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(Preparatory Acts)

COMMISSION

Proposal for a Council Decision providing long-term financial assistance for Albania

(92/C 188/05)

COM(92) 307 final

(Submitted by the Commission on 7 July 1992)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the proposal from the Commission, submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament,

Whereas Albania is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas trade, commercial and economic links between the Community and Albania are expected to develop within the framework of the 1992 Cooperation Agreement;

Whereas financial assistance from the Community will be instrumental in supporting the adjustment and reform efforts of Albania, will strengthen mutual confidence and will bring Albania closer to the Community;

Whereas Albania is a low-income country eligible to highly concessional loans from the World Bank and the IMF and whereas the Group of 24 agreed to consider complementary financial assistance through long-term loans on concessional terms, as soon as the IMF has reached an agreement on a stabilization and reform programme with Albania;

Whereas the Albanian authorities have requested financial assistance from the International Monetary Fund (IMF), the Group of 24 industrial countries and the Community;

Whereas over and above the estimated financing which could be provided by the IMF, the World Bank and official bilateral creditors in the context of the 12-month stand-by arrangement expected to be agreed between Albania and the IMF, a financial gap of some US\$ 165 million remains to be covered in order to avoid an additional degree of import compression which would jeopardize the achievement of the policy objectives underlying the Government's reform effort;

Whereas the Commission, as coordinator of assistance from the Group of 24, has invited them to provide highly concessional financial assistance to Albania in order to support that country's adjustment and reform efforts;

Whereas the grant by the Community of a long-term highly subsidized loan to Albania is an appropriate measure to support that country's balance of payments and strengthen its reserve position;

Whereas the question of the risks associated with guarantees from the general budget of the European Communities will be examined in the context of the renewal in 1992 of the Interinstitutional Agreement of budgetary discipline and improvement of the budgetary procedure;

Whereas the Community financial assistance 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 Albania a long-term loan facility of a maximum amount of ECU 70 million in

principal, with a maximum duration of 10 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 Community, the necessary resources that will be placed at the disposal of Albania in the form of a loan.

3. This loan will be managed by the Commission in full consultation with the Monetary Committee and in a manner consistent with any Agreement reached between the IMF and Albania.

4. All interest payments under the present loan facility shall be borne during the first five years by the general budget of the European Communities. During the remaining loan period, an interest rate subsidy of 6 % per year shall be granted and financed by the general budget of the European Communities.

Article 2

1. The Commission is empowered to negotiate with the Albanian authorities, after consultation with the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with any agreement as referred to in Article 1 (3) and with arrangements made by the Group of 24.

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the Group of 24 and the IMF, that the economic policy in Albania 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 Albania in two instalments. The first instalment shall be released as soon as a 'stand-by arrangement' has been concluded between Albania and the IMF and the second instalment not before the first quarter of 1993, subject to Article 2 (2).

2. The funds shall be paid to the National Bank of Albania.

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 Albania so decides, to include in the loan conditions, and also to exercise, an early repayment clause.

3. At the request of Albania, 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 duration 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 cost incurred by the Community in concluding and carrying out the loan operation under this Decision shall be borne by Albania.

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.