Basic information

2003/0190(CNS) CNS - Consultation procedure Decision	Procedure completed
Serbia and Montenegro: further macro-financial assistance Amending Decision 2002/882/EC 2002/0192(CNS) **Subject** 6.20.07 Macro-financial assistance to third countries **Geographical area** Serbia and Montenegro, 02/2003-06/2006	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
ITRE Industry, External Trade, Research, Energy	BELDER Bas (EDD)	22/09/2003

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs, Human Rights, Common Security, Defense	The committee decided not to give an opinion.	
BUDG Budgets	SEPPÄNEN Esko (GUE/NGL)	07/10/2003

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	2546	2003-11-25

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	

Key events

Date	Event	Reference	Summary
18/08/2003	Legislative proposal published	COM(2003)0506	Summary
22/09/2003	Committee referral announced in Parliament		

20/10/2003	Vote in committee		
20/10/2003	Committee report tabled for plenary, 1st reading/single reading	A5-0356/2003	
23/10/2003	Decision by Parliament	T5-0458/2003	Summary
25/11/2003	Act adopted by Council after consultation of Parliament		
25/11/2003	End of procedure in Parliament		
27/11/2003	Final act published in Official Journal		

Technical information

Procedure reference	2003/0190(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	Amending Decision 2002/882/EC 2002/0192(CNS)
Legal basis	EC Treaty (after Amsterdam) EC 308
Stage reached in procedure	Procedure completed
Committee dossier	ITRE/5/20058

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A5-0356/2003	20/10/2003	
Text adopted by Parliament, 1st reading/single reading		T5-0458/2003 OJ C 082 01.04.2004, p. 0321-0591 E	23/10/2003	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2003)0506	18/08/2003	Summary

Additional information

Source	Document	Date
European Commission	EUR-Lex	

Final act

Decision 2003/0825
OJ L 311 27.11.2003, p. 0028-0028 Summary

Serbia and Montenegro: further macro-financial assistance

2003/0190(CNS) - 25/11/2003 - Final act

PURPOSE : to amend Decision 2002/882/EC providing financial assistance to FRY and increase financial assistance to Serbia and Montenegro. LEGISLATIVE ACT : Council Decision 2003/825/EC amending Decision 2002/882/EC providing further macro-financial assistance to the Federal Republic of Yugoslavia with regard to additional macro-financial assistance to Serbia and Montenegro CONTENT : Decision 2002/882/EC provides for further macro-financial assistance to be made available to the Federal Republic of Yugoslavia with a view to ensuring a sustainable balance of payments situation and strengthening the country's reserve position. On 4 February 2003, there was a constitutional change and the country is now called Serbia and Montenegro. Following the assassination of the Serbian Prime Minister on 11 March 2003, the external outlook of the country appears to be more uncertain, in particular with respect to the size of private capital inflows, including foreign direct investments, while important financing needs continue to put a heavy strain on the economy. Additional balance of payments needs in 2003 and possibly in 2004 have been identified in the context of the current IMF programme and Serbia and Montenegro will require significant additional external financing in 2003 and possibly in 2004 over and above official financing which could be provided by the International Monetary Fund, the World Bank and other donors, including the Community. This Decision comes about due to the fact that an increase in Community macro-financial assistance to Serbia and Montenegro will help, with other donors, ease the country's financial constraints. The Decision provides: - the term "FRY" shall be replaced by the term "Serbia and Montenegro"; - the loan component of the assistance will amount to a maximum principal of EUR 80 million with a maximum maturity of 15 years. To this end, the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Serbia and Montenegro in the form of a loan; - the grant component of this assistance shall amount to a maximum of EUR 120 million; - the loan and grant components of the assistance will be made available to Serbia and Montenegro in at least three instalments. DATE EFFECTIVE : 27/11/03.

Serbia and Montenegro: further macro-financial assistance

2003/0190(CNS) - 23/10/2003 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Bastiaan BELDER (EDD, Netherlands.) Parliament insisted that the Commission, having consulted the IMF, should confirm that the increase of macro-financial assistance to Serbia and Montenegro would not be to the detriment of foreseen macro-financial assistance for other countries covered by the same budget heading. The grant component of the assistance is without prejudice to the powers of the Budgetary Authority and its implementation will be subject to the availability of appropriations under the corresponding budget heading.

Serbia and Montenegro: further macro-financial assistance

2003/0190(CNS) - 18/08/2003 - Legislative proposal

PURPOSE : to increase Community financial assistance to Serbia and Montenegro and amend Decision 2002/882/EC providing financial assistance to FRY. CONTENT : the process of economic reform and stabilisation in Serbia and Montenegro has been supported through the provision of EC macro-financial assistance. A first package of EUR 345 million was implemented in 2001/2002. Council Decision 2002/882/EC provided further macro-financial assistance of up to EUR 130 million, comprising a loan element of up to EUR 55 million and a grant element of up to EUR 75 million. The main objective of this assistance is to ensure a sustainable balance of payments situation and to strengthen the country's foreign reserve position. A first tranche of this assistance amounting to EUR 40 million was disbursed in December 2002 (grant part of EUR 30 million) and February 2003 (loan part of EUR 10 million). Following the assassination of the Serbian Prime Minister on 11/03/03, the Serbian Finance Minister requested additional macrofinancial support. The Commission expects that the second tranche of EUR 65 million, comprising a grant element of EUR 35 million and a loan element of EUR 30 million, will be disbursed in August 2003. This would leave an amount of EUR 25 million for the third tranche, including a grant element of EUR 10 million. Following the assassination of the Serbian Prime Minister, the external outlook of the country appears to be more uncertain. There are considerable downside risks with regard to balance of payments developments and in particular with respect to the size of private capital inflows, including foreign direct investments, while important financing needs continue to put a heavy strain on the economy. Additional external financial support seems essential to reach the agreed macro-economic targets with respect to growth, inflation, fiscal and current account balances for 2003. According to the revised IMF projections, there is now a higher residual external financing gap of some $321 million. Out of this gap, an amount of around $200 million has already been committed, including an equivalent of $113 million under the current EC macro-financial assistance package. Against this background, it seems appropriate for the Community to help comforting the identified additional balance of payments needs by amending Council Decision 2002/882/EC, thereby augmenting the total amount by EUR 70 million to up to EUR 200 million. It is expected that the remaining gap could be filled through additional bilateral assistance. The additional amount could be used to top up the third tranche which could be disbursed in two sub-tranches, subject to an agreement on a Supplemental Memorandum of Understanding specifying appropriate conditionality to support specific reforms, which could include enterprise and banking sector restructuring and economic harmonisation. In view of the exceptional circumstances, the high level of indebtedness of Serbia and Montenegro in comparison with other countries of the region and its limited borrowing capacity, it is proposed to provide a significant share (EUR 45 million) of this additional amount in the form of a grants and the remainder (EUR 25 million) in the form of a loan. The latter would carry a maturity of 15 years and a grace period of 10 years as foreseen in the original package. The corresponding increase of the Community assistance will be based on the understanding that other donors will undertake similar efforts to providecomplementary financial support. FINANCIAL STATEMENT: - Budget lines: B7-548 (grant) and BO-215 (loan component). - total allocation for commitments appropriations and payment appropriations: 45 000 000 (grant) and recourse to the Guarantee Fund established by Council Regulation 2728/94/EC. - impact on human

resources: the action will not involve an increase in the number of Commission staff. - financial impact on human resources: none - other administrative expenditure: none.