

Medium-term financial assistance for Member States' balances of payment

2008/0208(CNS) - 31/10/2008 - Legislative proposal

PURPOSE: to increase substantially the ceiling for the outstanding amount of loans to be granted to Member States laid down in Regulation (EC) No 332/2002 in view of the current global financial crisis.

PROPOSED ACT: Council Regulation.

CONTENT: Council Regulation (EC) 332/2002 establishes a facility providing medium-term financial assistance for Member States balances of payments, replacing the former instrument created by the Council Regulation n°1969/88. This facility implements the mechanism foreseen by Article 119 of the Treaty, whereby the Community can grant a mutual assistance to a Member State in difficulties or seriously threatened with difficulties as regards its balance of payments either as a result of an overall disequilibrium in its balance of payments or as a result of the type of currency at its disposal, provided this Member State does not belong to the euro area.

The above-mentioned Regulation, adopted in February 2002, lowered the threshold existing in the former Regulation from EUR 16 billion to EUR 12 billion. This decision was consistent with the significant reduction in the potential number of recipients, with only three Member States outside the euro area at that time.

The evolution of the international financial context leads today to conclude that it may not be sufficient, should several Member States need significant Community medium-term financial support. It is, therefore, proposed to raise this ceiling to EUR 25 billion, with a view to increasing significantly the capacity of the European Union to respond to the potential needs of the Member States outside of the euro area.

It is also proposed to establish a specific procedure for revising the ceiling when there is an urgent need to take such a decision, as the existing procedure - which calls for a revision of the Regulation 332/2002 itself, using the procedure foreseen by the Article 308 of the Treaty - cannot allow the very quick reaction that might be needed because of abnormally high disturbances on the markets. The Commission should be habilitated by the Council to decide a revision of the ceiling, after having received the opinion of the Economic and Financial Committee (EFC) on both the urgent need to do it and the new ceiling to introduce. The normal procedure of revision of the ceiling would therefore be maintained when there is no need for an urgent change or when the EFC objects to the use of the urgent procedure or disagree with the new amount to introduce as ceiling.