
INTERNATIONAL FINANCING ALTERNATIVES FOR ROMANIAN CENTRAL GOVERNMENT

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Abstract:

At present all world countries are seeking to attract the cheapest way of public resources needed to cover budget deficits. This paper aims to review the five alternatives for external funding of countries faced with insufficient public funds to the state budget. It focuses on the possibilities of financing with borrowed resources. The financing alternatives are presented from the perspective of Romania's access to them, with comparative references to other European Union member states. International funding alternatives are: loans from the International Monetary Fund, World Bank, European Commission, European Bank for Reconstruction and Development, European Investment Bank.

Keywords: external financing, EFSM, EFSF, IMF – EU – World Bank financing package

1. Introduction

Public authorities' resources are often insufficient to meet public budgetary needs in a functional market economy. In such cases the public authorities have to turn to individuals and companies who have money and are willing to give them to the central or local authorities. Public capital formation process at a low-cost has a particular interest. This is a process before the one of using public funds. The state is one of the main exponents of financial resources demand. Public funds management refers to the choice of appropriate financial mechanisms in order to ensure state profitability and efficiency, to reduce the risks of public resources insufficiency.

The main effects of financing government needs by loans should be analysed following some approaches: on long term the loans generates an increase in fiscal pressure, influencing the behavior of financial market investors, they lead to changes in interest rates and Ricardian equivalence manifestation. David Ricardo's theory envisages that the financing of public spending involves attracting liquidity from the public or by increasing taxes or increasing public borrowing. [Seater, 1993] The two

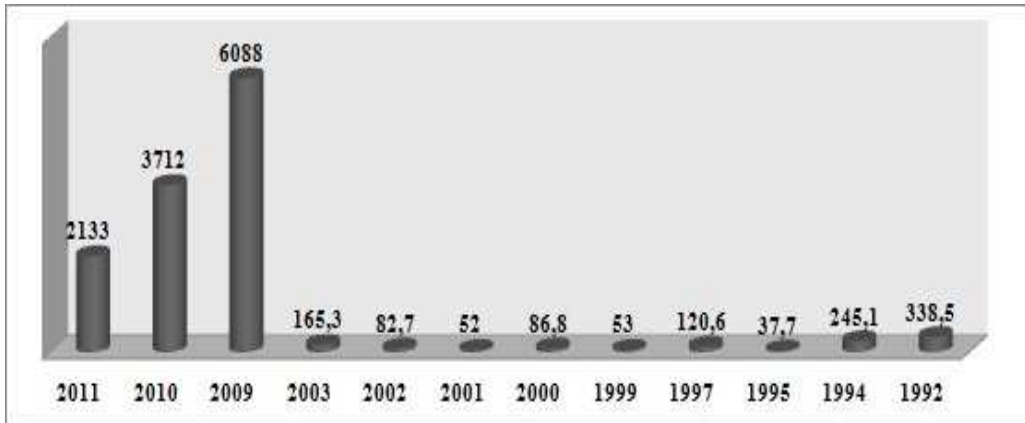
alternatives are equivalent in terms of savings and consumption. Debt implies a future increase of tax revenues.

The need of long-term funding is generated by two cases. The first one is to finance the budget deficit and the second is given by the obligation of debt amortization, or reimbursement. Budget deficit cover is permanently needed because the state budget deficit is built on it. In the absence of deficit constraints, public expenditures tend to increase as much as irrational debt. Always it is talking about limiting the budget deficit and public debt. Limits have been imposed at EU level: budget deficit does not exceed 3% of GDP and public debt 60% of GDP. But limiting the budget deficit must be accompanied by a limitation of the tax burden on taxpayers. In 2009, the need for public funding in Romania reached 42.5 billion RON, representing 8.6% of GDP, of which 78% is needed to finance central government. Romania's consolidated budget deficit for 2010 was over 33.3 billion lei [Romanian Ministry of Finance, 2011], meaning 6.4% of GDP, 2.1 points less than 2009 8.5% and 5.7% in 2008. Before 2008 the country's budget deficit has met the limit. According to data published by Eurostat, in 2010 Romania is the 11th country in the EU-27 with the largest share of the budget deficit, only five countries lies in the graph (Denmark, Sweden, Finland, Luxembourg and Estonia). Among the states with the highest weighted GDP deficit stands 32.4% Ireland, Greece and the UK with more than 10%, Spain and Portugal with more than 9%, France, Lithuania, Latvia, etc.

