

Macro-Financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic crisis

2020/0065(COD) - 22/04/2020 - Legislative proposal

PURPOSE: to provide EUR 3 billion of macro-financial assistance (MFA) to ten enlargement and neighbourhood partner countries to help them limit the economic fallout of the COVID-19 outbreak.

PROPOSED ACT: Decision of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure on an equal footing with the Council.

BACKGROUND: the current crisis caused by the COVID-19 outbreak is having a very negative impact on the economic and financial stability of the regions affected by enlargement and the neighbourhood policy. Most, if not all, enlargement and neighbourhood partners are set for a recession this year. Depending on the spread of the virus, as well as of its economic consequences, there is also a clear and imminent risk related to social stability and security, with possible spill-overs within the region and beyond.

In these circumstances, the European Commission proposes to use Macro Financial Assistance (MFA) to support ten Neighbourhood countries in the context of the COVID-19 crisis.

MFA is one of the instruments available to the EU to respond to external crises. It is used to address balance of payments crisis situations, in tandem with a disbursing International Monetary Fund (IMF) arrangement that is subject to an agreed programme of economic reforms.

The proposal is part of the ‘Team Europe’ strategy, which is the targeted response by which the EU intends to support its partners in their fight against the COVID-19 outbreak.

CONTENT: the Commission proposes to make available to partners a total of up to **EUR 3 billion** in medium and long-term loans to help cover their external financing needs in 2020 and 2021.

Breakdown of the AMF

Based on a preliminary assessment of financing needs, the amounts of MFA to be made available shall be distributed to the beneficiaries as follows:

- Republic of Albania (EUR 180 million);
- Bosnia and Herzegovina (EUR 250 million);
- Georgia (EUR 150 million);
- Hashemite Kingdom of Jordan (EUR 200 million);
- Kosovo (EUR 100 million);
- Republic of Moldova (EUR 100 million);
- Montenegro (EUR 60 million);
- Republic of Northern Macedonia (EUR 160 million);

- Republic of Tunisia (EUR 600 million);
- Ukraine (EUR 1.2 billion).

The proposed MFA amounts would be made available to the beneficiary countries for 12 months in the form of loans granted on very favourable terms to help them meet their immediate and urgent financing needs. The assistance is planned to be disbursed in two loan instalments. The disbursement of the first instalment is expected to take place mid-2020. The second instalment could be disbursed in the fourth quarter of 2020 or in the first half of 2021 provided

that the policy measures attached to each instalment have been implemented in a timely manner.

Objectives and conditions

Combined with IMF support, this financing shall:

- contribute to covering the external financing needs of the partner in the context of a significant deterioration of their external accounts brought about by the ongoing COVID-19 crisis;
- alleviate the partner's budgetary financing needs;
- support the fiscal consolidation effort and external stabilisation in the context of the foreseen IMF programme;
- support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth.

The granting of the EU MFA shall be subject to:

- the pre-condition that the partner respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights;
- satisfactory progress with the IMF programme and the continued drawing by the partner on IMF funds.

The Commission shall report yearly to the European Parliament and to the Council on the implementation of this Decision in the preceding year. Furthermore, the fulfilment of the objectives of the assistance shall be assessed not later than two years after the expiry of the availability period of the assistance.

Budgetary implications

The planned assistance shall be provided in the form of loans and should be financed through a borrowing operation that the Commission shall conduct on behalf of the EU. The budgetary impact of the assistance shall correspond to the provisioning, at a rate of 9%, of the amounts disbursed in the Guarantee Fund for External Actions of the EU.

The Commission considers that the budgetary impact of the proposed MFA operations can be accommodated within the Commission's proposal for the next Multiannual Financial Framework (MFF).