Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing Macro-Financial Assistance to enlargement and neighbourhood partners
in the context of the COVID-19 pandemic crisis

{SWD(2020) 63 final}
EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The COVID-19 pandemic has by now spread around the globe. More than 2 million persons have been infected and almost 140,000 persons with confirmed infections have died in its wake (according to WHO data as of 17 April). The initial response focuses on saving lives across the globe, by taking various measures to contain the spread of the virus and strengthening healthcare systems. Many of these measures have brought societies and economies to a standstill, but there can be no trade-off between saving lives and jobs. On the contrary, getting the virus under control is a prerequisite for sustainable development, be it economic or social.

Measures are also rapidly put in place to limit the economic fallout of the crisis. Notwithstanding these measures, together with the impact of a global recession and severe stress in the financial markets, most, if not all, enlargement and neighbourhood partners are set for a recession this year. Although the trigger for this crisis is shared across them, its duration and severity may differ, reflecting their economic structure as well as their ability to take effective counteracting measures. Together with the collapse of trade and the shift in risk aversion away from emerging markets in general, the recession is causing their balance of payments (BoP) to come under acute stress. Depending on the spread of the virus, as well as of its economic consequences, there is also a clear and imminent risk related to social stability and security, with possible spillovers within the region and beyond.

Against this background, the European Commission is proposing the use of macro-financial assistance (MFA) to support ten neighbouring partners in the context of the COVID-19 crisis.

MFA is part of the EU’s external crisis response toolkit. It is used to address situations of BoP crises, in tandem with a disbursing IMF arrangement that is subject to an agreed programme of economic reforms. In this exceptional situation, the Commission proposes MFA programmes also for 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 (RFI). These ‘crisis MFAs’ will therefore be shorter in duration (12 months instead of 2.5 years) and include only two disbursements. The first disbursement will be released as soon as possible after the adoption of the MFA Decision and upon the corresponding agreement on a Memorandum of Understanding (MoU) with each beneficiary. The second disbursement will be released once the conditions are fulfilled that will be detailed in the MoUs. As for any MFA, this conditionality is specific to each partner to ensure that it is fully adequate, within the framework of the MFA instrument to: foster macroeconomic stability whilst improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for renewed sustainable growth. Moreover, it will need to be formulated in a way that makes it possible to implement, taking into account the shorter time span and the context of the ongoing pandemic.

The European Commission submits to the European Parliament and the Council a proposal to grant MFA to ten partners for a total amount of EUR 3 billion. The assistance would take the form of medium-term loans.
The proposed EU MFA is intended to help partners cover part of their urgent external financing needs in the context of IMF programmes currently being implemented, reducing in this way their economy’s short-term balance of payments vulnerabilities related to the COVID-19 crisis. The proposed assistance would support external stabilisation and thereby provide policy space to the authorities to implement measures to counter the economic fallout from the COVID-19 crisis, while also encouraging the implementation of reforms aimed at improving macroeconomic management, economic governance and transparency, and conditions for renewed sustainable growth.

The proposed MFA is in line with the aims of the EU’s enlargement and neighbourhood strategies. It would signal to the partners in the region that the EU is ready to support them at this time of unprecedented crisis. In this context, the Commission considers that the political and economic pre-conditions for an MFA operation of the proposed amount and nature are satisfied.

The proposed MFA covers 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. However, the situation is still evolving and the COVID-19 crisis is becoming increasingly challenging also in other countries. MFA remains available also for other eligible countries in situations of balance-of-payments difficulties that may appear later. The Commission will also initiate a discussion on the scope of the MFA instrument and how it interacts with other EU external policies.

The amount of MFA is based on a preliminary estimate of the residual external financing needs of the partners and takes into account their capacity to finance themselves with their own resources, in particular the international reserves at their disposal, as well as 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 EU and other donors, as well as the pre-existing deployment of the EU’s other external financing instruments and the added value of the overall EU involvement.

**Enlargement partners**

Albania is particularly vulnerable to the economic fallout from the pandemic due to its close economic relations with some highly affected EU Member States, the importance of tourism and its high refinancing needs. The limited capacity of the health sector and the damages from the November 2019 earthquake, which already absorbed the limited fiscal space available, aggravate the situation. Despite this, the government swiftly adopted policy support measures of about 2% of GDP for the benefit of affected businesses and households and for the health sector. According to the revised budget, the fiscal deficit is set to reach 4% of GDP and public debt could increase to over 69% of GDP in 2020, although this appears optimistic. International institutions forecast real GDP to drop by around 5% this year. In addition to the fiscal deficit, the government needs to refinance foreign debt amortisation of EUR 545 million (3.8% of GDP). This was initially planned to be partly covered by issuing a EUR 500-600 million Eurobond, but the prospect for placing such a large amount in the market seems highly uncertain under current conditions. The financing gap after RFI support from the IMF, World Bank loans and grants from the EU’s Instrument for Pre-accession Assistance (IPA) could reach 2.5% of GDP, or about EUR 350 million. In this context, MFA in the amount of EUR 180 million is warranted.
In Bosnia and Herzegovina, the outbreak of the COVID-19 pandemic sharply exacerbated the already ongoing economic slowdown, in particular affecting transport and tourism, but also workers remittances, accounting for some 5% of GDP and providing an important lifeline, in particular for lower income households. Latest projections for 2020 expect a drop in economic activity of some 10%, with a sharp increase in unemployment. Despite rather sound fiscal headline numbers, the country’s capacity to create the necessary fiscal space at short notice is very limited. The Bosnian authorities have already requested emergency financing from the IMF, amounting to up to EUR 330 million (nearly 2% of GDP). The economic slowdown will lead to a large drop in revenues and a sharp increase in transfers, resulting in a strong increase in financing needs. Current estimates point to a remaining financing gap of some EUR 500 million (2.8% of GDP) in 2020, after IMF (up to EUR 330 million, nearly 2% of GDP) and World Bank (about EUR 20 million or 0.1% of GDP) contributions. Due to the country’s poor credit rating, access to international financial markets is very limited, while the country’s financial markets are too shallow to accommodate these remaining financing needs. In this context, MFA in the amount of EUR 250 million is warranted.