2. 1st Alternative: International Monetary Fund

The first financial institution to which a country may call for funding is the International Monetary Fund, an institution that plays a key role at internationally level. Funding is made based on stand-by agreements between authorities and the IMF demanding a period between 12-24 months depending on the country shall quote from the Fund. The stand-by agreements are subject to some conditions imposed by the economic policy. Annual total value of stand-by agreements signed by the IMF gradually increased from 17,252 million SDR in 2001 to 40,752 million SDR in 2010. [IMF, 2010] In 2010, 21.060 million SDR of the 40,752 million SDR, were given to six countries. The largest grant was received by Romania, followed by Ukraine, Belarus, Pakistan, Hungary and Serbia. Since 1972 Romania has e11 stand-by agreements, of which 3 were signed before 1989, and 8 thereafter. The 11 agreements were signed in 1975, 1977, 1981, 1991, 1992, 1994, 1997, 1999, 2001, 2004, 2009 and 2011. Of these, the stand-by ended 6th of May 2009 has the highest value of 11,443 million SDR (12.95 billion euro) and the one fro 30th of March 2011 amounting to 3,090.6 million SDR. From 1992 to present, Romania has obtained financial resources from the IMF amounting to 24,013 million SDR (106.68 billion lei - April 30, 2011). The value of financial resources made available by the IMF to Romania varies from year to year, the total loans in the period 1992-2003 is 5 times lower than the loan in 2009.

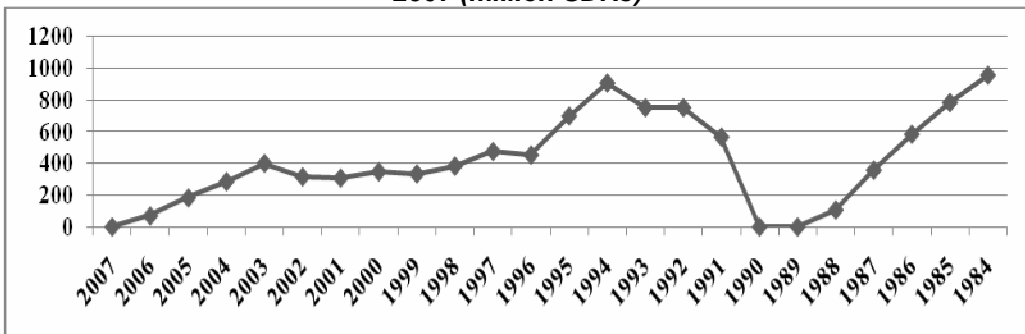
Figure no. 1 Romania's annual lending from the IMF in 1984 - 30.06.2011 (mln SDRs)



Source: IMF data processed, accessed 10/07/2011, missing years in the graphic means the absence of a loan schedule

As regards Romania's balances in relation with the IMF, it can be seen two different debt policies before 1989 and after 1989. From 1984 until the revolution, Romania has not borrowed from the IMF, but Romania gradually repayed its debts up to revolution. The transition from centralized economy to a market economy has required substantial financial resources of our country achieved in 1992 and 1994. But their value does not compare to today's needs. Figure no.30 Evolution IMF loan balance at 31 December 1984 to 2007 (million SDRs).

Figure no. 2 The evolution of IMF loans' balance between 31 December 1984 to 2007 (million SDRs)

