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(Acts adopted under the EC Treaty/Euratom Treaty whose publication is not obligatory)

DECISIONS

COUNCIL

COUNCIL DECISION

of 6 May 2009

granting mutual assistance for Romania

(2009/458/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 119 thereof,

Having regard to the recommendation from the Commission made after consulting the Economic and Financial Committee,

Whereas:

(1) Romanian capital and financial markets have recently come under pressure, reflecting the global economic downturn and rising concerns about the Romanian economy, given its wide external deficit, and the rapidly increasing public deficit. Pressures on the exchange rate have also increased and entail a risk to the wider banking sector stability.

(2) In response, the government and the National Bank of Romania (NBR) have developed a comprehensive strategy to firmly anchor macroeconomic policies and reduce financial market stress and outlined this strategy in a letter of intent received by the Commission on 27 April 2009. A cornerstone of the economic programme is the reduction of the fiscal deficit from 5,4 % of GDP in 2008 to 5,1 % of GDP in 2009 and to below 3 % of GDP by 2011. In order to help a sustainable achievement of lower budgetary deficits, measures will be taken to improve the budgetary strategy and process. This economic programme and in particular the fiscal targets will be reflected in the Government budget as well as in the convergence programme.

(3) The Council is reviewing on a regular basis the economic policies implemented by Romania, in particular in the context of the annual reviews of Romania's update of the convergence programme and implementation of the National Reform Programme and the regular review of progress made by Romania in the context of the Convergence Report and of the Annual Progress Report.

(4) External financing is expected to remain under significant pressure as the persistent, although declining, current account deficit, together with the need to roll over sizeable short-term and longer-term foreign currency-denominated debt, are likely not to be covered fully by Foreign Direct Investment (FDI) and other financial and capital account inflows in 2009-2011. External financing needs are estimated at around EUR 20 billion in the period until the first quarter of 2011. Foreign banks' rollover rate of their exposures to Romania is assumed at 100 % once the mutual assistance is awarded, consistent with the required commitment of main foreign banks to maintain their exposure to Romania (as confirmed in their joint statement of 26 March 2009), whereas the rollover rate for corporate external debt to parent institutions and for external debt of Romanian banks is assumed at 50 % in 2009. For 2010 and 2011, all maturing foreign liabilities are assumed to be rolled over at 100 % in line with the expected financial market stabilisation and start of the recovery in Romania's major export markets. Apart from sufficiently high foreign exchange reserve target (of more than 100 % of short-term external debt at remaining maturity) conservative assumptions were made about other capital outflows such as non-resident deposit outflows, decreases in trade credits and portfolio outflows in order to incorporate additional buffers into the calculations.

(5) The authorities of Romania have requested substantial financial assistance from the EU and other international financial institutions to support balance of payments sustainability and to bring international currency reserves to a prudent level.

(6) There is a serious threat to the Romanian balance of payments which justifies the urgent granting of mutual assistance by the Community. In addition, in view of the urgency of the matter, it is imperative to grant an exception to the six-week period referred to in paragraph I(3) of the Protocol on the role of national Parliaments in the European Union, annexed to the Treaty on European Union and to the Treaties establishing the European Communities,

HAS ADOPTED THIS DECISION:

Article 1

The Community shall grant mutual assistance to Romania.

Article 2

This Decision is addressed to the Member States.

Done at Brussels, 6 May 2009.

For the Council
The President
J. KOHOUT