The outbreak of the COVID-19 pandemic and related shutdown have a drastic impact on the economy of Kosovo through a disruption of trade and financial flows. Remittances, which account for more than 10% of GDP, finance a substantial part of private consumption, while service exports to the diaspora (mainly tourism) mitigate a very large merchandise trade deficit (over 40% of GDP). A further vulnerability of Kosovo’s economy is the fragile private sector, dominated by micro enterprises with limited liquidity buffers. Against this background, real GDP is set to contract by around 5% in 2020. Despite rather sound fiscal headline numbers in 2019, fiscal space is very limited. Kosovo has no access to international financial markets (due to the absence of a credit rating), nearly two-thirds of its total debt is held by a narrow investor base with the Kosovo Pension Security Trust and the central bank, accounting for around 38% and 23% respectively of the total. The mix of plummeting public revenue together with large basic payments and the crisis response measures constitute an acute liquidity risk. The IMF estimates government revenues to fall by 50-60% year-on-year in April-June, while the caretaker government approved an emergency package of EUR 180 million. The government’s bank balance, which has already fallen below the legally prescribed 4.5% of GDP, is expected to decline further to 2.5% of GDP in 2020. Kosovo has requested and the IMF Board subsequently approved on 10 April emergency IMF liquidity assistance of EUR 51.6 million through the RFI. According to the current projections, the remaining residual financing gap is estimated at some EUR 210 million. In this context, MFA in the amount of EUR 100 million is warranted.

Montenegro is particularly exposed to the economic fallout from the pandemic due to its very strong reliance on the tourism sector as well as its high external financing needs. Montenegro faces a deep recession in 2020, with international institutions forecasting up to 9% real contraction of the economy. Tourism, one of the most affected sectors, accounts for more than 20% of GDP and is a key source of foreign exchange, employment and fiscal revenues. However, coronavirus containment measures brought tourism and travel to a standstill at a time when these activities were about to enter the high season. Despite limited fiscal space, the government swiftly adopted policy support measures of about 2% of GDP to help the economy to deal with the consequences of the pandemic. Measures concern, in particular, deferred payments of taxes and social contributions, a moratorium on loan repayments and on rent payments for the lease of state-owned property, as well as subsidies for businesses and workers. Preliminary estimates from the Ministry of Finance expect the fiscal deficit to rise to more than 7% of GDP and public debt to increase by an additional 2.6
percentage points (pps.) to 82% of GDP in 2020, the highest in the region. The financing gap after IMF and World Bank loans and EU grants could reach about EUR 120 million. In this context, MFA in the amount of EUR 60 million is warranted.

**In North Macedonia, the economy is heavily disrupted, as extended social containment measures are having a severe impact on output and employment, and external trade activity is strongly hit.** Current projections point to a decline in real GDP of around 4% in 2020. The government has taken bold measures in a timely manner to support SME liquidity and employment during the months of April and May in the sectors most affected. Fiscal space to accommodate the socioeconomic fallout from the crisis is, however, limited. In a best-case scenario, the government expects a revenue shortfall of 20% in 2020, compared to the original budget, and plans to reallocate expenditure without raising the ceiling. Based on 2019 GDP, this would imply a deficit of around 8%. Private transfers from abroad, including workers’ remittances, as well as inflows of foreign direct investment, are expected to drop markedly, lowering reserve coverage. Moreover, in 2020-2021, the government, as well as public enterprises, face particularly high domestic and external refinancing needs, totalling EUR 1.65 billion (about 7.3% of 2019 GDP in each of the two years). This includes amortisation of the EUR 500 million 2014 Eurobond, parts of the 2015 Eurobond and the 2013 World Bank policy-based guarantee, as well as repayment of large foreign commercial loans of the Public Enterprise for State Roads, which is tasked with the implementation of major road transport infrastructure. The government has requested assistance from the IMF through the RFI, which amounts to EUR 177 million, as well as a loan from the World Bank. According to current estimates, a financing gap of some EUR 330 million will remain after the IMF, the World Bank and the EU grant funding. In this context, MFA in the amount of EUR 160 million is warranted.

**Eastern neighbourhood**

**Georgia is set to enter a deep recession this year amid mounting financing needs.** Georgia’s economy is heavily affected by the corona crisis. Recent estimates taking into account the impact of the virus suggest an economic contraction of around 4% in 2020. Due to the cost of measures to mitigate the impact of the crisis, increased healthcare spending and lower revenues, the fiscal deficit in 2020 is expected to increase to some 8% of GDP. Georgia’s balance of payment will also deteriorate due to lower revenues from the export of services (especially from tourism), lower inflows of remittances, likely lower inflow of FDI and an outflow of portfolio capital. The external funding gap is tentatively estimated by the IMF at around USD 1.6 billion in 2020-2021, and Georgia will need assistance from its international partners to cover this gap. On 14 April the authorities concluded with the IMF a staff level agreement providing for an increase of the current (almost fully disbursed) Extended Fund Facility (EFF) programme by approx. USD 375 million, of which USD 308 million are to be disbursed in 2020. Negotiations are ongoing with the World Bank, ADB, AFD, KfW and EIB about augmenting their policy-based loans. Georgia has an ongoing MFA programme with the final instalment of EUR 25 million expected to be disbursed in the second quarter of 2020 subject to implementation of the agreed policy conditions; most of them have already been met. Overall, on current information, some USD 900 million of the estimated financing gap for this year remains to be filled. As there are good prospects also for the contributions of other creditors, a new MFA programme of EUR 150 million is warranted.

The impact of the measures to halt the spread of the COVID-19 virus and the fallout from the global recession are set to affect the economy of the Republic of Moldova (hereafter referred to as Moldova) strongly in 2020. The main transmission channels of the
crisis are remittances (which account for 15% of GDP in Moldova) and trade with countries hit by the crisis, in particular EU Member States. Moldova’s economy is expected to fall into recession in 2020, while the balance of payments and public finance will come under heavy pressure due to the crisis. The external funding gap is tentatively estimated at USD 800 million (about 7% of GDP) in 2020 and the fiscal financing gap is estimated at MDL 10.5 billion (around USD 550 million). Moldova has some policy space to counteract the shocks as both public debt and international reserves have been on a positive trajectory during the last years supported by a three-year IMF EFF/ECF programme, but not for long and clearly within limits. The IMF is prepared to extend about USD 240 million (EUR 220 million) of emergency support to Moldova to mitigate the economic effects of the COVID-19 crisis. Moldova has an ongoing MFA programme where the second and third instalments of EUR 70 million in total can be disbursed if the conditions are met before the programme expires in July 2020. In addition, already announced credits from Russia of EUR 200 million for 2020, which were primarily aimed for infrastructure investments, could be reallocated to address the effects of the crisis. However, given the limited access to international capital markets, Moldova would be in need of additional assistance to cover the external financing gap. Against this background, a new MFA programme in the amount of EUR 100 million is warranted.

