Implementing the macrofinancial assistance to the third countries

2002/2265(INI) - 08/06/2005 - Follow-up document

This report provides a general overview of the EC macro-financial assistance to third countries with historical background, a summary of the operations in 2004, and a synthesis of the economic situation of the beneficiary countries. Special attention is paid in the latter part to the relevant aspects of the economic stabilisation process and to the implementation of structural reforms in the recipient countries. Progress in this respect also reflects the degree to which the corresponding economic policy conditions attached to the EC macro-financial assistance have been met.

Macro-financial assistance (MFA) supports the political and economic reform efforts of the beneficiary countries and is implemented in association with support programmes from the IMF and the World Bank. Community MFA has supported efforts by recipient countries to bring about economic reforms and structural changes. In close co-ordination with the IMF and the World Bank, it has promoted policies that are tailored to specific country needs with the overall objective of stabilising the financial situation and establishing market-oriented economies.

During the period 2000-2003, the Balkans countries (former Yugoslav Republic of Macedonia, Kosovo, Bosnia & Herzegovina, Serbia and Montenegro and Albania) have benefited from nine assistance decisions of the Council. This tendency was confirmed in 2004 with three new MFA decisions concerning respectively Albania, Serbia and Montenegro and Bosnia & Herzegovina. This situation makes the Balkans countries the main beneficiaries of MFA for 2000-2004 with a total of new decisions amounting to a maximum of EUR 733 million.

Disbursements of MFA amounted to a total of EUR 32 million of which EUR 22 million exclusively in the form of grants; EUR 10 million for Serbia and Montenegro, EUR 5.5 million for Armenia (these operations have been made on the basis of procedures initiated in 2003 but finalised in 2004) and EUR 6.5 million for Georgia.

Assistance disbursed in the form of loans amounted to EUR 10 million to Bosnia & Herzegovina.

Disbursement of EUR 7 million in grants for Tajikistan and of EUR 15 million in loans for Serbia and Montenegro have been initiated in 2004 but, due to technical reasons, the financial transfer has been postponed to 2005.

A particular feature of the decisions of the 2000-2004 period is the substantial share of grant support in the total amount decided: 41 % instead of 6 % over the 1990-1999 period. The new grant/loan proportion of the assistance packages reflects the assessment made by the EU bodies of the relative degree of poverty of the recipient countries and of their limited debt servicing capacity.

The report underlines the exceptional character of the EC MFA. The highest volumes of MFA operations were disbursed in the years immediately after the changes in the political and economic systems of the countries of Central and Eastern Europe. Since then, the fluctuations in the amounts of MFA reflect decisions taken on a case-by-case basis after an assessment of the macro-economic situation and residual external financing needs of the potential beneficiary countries. The report shows the concentration of the assistance in the Central and East European Countries (around 55 % of total macro-financial assistance decided over the last 14 years). However, MFA to these countries was progressively phased out in parallel with their progress in macroeconomic adjustment and reform. More recently, MFA has been mainly

provided to the Western Balkans (63.5 % of the operations decided from 1999 to 2002 and 84% for 2000-2004) and some low income NIS. The relatively low amounts for the Mediterranean countries (13 % of the overall amounts authorised, but no new authorisation since 1996) should be considered against the background of other forms of macroeconomic support made available to these countries (notably, the MEDA Structural Adjustment Facilities).