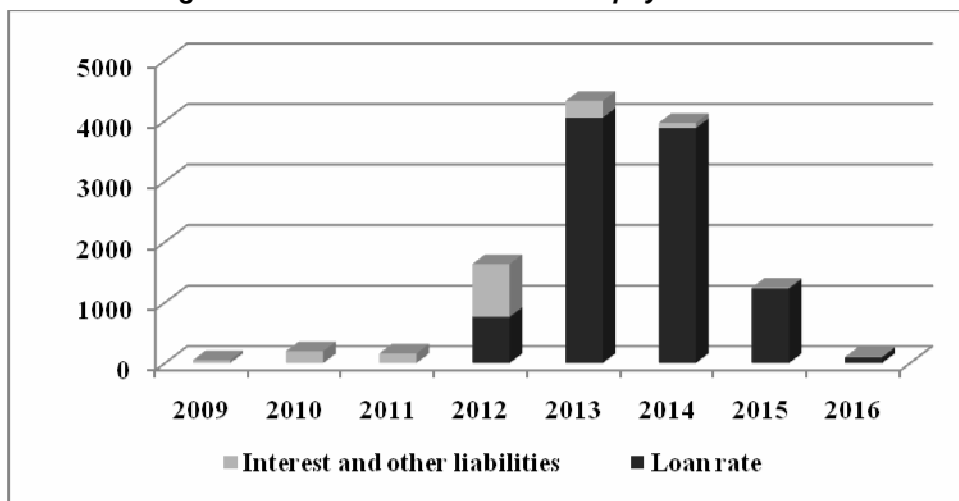


Source: IMF data processed, accessed 1st July 2011

After a break of five years in which Romania has not borrowed money from the IMF (2004-2008), the financial difficulties brought by global financial and economic crisis in 2009 led Romania to achieve the largest loan in the history of relations with the IMF. So, Romania received in two installments in 2009 6,088 million SDR (6.63 billion euro), they have been followed by three others in 2010 amounting to 3,712 million euro and last two installments in 2011 amounting to 1.643 million SDRs. [IMF, 2009] The loans were partly used to finance the budget deficit and public debt.

The access to loans is not easy, it is due to the conditions imposed by the IMF. Evaluation of these requirements is made quarterly, and after their performance is achieved a country can draw a new installment of loan. This year has been signed a new stand-by agreement for 2011-2013 according to which Romania receives a loan from the IMF amounting to SDR 3,090.6 million (3.5 billion euros).[IMF, 2011] Reimbursement of stand-by agreements is made from 2012 until 2016. As regards Romania's debt repayment capacity to the IMF, the latest IMF report (June 9, 2011) stated that it continues to be strong. The repayments' peak will be in 2013/2014 and it reaches 11.7% and 10.8% of gross reserves.

Figure no. 3 Romania's estimated repayments to IMF



Sursa: IMF data processed, 30th of June 2011

A strong political commitment assumed by Romania to the SBAs program and an excellent history of the debt payment is a guarantee that it will meet its financial obligations to the Fund on time.

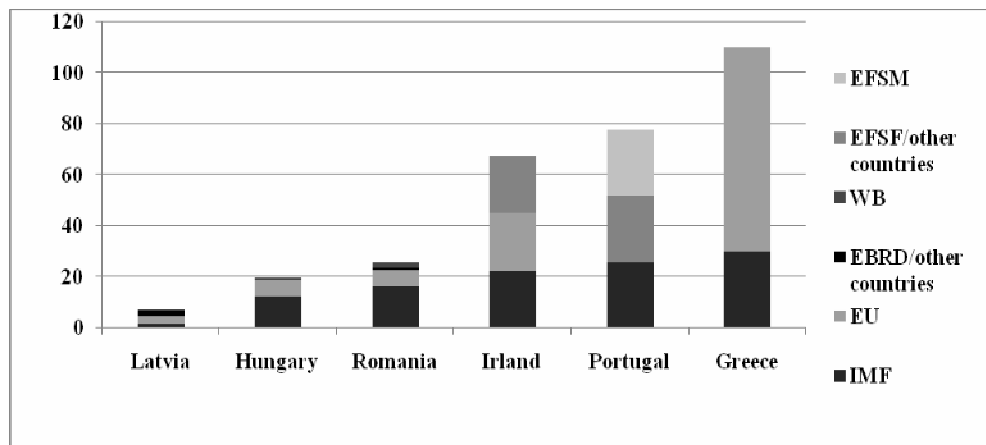
Calling IMF financial resources is an international used practice among world states. An analysis of IMF loans during 1984-2011 revealed that over two decades, only 13 of the 27 EU Member States have used IMF financial resources. Of the 13, Greece, Romania and Hungary have contracted the largest loans. Greece has debts to the IMF amounting to 12.735 million SDRs due to two loans taken in 2010 and 2011, representing approximately 14.1 billion euro. Hungary has been used over the period of 9156.15 million SDRs as IMF loans, of which 7,637 million SDR were contracted in 2008 and 2009. In 2011 Portugal has borrowed 5,611 million SDR representing 97% of IMF loans since 1985. Bulgaria has borrowed constant and annually during 1991-2004 totaling 2,180.08 million SDR by an annual average of 167 million SDR. After 2004, Bulgaria has not been funded by the IMF. Poland had drawn only three credits, between 1990-1995, with a total of 1,236.9 million euro. Czech Republic borrowed once in 1993 850.7 millions SDR, and Slovakia twice in 1993-1994 in the amount of