In Ukraine, macro-financial stability has come under renewed pressure this year, especially after the abrupt government reshuffle beginning of March, which coincided with the outbreak of the global coronavirus crisis. Financial-market conditions deteriorated sharply in mid-March, when Eurobond sovereign yields almost tripled, before stabilising at around 8%, from 4.4% in late January. A negative confidence effect, fuelled by expectations for a deep contraction (where forecasts range from 4% and 9% in 2020), resulted in heightened demand for foreign currency. The National Bank of Ukraine had to sell the equivalent of USD 2.2 billion in the second half of March, thereby reducing its official international reserves by more than 8% from the USD 27 billion reported for end-February 2020. The revised 2020 budget, adopted by the parliament on 13 April, provides for a EUR 2.5 billion coronavirus fund for immediate measures to counter the spread of COVID-19. In light of the expected recession-driven deterioration of public finances and additional crisis-related expenditures, the overall 2020 budgetary deficit has been revised to 7.5% of GDP, or the equivalent of USD 11 billion. While some of the budget deficit can be financed domestically, the government also has USD 5 billion in external debt repayments falling due in 2020. The IMF estimates the overall external financing gap to be around USD 12 billion in 2020. Against this backdrop, the IMF agreed to increase the size of its recently negotiated three-year programme from USD 5.5 billion to USD 10 billion, of which USD 3.5 billion would become available this year. Along with a World Bank loan and the remaining EUR 500 million tranche of the EU’s existing MFA programme, for which conditions have been fulfilled and which is expected to be disbursed in the second quarter of 2020 (as soon as the prior actions for the new IMF programme have been implemented), around USD 5 billion of financing are available. The remainder of the USD 12 billion gap would need to be covered through additional official financing or through a drawdown of official international reserves. In this context, a new MFA programme with a total envelope of EUR 1.2 billion is warranted.

Southern neighbourhood

A recession cannot be avoided in Jordan, with pressures mounting on the balance of payments, reflecting the country’s limited policy space. The outbreak of the coronavirus is expected to have a significant impact on the Jordanian economy through its disrupting effects on trade flows, global value chains and tourism. Due to the constrained fiscal space, Jordan
has so far mobilised primarily monetary policy measures to contain the damage on the economy. However, under a generalised lockdown, the effectiveness of such measures is curtailed. The economy is now likely to experience a recession in 2020 with grave consequences for the already high level of unemployment (at around 19% at end-2019). The fiscal deficit is expected to widen to above 5% of GDP, notably on the back of an expected decline in tax revenues. Thus, gross public debt is likely to exceed 100% of GDP in 2020. Securing concessional lending for the financing of the fiscal deficit will be critical for keeping the interest rate burden down and supporting debt sustainability. Even before the coronavirus outbreak, Jordan was facing significant external financing needs. Against this backdrop, the EU adopted a EUR 500 million MFA operation in January 2020. With the COVID-19 crisis, these needs have increased further. The current account deficit is expected to widen as a result of the steep decline in tourism, while the significant increase of the interest rates faced by emerging economies in financial markets could put at risk the roll-over of a USD 1.25 billion Eurobond maturing in October 2020. On current information, USD 1.5 billion of the estimated financing gap for this year remains to be filled and additional MFA support of EUR 200 million is warranted. This will be combined with the existing MFA programme to a total amount of EUR 700 million.¹

**Sizeable financing needs in Tunisia call for international support amid a mounting economic crisis.** Tunisia will likely plunge into a recession in 2020, as economic activity will be significantly affected by the drop in global demand and by the effect of containment measures introduced in mid-March to halt the spread of the coronavirus. While monetary and fiscal measures have been adopted to mitigate the economic impact of the crisis, macroeconomic imbalances persist, policy space remains limited and external financing needs are set to increase during the year. The downturn will put severe pressure on employment and social stability. It will also result in a severe deterioration of the budget, reducing revenues and putting additional pressure on expenditure to support the economy and the health system. As a result, it is likely that the fiscal deficit will widen significantly and that public debt will increase in 2020. The government expects a larger-than-projected fiscal deficit (to 4.3% of GDP), for which about USD 1 billion (or 2.6% of GDP) in additional external financing would need to be mobilised. The balance of payments needs will be even larger (around 4.7% of GDP), given the expected fallout of the pandemic on the private sector and its access to external financing. The sharp decline in remittances and tourism (over 7% of GDP), despite lower oil prices, will also lead to a shortfall of foreign exchange revenues. The government will most likely not be able to cover its financing needs from domestic and international markets in 2020 and has requested emergency assistance of the equivalent of USD 753 million (100% of the quota) from the IMF. The government needs around USD 3.5 billion in external financing this year, with reimbursement peaks in April and June putting pressure on liquidity. Additionally, financing needs are set to further increase in line with the COVID-19 fiscal impact and response, while access to financial markets will remain very challenging during the year and the foreseen USD 1.1 billion market issuance can no longer be taken for granted. On current information, approximately EUR 2.5 billion of the estimated financing gap for this year remains to be filled and an MFA programme of EUR 600 million is warranted.

¹ Subject to the swift adoption of the omnibus MFA Decision, the Commission is planning to combine the implementation of this MFA Decision for Jordan with that of the EUR 500 million MFA adopted in January 2020. This would mean agreeing on a single MoU with Jordan, in which the first and second disbursements combine loan parts from both Decisions, while the third disbursement would come exclusively from the January 2020 Decision. The availability periods under both Decisions would be respected.
• **Consistency with existing policy provisions in the policy area**

The proposed MFA operation takes place under very particular circumstances of extreme urgency related to the global coronavirus pandemic. The proposed MFA is consistent with the EU’s commitment to support the enlargement and neighbourhood partners with their immediate economic difficulties. It is also consistent with the principles governing the use of the instrument of MFA, including its exceptional character, political preconditions, complementarity, conditionality and financial discipline. The Commission will continue to monitor and assess during the life of the MFA operations satisfaction of these criteria, including the assessment, in close liaison with the European External Action Service, of the political preconditions.

In the implementation of the assistance, the Commission will ensure consistency with recent and ongoing MFA operations, in particular those under the following MFA Decisions:

- Decision (EU) 2016/1112 of the European Parliament and of the Council of 6 July 2016 providing further macro-financial assistance to Tunisia;
- Decision (EU) 2018/598 of the European Parliament and of the Council of 18 April 2018 providing further macro-financial assistance to Georgia;

• **Consistency with other Union policies**

The EU is mobilising all available instruments and coordinating closely with Member States, as well as European financial institutions, in order to mount an effective external response to the COVID-19 crisis, under the banner of “Team Europe”. EU MFA is part of this approach for the enlargement and neighbourhood regions, complementing a total of EUR 3.87 billion in grants mobilised under the Instrument for Pre-accession Assistance and the European Neighbourhood Instrument, including blending and contributions to financial instruments through the Neighbourhood Investment Platform and the Western Balkans Investment Forum. In addition, loans for public and private sector investments will continue to be provided under the European Investment Bank’s External Lending Mandate. The neighbourhood will also benefit from investment programmes backed by EUR 0.5 billion of guarantees from the European Fund for Sustainable Development, mostly reoriented towards SME financing.

