

EBS/87/243

CONFIDENTIAL

November 23, 1987

To: Members of the Executive Board

From: The Managing Director

Subject: Bolivia - Repurchase Due of Overcompensation
Under the Compensatory Financing Facility

Bolivia made a purchase of SDR 64.1 million on December 15, 1986 under the Compensatory Financing Facility on the basis of estimated data for part of the shortfall year ended December 1986. Actual data indicate that Bolivia has been overcompensated by an amount of SDR 34.1 million. ^{1/} The authorities were so notified on October 7, 1987 and were asked to make the repurchase promptly in accordance with paragraph 7 of the compensatory financing decision and Bolivia's representation at the time of the request for the compensatory financing purchase.

Bolivia did not meet the expectation to repurchase promptly, i.e., within a thirty-day period, and the repurchase is still outstanding. Under the agreed 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. ^{2/} The nonfulfilment of the expectation does not, however, represent an overdue obligation to the Fund.

The authorities have explained that they are unable to make the repurchase promptly due to the low level of freely usable gross official reserves. They stressed, however, that they would make the repurchase as soon as the Central Bank's foreign exchange position recovers.

Discussions are expected to take place in the near future with the Bolivian authorities on further use of Fund resources, including a second-year disbursement under the Structural Adjustment Facility, and if the repurchase should still be outstanding the staff will take up the matter further with the authorities at that time.

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 EBS/87/212 "Bolivia - Compensatory Financing Facility - Repurchase under Paragraph 7 of Decision No. 6224-(79/135), August 2, 1979," October 6, 1987.

^{2/} See Selected Decisions, Thirteenth issue, pages 86 and 87.

