II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 20 June 1994

providing further macro-financial assistance for Romania

(94/369/EC)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from 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 Romania and the Community have concluded a Europe Agreement establishing a relationship of association;

Whereas, by Decision 91/384/EEC (3), the Council decided to grant Romania medium-term financial assistance for an amount of ECU 375 million, to ensure a sustainable balance of payments by that country, and whereas, by Decision 92/551/EEC (4), the Council decided to grant Romania further assistance for an amount of ECU 80 million;

Whereas however additional adjustment and reform measures are necessary in Romania to reduce the inflation rate, to liberalize the exchange rate regime, to strengthen financial discipline of the enterprises and to accelerate privatization;

Whereas Romania has reached an agreement in principle with the International Monetary Fund (IMF) in December 1993 on a new economic programme which would be supported by a stand-by arrangement with the IMF;

Whereas the authorities of Romania have requested financial assistance from the International financial institutions, the Community and other bilateral donors, and whereas, over and above the estimated financing which could be provided by the IMF and the World Bank, a residual financing gap of some US $ 275 million remains to be covered during the programme period, in order to strengthen Romania's reserve position and avoid exchange rate instability and further import reductions which could seriously jeopardize the achievement of the policy objectives attached to the government's new economic programme;

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

Whereas the Community loan should be managed by the Commission;

Whereas, for the adoption of this Decision, the Treaty does not provide for powers to act 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 125 million in principal for a maximum duration of seven years, with a view to ensuring a sustainable balance of payments and strengthening the country's reserve position.

(1) OJ No C 134, 17. 5. 1994, p. 27.
(2) Opinion delivered on 6 May 1994 (Not yet published in the Official Journal).
(3) OJ No L 208, 30. 7. 1991, p. 64.
(4) OJ No L 353, 3. 12. 1992, p. 30.

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

3. This loan shall be managed by the Commission in close 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 wiht the agreements referred to in Article 1 (3).

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

Article 3

1. The loan shall be made available to Romania in two instalments. Subject to Article 2 (1), the first instalment shall be released on the basis of the approval of the 'stand-by arrangement' by the Board of the IMF.

2. The second instalment shall not be released before the fourth quarter of 1994, subject to the provisions of Article 2 (2) and subject to satisfactory progress being recorded in Romania's application of the 'stand-by arrangement'.

3. 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 wishes to ensure that an early repayment clause is included in the loan conditions and that it may be exercised.

3. At the request of Romania, and where 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 of increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of refinancing or 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 evaluation, on the implementation of this Decision.

Done at Luxembourg, 20 June 1994.

For the Council

The President

G. MORAITIS