By supporting the adoption by authorities of an appropriate framework for short-term macroeconomic policy and structural reforms, the EU’s MFA would enhance the added value of the overall EU involvement and increase the effectiveness of the EU’s overall intervention including through other financial instruments.
2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- Legal basis

The legal basis for this proposal is Article 212 of the TFEU. In the current situation of urgency, this proposal could also be based on Article 213 TFEU. Nevertheless, the Commission has decided to present it on the basis of Article 212 TFEU to follow the ordinary legislative procedure with the full involvement of the European Parliament. The Commission counts on the cooperation of the European Parliament and the Council for swift adoption.

- Subsidiarity (for non-exclusive competence)

The proposal does not fall under an exclusive competence of the EU. The subsidiarity principle applies to the extent that the objectives of restoring the beneficiary’s short-term macroeconomic stability cannot be sufficiently achieved by the Member States alone and can therefore be better achieved by the European Union. The main reasons are greater scale and facilitated donor coordination in order to maximise the effectiveness of the assistance.

- Proportionality

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability by alleviating the risk of a possible default and does not go beyond what is necessary for that purpose.

In view of the size of the beneficiary’s external financing needs in 2020 and 2021, the amount of the assistance will correspond to a relatively limited part of these needs. Given the assistance pledged to the beneficiaries by other bilateral and multilateral donors and creditors, it is deemed an appropriate level of burden-sharing for the EU.

- Choice of the instrument

Project finance or technical assistance would not be suitable or sufficient to address these macroeconomic objectives. The key value added of the MFA in comparison to other EU instruments would be its rapid implementation to alleviate the beneficiaries immediate external financial constraints, but also to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for structural reforms. By helping to put in place an appropriate overall framework for macroeconomic and structural policies, MFA can increase the effectiveness of the actions financed in the beneficiaries under other, more narrowly focused EU financial instruments.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- Ex-post evaluations/fitness checks of existing legislation

All MFA operations are subject to an ex-post evaluation, which is normally carried out within two years from the end of the availability period defined in the legislative decision granting assistance. The objective is twofold: (i) to analyse the impact of MFA on the economy of the beneficiary and in particular on the sustainability of its external position; (ii) to assess the added value of the EU intervention.
The evaluations carried out so far conclude that MFA operations do contribute to the improvement of the beneficiary’s external sustainability, macroeconomic stability and achievement of structural reforms. MFA operations had a positive effect on the balance of payments of the beneficiary and contributed to relax their budgetary constraints. They also led to a slightly higher economic growth.

All evaluations highlight that an important attribute of the EU MFA versus alternative sources of financing is its highly concessional terms, i.e. relatively low interest rates, long maturity and long grace period. This generates fiscal space and contributes to public debt sustainability.

The ex-post evaluations also confirm that previous MFAs were implemented efficiently, and were well coordinated with other EU programmes and with programmes of other donors (notably, the IMF and the World Bank). MFA policy conditionality is found to be separate from the IMF conditionality, but complementary and/or reinforcing. Recent experiences show that the presence of two independent but coordinated programmes reinforces the capacity of delivering results, through complementary conditionality and combined financial resources.

The evaluations also note the shortcomings of each MFA operation, with the most common ones being the lack of visibility of them and the sometimes long negotiating process. The Commission will further consider the identified limitations in a forthcoming evaluation on the operations carried out during 2010-2020, which is planned to be launched in 2020. This evaluation could also provide a good basis for a further reflection on the scope and other aspects of the MFA instrument as well as how it interacts with other EU external policy instruments.


• **Stakeholder consultations**

MFA is provided as an integral part of the EU and the wider international response in relation to the COVID-19 crisis. In the preparation of this proposal for MFA, the Commission services have consulted with the International Monetary Fund, which is in the process of putting in place sizeable financing programmes, and other multilateral and bilateral creditors and donors. The Commission has also been in regular contact with the national authorities of potential beneficiaries.

• **Collection and use of expertise**

Due to the need for an urgent approval process, an Operational Assessment verifying the quality and reliability of the beneficiary’s public financial circuits and administrative procedures will be carried out by the Commission or, if necessary, with the assistance of external experts.

• **Impact assessment**

The EU’s macro-financial assistance is an emergency instrument aimed at alleviating the risk of default and economic collapse of partners by addressing beneficiaries’ short-term external financing needs while supporting policy measures aimed at strengthening the balance of payments and fiscal positions and supporting renewed sustainable growth. Therefore, this
MFA proposal is exempted from the requirement to carry out an Impact Assessment in accordance with the Commission’s Better Regulation Guidelines (SWD(2015) 111 final) as there is a political imperative to move ahead quickly in an emergency situation requiring a rapid response.

4. BUDGETARY IMPLICATIONS

The planned assistance would be provided in the form of loans and should be financed through a borrowing operation that the Commission will conduct on behalf of the EU. The budgetary impact of the assistance will correspond to the provisioning, at a rate of 9%, of the amounts disbursed in the Guarantee Fund for External Actions of the EU. Assuming that the loans will be disbursed in 2020, and according to the rules governing the guarantee fund mechanism, the provisioning will take place in year n+2, the year n being the year of the disbursement. The impact of loans disbursed in 2020 will thus fall on the 2022 budget, for a maximum amount of EUR 270 million. Should part of the loans be disbursed in 2021, the corresponding provisioning will take place in the 2023 budget.

The Commission considers that the amounts set aside in the Guarantee Fund provide an adequate buffer to protect the EU budget against contingent liabilities related to these MFA loans. It cannot be excluded, however, that the current macroeconomic circumstances and potential concentration of credit-risk exposures may increase the need to set aside supplementary budgetary resources over the lifetime of the loans.

The Commission assesses that the budgetary impact of the proposed MFA operations can be accommodated within the Commission’s proposal for the next MFF.

5. OTHER ELEMENTS

• Implementation plans and monitoring, evaluation and reporting arrangements

The European Union shall make MFA available to partners for a total amount of up to EUR 3 billion, provided in the form of medium- to long-term loans, which will contribute to cover their external financing needs in 2020-21.

Based on a preliminary assessment of financing needs, the amounts of MFA to be made available shall be distributed to the beneficiaries as follows:

- EUR 180 million for the Republic of Albania
- EUR 250 million for Bosnia-Herzegovina
- EUR 150 million for Georgia
- EUR 200 million for the Hashemite Kingdom of Jordan
- EUR 100 million for Kosovo
- EUR 100 million for the Republic of Moldova
- EUR 60 million for Montenegro
- EUR 160 million for the Republic of North Macedonia
- EUR 600 million for the Republic of Tunisia
- EUR 1.2 billion for Ukraine

The assistance is planned to be disbursed in two loan instalments. The disbursement of the first instalment is expected to take place towards mid-2020. The second instalment could be disbursed in the fourth quarter of 2020 or in the first half of 2021 provided that the policy measures attached to it have been implemented in a timely manner.

