Bosnia and Herzegovina: Community macro-financial assistance

2001/0250(CNS) - 26/10/2001 - Legislative proposal

PURPOSE : to amend Council Decision 1999/325/EC providing macro-financial assistance to Bosnia and Herzegovina. CONTENT : on 10 May 1999, the Council of the European Union decided to provide to Bosnia and Herzegovina (BiH) macro-financial assistance of up to EUR 60 million, comprising a loan facility of up to EUR 20 million and a grant facility of up to EUR 40 million (Decision 1999/325/EC). The objective of this assistance has been to support the balance of payments and help ease the country's external financial constraints, as well as to comfort reform efforts and the implementation of common institutions and policies, consistent with the Dayton peace agreement. The assistance has been conditional upon a satisfactory track record in the adjustment and reform programme of BiH in the framework of an IMF Stand-by Arrangement. After the signature of the Memorandum of Understanding (MoU), the first tranche of the assistance (EUR 25 million) was released in December 1999. Subsequently, there were delays of the BiH authorities in implementing the required policy reforms, which also forced the IMF Stand-by-Arrangement to be extended three times (in May 1999, March 2000 and December 2000). As a result, disbursement of the second tranche (EUR 20 million) was only made in December 2000, when a Supplemental Memorandum of Understanding (SMoU), which outlines the conditions attached to the third tranche of EUR 15 million grant, was also signed. Bosnia and Herzegovina requires continued financial support from the Community and other bilateral and multilateral donors in support of its economic stabilisation and reform efforts. However, the underlying Council decision (1999/325/EC of 10 May 1999) was founded on the expectation that the economic stabilisation and reform programme of the BiH authorities, as agreed under the IMF stand-by-arrangement, would be implemented by the first half of 2000. Accordingly, Article 1(3) of the Council Decision stipulates that the grant component of a maximum of EUR 40 million of this assistance covers the period from 1999 to 2000. Against this background, it now appears necessary to amend the existing legal base, i.e. Council Decision 1999/325 /CE, so as to allow the continued implementation of this assistance, and in particular the remaining grant component of EUR 15 million beyond the year 2000. In line with budgetary requirements, the amended Council decision would stipulate an expiry date of funds by 31 December 2002.