

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

2009/0053(CNS) - 08/04/2009 - Legislative proposal

PURPOSE: to amend Regulation (EC) No 332/2002, establishing a facility providing medium-term financial assistance for Member States' balances of payments.

PROPOSED ACT: Council Regulation.

CONTENT: the scope and intensity of the international financial crisis affects the potential demand for Community medium-term financial assistance in the Member States outside the euro area. This calls for a considerable increase in the ceiling laid down in Regulation No (EC) 332/2002 for the outstanding amount of loans to be granted to them from EUR 25 billion to **EUR 50 billion**.

In the light of recent experience gained in the functioning of medium-term financial assistance, the **respective tasks and responsibilities** of the Commission and the Member States concerned with the implementation of the Regulation **should be clarified**.

In addition, the conditions for granting the financial assistance should be spelled out in a memorandum of understanding to be negotiated between the Commission and the Member State concerned. The proposal stipulates that the Member State concerned shall discuss with the Commission an assessment of its financial needs and submit a draft adjustment programme. The Council, after examining the situation in the Member State seeking medium-term financial assistance and the adjustment programme presented in support of its application, shall decide, as a rule during the same meeting:

- whether to grant a loan or appropriate financing facility, its amount and its average duration;
- the economic policy conditions attaching to the medium-term financial assistance with a view to re-establishing or ensuring a sustainable balance of payments situation;
- the techniques for disbursing the loan or financing facility, the release or drawing-down of which shall, as a rule, be by successive instalments, the release of each instalment being subject to verification of the results achieved in implementing the programme in terms of the objectives set.

In addition, the conditions for granting the financial assistance should be spelled out in a **memorandum of understanding** to be negotiated between the Commission and the Member State concerned.

The Commission shall take the necessary measures to verify at regular intervals, in collaboration with the Economic and Financial Committee that the economic policy of the Member State in receipt of a Community loan accords with the adjustment programme and with any other conditions laid down by the Council.

For operational reasons, the Member State concerned should be asked to place the financial assistance received in a **special account** with the National Central Bank and to transfer the amounts due in an account with the European Central Bank a few days prior to their due dates.

The possibility for the **European Court of Auditors** and the European Anti-Fraud Office to carry out controls when they deem necessary is provided for by the existing loan agreements and should be laid down in this Regulation.

This Regulation should apply immediately to all new loan agreements and to the existing loan agreements if and when they are revised.

IMPACT ASSESSMENT: no impact assessment.

FINANCIAL IMPLICATIONS: there are no financial implications for the Community budget.