501.67 million SDR. Another EU country called IMF loans is Lithuania which borrowed up to 248.4 million SDR in 1997. The next state, Slovenia has borrowed only once in 1992 25.5 million SDR, Ireland only in 2011 6,422 million SDRs. Estonia has borrowed 3 times totaling 61.8 million SDR, the last loan was in 1995. The last EU country that has a history of funding in partnership with the IMF is Estonia, which has contracted six loans from the IMF amounting to 1096.04 million SDR, of which the last three between 2008 and 2010 amounting to 982.24 million SDRs. Other Member States mentioned have never appealed to loans from the IMF.

External financing through IMF loans has some advantages and disadvantages. Among the advantages of the IMF loans are included: the increase of Romania's credibility on the international capital market, reducing the risk of massive and quickly depreciation of national currency, leads to a release of public funding, an increase in Romanian public policies transparency and allow financing at low interest rates as compared with cost of capital market financing. External loans from the IMF are combined in packages from the EU, EIB, EBRD, IBRD loans or other forms. For example, for Romania stand-by agreements require an interest rate of 3.5% and the EU interest rate varies on EURIBOR interest rate and reached 3.125% for July 2009, 3.375% for March 2010 and 2.375% for September 2010. [Romanian Ministry of Finance, 2011] The main disadvantage of IMF loans follows from the fact that the country is subject to monitoring to achieve economic and social reforms that are imposed by the IMF. Financial assistance from the IMF helps countries of the world to rebuild international reserves, to stabilize national currencies, to balance of payments and to support economic growth.

EU Member States are characterised by public financing in packages. Thus, after 2008, of the 27 Member States only 6 have resorted to foreign loans granted by installments from 2013 to 2014, with a total value of 309 billion euro. Of all, Greece has signed a grant worth 110 billion euros year, 80 billion euros from the EU and 30 billion euro from the IMF. Portugal is the second state with the largest financing package of 78 billion, divided between the IMF and the EU. Romania has signed two packages of external funding for 2009-2013 totaling 26 billion euros, of which 16.45 billion from the IMF (66%), 6.4 billion euros from the EU (24%), 2.15 billion euro from World Bank (8.3%) and 1 billion euros from EBRD and EIB. Hungary's value of loan agreements is 20 billion euros, of which 62% come from the IMF and 32% of the EU. Latvia had needed 7.5 billion euro provided by EU 3.1 billion euro, by the IMF 1.7 billion euro, the World Bank 0.4 billion euro and 1.9 billion euro from Sweden, Finland, Norway and Estonia. After 2009, Poland signed three credit lines with a maximum maturity of one year and a volume of 19.17 million SDR, but the country not turned to them so far.

Figure no. 4 The structure of external financing package of EU countries 2008-2014



Source: Data processed from stand-by agreements and European Commission decisions

Regarding the interest rate for IMF loans, it is calculated based on the SDR interest rate. When Romania has signed its first stand-by agreement with IMF the lending adjusted rate was 1.47%, but when Romania had drawn the loan installments the interest rate ranged from 1.26% in septembrie 2009, to 1.30% in September 2010 and 1.34% in January 2011.[IMF database]

3. 2nd Alternative: European Commission/MESF/FESF

A second source of foreign credit is represented by funds from the European Union, approved by the European Commission as a form of repayable financial assistance. A restricted access to bond market for loans had determined the Romanian officials to request a financial assistance from the EU on the medium term between 2009 and 2011. In 2009 Romania and European Commission signed a loan for 2009-2011 of € 5 billion as an assistance program for the balance of payments. EU funding is based on installments in accordance with the conditions imposed for Romania, as follows: € 1.5 billion on July 27, 2009, 1 billion € on March 11, 2010, € 1.5 billion on September 22, 2010, 1.2 billion € in March 24, 2011 and 0.15 billion € on June 22, 2011.[European Commission, 2009] The average interest rate for EU financing is 3.3% and the repayments will be made in 2015. Regarding the second European reimbursable funding program 2011-2013, the memorandum requires a loan of 1.4 billions euro. [European Commission, 2011]

