COUNCIL DECISION

of 25 February 1991

providing medium-term financial assistance for the Czech and Slovak Federal Republic

(91/106/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission (1), submitted following consultations with the Monetary Committee,

Having regard to the opinion of the European Parliament (2),

Whereas the people of Czechoslovakia have close historic relationships with the peoples of the Community; whereas that country is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas the said reforms will strengthen mutual confidence and bring Czechoslovakia closer to the Community;

Whereas Czechoslovakia and the Community have entered into negotiations for the conclusion of Agreements establishing a relationship of association;

Whereas the European Council of 14 and 15 December 1990 confirmed that in the context of the Group of 24 industrial countries (G-24) the Community would support the programme undertaken by Czechoslovakia to stabilize and modernize its economy and to make its currency convertible;

Whereas this programme is expected to be implemented in a difficult external environment;

Whereas the Czechoslovak authorities have requested financial assistance from the International Monetary Fund (IMF), the G-24 and the Community; whereas, over and above the estimated financing which could be provided by the IMF, the World Bank and official bilateral creditors, a financial gap of some ECU 750 million remains to be covered in order to prevent a further erosion of Czechoslovakia's reserves and avoid an additional degree of import compression which could seriously jeopardize the achievement of the policy objectives underlying the Government's reform effort;

Whereas the Commission as coordinator of assistance from the G-24 has invited them and other third countries to provide medium-term financial assistance to Czechoslovakia;

Whereas the grant by the Community of a medium-term loan to Czechoslovakia is an appropriate measure to support the balance of payments of Czechoslovakia, to strengthen the country's reserves and facilitate currency convertibility;

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall grant to Czechoslovakia a medium-term loan facility of a maximum amount of ECU 375 million in principal, with a maximum duration of seven years, with a view to ensuring a sustainable balance-of-payments situation, strengthening its reserves and facilitating the introduction of currency convertibility.

2. 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 Czechoslovakia in the form of a loan.

3. This loan will be managed by the Commission in close consultation with the Monetary Committee and in a manner consistent with any agreement reached between the IMF and Czechoslovakia.

Article 2

The Commission is empowered to negotiate with the Czechoslovak authorities, after consultation with the Monetary Committee, the terms and conditions of the loan. These terms and conditions must be consistent with any agreement referred to in Article 1 (3) and with arrangements made by the G-24.

The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close co-ordination with G-24 and the IMF, that the economic policy of Czechoslovakia is in accordance with the objectives of this loan and that its terms and conditions are being fulfilled.

(1) OJ No C 37, 13. 2. 1991, p. 9.
(2) Opinion delivered on 22 February 1990 (not yet published in the Official Journal).

Article 3

1. The loan shall be made available to Czechoslovakia in two instalments. The first instalment shall be released as soon as a 'stand-by arrangement' has been concluded between Czechoslovakia and the IMF and the second instalment after a period of at least two quarters, subject to the terms and conditions of Article 2.

2. The funds shall be paid to the National Bank of Czechoslovakia.

Article 4

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and shall not involve the Community in the transformation of maturities, in any exchange or interest-rate risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Czechoslovakia so decides, to include in the loan terms and conditions, and also to exercise, an early repayment clause.

3. At the request of Czechoslovakia, and where circumstances permit an improvement in the interest rate on the loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of the refinancing or restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operation provided for by this Decision shall be borne by Czechoslovakia.

5. The Monetary Committee shall be kept informed of developments in the steps and operations referred to in paragraphs 2 and 3 at least once a year.

Article 5

At least once a year, the Commission shall address to the European Parliament and to the Council a report, which will include an assessment, on the implementation of this Decision.

Done at Brussels, 25 February 1991.

For the Council

The President

J.-C. JUNCKER