MACRO-FINANCIAL ASSISTANCE (MFA)
Financial Statement for the Macro-Financial Assistance

Challenge
The economic stability and prosperity of its neighbourhood are of key geo-strategic importance for the EU. In particular, all EU Member States have a strong interest to support neighbouring countries experiencing a balance-of-payments crisis or an unprecedented economic shock (such as the COVID-19 pandemic), to minimize adverse macroeconomic and social spill-overs. EU-level action is thereby justified as the benefits of prosperity, stability and security in the EU’s neighbourhood flow to all EU Member States.

Mission
MFA is an EU financial instrument extended to partner countries in the enlargement and European Neighbourhood Policy regions that are experiencing a balance-of-payments crisis. Its primary objective is to help countries overcome acute economic crises and restore their economy on a sustainable growth path, which is to be achieved through economic adjustments and structural reforms that are included in the policy conditionality of the instrument. MFA is provided in conjunction to International Monetary Fund (IMF) financing.

MFA is part of the EU’s toolkit for macroeconomic stabilisation, which includes also the Balance-of-Payment assistance mechanism for Member States outside the euro area, and the rescue mechanisms for the euro area created in response to the global financial crisis.

In the current COVID-19 crisis, MFA to neighbourhood and candidate countries will support external stabilisation and thereby provide authorities with policy space to implement measures to counter the economic fallout from the pandemic, while also encouraging the implementation of reforms.

Objectives
MFA has the following specific objectives:

1. MFA fulfils a fundamental macroeconomic stabilisation function, by addressing exceptional external financing needs faced by neighbouring countries and restoring their economy back to a sustainable path.
2. MFA provides a strong incentive for macroeconomic adjustment and policy reform by means of strict conditionality, and supports the EU’s accession, pre-accession and association agendas in the beneficiary countries.
3. MFA complements the other EU external instruments as well as resources made available by IFIs and other donors, by helping to ensure that beneficiary countries put in place appropriate macroeconomic frameworks and sound economic policies – which are preconditions for the success of other projects by the EU and the donors’ community aiming at sustainable socio-economic development.

Actions
MFA provides financial support to partner countries facing a balance of payments crisis. The amount of MFA provided is calculated on the basis of the residual financing needs under an IMF programme. MFA is predominantly provided in loans, or a mix of loans and grants (the precise mix in any specific assistance depends on criteria such as the receiving country’s level of development and its debt sustainability/creditworthiness). For the loans, the EU passes on to the beneficiary country its own funding costs (namely, the interest rate it has to pay to raise funds by issuing bonds). This allows the countries receiving assistance to benefit from the low rates available to the EU as a top-rated borrower.

The Commission typically disburses MFA assistance in instalments strictly tied to the beneficiary country’s progress with respect to:

- macroeconomic and financial stabilisation and economic recovery;
- implementation of the agreed policy reforms, as outlined in the Memorandum of Understanding.
- sound progress with the IMF programme, and adherence to the respect for human rights, rule of law and effective democratic mechanisms (the so-called ‘political pre-condition’).

Delivery mode
MFA is implemented in direct management by the Commission, under the lead of DG: ECFIN and with the participation of other Commission services and the EEAS.

Link to the 2014-2020 MFF
In the 2021-2027 MFF, MFA will maintain its current legal status, with assistance being granted on the basis of case-by-case Decisions adopted by Legislative Procedure under Article 209, 212 or 213 TFEU. MFA will remain separate from the new Neighbourhood, Development and International Cooperation Instrument (NDICI). MFA loans will be guaranteed by the new External Action Guarantee, which builds on the existing Guarantee Fund for External Actions.