Due to the economic depreciation, but also in the health sector and banking, another European country requested the EU financial support. **Latvia** has signed a financial program for 2008 consists in a loan of 7.5 billion euros, of which the EU supports 3.1 billion euro, the IMF 1.7 billion euro (SDR 1.5 billion), the Nordic countries (Sweden, Finland, Norway, Estonia) 1.9 billion euros, the World Bank and EBRD 0.4

billion euro, the Czech Republic and Poland 0.4 billion euros. The average interest rate is 3.2% and repayments begin to take place in 2014. The financial resources are conditioned: the budget deficit should be below 3% of GDP, public sector wage costs to decrease by 15% in 2008 and another 2% in 2009 and 2010, the increase in VAT rate from 18% to 21%, excise and other structural reforms. Financial assistance to Hungary was signed in November 2008. Thus, Hungary has benefited from a European loan worth 6.5 billion euros, payable in six installments by the end of 2010, with a loan of 12.5 billion euros from the IMF and World Bank each 1 billion euros. Unlike Romania, Hungary at the end of 2010 did not apply last installment of European loan of 1 billion euro. Hungary imposed some conditions that are aimed to reduce the budget deficit under 3.8% of GDP, structural reforms of long distance public transport, a reform of the tax ruling, etc.

Another alternative of European financing is to apply for **European Financial Stability Mechanism (EFSM)**, which is a special form of financial assistance made available to EU Member States. Basically it's about opening a credit line guaranteed by Member States, which allows drawing funds to a maximum amount for a certain period of time. The technical aspects aim to determinate the amount that can be obtained from the credit line, the number of payments and funding period, which are set by the European Commission and by the economic conditions which are imposed on beneficiary countries. As for financial assistance for balance of payments, monitoring results shall be made by the Commission. The use of this financing method does not exclude the use of IMF loans. The first two Member States that have benefited from this source of external financing were Ireland and Portugal. To obtain the necessary amount of 67.5 billion euros, Ireland is borrowing installments for 3 years by EFSM, European Financial Stability Facility Facility (EFSF), bilateral loans from Sweden, Denmark and the UK and loans from IMF. Each part is contributing by 22.5 billion. Thus, Ireland has benefited from European credit line: 5 billion euros in January 2011, 3.4 billion euros in March 24, 2011 and 3 billion euros in May 2011. The interest rate paid by Ireland to these categories of loans is 5.51% for the first credit line, consisting of the cost of obtaining sums by issuing bonds on behalf of the EU 2.59%, to which we add a margin of 2.925 % decided by the Council. The margin of 2.925% flows into the EU budget and it is distributed to the other Member States. Ireland is supervised quarterly for compliance with the conditions of financial restructuring and the implementation of fiscal measures memorandum. [Ireland memorandum, 2010]

Portuguese authorities have also requested a plan for external funding in April this year. To obtain the financial resources of 78 billion euros, Portugal used 26 billion euros from EFSM, EFSF for another 26 billion euros over a three-year staggered and loans from the IMF for 26 billion euros. [Portugal memorandum, 2011] Portugal benefits from a credit line of 1.75 billion euro on 31st of May 2011 and one of 4.75 billion euros on 1st of June 2011. Credit lines are covered by the EU through 5-year bonds, maturity 2016, 2.75% coupon and 10-year bond, maturity 2021, with 3.5% coupon. For this Portugal should create jobs, should improve competitiveness, should introduce

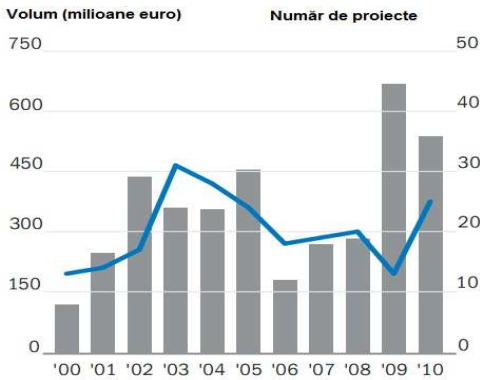
strategic fiscal measures, should reduce the budget deficit and debt ratio to GDP, but also a strategy of financial reform should be implemented.

