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# COUNCIL DECISION

**of 16 July 2001**

**providing macro-financial assistance to the Federal Republic of Yugoslavia**

(2001/549/EC)

(OJ L 197, 21.7.2001, p. 38)

Amended by:

| | Official Journal | | |
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| ►**M1** Council Decision 2001/901/EC of 10 December 2001 | L 334 | 30 | 18.12.2001 |

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# COUNCIL DECISION

## of 16 July 2001

## providing macro-financial assistance to the Federal Republic of Yugoslavia

(2001/549/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal of the Commission,

Having regard to the opinion of the European Parliament [1],

Whereas:

(1) The Commission consulted the Economic and Financial Committee before submitting its proposal.

(2) Political changes in the Federal Republic of Yugoslavia and the Republic of Serbia have taken place leading to new democratic governments and the Federal Republic of Yugoslavia is making efforts to establish a well-functioning market economy.

(3) Within the Stabilisation and Association process, constituting the framework for EU relations with the region, it is desirable to support efforts made to ensure a stable political and economic environment in the Federal Republic of Yugoslavia, with a view to evolving towards the development of a full cooperation relationship with the Community.

(4) The Community provided an emergency assistance package of approximately EUR 200 million comprising food aid and medical and energy supplies to provide for the basic needs of the population during the winter of 2000/01.

(5) Financial assistance from the Community shall be instrumental in bringing the Federal Republic of Yugoslavia closer to the Community.

(6) The Federal Republic of Yugoslavia has reached an understanding with the International Monetary Fund (IMF) on a comprehensive set of economic stabilisation and reform measures. The IMF approved a one-year stand-by arrangement on 11 June 2001.

(7) The Federal Republic of Yugoslavia has reached an understanding with the World Bank on a set of structural adjustment measures to be backed by Structural Adjustment Loans and Credits in the areas of public finance reform, enterprise privatisation and banking restructuring.

(8) The authorities of the Federal Republic of Yugoslavia have requested financial assistance from the international financial institutions, the Community, and other bilateral donors.

(9) Over and above the estimated financing which could be provided by the IMF and the World Bank, an important residual financing gap remains to be covered in the coming months in order to strengthen the country's reserve position and to support the policy objectives attached to that country's authorities' reform efforts.

(10) The authorities of the Federal Republic of Yugoslavia have committed themselves to fully discharge all outstanding financial obligations of all public entities of the Federal Republic of Yugoslavia towards the European Community and the European Investment Bank, and to accept the responsibility by way of guarantee for those obligations that are not yet due.

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[1] Opinion delivered on 5 July 2001 (not yet published in the Official Journal).

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(11) Community macro-financial assistance to the Federal Republic of Yugoslavia in the form of a combination of a long-term loan and a straight grant is an appropriate measure to help, with other donors, ease the country's external financial constraints, supporting the balance of payments and strengthening the reserve position.

(12) The Federal Republic of Yugoslavia is temporarily eligible for highly concessional loans and facilities from the World Bank.

(13) The inclusion of a grant component in this assistance is without prejudice to the powers of the budgetary authority.

(14) This macro-financial assistance should be managed by the Commission in consultation with the Economic and Financial Committee.

(15) The Treaty does not provide, for the adoption of this Decision, powers other than those of Article 308,

HAS DECIDED AS FOLLOWS:

*Article 1*

1. The Community shall make available to the Federal Republic of Yugoslavia macro-financial assistance in the form of a long-term loan and a straight grant with a view to ensuring a sustainable balance-of-payments situation and strengthening the country's reserve position.

2. The loan component of this assistance shall amount to a maximum principal of EUR 225 million with a maximum maturity of 15 years to be released in the first instalment. To this end, the Commission is empowered to borrow, on behalf of the European Community, the necessary resources that will be placed at the disposal of the Federal Republic of Yugoslavia in the form of a loan.

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3. The grant component of this assistance shall amount to a maximum of EUR 120 million.

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4. The Community financial assistance shall be managed by the Commission in close consultation with the Economic and Financial Committee and in a manner consistent with any agreement reached between the IMF and the Federal Republic of Yugoslavia.

5. The implementation of this assistance is conditional upon clearance in full by the Federal Republic of Yugoslavia of the outstanding due financial obligations of all public entities towards the Community and the European Investment Bank and upon the acceptance by the Federal Republic of Yugoslavia of responsibility by way of guarantee for those obligations that are not yet due.

*Article 2*

1. The Commission is empowered to agree with the authorities of the Federal Republic of Yugoslavia, after consultation with the Economic and Financial Committee, the economic policy conditions attached to the Community macro-financial assistance. These conditions shall be consistent with the agreements referred to in Article 1(4).

2. The Commission shall verify at regular intervals, in collaboration with the Economic and Financial Committee and in co-ordination with the IMF, that economic policies in the Federal Republic of Yugoslavia are in accordance with the objectives of this macro-financial assistance and that its conditions are being fulfilled.

*Article 3*

1. The loan and grant components of this assistance shall be made available to the Federal Republic of Yugoslavia in at least two instalments. Subject to the provisions of Article 2, the first instalment is to be released after the full settlement of the outstanding financial

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obligations of the Federal Republic of Yugoslavia towards the Community and the European Investment Bank and on the basis of an agreement between the Federal Republic of Yugoslavia and the IMF on a macro-economic programme that is supported by an upper credit tranche arrangement.

2. Subject to the provisions of Article 2, the second and any further instalments shall be released on the basis of a satisfactory track record in the Federal Republic of Yugoslavia's adjustment and reform programme and not earlier than three months after the release of the previous instalment.

3. The funds shall be paid to the National Bank of the Federal Republic of Yugoslavia.

*Article 4*

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

2. The Commission shall take the necessary steps, if the Federal Republic of Yugoslavia so requests, to ensure that an early repayment clause is included in the loan terms and conditions and that it may be exercised.

3. At the request of the Federal Republic of Yugoslavia, and where circumstances permit an improvement in the interest rate of the loan, 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 maturity 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 under this Decision shall be borne by the Federal Republic of Yugoslavia, if appropriate.

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

*Article 5*

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

*Article 6*

This Decision shall take effect on the day of its publication in the *Official Journal of the European Communities*.

It shall expire two years after the date of its publication.