The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

The Commission and the authorities of each partner separately will agree on a Memorandum of Understanding setting out the reform measures associated with the proposed MFA operation, including aspects of timing and sequencing. Moreover, as is normally the case with MFA, the disbursements would inter alia be conditional on satisfactory progress with the IMF programme and the continued drawing by the partner on IMF funds.

The proposal includes a sunset clause. The proposed MFA would be made available for 12 months, starting from the first day after the entry into force of the Memorandum of Understanding.

The Commission will report yearly to the European Parliament and to the Council on the implementation of this Decision in the preceding year. Furthermore, the fulfilment of the objectives of the assistance will be assessed by the Commission, including in the context of an ex-post evaluation that the Commission shall submit to the European Parliament and to the Council not later than two years after the expiry of the availability period of the assistance.
Proposal for a

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on providing Macro-Financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic crisis

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,

Whereas:

(1) The current COVID-19 crisis 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 EU to move quickly and decisively in support of these economies. This proposal for the Union’s macro-financial assistance therefore covers ten partners: the Republic of Albania, Bosnia and Herzegovina, Kosovo*, 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 (henceforth “partner(s)”).

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

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

(4) The Union’s macro-financial assistance should be an exceptional financial instrument of untied and undesignated balance-of-payments support, which aims at addressing the beneficiary’s immediate external financing needs in tandem with a disbursing arrangement with the International Monetary Fund (IMF) that is subject to an agreed programme of economic reforms. In the context of the COVID-19 crisis, the Union’s

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Declaration of Independence.
Financial support from the Union to the partners is consistent with the Union’s policy as set out in the enlargement and neighbourhood policies.

Given that the partners are either accession / pre-accession partners or covered by the ENP, they are eligible to receive the Union’s macro-financial assistance.

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 financial stabilisation. The Union’s macro-financial assistance would support the economic stabilisation, supplementing resources made available under the IMF’s financial arrangement.

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.

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.

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.

The Union’s macro-financial assistance should support the Union’s external policy towards the partners. The Commission services and the European External Action Service 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.

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 its commitment to the principles of open, rule-based and fair trade.

A pre-condition 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 to promote structural reforms aimed at
supporting sustainable growth and fiscal consolidation. Both fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

(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 the 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 the Council (as the Union’s 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 the assistance and provide them with 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.

(19) The Union’s macro-financial assistance should be subject to economic policy conditions, to be laid down in a Memorandum of Understanding. 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 partner under the supervision of the committee of representatives of the 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 important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure 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 Memorandum of Understanding with Montenegro, while the examination procedure should apply to the adoption of the Memorandum of Understanding with the other partners covered by this Decision, and correspondingly for any reduction, suspension or cancellation of the assistance.

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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 (“partner(s)”) 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 International Monetary Fund (IMF) and shall be made available as follows:

(a) EUR 180 million for the Republic of Albania;
(b) EUR 250 million for Bosnia-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 Memorandum of Understanding 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 the examination procedure referred to in Article 7(2), shall reduce the amount of the assistance or 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 European External Action Service shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union’s macro-financial assistance.

3. Paragraphs 1 and 2 of this his Article shall be applied in accordance with Council Decision 2010/427/EU.5

Article 3

1. The Commission, in accordance with the examination procedure referred to in 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, to be laid down in a Memorandum of Understanding (“the Memorandum of Understanding”) which shall include a timeframe for the fulfilment of those conditions. The economic policy and financial conditions set out in the Memorandum of Understanding 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.

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 the Council.

Article 4

1. Subject to the conditions referred to in paragraph 3, the Union’s macro-financial assistance shall be made available by the Commission two loan instalments. The size

of each instalment shall be laid down in the Memorandum of Understanding referred to in Article 3.

2. The amounts of the Union’s macro-financial assistance shall be provisioned, where required, in accordance with Council Regulation (EC, Euratom) No 480/2009.6

3. The Commission shall decide on the release of the instalments subject to the fulfilment of all of the following conditions:
   (a) the pre-condition set out in Article 2;
   (b) a continuous satisfactory track record of implementing a non-precautionary IMF credit arrangement;
   (c) the satisfactory implementation of the economic policy and financial conditions agreed in the Memorandum of Understanding.

The release of the second instalment shall not, in principle, take place earlier than three months after the release of the first instalment.

4. Where the conditions referred to in the first subparagraph of paragraph 3 are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union’s macro-financial assistance. In such cases, it shall inform the European Parliament and the Council of the reasons for the suspension or cancellation.

5. The Union’s macro-financial assistance shall be disbursed to the central bank of the partner. Subject to the provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, the Union funds may be transferred to the Ministry of Finance as the final beneficiary.

Article 5

1. The borrowing and lending operations related to the Union’s macro-financial assistance shall be carried out in euro using the same value date and shall not involve the Union in the transformation of maturities, or expose it to any exchange or interest rate risk, or to any other commercial risk.

2. Where the circumstances permit, and if the partner so requests, the Commission may take the steps necessary to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the borrowing operations.

3. Where circumstances permit an improvement of the interest rate of the loan and if the partner so requests, the Commission may decide to refinance all or part of its initial borrowings or may restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with paragraphs 1 and 4 and shall not have the effect of extending the maturity of the borrowings concerned or of increasing the amount of capital outstanding at the date of the refinancing or restructuring.

4. All costs incurred by the Union which relate to the borrowing and lending operations under this Decision shall be borne by the partner.

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5. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraphs 2 and 3.

Article 6

1. The Union’s macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) No 2018/1046 of the European Parliament and of the Council.\(^7\)

2. The Union’s macro-financial assistance shall be implemented under direct management.

3. The Loan Agreement referred to in Article 3(3) shall contain provisions:

   (a) ensuring that the partner regularly checks that financing provided from the budget of the Union has been properly used, takes appropriate measures to prevent irregularities and fraud, and, if necessary, takes legal action to recover any funds provided under this Decision that have been misappropriated;

   (b) ensuring the protection of the Union’s financial interests, in particular providing for specific measures in relation to the prevention of, and fight against, fraud, corruption and any other irregularities affecting the Union’s macro-financial assistance, in accordance with Council Regulation (EC, Euratom) No 2988/95\(^8\), Council Regulation (EC, Euratom) No 2185/96\(^9\), Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council\(^10\) and, for those Member States participating in enhanced cooperation regarding the European Public Prosecutor’s Office, Council Regulation (EU) 2017/1939.\(^11\) Notably, to that end, the European Anti-Fraud Office (OLAF) shall be expressly authorised to carry out investigations, including in particular on-the-spot checks and inspections including digital forensic operations and interviews;

   (c) expressly authorising the Commission, or its representatives to carry out checks, including on-the-spot checks and inspections;

   (d) expressly authorising the Commission and the Court of Auditors to perform audits during and after the availability period of the Union’s macro-financial


assistance, including document audits and on-the-spot audits, such as operational assessments;

(e) ensuring that the Union is entitled to early repayment of the loan where it has been established that, in relation to the management of the Union’s macro-financial assistance, the partner has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union.

