

## COUNCIL DECISION

of 22 December 1994

providing further macrofinancial assistance for Algeria

(94/938/EC)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission <sup>(1)</sup>, submitted after consulting the Monetary Committee,

Having regard to the opinion of the European Parliament <sup>(2)</sup>,

Whereas Algeria has undertaken, since 1989, political and economic reforms and has decided to adopt a market economy model;

Whereas the Community and Algeria traditionally maintain close economic, political and cultural links which have been developed within the framework of the 1978 Cooperation Agreement;

Whereas, by Decision 91/510/EEC <sup>(3)</sup>, the Council decided to grant Algeria a medium-term loan for an amount of ECU 400 million in support of the government's adjustment and reform programme agreed with the International Monetary Fund (IMF) in 1991;

Whereas a first tranche of ECU 250 million of this loan was effectively disbursed in January 1992, and whereas the release of the second tranche of ECU 150 million has been delayed owing to slippages with respect to macroeconomic performances and structural reform progress;

Whereas Algeria has reached an agreement with its Paris Club creditors on a comprehensive rescheduling of its official debt and whereas a similar agreement is under negotiation with Algeria's commercial bank creditors;

Whereas the Algerian authorities have requested complementary financial assistance from the European Union in support of the 1994 to 1995 economic programme; whereas, after taking into account assistance which could be provided through debt rescheduling, IMF and

World Bank financing and financial support from other donors, a residual financing gap of some US \$ 400 million remains to be covered during the programme period;

Whereas, in the context of this programme, the Commission has released the remaining tranche of ECU 150 million under the loan facility provided by Decision 91/510/EEC and whereas the grant by the Community of a further loan facility to Algeria is an appropriate measure to ease the country's external financial constraints and support the policy objectives attached to the government's reform effort;

Whereas, while supporting the process for the economic reforms of Algeria, this assistance should in addition have the effect of facilitating the solution of the social and political problems of this country;

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 Algeria a medium-term loan facility of a maximum amount of ECU 200 million in principal with a maximum maturity of seven years, with a view to ensuring a sustainable balance-of-payments situation and strengthening the reserve position.
2. 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 Algeria 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 Algeria.

*Article 2*

1. The Commission is empowered to negotiate with the Algerian authorities, after consultation with the Monetary Committee, the economic policy conditions

<sup>(1)</sup> OJ No C 299, 27. 10. 1994, p. 16.

<sup>(2)</sup> Opinion delivered on 15 December 1994 (not yet published in the Official Journal).

<sup>(3)</sup> OJ No L 272, 28. 9. 1991, p. 90.

attached to the loan. These conditions shall be consistent with the agreement referred to in Article 1 (3).

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the IMF, that Algeria's economic policy is in accordance with the objectives of this loan and that its conditions are being fulfilled.

#### *Article 3*

1. The loan shall be made available to Algeria in two instalments. The first instalment shall be released on the basis of a satisfactory progress in Algeria's application of the stand-by arrangement agreed with the IMF and subject to the provisions of Article 2 (1).

2. The second instalment shall be released at least one-quarter after the release of the first instalment and subject to the provisions of Article 2 (2).

3. The funds shall be paid to the Bank of Algeria.

#### *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 risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Algeria so wishes, 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 Algeria, 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 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 Algeria.

5. The Monetary 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 to the Council a report, which will include an evaluation, on the implementation of this Decision.

Done at Brussels, 22 December 1994

*For the Council*  
*The President*  
H. SEEHOFER