

Exceptional Community financial assistance to Kosovo

2006/0068(CNS) - 12/05/2006 - Legislative proposal

PURPOSE: to provide exceptional Community financial assistance to Kosovo.

PROPOSED ACT: Council Decision.

CONTENT: the proposed Council Decision seeks to provide exceptional financial assistance to Kosovo in the form of **a grant**. The proposed macro-financial assistance will be limited in time, complement World Bank activities (through the IDA funds) and other bi-lateral donors and will be conditional upon various public spending requirements.

The proposed macro-financial assistance will be limited in time, complement support from the World Bank (through IDA funds) and other bilateral donors, and will be conditional on progress in the implementation of a number of measures, in particular in area of public finance, to be defined in close consultation with the IMF and the World Bank. This assistance would provide crucial bridge support before a settlement of Kosovo's status. It would be unrelated to new status arrangements and not pre-empt further EC and international support likely to be required upon status resolution beyond 2007.

The Community has already found it an appropriate measure to help ease Kosovo's financial constraints in exceptionally difficult circumstances and, under Council Decisions 2000/140/EC and 2001/511/EC, provided exceptional financial assistance in the form of straight grants amounting to EUR 35 million and EUR 30 million in 2000 and 2001 respectively. The last payment under such assistance was released in December 2002.

The assistance being proposed, therefore, consists of a Community grant of up to **EUR 50 million** to Kosovo to be financed from the General Budget. Such a grant should help alleviate the financial situation in Kosovo, support the development of a sound economic framework and facilitate the continuation of essential administrative functions. The grant will be released in two, or if appropriate, three instalments. The first instalment will be released on the basis of a Memorandum of Understanding. The following two tranches will be released depending on the satisfactory completion of the economic policy conditions and not before one quarter after the release of the previous instalment. Prior to the release of each instalment, the Commission together with the authorities in Kosovo and the IMF, will verify that the performance criteria have been respected or new understandings have been reached.

The assistance will be managed by the Commission, which together with the authorities in Kosovo, will agree on the specific economic policy and financial conditions attached to the payment of the grant instalments. Specific provisions on the prevention of fraud and other irregularities consistent with the Financial Regulation will be taken into account.

For further information concerning the financial implications of this measure, please refer to the financial statement.