(f) ensuring that all costs incurred by the Union that relate to a financial assistance shall be borne by the partner.

4. Before the implementation of the Union’s macro-financial assistance, the Commission shall assess by means of an operational assessment, the soundness of the partner’s financial arrangements, the administrative procedures, and the internal and external control mechanisms which are relevant to the assistance.

Article 7

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply to the Union’s macro-financial assistance for Montenegro, while Article 5 of Regulation (EU) No 182/2011 shall apply to the Union’s macro-financial assistance for the other partners covered by this Decision.

Article 8

1. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Decision in the preceding year, including an evaluation of that implementation. The report shall:

(a) examine the progress made in implementing the Union’s macro-financial assistance;

(b) assess the economic situation and prospects of the partners, as well as progress made in implementing the policy measures referred to in Article 3(1);

(c) indicate the connection between the economic policy conditions laid down in the Memorandum of Understanding, the partners’ on-going economic and fiscal performance and the Commission’s decisions to release the instalments of the Union’s macro-financial assistance.

2. Not later than two years after the expiry of the availability period referred to in Article 1(4), the Commission shall submit to the European Parliament and to the Council an ex post evaluation report, assessing the results and efficiency of the completed Union’s macro-financial assistance and the extent to which it has contributed to the aims of the assistance.
Article 9

This Decision shall enter into force on the day after its publication in the Official Journal of the European Union.

Done at Brussels,

For the European Parliament
The President

For the Council
The President
LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE
   1.1. Title of the proposal/initiative
   1.2. Policy area(s) concerned in the ABM/ABB structure
   1.3. Nature of the proposal/initiative
   1.4. Objective(s)
   1.5. Grounds for the proposal/initiative
   1.6. Duration and financial impact
   1.7. Management mode(s) planned

2. MANAGEMENT MEASURES
   2.1. Monitoring and reporting rules
   2.2. Management and control system
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3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE
   3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
   3.2. Estimated impact on expenditure
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      3.2.5. Third-party contributions
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LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Macro-financial Assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic crisis

1.2. Policy area(s) concerned in the ABM/ABB structure\(^{12}\)

Policy area: Economic and Financial Affairs
Activity: International economic and financial affairs

1.3. Nature of the proposal/initiative

X The proposal/initiative relates to a **new action**
□ The proposal/initiative relates to a **new action following a pilot project/preparatory action**\(^{13}\)
X The proposal/initiative relates to the **extension of an existing action**
□ The proposal/initiative relates to an **action redirected towards a new action**

1.4. Objective(s)

1.4.1. **The Commission's multiannual strategic objective(s) targeted by the proposal/initiative**

“A new boost for jobs, growth and investment: promoting prosperity beyond the EU”

1.4.2. **Specific objective(s) and ABM/ABB activity(ies) concerned**

<table>
<thead>
<tr>
<th>Specific objective No</th>
<th>“Promoting prosperity beyond the EU”</th>
</tr>
</thead>
</table>

**ABM/ABB activity(ies) concerned**

The DG ECFIN related activities pertain to:

(a) Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including through regular economic dialogues with key partners and by providing macro-financial assistance; and

(b) Supporting the enlargement process and the implementation of the EU enlargement and neighbourhood policies and other EU priorities in partners by conducting economic analysis and providing policy assessments and advice.

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\(^{12}\) ABM: activity-based management; ABB: activity-based budgeting.

\(^{13}\) As referred to in Article 54(2)(a) or (b) of the Financial Regulation.
1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

- Contribute to covering the external financing needs of the partner in the context of a significant deterioration of their external accounts brought about by the ongoing COVID-19 crisis.
- Alleviate the partner’s budgetary financing needs.
- Support the fiscal consolidation effort and external stabilisation in the context of the foreseen IMF programme.
- Support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth.

1.4.4. Indicators of results and impact

Specify the indicators for monitoring implementation of the proposal/initiative.

The authorities of the partners will be required to report on a set of economic indicators to the Commission services on a regular basis and, provide a comprehensive report on the compliance with the agreed policy conditions ahead of the disbursement of the instalments of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in partners, where necessary. The EU Delegation in the partners will also provide regular reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their insights from their on-going activities in the respective partner.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, including an assessment of the implementation of this operation. An independent ex-post evaluation of the assistance will be carried out within two years after the expiry of the implementation period.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

The disbursement of the assistance will be conditional on the fulfilment of the political pre-conditions and a satisfactory track record in the implementation of a financing arrangement between the partner and the IMF. In addition, the Commission shall agree with the authorities of the partner on specific policy conditions, listed in a Memorandum of Understanding.

The assistance is planned to be disbursed in two loan instalments. The disbursement of the first instalment is expected to take place mid-2020. The second instalment could be disbursed in the fourth quarter of 2020 or in the first half of 2021 provided that the policy measures attached to each instalment have been implemented in a timely manner.

1.5.2. Added value of EU involvement

The instrument of macro-financial assistance is a policy-based instrument directed to alleviate short- and medium-term external financial needs. In the context of the current COVID-19 crisis, MFA will help to provide economic policy space for the
authorities to mount an effective economic response to the crisis. By helping the partner overcome the economic difficulties reinforced by the COVID-19 crisis, the proposed MFA will contribute to promoting macroeconomic and political stability in the partners. MFA will complement the resources made available by the international financial institutions, bilateral donors and other EU financial institutions. In doing so, it will contribute to the overall effectiveness of the financial support provided by the international community, as well as of other EU financial assistance, including budgetary support operations.

In addition to the financial impact of the MFA, the proposed programme will strengthen the governments’ reform commitment and their aspiration towards closer relations with the EU. This result will be achieved, inter alia, through appropriate conditionality for the disbursement of the assistance. In a larger context, the programme will signal that the EU is ready to support partners in moments of economic difficulties.

1.5.3. Lessons learned from similar experiences in the past

Macro-financial assistance operations in partners are subject to ex-post evaluation. Evaluations conducted thus far (on completed MFA programmes), conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the partner. In most cases, MFA operations had a positive effect on the balance of payments of the partner and helped to relax their budgetary constraints. They also led to somewhat higher economic growth.

1.5.4. Compatibility and possible synergy with other appropriate instruments

The EU is among the major donors to the Western Balkans, Southern and Eastern neighbourhoods, supporting their economic, structural and institutional reforms as well as civil society. In this context, MFA complements other EU external actions or instruments used to support the partners. It is also aligned with the Single Support Framework defining areas of focus of bilateral aid under the European Neighbourhood Instrument and the Instrument for Pre-Accession Assistance for 2014-2020.

