# COUNCIL DECISION

## of 27 November 1992

## providing further medium-term financial assistance for Romania

(92/551/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal of the Commission [1], submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament [2],

Whereas Romania is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas the said reforms are under implementation with the financial support from the Community and whereas the reform process needs to the strengthened and broadened;

Whereas the financial support of the reforms from the Community will strengthen mutual confidence and bring Romania closer to the Community;

Whereas Romania and the Community have entered into negotiations for the conclusion of a European Agreement establishing a relationship of association;

Whereas, by Decision 91/384/EEC [3], the Council decided to grant Romania a medium-term financial assistance of a maximum amount of ECU 375 million, with a view to ensuring a sustainable balance-of-payments situation in that country;

Whereas, however, despite the government of Romania's courageous implementation of adjustment measures and structural reforms, the stabilisation phase of the Romanian economy is still under way and whereas additional official support is required in order to support the balance of payments and consolidate the reserve position;

Whereas the Romanian authorities have requested financial assistance from the International Monetary Fund (IMF), the Group of 24 industrial countries (G-24) and the Community, and whereas, over and above the estimated financing which could be provided by the IMF and the World Bank and the carryover of financial assistance provided by the G-24 for 1991, a residual financial gap of some US $ 180 million remains to be covered in 1992, in order to avoid an additional degree of import compression which could seriously jeopardise the achievement of the policy objectives underlying the government's reform effort;

Whereas the Commission as coordinator of assistance from the G-24 industrial countries has invited them to provide medium-term financial assistance to Romania;

Whereas the grant by the Community of a medium-term loan to Romania is an appropriate measure to support the balance of payments and to strengthen that country's reserve position;

Whereas the question of the risks linked to guarantees taken from the general budget of the European Communities will be examined in the context of the renewal in 1992 of the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure;

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

*Article 1*

1. The Community shall grant to Romania a medium-term loan facility of a maximum amount of ECU 80 million in principal, with a maximum duration of seven years, with a view to ensuring a sustainable balance-of-payments situation and strengthening the reserve position.

2. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Romania in the form of a loan.

3. This loan will be managed by the Commission in full consultation with the Monetary Committee and in a manner consistent with any Agreement reached between the IMF and Romania.

*Article 2*

1. The Commission is empowered to negotiate with the Romanian authorities, after consultation with the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with the agreements referred to in Article 1 (3) and with arrangements made by the G-24.

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with G-24 and the IMF, that the economic policy in Romania is in accordance with the objectives of this loan and that its conditions are being fulfilled.

[1] OJ No C 164, 1. 7. 1992, p. 30.
[2] Opinion delivered on 17 November 1992 (not yet published in the Official Journal).
[3] OJ No L 208, 30. 7. 1991, p. 64.

*Article 3*

1. Subject to the provisions of Article 2 (2), the loan shall be made available to Romania in one instalment provided that satisfactory progress is made in the implementation of the 'stand-by arrangement' to be agreed between Romania and the IMF.

2. The funds shall be paid to the National Bank of Romania.

*Article 4*

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, in any exchange or interest-rate risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Romania so decides, to include in the loan conditions, and also to exercise, an early repayment clause.

3. At the request of Romania, and if circumstances permit an improvement in the interest rate on the loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of the refinancing of restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Romania.

5. The Monetary Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3 at least once a year.

*Article 5*

At least once a year the Commission shall address to the European Parliament and to the Council a report, which will include an assessment on the implementation of this Decision.

Done at Brussels, 27 November 1992.

*For the Council*

*The President*

J. PATTEN