

COUNCIL DECISION
of 22 April 1999
providing macro-financial assistance to Albania

(1999/282/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community,

Having regard to the proposal of the Commission ⁽¹⁾,

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

(1) Whereas Albania has made substantial progress on the path to recovery from the effects of the economic and social crisis of early 1997; whereas it has successfully implemented an economic recovery programme to address the immediate effects of the crisis;

(2) Whereas trade, commercial and economic links between the Community and Albania are developing within the framework of the Agreement between the European Community and the Republic of Albania on trade and commercial and economic cooperation, signed at Brussels on 11 May 1992;

(3) Whereas Albania, which had been without a constitution since the fall of the communist regime, should have greater respect for human rights and strengthen the foundations of the rule of law as a result of the adoption of a new constitution on 22 November 1998;

(4) Whereas Albania should not deviate from pursuing the fundamental political and economic reforms undertaken to establish the rule of law and a full and complete democracy and to introduce a market economy which takes account of the need for social justice and environmental protection;

(5) Whereas Albania has agreed with the International Monetary Fund (IMF) on a comprehensive set of stabilisation and policy reform measures to be supported by a loan under the Enhanced Structural Adjustment Facility (ESAF);

(6) Whereas Albania has agreed with the World Bank on a set of measures supporting banking reform and employment promotion, which are backed by

a highly concessional Rehabilitation Loan; whereas it is intended that a Structural Adjustment Credit will support further structural adjustment measures;

(7) Whereas Albania is undertaking fundamental reforms to promote economic reform and build institutions with a strong implementation capacity; whereas the focus of reforms will be strongly centred on institution-building, on public administration and judicial reforms, on the development of public finance structures and financial control procedures and a strong and performing banking sector strengthened by detailed legislation governing the prudential supervision of credit institutions, on the establishment of a functioning agricultural land market and accelerating enterprise privatisation; whereas the government is firmly committed to modernising customs services on the basis of new codes, to a speedy winding up of the pyramid scheme companies and to combating corruption and organised crime which jeopardise political stability and economic order;

(8) Whereas the authorities of Albania have requested financial assistance for the first year of the medium-term programme from the international financial institutions, the Group of 24 industrialised countries (G-24), and the Community; whereas, over and above the estimated financing which would be provided by the IMF and the World Bank, an important residual financing gap remains to be covered; whereas Paris Club rescheduling and undisbursed pledges made at the Donors' Conference in October 1997 should help cover part of the external financing needed during the first year of the medium-term programme;

(9) Whereas assistance from the Community will be instrumental in supporting Albania's institutional and structural reforms; whereas a Community long-term loan to Albania is an appropriate measure to help ease the country's external financial constraints, support the balance of payments and strengthen the reserve position;

⁽¹⁾ OJ C 302, 1.10.1998, p. 5.

⁽²⁾ Opinion delivered on 12 February 1999 (not yet published in the Official Journal).

- (10) Whereas Albania is a low-income country eligible for highly concessional loans and facilities from the World Bank and the IMF; whereas the Community will provide under the first year of the medium-term programme EUR 19,5 million support to the budget in the form of grants through the PHARE special assistance and the Community food security programme; whereas in these circumstances, the proposal EUR 20 million loan allows overall Community macro-financial support under the first arrangement under the ESAF to reach an appropriate degree of concessionality;
- (11) Whereas the Community loan should be managed by the Commission;
- (12) 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 make available to Albania a long-term loan facility of a maximum principal amount of up to EUR 20 million with a maximum maturity of 15 years and a grace period of 10 years, with a view to ensuring a sustainable balance of payments situation and consolidating the country's reserve position.
2. To this end, the Commission shall be empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Albania in the form of a loan.
3. The loan referred to in paragraph 2 will 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 Albania.

Article 2

1. The Commission shall be empowered to agree with the authorities of Albania, after consultation with the Economic and Financial Committee, the economic and institutional policy conditions attached to the loan. These conditions shall be consistent with any of the agreements referred to in Article 1(3).
2. The Commission shall verify at regular intervals, in collaboration with the Economic and Financial Committee and in coordination with the IMF, that the economic and institutional policy in Albania is in accord-

ance with the objectives of this macro-financial assistance and that its conditions are being fulfilled.

Article 3

1. The macro-financial assistance shall be made available to Albania in two instalments.
2. Subject to the provisions of Article 2, the first instalment shall be released on the basis of a successful completion of the mid-term review of the first year of the programme supported by a three-year ESAF arrangement between the IMF and Albania.
3. Subject to the provisions of Article 2, the second instalment shall be released on the basis of a satisfactory track record in the implementation of the ESAF programme and not before one quarter after the disbursement of the first instalment.
4. The funds shall be paid to the Central Bank of Albania.

Article 4

1. The borrowing and loan 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 any other commercial risk.
2. The Commission shall take the necessary steps, should Albania so request, 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 Albania, and where circumstances permit an improvement in the interest rate on 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 pursuant to this Decision shall be borne by Albania.
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 the Commission shall address to the European Parliament and the Council a report, which will include an evaluation on the implementation of this Decision.

Done at Luxembourg, 22 April 1999.

For the Council

The President

W. MÜLLER
