Former Yugoslav Republic of Macedonia FYROM: Community supplementary macro-financial assistance

1999/0166(CNS) - 28/07/1999 - Legislative proposal

PURPOSE: to provide supplementary macro-financial assistance to the former Yugoslav Republic of Macedonia. CONTENT: The authorities of the former Yugoslav Republic of Macedonia (FYROM) wrote to the Commission on 1 May 1999 to request new complementary macro-financial assistance from the European Community. On 5 May 1999, on the occasion of the emergency joint G-24/Consultative Group meeting on the FYROM, the Community pledged 25 million euros of exceptional budgetary support to help the country to cope with the costs related to the inflow of refugees from Kosovo and indicated its willingness to also consider further macro-financial assistance. In this proposal, Commission is proposing that the Community would make available to Macedonia a new EC macro-financial assistance of up to 80 million euros in support of the stand-by programme. This would come in addition to the 25 million euros of EC budgetary assistance, which despite its allocated character eases balance of payments needs. The disbursement of the assistance would be implemented in two tranches and would, as usuual, be subject to the appropriate macroeconomic and structural adjustment conditionality, including, in this case, an appropriate phasing out of the most distortionary measures introduced recently in the area of external trade and payments. In the light of the specific nature of the current circumstances being faced by the FYROM's fiscal and balance of payments situation, and taking into account the country's development and debt levels, the proposed Community macro-financial support foresees a grant element of up to 30 million euros. However, given the existing budgetary constraints, this could only be envisaged in the context of an appropriate adjustment of the financial means available under Category 4 of the Financial Perspective, which would be necessary to cope with the present situation in the Balkans. The loan element of this financial support would be modelled on the standard forms and conditions normally applying to macro-financial lending to third countries. The Community would provide the funds through market borrowing with a guarantee by the general budget. The FYROM would subsequently borrow from the Community. The borrowing and lending operations would be perfectly matched and without any commercial risk for the Community. In accordance with the Guarantee Fund mechanism, the budgetary implications of a decision to make available a loan of up to 50 million euros to the FYROM would imply a 7 million euro provisioning of the Fund. At least once a year, the Commission will proivide a report to the European Parliament and the Council which will include an evaluation of the implementation of this Decision.