The key value added of the MFA in comparison to other EU instruments would be to help create a stable macroeconomic framework, including by promoting a sustainable balance-of-payments and budgetary situation, and an appropriate framework for advancing structural reforms. MFA does not provide regular financial support and is to be discontinued as soon as the partner’s external financial situation has been brought back onto a sustainable path.

MFA would also be complementary to interventions envisaged by the international community, in particular the adjustment and reform programmes supported by the IMF and the World Bank.
1.6. **Duration and financial impact**

X Proposal/initiative of **limited duration**
- □ Proposal/initiative in effect from June 2020 to May 2021
- □ Financial impact from 2022 to 2023

□ Proposal/initiative of **unlimited duration**
- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. **Management mode(s) planned**

X **Direct management** by the Commission
- □ by its departments, including by its staff in the Union delegations;
- □ by the executive agencies

□ **Shared management** with the Member States

□ **Indirect management** by entrusting budget implementation tasks to:
- □ third countries or the bodies they have designated;
- □ international organisations and their agencies (to be specified);
- □ the EIB and the European Investment Fund;
- □ bodies referred to in Articles 208 and 209 of the Financial Regulation;
- □ public law bodies;
- □ bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- □ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- □ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

*If more than one management mode is indicated, please provide details in the ‘Comments’ section.*

**Comments**

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14 Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: [http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html](http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html)
2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the IMF arrangement and the implementation of specific reform measures to be agreed with the authorities of the partners in a Memorandum of Understanding with a frequency that is consistent with the number of instalments (See also point 1.4.4).

2.2. Management and control system

2.2.1. Risk(s) identified

There are fiduciary, policy and political risks related to the proposed MFA operations.

There is a risk that the MFA could be used in a fraudulent way. As MFA is not designated to specific expenses (contrary to project financing, for example), this risk is related to factors such as the general quality of management systems in the partner’s Central Bank and the Ministry of Finance, administrative procedures, control and oversight functions, the security of IT systems and the appropriateness of internal and external audit capabilities.

A second risk stems from the possibility that the partner will fail to service the financial liabilities towards the EU stemming from the proposed MFA loans (default or credit risk), which could be caused for example by a significant additional deterioration of the balance of payments and fiscal position of the partner.

2.2.2. Information concerning the internal control system set up

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and by the European Court of Auditors as foreseen by Article 129 of the Financial Regulation

Ex-ante: Commission assessment of management and control systems in the partners. For each partner, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission, if necessary, with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place.

During implementation: Commission checks of periodic partner declarations. The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU Delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure
provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above. The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD. Interruptions and suspensions of payments, financial corrections (implemented by Commission), and recoveries may be practiced where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the partners.

### 2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

### 2.3. Measures to prevent fraud and irregularities

*Specify existing or envisaged prevention and protection measures.*

To mitigate the risks of fraudulent use several measures have been and will be taken:

First, the Loan Agreement will comprise a set of provisions on inspection, fraud prevention, audits and recovery of funds in case of fraud or corruption. It is further envisaged that a number of specific policy conditions will be attached to the assistance, including in the area of public finance management, with a view to strengthening efficiency, transparency and accountability. Also, the assistance will be paid to a specific account of the Central Bank of the partner.

Moreover, in line with the requirements of the Financial Regulation, if necessary, the Commission services will carry out an Operational Assessment of the financial and administrative circuits of the partner to ascertain that the procedures in place for the management of programme assistance, including MFA, provide adequate guarantees. The assessment will cover areas such as budget preparation and execution, public internal financial control, internal and external audit, public procurement, cash and public debt management, as well as the independence of the central bank. Developments in that area will be further closely monitored by the EU Delegations in the respective partner. The Commission is also using budget support assistance to help the respective partners improve their PFM systems, and these efforts are strongly supported by other donors.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.
3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

  In order of multiannual financial framework headings and budget lines.

<table>
<thead>
<tr>
<th>Heading of multiannual financial framework 2014-2020</th>
<th>Budget line</th>
<th>Type of expenditure</th>
<th>Contribution</th>
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<td>Diff./Non-diff.</td>
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<td>Financial Regulation</td>
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<tr>
<td>4</td>
<td>01 03 02 Macro-financial assistance</td>
<td>Diff.</td>
<td>NO</td>
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<tr>
<td>4</td>
<td>01 03 06 Provisioning of the Guarantee Fund</td>
<td>Non-diff.</td>
<td>NO</td>
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</table>

- 01 03 06 – According to the Commission proposal, the Guarantee Fund for external actions will be provisioned according to the Guarantee Fund Regulation No 480/2009, using the appropriations under budget line 01 03 06 (“Provisioning of the Guarantee Fund”), at a rate of 9% of the total outstanding capital liabilities. The provisioning amount is calculated at the beginning of the year “n” as the difference between the target amount and the Fund’s net assets at the end of the year “n-1”. This provisioning amount is entered in year “n” into the “n+1” draft budget and effectively paid in one transaction at the beginning of the year “n+1” from the budget line “Provisioning of the Guarantee Fund” (budget line 01 03 06). As a result, 9% of the effectively disbursed amount will be considered in the target amount at the end of the year “n-1” for the calculation of the provisioning of the Fund.

- N.B. Under the MFF for 2021-2027, there will be a new budgetary nomenclature which has not yet been adopted. The budgetary impact will thus fall on the successor budget lines.

---

16 EFTA: European Free Trade Association.
17 Candidate countries and, where applicable, potential candidate countries from the Western Balkans.
### 3.2. Estimated impact on expenditure

#### 3.2.1. Summary of estimated impact on expenditure

<table>
<thead>
<tr>
<th>Heading of multiannual financial framework</th>
<th>4</th>
<th>The EU as a global partner</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>DG: ECFIN</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational appropriations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget line 01 03 06 Provisioning of the Guarantee Fund</td>
<td>Commitments</td>
<td>(1)</td>
<td>270.0</td>
<td></td>
<td>270.0</td>
</tr>
<tr>
<td></td>
<td>Payments</td>
<td>(2)</td>
<td>270.0</td>
<td></td>
<td>270.0</td>
</tr>
<tr>
<td>Budget line 01 03 02 Macro-financial assistance (operational assessment and ex-post evaluation)</td>
<td>Commitments</td>
<td>(3a)</td>
<td>0.350</td>
<td>0.450</td>
<td>0.800</td>
</tr>
<tr>
<td></td>
<td>Payments</td>
<td>(4a)</td>
<td>0.350</td>
<td>0.450</td>
<td>0.800</td>
</tr>
<tr>
<td>Appropriations of an administrative nature financed from the envelope of specific programmes&lt;sup&gt;18&lt;/sup&gt;</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL appropriations under HEADING 4 of the multiannual financial framework</strong></td>
<td>Commitments</td>
<td>=1+3</td>
<td>0.350</td>
<td>270.0</td>
<td>0.450</td>
</tr>
<tr>
<td></td>
<td>Payments</td>
<td>=2+4</td>
<td>0.350</td>
<td>270.0</td>
<td>0.450</td>
</tr>
</tbody>
</table>

