Proposal for a Council Decision providing exceptional Community financial assistance to Kosovo

(2000/C 56 E/15)

COM(1999) 598 final — 1999/0240(CNS)

(Submitted by the Commission on 19 November 1999)

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 from the Commission,

Having regard to the opinion of the European Parliament,

Having regard to the following:

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


(3) The International Community, based on the Resolution 1244 (1999), has set up an international security presence (KFOR) and an interim civil administration — the United Nations Interim Administration Mission in Kosovo (UNMIK);

(4) UNMIK aims at establishing administrative structures under which the people of Kosovo can enjoy substantial autonomy and to this end has been vested with all legislative and executive powers, including the administration of the judiciary;

(5) UNMIK is taking steps to involve the main political parties and ethnic communities of Kosovo and its activities;

(6) UNMIK consists of four components ('Pillars') and the European Union (EU) has taken the lead role (\(^1\)), for the fourth Pillar responsible for economic reconstruction;

(7) UNMIK, and particularly its Pillar IV, has made significant progress in establishing an economic framework and aims at continuing and enhancing this strategy;

(8) UNMIK is currently establishing a Central Fiscal Agency providing transparent and accountable procedures to manage the Kosovo budget;

(9) Given the present unfavourable circumstances and on the basis of estimates from UNMIK presented in agreement with the International Monetary Fund (IMF), it will be necessary for Kosovo to obtain external support to establish a sound market economy and a civil administration; it is estimated that exceptional external financial assistance of some EUR 115 million would be needed until end-2000;

(10) UNMIK has presented a request for exceptional financial assistance;

(11) Kosovo is not in a position to borrow either domestically or abroad and whereas it is not eligible for membership of the International Financial Institutions and may therefore not benefit from their conventional support programmes;

(12) Kosovo is at a low level of development and whereas its GDP per capita is estimated to be one of the lowest in Europe;

(13) Financial assistance from the Community in the form of straight grants to be made available to UNMIK in support of the Kosovo people is an appropriate measure to help ease Kosovo's financial constraints in the current exceptionally difficult circumstances;

(14) Without prejudice to the powers of the budgetary authority, the financial assistance will be part of the envelope of aid foreseen for Kosovo in 2000, and therefore subject to the funds being available in the general budget;

(15) The exceptional financial assistance should be managed by the European Commission;

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

\(^1\) International civil presence in Kosovo: Report of the Secretary-General pursuant to Paragraph 10 of Security Council Resolution 1244 (1999), S/1999/672, 12 June 1999, II. 5.
HAS DECIDED AS FOLLOWS:

Article 1
1. The Community shall make available to UNMIK exceptional financial assistance in the form of straight grants of up to EUR 35 million, with a view to alleviating the financial situation in Kosovo, comforting the establishment of essential administrative functions and supporting the development of a sound economic framework.

2. This assistance shall be managed by the Commission in close consultation with the Economic and Financial Committee and in a manner consistent with agreements or understandings reached between the IMF and UNMIK or any other internationally recognised authorities of Kosovo.

Article 2
1. The Commission is empowered to agree with UNMIK, after consultation with the Economic and Financial Committee, the economic conditions attached to this assistance. These conditions shall be consistent with any agreement referred to in Article 1(2).

2. The Commission shall verify at regular intervals, in consultation with the Economic and Financial Committee and in liaison with the IMF and the World Bank, that economic policies in Kosovo respect the objectives and economic policy conditions of this assistance.

Article 3
1. The assistance shall be made available to UNMIK in at least two instalments on the basis of a successful completion of the economic policy conditions referred to in Article 2(1). The second tranche shall not be released before two months after the release of the first tranche.

2. The funds shall be made available to UNMIK through the Central Fiscal Agency exclusively in support of the Kosovo budgetary needs.

Article 4
The Commission shall address to the European Parliament and to the Council a report by the end of 2000, which will include an evaluation on the implementation of this Decision.