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CONFIDENTIAL

April 30, 1992

To: Members of the Executive Board

From: The Acting Managing Director

Subject: Romania - Prompt Repurchase Under the
Compensatory and Contingency Financing Facility

On March 15, 1991, at EBM/91/38, the Executive Board approved Romania's request for compensatory financing of SDR 209.4 million (40 percent of quota), under Section V, paragraph 49(c)(i), of the Decision on the Compensatory and Contingency Financing Facility (CCFF). After approval of a one-year upper credit tranche stand-by arrangement on April 11, 1991, a second purchase of SDR 38.3 million (7.3 percent of quota) was made. These purchases were made in respect of an excess in oil import costs of SDR 247.7 million for the 12-month period ended June 1991, calculated using estimated data for six months (January-June 1991) of the excess year. Replacing the original estimated data with actual data for the excess year and preceding years indicates that Romania was overcompensated by SDR 153.4 million (29.3 percent of quota) and therefore an expectation of a prompt repurchase of an equivalent amount arises pursuant to paragraph 51(a) of the CCFF decision. The authorities were notified on March 18, 1992 of the expectation of a prompt repurchase.

Romania was not able to meet the expectation to repurchase promptly, i.e., within a thirty-day period from being notified, and the repurchase is still outstanding. Under the established procedures, a report to the Executive Board is to be made in such cases where a member is not meeting the expectation to repurchase promptly. 1/ The nonfulfillment of the expectation does not, however, represent an overdue financial obligation to the Fund.

The authorities have explained that they were unable to make the repurchase within 30 days owing to a low level of international reserves that reflects in large part shortfalls in loan disbursements anticipated under the program. However, they have informed the staff that Romania will complete the repurchase expectation as soon as possible through all possible means. Understandings have been recently reached with the staff on an economic program that could be supported by further use of Fund resources.

In view of the foregoing, I do not propose that any further action be taken by the Executive Board at the present time, but I shall keep the members of the Board informed on the matter.

1/ See Selected Decisions, Sixteenth issue, page 173.

