Decision (EU) 2020/701 of the European Parliament and of the Council of 25 May 2020 on providing macro#financial assistance to enlargement and neighbourhood partners in the context of the COVID#19 pandemic

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on providing macro#financial assistance to enlargement and neighbourhood partners in the context of the COVID#19 pandemic

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212(2) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure[(1)],

Whereas:

(1) The COVID#19 pandemic has very damaging effects on economic and financial stability in the enlargement and neighbourhood regions. Partners are currently facing a weak and rapidly worsening balance#of#payments and fiscal situation, with the economy moving into recession. There is a strong case for the Union to move quickly and decisively in support of those economies. This Decision therefore covers ten partners: the Republic of Albania, Bosnia and Herzegovina, Kosovo[(2)], Montenegro, the Republic of North Macedonia in the enlargement region; Georgia, the Republic of Moldova and Ukraine in the Eastern neighbourhood and the Hashemite Kingdom of Jordan and the Republic of Tunisia in the Southern neighbourhood (the 'partners').

(2) The urgency of the assistance is related to the partners' immediate need for funds in addition to those which will be provided through other Union instruments and by international financial institutions, Member States and other bilateral donors. This is necessary in order to allow short#term policy space for the partners' authorities to implement measures to counter the economic fallout from the COVID#19 pandemic.

(3) The authorities of each partner and the International Monetary Fund (IMF) have already agreed on a programme that will be supported by a credit arrangement with the IMF or are expected to agree shortly on such a programme.

(4) The Union's macro#financial assistance should be an exceptional financial instrument of untied and undesignated balance#of#payments support, which aims to address the beneficiary's immediate external financing needs in tandem with a non#precautionary IMF credit arrangement that is subject to an agreed programme of economic reforms. In the context of the COVID#19 pandemic, the Union's macro#financial assistance

Changes to legislation: *There are currently no known outstanding effects for the Decision (EU) 2020/701 of the European Parliament and of the Council. (See end of Document for details)*

should also be available to partners that benefit from emergency funding from the IMF, which can come without prior actions and/or conditionality, such as through the Rapid Financing Instrument. That assistance should therefore be shorter in duration, limited to two disbursements and underpin the implementation of a policy programme containing a limited set of reform measures.

(5) Financial support from the Union to the partners is consistent with the Union's enlargement and neighbourhood policies.

(6) Given that the partners are either accession or pre#accession partners, or covered by the European Neighbourhood policy, they are eligible to receive the Union's macro# financial assistance.

(7) Given that the drastically worsening external financing needs of the partners are expected to be well above the resources that will be provided by the IMF and other multilateral institutions, the Union's macro#financial assistance to be provided to the partners is, under the current exceptional circumstances, considered to be an appropriate response to the partners' requests to support economic stabilisation. The Union's macro#financial assistance would support economic stabilisation, supplementing resources made available under the IMF's credit arrangement.

(8) The Union's macro#financial assistance should aim to support the restoration of a sustainable external financing situation for the partners, thereby supporting renewed economic and social development.

(9) The amount of the Union's macro#financial assistance is based on a preliminary estimate of each partner's residual external financing needs and takes into account its capacity to finance itself with its own resources, in particular the international reserves at its disposal. The Union's macro#financial assistance should complement the programmes and resources provided by the IMF and the World Bank. The determination of the amount of the assistance also takes into account the need to ensure fair burden sharing between the Union and other donors, as well as the pre#existing deployment of the Union's other external financing instruments and the added value of the overall Union involvement.

(10) The Commission should ensure that the Union's macro#financial assistance is legally and substantially in accordance with the key principles and objectives of, and the measures taken within, the different areas of external action and other relevant Union policies.

(11) The Union's macro#financial assistance should support the Union's external policy regarding the partners. The Commission and the European External Action Service (EEAS) should work closely together throughout the macro#financial assistance operation in order to coordinate, and to ensure the consistency of, the Union's external policy.

(12) The Union's macro#financial assistance should support the partners' commitment to values shared with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as their commitment to the principles of open, rule#based and fair trade.

(13) A precondition for granting the Union's macro#financial assistance should be that the partners respect effective democratic mechanisms, including a multi#party parliamentary system, and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro#financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in the partners and promote structural reforms aimed at supporting sustainable growth and fiscal consolidation. The Commission and the EEAS should regularly monitor both the fulfilment of the preconditions and the achievement of those objectives.

(14) In order to ensure that the Union's financial interests linked to the Union's macro# financial assistance are protected efficiently, the partners should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to that assistance. In addition, provision should be made for the Commission to carry out checks, for the Court of Auditors to carry out audits and for the European Public Prosecutor's Office to exercise its competences.

(15) Release of the Union's macro#financial assistance is without prejudice to the powers of the European Parliament and of the Council as budgetary authority.

(16) The amounts of the provision required for macro#financial assistance should be consistent with the budgetary appropriations provided for in the multi#annual financial framework.

(17) The Union's macro#financial assistance should be managed by the Commission. In order to ensure that the European Parliament and the Council are able to follow the implementation of this Decision, the Commission should regularly inform them of developments relating to that assistance and provide them with the relevant documents.

