

# Macro-financial assistance to Yugoslavia

2001/0112(CNS) - 23/05/2001 - Legislative proposal

**PURPOSE:** to present a proposal for a Council Decision on providing macro-financial assistance to the Federal Republic of Yugoslavia. **CONTENT:** the Commission is proposing that the Community make available to the Federal Republic of Yugoslavia (FRY) a macro-financial assistance in the amount of EUR 300 million. This proposed amount appears to be consistent with the IMF projections of the financing gap and the funding requirements. The proposed assistance would cover the whole one-year IMF stand-by programme period (tentatively 1 April - 31 March 2002). The implementation of this assistance would be conditional upon agreement between the FRY and the IMF on a macro-economic programme that is supported by an upper credit tranche stand-by arrangement and upon up-front clearance of FRY's outstanding arrears towards the EC and the EIB. The assistance would be disbursed in at least two tranches and would be subject to appropriate macro-economic and structural conditionality in line with the main elements of the IMF stand-by arrangement. Given the overall level of indebtedness of the FRY and its limited borrowing capacity, the proposed Community macro-financial assistance foresees a substantial grant element of up to EUR 120 million. As the macro-financial assistance operation would cover the period until end-March 2002, the grant element would thus partly be financed from the 2001 budget and partly from the 2002 budget. The loan element of up to EUR 180 million of this assistance would have a maturity of up to 15 years, comparable to recent macro-financial assistance packages to other Western Balkan countries. The Community would provide the funds through market borrowing with a guarantee by the general budget. The FRY would subsequently borrow from the Community. The borrowing and lending operations would be perfectly matched and would be without any commercial to the Community. In accordance with the Guarantee Fund mechanism, the budgetary implications of a decision to make available a loan of up to EUR 180 million to the FRY would imply a EUR 16.2 million provisioning of the Guarantee Fund.