Macro-financial assistance to Lebanon

2007/0172(CNS) - 21/11/2007

The Committee on International trade adopted a report drawn up by Kader **ARIF** (PES, FR), and amended, in the framework of the consultation procedure, the proposal for a Council decision providing Community macro-financial assistance to Lebanon. Members approved of the intention to provide macro-financial assistance to Lebanon, both in the form of a loan of a maximum amount of EUR 50 million and a grant of a maximum amount of EUR 30 million, with a view to supporting Lebanon's public finances and balance of payments. They did, however, make some amendments with a view to strengthening the role of the European Parliament, clarifying the conditions for funding and the fact that the assistance is question is exceptional.

The main amendments were as follows:

- The Committee inserted certain recitals in order to **make explicit the context in which the macro-financial assistance is given.** New recitals state that it is in the EU's interest to reinforce Lebanon's sovereignty, territorial integrity and independence, free the country from foreign interference, and strengthen its legitimate and democratic government. The EU and its Member States committed themselves to the full implementation of the United Nations Security Council Resolution 1701 (2006) with a view to stabilising the area and to finding a long-term solution to the causes that led to the 2006 conflict in Southern Lebanon. The macro-financial assistance envisaged is even more urgently needed as the funds under the ENPI for sectoral reforms will be available to Lebanon only from 2009 onwards. The planned exceptional macro-financial assistance fills this gap, being available for 2007-2009 and having an immediate impact on Lebanon's balance of payments. Provision should therefore be made in the Memorandum of Understanding to guarantee the complementarity of both actions. The Community should ensure that the EU's macro-financial assistance is exceptional and limited in time, **complementary to the assistance given by Bretton Woods institutions, bilateral donors and the Paris Club creditors**, as well as conditional on meeting clearly identified requirements, including political pre-conditions, and is carefully monitored and assessed in order to prevent fraud and financial irregularities.

- Such financial assistance should only be provided once it has been established that the conditions to be agreed with the Lebanese authorities have been satisfactorily fulfilled. The conditions under which instalments may be disbursed from exceptional assistance, which should be laid down in a **Memorandum of Understanding and a Grant Agreement**, should include specific objectives which are to be attained in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. Real progress in attaining the above objectives should provide the basis for disbursing the instalments.

- The Committee clarified the **objectives.** It stated that the Community will make available to Lebanon **exceptional** financial assistance amounting to a maximum of EUR 80 million, with a view to supporting Lebanon's domestic efforts of post-war reconstruction and sustainable economic recovery, and in this way, alleviating the financial constraints on the implementation of the government's economic programme **and avoiding a further deterioration in Lebanon's trade and current account balances.**

- The Commission must **regularly inform the European Parliament** of the Economic and Financial Committee proceedings and provide it with the relevant documents. In addition, the Commission must **consult the European Parliament** as well as the Economic and Financial Committee before agreeing with the authorities of Lebanon the economic policy and financial conditions attached to the financial assistance.

- The **Memorandum of Understanding and the Grant Agreement** shall be submitted forthwith to the Council and the European Parliament. The conditions mentioned shall include specific objectives in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. They shall also aim to encourage the implementation of economic and social policies focused on **tackling poverty, on education and on health**. Real progress in attaining the above objectives shall provide the basis for disbursing the instalments from this assistance. In order to increase transparency and accountability, the conditionalities of the EU's macro-financial assistance shall be made public.

- The Commission, after informing the European Parliament and the Council, may adapt the provision of this exceptional macro-financial assistance to **political developments in Lebanon,** bearing in mind at all times the importance of enhancing the stability of the country and not further aggravating the internal crisis.

- The Commission, after having informed the European Parliament and the Council, may **suspend the provision of this exceptional macro-financial assistance** if a deterioration in Lebanon's political situation makes it de facto impossible to fulfil the objectives of this assistance, or in the event of a serious infringement of international democratic and human rights standards, and the fundamental principles of the rule of law.

- No later than two years after the expiry of the implementation period concerning the assistance provided for in the Decision, the Commission shall **submit to the European Parliament and the Council an ex-post evaluation report.**

Lastly, the Committee stipulated that the Decision shall be valid for a period of two years.