Bosnia and Herzegovina: additional macro-financial assistance

2004/0207(CNS) - 21/09/2004 - Legislative proposal

PURPOSE : to revise the expiry date for the release of the third tranche of funding under Council Decision 2002/883/EC.

PROPOSED ACT : Council Decision.

CONTENT : Council Decision 2002/883 provides Bosnia and Herzegovina (BiH) with macro-financial assistance totaling EUR 60 million; EUR 20 million of which is a loan facility and EUR 40 million a grant facility. The main objective of the funding provided for under this Council Decision is to support the balance of payments and help ease the country's external financial constraints. Other purposes are to support the country's reform efforts in line with the Dayton agreement. Assistance is conditional upon a satisfactory reform track record in line with an IMF Stand-by Arrangement. A decision now needs to be made on when to release the final tranche of funding provided for in Council Decision 2002/883. EUR 10 million of the final tranche will act as a loan element and EUR 15 million will act as a grant element. Council Decision 2002/883 stipulates that it shall apply two years after the date of its publication in the Official Journal – in this case 9 November 2004. The dates determined by the Council Decision are based on the expectation that the economic stabilisation and reform programme would be implemented in 2002 /03 and last for 15 months until November 2003. However, the IMF has foreseen the release of the EC third and final tranche as a means to finance balance-of-payments financing needs for 2004.

Against this background, the European Commission would like to amend the original Decision in order to allow the continued implementation of this assistance through to the end of 2004 and possibly the first semester of 2005. In line with budgetary requirements, the amended Council Decision stipulates a revised expiry date of the Decision as 30 June 2005 as opposed to 9 November 2004.

FINANCIAL IMPLICATIONS :

- Budget lines and headings: 01 03 02 02: "Macro-financial assistance to Bosnia and Herzegovina" (Grant 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".

- The following updated schedule of appropriations to be financed within the limits of Category 4 of the present Financial Perspective is proposed: 2004 Commitment appropriations : 0 and EUR 15 million in payment appropriations.

- Period of application: 2004.

This action is exceptional by nature and will not involve an increase in the number of Commission staff.