

COUNCIL DECISION

of 29 April 2004

providing macro-financial assistance to Albania and repealing Decision 1999/282/EC

(2004/580/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) The Council, by Decision 1999/282/EC ⁽²⁾, approved, in the aftermath of the Kosovo crisis, macro-financial assistance for Albania of up to EUR 20 million in the form of a long-term loan facility. In the light of a better-than-expected balance of payments situation, the Albanian authorities did not request the release of this assistance; therefore, the Commission deprogrammed it in 2001.
- (3) Within the Stabilisation and Association process, the framework for EU relations with the region, it is desirable to support efforts to sustain political and economic stabilisation in Albania, with a view to evolving towards the development of a full cooperation relationship with the Community; this is also the aim of the Stabilisation and Association Agreement which is currently under negotiation between Albania and the EU.
- (4) The International Monetary Fund (IMF) approved on 21 June 2002 in favour of Albania a three-year programme supported by a Poverty Reduction and Growth Facility (PRGF) for an amount of about USD 36 million, to support the authorities' economic programme over the period from June 2002 to June 2005; out of this amount, USD 11 million are projected to be disbursed in 2004.
- (5) In the framework of the new three-year Country Assistance Strategy (CAS) adopted by the World Bank Board on 20 June 2002, USD 8 million are projected to be disbursed in 2004 under the Poverty Reduction Support Credit.
- (6) Over and above these estimated financial supports projected to be provided by the International Monetary

Fund and the World Bank, a significant residual financing gap remains in 2004, to be covered to support the policy objectives attached to the authorities' reform efforts.

- (7) The Community already provided macro-financial assistance to Albania; the authorities of Albania have requested further financial assistance from the international financial institutions, the Community, and other bilateral donors.
- (8) Community macro-financial assistance to Albania is an appropriate measure to help the country meet its external financing needs, including through a reinforcement of its reserves and budget support.
- (9) Financial assistance from the Community in the form of a combination of a long-term loan and a straight grant is an appropriate measure to support the sustainability of Albania's external financial position, given the country's relatively low level of development.
- (10) This financial support, in particular the grant component, should be provided after verifying whether the financial and economic conditions lay down can be fulfilled.
- (11) In order to ensure efficient protection of the Community's financial interests linked to the present macro-financial assistance, it is necessary to provide for appropriate measures by Albania related to the prevention of fraud and other irregularities linked to this assistance, as well as for controls by the Commission and audits by the Court of Auditors.
- (12) The inclusion of a grant component in this assistance is without prejudice to the powers of the budgetary authority.
- (13) This assistance should be managed by the Commission in consultation with the Economic and Financial Committee.
- (14) The Treaty does not provide, for the adoption of this Decision, powers other than those of Article 308,

⁽¹⁾ Opinion issued on 31 March 2004 (not yet published in the Official Journal).

⁽²⁾ OJ L 110, 28.4.1999, p. 13.

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Albania a macro-financial assistance in the form of a long-term loan and a straight grant with a view to helping the country meet its external financing needs, including through a reinforcement of its reserves and budget support.

2. The loan component of this assistance shall amount to a maximum principal of EUR 9 million with a maximum maturity of 15 years. 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 Albania in the form of a loan.

3. The grant component of this assistance shall amount to a maximum of EUR 16 million.

4. This Community financial assistance shall be managed by the Commission in close consultation with the Economic and Financial Committee and in a manner consistent with the agreements reached between the IMF and Albania.

5. The Community financial assistance shall be made available for two years starting from the first day after the entry into force of this decision. However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

Article 2

1. The Commission is empowered to agree with the authorities of Albania, after consultation with the Economic and Financial Committee the economic policy and financial conditions attached to this assistance to be laid down in a Memorandum of Understanding. These conditions shall be consistent with the agreements referred to in Article 1(4).

2. Before proceeding with the actual implementation of the Community assistance, the Commission shall check the reliability of Albania's financial circuits, administrative procedures, internal and external control mechanisms which are relevant for this Community macro-financial assistance.

3. The Commission shall verify at regular intervals, in collaboration with the Economic and Financial Committee and in coordination with the IMF, that economic policies in Albania are in accordance with the objectives of this assistance and that its economic policy and financial conditions are being fulfilled.

Article 3

1. The loan and grant components of this assistance shall be made available by the Commission to Albania in at least two instalments. Subject to the provisions of Article 2 and a satis-

factory assessment in accordance with Article 2(2), the first instalment shall be released on the basis of a satisfactory track record of the macro-economic programme of Albania under the present Poverty Reduction and Growth Facility with the IMF.

2. Subject to the provisions of Article 2, the second and any further instalments shall be released on the basis of a satisfactory implementation of the abovementioned programme, and not before one quarter after the release of the previous instalment.

3. The funds shall be paid to the Central Bank of Albania. The final recipient of the funds will be the Central Bank of Albania, to the extent that the assistance is intended to reinforce the country's reserves, or the Ministry of Finance if it is intended for budgetary support purposes.

Article 4

The implementation of this assistance shall take place in accordance with the provisions of the Financial Regulation applicable to the General Budget of the European Communities and its implementing rules. In particular, the memorandum of understanding to be agreed with the authorities of Albania shall provide for appropriate measures by Albania related to the prevention of fraud and other irregularities linked to this assistance. It will also provide for controls by the Commission, including the European Anti-Fraud Office (OLAF), with the right to perform on-the-spot checks and inspections and for audits by the Court of Auditors, where appropriate, to be carried out on the spot.

Article 5

1. The borrowing and lending operations referred to in Article 1(2) 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 Albania 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 Albania, 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 costs incurred by the Community which are directly related to the borrowing and lending operations under 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.

Article 6

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 7

Council Decision 1999/282/EC is hereby repealed.

Article 8

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

Done at Luxembourg, 29 April 2004.

For the Council

The President

M. McDOWELL