European Financial Stability Facility was created on May 9, 2010 by euro area Member States. It is registered in Luxembourg as a company owned by the Member States. It is entitled to issue bonds for 5 or 10 years, guaranteed by the EU, and proceeds to reuse the amounts of money for lending to euro area countries that need financial resources and are subject to requirements imposed by the European Commission. The first states that have benefited from the latest European form of external financing are Ireland and Portugal. Until 1st of July 2011 Ireland borrowed 3.6 billion euros at a cost of 5.9%. Portugal has already received loans of 5.9 billion euros on 1st of July 2011, of which 2.2 billion at a cost of 5.32% (bonds with maturity 5 years) and 3.7 billion euros at a cost of 6.08% (bonds with maturity 10 years). [<http://www.efsf.europa.eu>]

4. 3rd Alternative: European Bank for Reconstruction and Development

Another international financial institution is the European Bank for Reconstruction and Development, which unlike the IMF finances development projects in different sectors of the economy. There is coordination between the EBRD, EU Delegation, EIB, IMF, World Bank, and common goals to support infrastructure development in Romania, improving environmental conditions, further restructuring of public sector and public administration capacity development. By March 2011, Romania's relations with the EBRD have materialized in 289 projects worth 4.2 billion euro financial resources, of which 23% obtained by the public sector. [EBRD, 2011] In 2010 31 financing projects were signed between Romania and EBRD, of which 8 were municipal projects. Before joining the EU in 2006 and 2007 the EBRD has financed 120 projects for public sector with a value of 1,821 million euros. [EBRD, 2002] From 1992-2007 the value of co-financing from the EBRD amounted to 3,958.6 millions euro, and it represented an average funding percentage of 34% in project value, the difference being supported by European funds and government. EBRD funds target areas include infrastructure projects, public transport, energy and telecommunications.

Figure no. 5 Projects financed by EBRD 2000-2010



Source: Facts Sheets for Romania, March 2011

Table no. 1 EBRD co-financing for EU member states

Country	No. projects	Project value	Co-funding EBRD	% public sector
Bulgaria	194	8	2	11%
Hungary	164	9,7	2,1	2%
Latvia	75	1,9	0,46	36%
Lithuania	78	1,8	0,25	49%
Romania	289	13,4	4,3	23%
Poland	284	18,8	4,2	14%

Source: Data centralized <http://www.ebrd.com/>

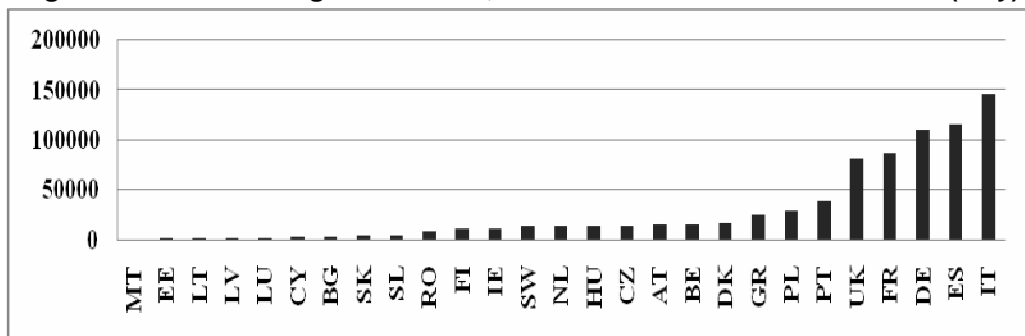
According to the reports published for each country on EBRD website, 28 states of the world appealed to its financial resources, of which 9 are EU members. Of the nine EU countries that use bank funds for financing their needs should be noted that Estonia, Slovenia and Slovakia have funded only private sector projects and not the public sector projects. Our country is the member state with the most large number of projects worth 13.4 billion euros, of which 4.3 billion euros are covered by EBRD and 23% of projects are from public sector. Lithuania has 49% of the projects financed by the EBRD in the public sector, so that from 0.25 billion euro a half are used to improve public services. In the category of other countries which use the EBRD funds could be mentioned Albania, Turkey, Croatia, Georgia, Russia, Serbia, Moldova, Mongolia, etc. In terms of funding percentage for public sector, it covers 76% in Bosnia, followed by Montenegro with 63%, Uzbekistan 61% and Serbia with 55%. At the opposite pole we can find Albania, where only 5% is the share of public sector. Russia is the first country by the number of projects (657) and by the largest project value 49.4 billion euro. The second country after Russia is Ukraine with 272 projects worth 12.8 billion euros, of which 4.3 billion were covered by the EBRD. 35% of Ukrainian projects are in the public domain. EBRD loan interest rate varies based on LIBOR, plus a margin depending on country risk and the risk of the project. The interest rate is a confidential aspect between bank and customer. EBRD loan may be accompanied by a front-end commission, commission conversion to prepayments, cancellation or late payment.

