Kosovo: further exceptional financial assistance for 2001

2001/0045(CNS) - 20/03/2001 - Legislative proposal

PURPOSE : to provide an exceptional financial assistance in the form of straight grants of up to EUR 30 million to UNMIK as Kosovo's external position heavily relies on external financial assistance from official sources, with a view to ensuring the creation, resumption or continuation of essential administrative functions in Kosovo. CONTENT : despite considerable progress in developing a domestic revenue base, Kosovo continues to rely upon donor external financing in order to provide essential administrative functions and to establish a sound and stable framework for economic development. The province cannot benefit from financial assistance associated to IMF or World Bank programmes. Moreover, it is not in a position to borrow either domestically or in the international financial market. Under those circumstances, if external official assistance in the form of grants is not forthcoming, there is a risk that further progress towards the creation of a modern market economy and a sustainable economic growth path could be seriously jeopardised. The most immediate consequence will be the paralysis of basic adminstrative functions (including in judiciary and revenue collection), as well as major costs for the standard of living of the population. Economic, social and political stability not only in Kosovo, but more generally in the Balkan region would be endangered. Therefore, bearing in mind these considerations, it seems appropriate to provide a second exceptional Community financial assistance to Kosovo in a joint effort of the international donor community. Against the overall financing needs in the budgetary sphere for the year 2001 currently estimated at some DEM 180 million (EUR 90 million), the Commission therefore proposes to provide further exceptional financial grant assistance for Kosovo in the amount of up to EUR 30 million. This order of magnitude seems appropriate against the budget gap estimated for the year 2001. It also takes into account that the Commission has the intention to earmark separately up to EUR 20 million to provide targeted financial assistance in 2001 to cover special needs for electricity imports in case they arise. Before submitting its proposal, the Commission consulted the Economic and Financial Committee, which endorsed the initiative. The envisaged assistance would be released in two instalments. Its effective implementation would be subject to appropriate macroeconomic and structural adjustment conditionality. This would include that UNMIK continues in its efforts to promote the reconstruction process, the development of the private sector, the establishment of a sound banking and payments system, as well as further efforts to enhance the revenue base, as well as further efforts to enhance the revenue base, control public expenditure and ensure budgetary transparency.