dear Mr. Governor:

Following the decision by the Executive Board to terminate both the limitation of Cambodia's right to use general resources and the suspension of Cambodia's right to use SDRs, I am pleased to inform you that I sent the communication set out below to all Governors of the Fund.

Quote

(See Attachment II)

Unquote

The Fund management and staff look forward to continued collaboration with your authorities in the effort to continue the process of economic stabilization and structural reform and to promote economic growth for Cambodia.

Best regards,
Richard D. Erb
Acting Managing Director
Interfund

Sent: October 8, 1993

To all Fund Governors except Cambodia

Dear Governor:

I am pleased to inform you that effective October 1, 1993, the Executive Board of the International Monetary Fund terminated both the limitation of Cambodia's use of the general resources of the Fund and the suspension of its right to use SDRs. This decision was taken following a payment by Cambodia equivalent to SDR 36,903,319 which fully settled its overdue financial obligations to the Fund. This settlement of overdue obligations to the Fund was made with the assistance of the Support Group for Cambodia under the co-chairmanship of Japan and France.

The clearance of Cambodia's arrears after more than eighteen years, and the restoration of its right to use the general resources, completes the process of normalisation of Cambodia's relations with the Fund that began in October 1992.

Following Cambodia's settlement of arrears to the Fund, the Executive Board approved on October 4, 1993 a first purchase under the Systemic Transformation Facility in an amount equivalent to SDR 6.25 Million (25 percent of quota) in support of a 12-month economic and financial program starting July 1993.

The strengthened cooperative strategy continues to provide the foundation for work with other members with protracted arrears and with donors and creditors. The successful outcome in the case of Cambodia, together with the recent clearance of Viet Nam's arrears, on which I am writing to you separately, reaffirms the effectiveness of this strategy, which we will continue to pursue with vigor.

Best regards,
Richard D. Erb
Acting Managing Director
Interfund

Sent: October 8, 1993