Medium-term financial assistance mechanism for Member States' balances of payments. Report

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OBJECTIVE: this Commission report is intended to serve as a basis for the re-examination by the Council of the medium-term financial assistance mechanism to Member States in relation to balance of payments. This mechanism is currently governed by Regulation 88/1969/EEC. SUBSTANCE: since the last review by the Council the facility was used once, in favour of Italy, in January 1993. At its request this country was granted by the Council a loan of ECU 8 billion (in four tranches) in order to support its balance of payments and to put in place an economic programme of adjustment and reforms. Only the first two tranches (ECU 4 billion in total) were used as the subsequent improvement of the balance of payments situation made unnecessary the disbursement of the remaining tranches. The Commission considers that, as in the past, the facility played a useful role by providing rapidly considerable financial assistance and by strengthening market confidence on the capacity of this Member State to remedy the situation. The Commission, therefore, considers that the present facility should remain unchanged and should be reviewed again before the end of 1998 in the light of developments until then, notably the decisions on the participants in the single currency from the start of the third stage.