---

<sup>18</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.
<table>
<thead>
<tr>
<th>Heading of multiannual financial framework</th>
<th>5</th>
<th>‘Administrative expenditure’</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>DG: ECFIN</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Human resources</td>
<td>1.614</td>
<td>-</td>
</tr>
<tr>
<td>• Other administrative expenditure</td>
<td>0.240</td>
<td>-</td>
</tr>
<tr>
<td>TOTAL DG ECFIN</td>
<td>Appropriations</td>
<td>1.854</td>
</tr>
</tbody>
</table>

**TOTAL appropriations under HEADING 5 of the multiannual financial framework**

<table>
<thead>
<tr>
<th>TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments</td>
<td>2.204</td>
<td>270.007</td>
<td>0.459</td>
<td></td>
<td>272.670</td>
</tr>
<tr>
<td>Payments</td>
<td>2.204</td>
<td>270.007</td>
<td>0.459</td>
<td></td>
<td>272.670</td>
</tr>
</tbody>
</table>
3.2.2. Estimated impact on operational appropriations

- □ The proposal/initiative does not require the use of operational appropriations
- X The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

<table>
<thead>
<tr>
<th>Specific objective</th>
<th>Type</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Cost</td>
<td>No</td>
<td>Cost</td>
<td>No</td>
<td>Cost</td>
</tr>
<tr>
<td>SPECIFIC OBJECTIVE</td>
<td></td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Cost</td>
</tr>
</tbody>
</table>

19 Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

20 As described in point 1.4.2. ‘Specific objective(s)...’
3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

- □ The proposal/initiative does not require the use of appropriations of an administrative nature
- X The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HEADING 5</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>of the multiannual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>financial framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td>1.614</td>
<td>-</td>
<td>0.007</td>
<td>0.009</td>
<td>1.630</td>
</tr>
<tr>
<td>Other administrative</td>
<td>0.240</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.240</td>
</tr>
<tr>
<td>expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal HEADING 5</strong></td>
<td>1.854</td>
<td>-</td>
<td>0.007</td>
<td>0.009</td>
<td>1.870</td>
</tr>
<tr>
<td><strong>of the multiannual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>financial framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Outside HEADING 5</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>of the multiannual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>financial framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of an administrative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>nature</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal outside</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>HEADING 5</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>of the multiannual</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>financial framework</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

---

21 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former ‘BA’ lines), indirect research, direct research.
3.2.3.2. Estimated requirements of human resources

- □ The proposal/initiative does not require the use of human resources.
-  The proposal/initiative requires the use of human resources, as explained below:

**Estimate to be expressed in full time equivalent units**

<table>
<thead>
<tr>
<th>Establishment plan posts (officials and temporary staff)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>XX 01 01 01 (Headquarters and Commission’s Representation Offices)</td>
<td>7.5</td>
<td>0.03</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>XX 01 01 02 (Delegations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XX 01 05 01 (Indirect research)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 01 05 01 (Direct research)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External staff (in Full Time Equivalent unit: FTE)²²</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>XX 01 02 01 (AC, END, INT from the ‘global envelope’)</td>
<td>5.75</td>
<td>0.03</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>XX 01 02 02 (AC, AL, END, INT and JED in the delegations)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XX 01 yy²³ at Headquarters</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XX 01 yy²³ in Delegations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>XX 01 05 02 (AC, END, INT - Indirect research)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 01 05 02 (AC, END, INT - Direct research)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other budget lines (specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>13.25</td>
<td>0.06</td>
<td>0.07</td>
<td></td>
</tr>
</tbody>
</table>

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

**Officials and temporary staff**

- ECFIN Director Dir. D: Supervise and manage the operation, liaise with Council and Parliament for the adoption of the Decision and the approval of the Memorandum of Understanding (MoU), negotiate the MoU with the authorities of the beneficiary, review reports, lead missions and assess progress with conditionality compliance.
- ECFIN HoU/DHoU Dir. D: Assist the Director in managing the operation, liaising with Council and Parliament for the adoption of the Decision and the approval of the MoU, negotiating the MoU and (together with Dir. L) the Loan Facility Agreement with the authorities of the beneficiary, reviewing reports and assessing progress with conditionality compliance.
- ECFIN Desk economists, MFA Sector (Dir. D): Prepare the Decision and MoU, liaise with the authorities and the IFIs, conduct review missions, prepare Commission staff reports and Commission procedures related to the management of the assistance, liaise with external experts for the operational assessment and the ex-post evaluation.
- BUDG Directorate E (Units E1, E2 and E3 under the supervision of the Director): Prepare the Loan Facility Agreement (LFA), negotiate it with the authorities of the beneficiary and have it approved by the responsible Commission services and signed.

²² AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations.

²³ Sub-ceiling for external staff covered by operational appropriations (former ‘BA’ lines).
by both parties. Follow up the entry into force of the LFA. Prepare the Commission decision(s) on the borrowing transaction(s), follow up the submission of the Request(s) for Funds, select the banks, prepare and execute the funding transaction(s) and disburse the funds to the beneficiary. Carry out the back-office activities to follow up the reimbursement of the loan(s). Prepare the corresponding reports on these activities.

<table>
<thead>
<tr>
<th>External staff</th>
</tr>
</thead>
</table>
3.2.4. *Compatibility with the current multiannual financial framework*

- **X** The proposal/initiative is compatible with the current multiannual financial framework.
- ☐ The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

- ☐ The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

3.2.5. *Third-party contributions*

- **X** The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

  Appropriations in EUR million (to three decimal places)

<table>
<thead>
<tr>
<th></th>
<th>Year N</th>
<th>Year N+1</th>
<th>Year N+2</th>
<th>Year N+3</th>
<th>Enter as many years as necessary to show the duration of the impact (see point 1.6)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specify the co-financing body</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL appropriations co-financed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 3.3. Estimated impact on revenue

- X The proposal/initiative has no financial impact on revenue.
- ☐ The proposal/initiative has the following financial impact:
  - ☐ on own resources
  - ☐ on miscellaneous revenue

**EUR million (to three decimal places)**

<table>
<thead>
<tr>
<th>Budget revenue line:</th>
<th>Appropriations available for the current financial year</th>
<th>Impact of the proposal/initiative(^{24})</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year N</td>
<td>Year N+1</td>
</tr>
<tr>
<td>Article ............</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For miscellaneous ‘assigned’ revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

---

\(^{24}\) As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.