(18) In order to ensure uniform conditions for the implementation of this Decision, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[(3)].

(19) The Union's macro#financial assistance should be subject to economic policy conditions, to be laid down in a Memorandum of Understanding (the 'MOU'). In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the authorities of the partners under the supervision of the committee of representatives of Member States in accordance with Regulation (EU) No 182/2011. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially significant impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure as specified in Regulation (EU) No 182/2011 be used for operations above that threshold. Considering the amount of the Union's macro#financial assistance to each partner, the advisory procedure should apply to the adoption of the MOU with Montenegro, while the examination procedure should apply to the adoption of the MOU with the other

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partners covered by this Decision, and correspondingly to any reduction, suspension or cancellation of that assistance.

(20) Since the objective of this Decision, namely to support the economies of partners who are currently facing a weak and rapidly worsening balance#of#payments and fiscal situation, with the economy moving into recession, as a consequence of the COVID#19 pandemic, cannot be sufficiently achieved by the Member States but can rather, by reason of its scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union (TEU). In accordance with the principle of proportionality, as set out in that Article, this Decision does not go beyond what is necessary to achieve that objective.

(21) In view of the urgency entailed by the exceptional circumstances caused by the COVID#19 pandemic and the associated economic consequences, it was considered to be appropriate to provide for an exception to the eight#week period referred to in Article 4 of Protocol No 1 on the role of national Parliaments in the European Union, annexed to the TEU, to the Treaty on the Functioning of the European Union and to the Treaty establishing the European Atomic Energy Community.

(22) This Decision should enter into force as a matter of urgency on the date following that of its publication in the *Official Journal of the European Union*,

HAVE ADOPTED THIS DECISION:

Article 1

1 The Union shall make macro#financial assistance (the 'Union's macro#financial assistance') available to the Republic of Albania, Bosnia and Herzegovina, Georgia, the Hashemite Kingdom of Jordan, Kosovo, the Republic of Moldova, Montenegro, the Republic of North Macedonia, the Republic of Tunisia and Ukraine (the 'partners') for a maximum total amount of EUR 3 billion, with a view to supporting the partners' economic stabilisation and a substantive reform agenda. The assistance shall contribute to covering the partners' urgent balance#of#payments needs as identified in the programme supported by the IMF and shall be made available as follows:

a EUR 180 million for the Republic of Albania;
b EUR 250 million for Bosnia and Herzegovina;
c EUR 150 million for Georgia;
d EUR 200 million for the Hashemite Kingdom of Jordan;
e EUR 100 million for Kosovo;
f EUR 100 million for the Republic of Moldova;
g EUR 60 million for Montenegro;
h EUR 160 million for the Republic of North Macedonia;
i EUR 600 million for the Republic of Tunisia;
j EUR 1,2 billion for Ukraine.

2 The full amount of the Union's macro#financial assistance shall be provided to each partner in the form of loans. The Commission shall be empowered, on behalf of the Union, to borrow the necessary funds on the capital markets or from financial institutions and to on#lend them to the partner. The loans shall have a maximum average maturity of 15 years.

3 The release of the Union's macro#financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the IMF and the partner. The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union's macro#financial assistance, including disbursements thereof, and shall provide those institutions with the relevant documents in due time.

4 The Union's macro#financial assistance shall be made available for a period of 12 months, starting from the first day after the entry into force of the MOU referred to in Article 3(1).

5 If the financing needs of a partner decrease fundamentally during the period of the disbursement of the Union's macro#financial assistance compared to the initial projections, the Commission, acting in accordance with Article 7(2), shall reduce the amount of the assistance, suspend or cancel it.

Article 2

1 A pre#condition for granting the Union's macro financial assistance shall be that the partner respects effective democratic mechanisms, including a multi#party parliamentary system, and the rule of law, and guarantees respect for human rights.

2 The Commission and the EEAS shall monitor the fulfilment of the pre#condition laid down in paragraph 1 throughout the life#cycle of the Union's macro#financial assistance.

3 Paragraphs 1 and 2 shall be applied in accordance with Council Decision 2010/427/EU[(4)].

Article 3

1 The Commission, in accordance with Article 7(2), shall agree with the authorities of each partner on clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro#financial assistance is to be subject. Those economic policy and financial conditions shall be laid down in a MOU which shall include a timeframe for the fulfilment of those conditions. The economic policy and financial conditions laid down in the MOU shall be consistent with the agreements or understandings referred to in Article 1(3), including the macroeconomic adjustment and structural reform programmes implemented by the partner, with the support of the IMF.

2 The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in the partners, including for the use of the Union's macro#financial assistance. Progress in mutual market opening, the development of rules#based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

3 The detailed financial terms of the Union's macro#financial assistance shall be laid down in a loan agreement to be concluded between the Commission and the authorities of each partner separately (the 'Loan Agreement').

4 The Commission shall verify, at regular intervals, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of the partner are in accordance with the objectives of the Union's macro#financial assistance. In so doing, the Commission shall coordinate closely with the IMF and the World Bank, and, where necessary, with the European Parliament and with the Council.