5. 4th Alternative: European Investment Bank

EIB is the European Union's financing institution, established by the Treaty of Rome in 1958, with the aim of financial assistance for long term projects supporting European integration. EIB promotes economic and social cohesion, improving

European infrastructure transport and communications, improving the energy sector, developing a knowledge-based economy, urban development, business development, innovation and technology, etc. Romania became a member of the EIB on 1 January 2007, in the same time with EU integration. Since 1959 the EIB has financed over 17,000 loans, of which 14,313 in the EU, 36 in the EFTA countries, 25 countries in Eastern Europe, 550 in Mediterranean countries, 1432 in Africa and the Caribbean, 144 in Asia and Latin America. From 1991 until July 2011 there were 104 loan agreements signed between Romania and the European Investment Bank with an aggregate value of 8.2 billion euros, of which 6.8 billion euros have been projects after 2000. This means 1% of EU member states loans. The bank does not lend more than 50% of a project. From a dynamic point of view it can not identify a trend money borrowed, the amounts of borrowed money evolve chaotically, the highest value to EIB financing was made during 2009 1473.3 millions euro and 2008 1112.4 millions euro. But, the largest loan was contracted in late 2006 of 450 million euros for rehabilitation of public roads. EIB loans in 2010 amounted to 410 million, 3 times less than in 2009. After the year 2000 were financed 50 development projects in the public sector. Among the most important loans from the EIB to Romania are: 200 millions Euro for highway Arad-Timisoara-Lugoj, 250 millions for highway Cernavoda - Constanta, 395 millions euros for modernization of the Bucharest Metro, 112 million Euro for rehabilitation of 100 schools in Bucharest, 300 millions for rail Curtici-Simeria, 200 millions euros for building a wind farm at Fantanele etc. In terms of destination of loans it can be observed between Romania and EU-27 the following differences. A first difference follows from the fact that Romania does not borrow to finance agriculture, but 47.6% of loans are made for transport, while only 26% are used in the EU for this purpose. The second position stands credit lines with a share of 26% in the EU and 10% in Romania. In Romania 9% of loans are for energy, 4 percent less than in the EU. All Member States are using the EIB loans, between 1959 - July 2011 was granted 795.3 million euros as loans for the EU Member States.

Figure no. 6 EIB lending in the EU-27, the total amount from 1959 to 2011 (July)



Source: Data processed from database <http://www.eib.org/>

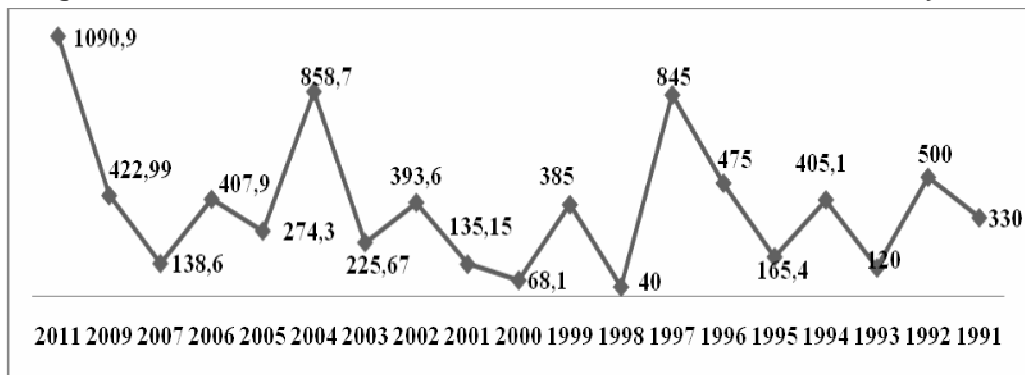
The most indebted country is Italy. With 4206 projects realized between 1959 - July 2011, Italy attracted 146.5 billion loans. This is followed by Spain with a debt of

115.9 billion euro to EIB and Germany with 110.6 billion euro. Romania ranks the 10th place among the Member States with the lowest EIB loans. Malta and Estonia are the EU states with the lowest EIB loans under 1.5 billion euro. The EIB interest rate varies depending on LIBOR plus a margin depending on the value and maturity of the loan.

