

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

2009/0053(CNS) - 20/04/2009 - European Central Bank: opinion, guideline, report

## **OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a Council Regulation amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments.**

On 17 April 2009, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a Council Regulation amending Regulation (EC) No 332/2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments.

The ECB considers that, in the present financial circumstances, non-euro area Member States are more likely to make requests under the medium-term financial assistance facility than was previously envisaged, and their requests for assistance are likely to involve higher amounts than had been anticipated in 2002 when Regulation (EC) No 332/2002 entered into force and in December 2008 when it was amended. Therefore, the ECB is of the opinion that, in view of international economic and financial developments, the potential demand for assistance might exceed the current ceiling of EUR 25 billion, and welcomes the proposed increase in the ceiling to EUR 50 billion so as to enable the Community to accede to potential requests for financial assistance.

In this context, the ECB notes that the procedure foreseen in the proposed regulation must fully comply with the prohibition on monetary financing laid down in the Treaty. In particular, the ECB understands that the increase in the amount of assistance available to EUR 50 billion will be exclusively financed from the Member States' budgets and that this will not include any bridge financing or refinancing by the European System of Central Banks. In this respect, it is expected that the Community's account at the ECB and the Member States' accounts at national central banks (NCBs) will be fully funded at all relevant times.

The ECB makes a number of **specific observations**:

**Proposed new Article 9a:** the ECB fully understands the need to ensure the sound management of Community medium-term financial assistance. Nevertheless, it notes that the proposed new Article 9a could be read to mean that the European Court of Auditors would have the competence to carry out financial audits on the ECB's and NCBs' accounts. The ECB accordingly suggests that the proposed new Article 9a should expressly limit its scope to the Member States receiving Community medium-term financial assistance.

**Requirement to consult the Commission:** Regulation (EC) No 332/2002 requires a Member State that has not adopted the euro to consult the Commission if that Member State 'proposes to call upon sources of financing outside the Community which are subject to economic policy conditions'. It is suggested that the phrase 'economic policy conditions' should be amended to make clear that 'economic policy conditions' includes 'ex ante eligibility criteria' which would therefore unambiguously include the type of conditionality that will be used in new-style International Monetary Fund arrangements.

**Availability of Community medium-term financial assistance on a precautionary basis:** the proposed amended Articles 3(2) and 5(1) of Regulation (EC) No 332/2002 do not contain the references to 'back-up programme' that are contained in the current versions of those Articles. These omissions suggest a change

in the scope of applicability of Community medium-term financial assistance in that such assistance would only be available for actual, as opposed to potential, balance of payments problems. In this regard, Article 119(1) of the Treaty expressly refers to assistance being available if a Member State is 'seriously threatened' with difficulties as regards its balance of payments. Article 3(1)(b) of Regulation (EC) No 332/2002 also refers to assistance being available if a Member State is 'seriously threatened' with (as opposed to actually experiencing) difficulties as regards its balance of payments. The references to a 'back-up programme' that are currently contained in Articles 3(2) and 5(1) of Regulation No 332/2002 essentially made provision for a framework within which precautionary assistance could be made available. Therefore, the references to a 'back-up programme' could be helpfully reinserted.

**Nature of the proposed new 'memorandum of understanding'**: it would be desirable to enhance consistency in describing the 'memorandum of understanding' that would be required by the proposed new Article 3a. Specifically, recital 2 refers to this memorandum as being 'negotiated', whereas the proposed new Article 3a suggests that the memorandum will be more in the nature of a unilateral document that details 'the conditions laid down by the Council'. Since the wording of Article 3a essentially tracks that of Article 119(2) of the Treaty, it is suggested that recital 2 should be brought into line with the wording of the proposed new Article 3a.