Macro-financial assistance to Albania

2003/0330(CNS) - 23/12/2003 - Legislative proposal

PURPOSE : to provide macro-financial to Albania in the form of a Community loan and a Community grant and a repealing Decision 1999/282/EC. After the Kosovo crisis, the Council approved Decision 1999 /282/EC giving macro-financial assistance for Albania of up to EUR 20 million in the form of a long-term loan facility. In the light of better-than-expected balance of payments situation, the Albanian authorities did not request the release of this assistance; therefore, the Commission deprogrammed it in 2001. Since 2001, the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme has been the main EC financial instrument for co-operation for the Balkan countries, and for Albania in particular. For the period 2001-2004, EUR 181.4 million has been earmarked for Albania. Additionally, EC humanitarian aid to Albanian has been provided through ECHO since 1992 reaching a global amount of EUR 142 million in 2002, and the EIB has signed loans worth EUR 149 million. The IMF has identified for 2004 a residual external financing gap of some US$ 46 million, after taking into account interventions of International Financial Institutions. Subsequently, the Albanian authorities have addressed to the Commission a request for exceptional EC macro-financial assistance. This proposal aims to: - cancel the outdated Council Decision of 1999 and - provide macrofinancial assistance to Albania of up to EUR 25 million, including EUR 16 million grant and EUR 9 million loan. The loan component of this assistance will have a maximum maturity of 15 years. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Albania in the form of a loan. The Commission will verify at regular intervals, in collaboration with the Economic and Financial Committee and in co-ordination with the IMF, that economic policies in Albania are in accordance with the objectives of the assistance and that its economic policy and financial conditions are being fulfilled. Macroeconomic and structural reform objectives will be further developed and detailed in the Memorandum of Understanding with the Albanian government. However, possible sub-objectives related to structural reform include: - restructuring/privatisation of the strategic sectors; - reform of public administration (in particular tax and customs debts); - improvement of legal framework relating to development of private. FINANCIAL IMPLICATIONS : - Grant component of the assistance: Budget line: 01 03 02 02 (draft budget 2004); - Draft Budget 2004 - Commitment appropriations EUR 65 000 000 Payment appropriations 80 000 000. Albania, proposed EC macro-financial assistance Commitment and payment appropriations EUR 16 000 000. - Loan component of the assistance - 01 04 01 07 - "EC guarantee for the borrowing programmes contracted by the Community to provide assistance to the countries of the Western Balkans." Thel loan will be financed by Community borrowings in the international capital markets. For the loan component of the assistance, it is expected that the budget guarantee will not be called. However, the Guarantee Fund for external actions has to be provisioned according to the Fund Regulation, for an amount corresponding to 9% of the amount of the guaranteed loan (EUR 9 million). As a result, a transfer of EUR 0.81 million from the Reserve (budget line 01 04 01 13) to the Guarantee Fund (budget line 01 04 01 14) will be compulsory after the Decision has been adopted. This is consistent with the existing margin in the reserve for loans guarantee (budget line 01 04 01 13) in the draft budget 2004. For the grant element, the credits under budget line 01 03 02 02 will be used subject to compliance with a number of policy conditions to be agreed with the authorities of Albania. The budget entry reflecting the budget guarantee for the loan component of the assistance will be activated only in the case of an effective call on the guarantee.