6. 5th Alternative: International Bank for Reconstruction and Development / The World Bank

The fifth source of public external financing is given by loans from the International Bank for Reconstruction and Development, a member of the World Bank Group. The World Bank co-finances a part of Romania's financial resources needs, by 1 billion euros according to the agreement signed for 2009-2011, 0.4 billion euros under a development program and 0.750 billion euro for the period 2011-2013 under a program based on results of health and social security reform. Since 1991 The World Bank has lent to Romania through 65 agreements 6.3 billions dollars, but 4.9 billions dollars are repayed. At the end of May, the World Bank have provided 1969 loans in the world with the amount of 174.08 billion dollars, of which 37.64 billion U.S. dollars for the transport sector, 26.97 billion dollars for public administrations, 26.6 billions dollars for energy, 20.21 billion dollars for health and social services, 13.18 billion dollars for education, etc.

Figure no. 7 Evolution of The World Bank loans for Romania 1991 - July 2011



Source: Data processed from World Bank projects database <http://web.worldbank.org/>

Romania currently has 16 active loans amounting to 1,796.57 million dollars. The last three loans were granted as follows: first development policy loan in 2009 amounting to 422.99 million dollars (300 million), then the second CDP in 2011 totaling 380.5 million dollars (300 million euros). The third loan will be granted during 2011 worth 400 million euros. On May 26, 2011 was contracted a loan aimed at modernizing social welfare objectives. Its maturity is up in 2014 and has a value of 710.4 million dollars. Other World Bank loans aimed to reorganise the agriculture, farm

development, legal reform, irrigation rehabilitation, etc. The loan with the highest value is DPC contract from 2009. Romania had borrowed 120 million dollars from the World Bank to finance the rehabilitation of railways in 1996, 7 million dollars in 1997 for rehabilitating schools, 40 million U.S. dollars for health reform in 2000, forest development in 2002 of 25 million dollars, etc. From 1991 until July 2011 Romania had borrowed from the World Bank every year, except 2008 and 2010. Annual average loan was 388.23 million dollars.

With regard to other EU member states that have used World Bank financial resources, Czech Republic, Bulgaria, Hungary, Latvia, Poland and Slovakia have ongoing credit. Countries such as Germany and France do not borrow from the World Bank. The World Bank's interest rate is calculated according to the LIBOR (for dollars) and EURIBOR (euro) at 6 months plus a percentage margin of at least 2%. The interest rate depends on the loan's currency, on the loan period and on the type of spread, variable or fixed.[World Bank, 2010] For loans in euros and dollars margin is added to the EURIBOR and LIBOR varies between 0.28% for maturities less than 12 years and up to 1.05% for maturities between 15 and 18 and fixed spreads. The cost represented by the interest rate is added a front-end fee that can reach up to 1% of the loan and loan renewal fee of 0.25%.

7. Conclusions

When the ordinary revenues do not cover full current budgetary expenditures that are approved for next year, the government of the country has to choose between increasing tax revenues (by most existing taxes or introduction of new taxes) and borrowing. Most times, the government chooses the second solution, for the following reasons: an increase in taxes affects living standard of the population, the state loans offer the availability of money for safe investment, it is a quicker way of procuring financial resources than direct taxes, a bank loan is usually obtained in a shorter period than if it is placed among other businesses and households. Public loans are not taken from the same social category as taxes, they are not based on coercion, it is a process more convenient, more comfortable and lighter than the tax because it does not permanently deprive the subscriber of amounts, the loan has a voluntary and refundable character, it is accompanied by a interest.

The alternatives for public international financing can be divided into two categories: resources sequenced by accomplishing some punctual economic conditions (IMF, EU, World Bank) and resources received on projects (IBRD, EBRD). All this sources for financial resources are characterized by a low interest rate as compared with the one from bonds market. Using the financial resources of the IMF is an international practice among world states. An analysis of IMF loans during 1984-2011 revealed that over two decades, 13 of the 27 EU Member States have used IMF resources and many other developing world countries. It was noticed that world

developed countries do not use money from international financial institutions, they prefer to issue bonds on domestic or international capital markets. External financing through IMF and World Bank loans is the most used by underdeveloped and developing countries. The loans from the IMF are combined in packages from the EU, EIB, EBRD, IBRD loans or other forms. The main disadvantage of IMF loans follows from the fact that the country is subject to monitoring to achieve economic and social reforms that are imposed by the IMF. The loans from the European Commission have the same lending policy in accordance with a reform program for each country.

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