Macro-financial assistance (MFA) to third countries: general provisions

2011/0176(COD) - 24/05/2012 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament decided to amend the proposal for a regulation of the European Parliament and of the Council laying down general provisions for Macro-Financial Assistance to third countries. It decided to postpone the vote on the draft legislative resolution to a later date.

The proposed amendments may be summarised as follows:

Purpose of Union assistance: Parliament considers that Union macro-financial assistance should be used to provide exceptional financial assistance to third countries that have run into temporary balance of payment difficulties. Unlike other Union instruments providing direct support for its external policies (such as the Instrument for Pre-accession Assistance, the European Neighbourhood Instrument, the Development Cooperation Instrument), macro-financial assistance **should not be used to provide regular financial support** nor have as its primary aim supporting the economic and social development of the beneficiary countries. Nor should macro-financial assistance be used akin to conditional debt forgiveness grants.

Macro-financial assistance is also a tool of Union foreign policy and should serve to enhance the visibility and influence of the Union beyond its borders. **Close involvement of the European External Action Service (EEAS)** for the purpose of coordination and the consistency of Union external policy should be ensured throughout the whole macro-financial assistance operation.

Eligible countries: the text makes it clear that beneficiary countries must fulfil the conditionality criteria set out in the regulation. Third countries **that play a determining role in regional stability and are of strategic importance for the Union**, are eligible in exceptional and duly justified circumstances.

The text states that the Commission will be empowered to adopt delegated acts in respect of eligible countries and territories and granting assistance to particular countries and territories.

The Commission shall be empowered to adopt delegated acts to amend Points 1 and 2 of Annex I in order to update it following appropriate political decisions regarding countries' status as candidate or potential candidate countries or regarding the scope of the European Neighbourhood Policy.

Amount of the assistance: Parliament stipulates that the Union's contribution should be sufficient to guarantee that it brings Union added value and **should not normally be below 20%.**

Conditionality: Parliament notes that pre-condition for granting macro-financial assistance shall be that the recipient country respects effective democratic mechanisms, including multi-party parliamentary systems, the rule of law and respect for human rights. It adds that **this assessment shall be entrusted to the EEAS in cooperation with the Commission and shall take into consideration the resolutions and reports adopted by the European Parliament concerning beneficiary countries.** The assessment may identify policy recommendations as regards the strengthening of democratic institutions, human rights, transparency and the fight against corruption. This report shall be added to each individual delegated act. With a view to protecting Union democratic values and interests and reinforcing beneficiary countries' respect for fundamental rights, the Memorandum of Understanding shall include country specific recommendations that are consistent with Union external policies aimed at strengthening the rule of law, human and labour rights, transparency and combating corruption.

In addition, macro-financial assistance shall be conditional on the existence of an IMF programme entailing the use of IMF resources or that of another European or multilateral financial institution.

The disbursement of the assistance shall be conditional on a satisfactory track record of an IMF programme and of respect for the **Genval political and value-based principles (**to guide the EU's macro-financial assistance operations**)**. It shall also be conditional on the implementation, within a specific time frame, of a series of clearly defined economic policy measures focusing on structural reforms, to be agreed between the Commission and the beneficiary country and to be laid down in a Memorandum of Understanding.

Procedure: Parliament expanded on the procedure to be followed when a country requests assistance. The Commission shall be empowered to adopt delegated acts to establish and to amend Annex IIa in order to provide macro-financial assistance to a particular country or territory. In the delegated act the Commission shall, inter alia, stipulate the following: (a) in all cases, the beneficiary of the assistance, the total maximum amount of the assistance, the form of the assistance, and the availability period of the assistance; (b) in case of the decision to provide a loan, the amount, the maximum average maturity, and the maximum number of instalments of the macro-financial assistance; in case of the decision to provide a grant, the amount, and the maximum number of instalments. The decision to provide a grant shall be accompanied by a justification for the grant (or grant element) of assistance.

Following the adoption of the delegated act on granting macro-financial assistance, the Commission, in close cooperation with the EEAS, shall be empowered to adopt delegated acts, to agree in the Memorandum of Understanding the policy measures on conditionality.

Parliament **stresses the involvement of EEAS** and stipulates that the EEAS shall verify at regular intervals, and without delay in the case of unforeseen developments, that the appropriate conditions continue to be met, and inform the Commission accordingly.

If the relevant conditions are not met, and the Commission temporarily suspends, reduces or cancels the disbursement of the assistance, and in case the suspension of the operation is lifted after consultation of the EEAS, the Commission shall inform the European Parliament and the Council of the reasons thereof.

Evaluation: Parliament insists that the Court of Auditors shall audit the financial management of the assistance.

Review: no later than 4 years after entry into force of the Regulation, and every four years thereafter, the Commission shall present to the European Parliament and the Council a report on the application of the Regulation which shall include a detailed overview of macro-financial assistance granted and shall be accompanied, if appropriate, by a legislative proposal for a review of the Regulation.

Non-expiry of the Regulation: the Commission proposed that the Regulation should only last until the end of 2013, and is thus meant to be transitional. Thereafter the Regulation would be replaced (or amended) by a new framework Regulation. Parliament considers that one framework regulation is sufficient and it does not make sense to approve a regulation for less than two years. Therefore, it proposes that the Regulation should be open-ended with the possibility for review every four years.

Delegated acts: as noted above, delegated acts will be used to grant assistance to beneficiary countries on a case by case basis. Provisions on the advisory and examination procedure have been deleted from the text.

Annex II a (new): Parliament proposes the introduction of a new Annex II a which aims to specify the particular countries and territories receiving financial macro-assistance.