

COUNCIL DECISION

of 23 November 1992

providing medium-term financial assistance for Estonia, Latvia and Lithuania

(92/542/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

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

Having regard to the proposal of the Commission⁽¹⁾ submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament⁽²⁾,

Whereas Estonia, Latvia and Lithuania are undertaking fundamental political and economic reforms and have decided to adopt a market economy model;

Whereas the financial support of the reforms from the Community will strengthen mutual confidence and bring Estonia, Latvia and Lithuania closer to the Community;

Whereas trade, commercial and economic links between the Community and Estonia, Latvia and Lithuania are expected to develop within the framework of the 1992 Cooperation Agreements;

Whereas in Article 1 thereof these Agreements make express reference to the observance of the principles set out in the Final Declaration of Helsinki and in the Paris Charter, which provide for the observance of human rights and minority rights;

Whereas Estonia, Latvia and Lithuania have requested financial assistance from the International Monetary Fund (IMF), the Group of 24 industrial countries (G-24) and the Community, and whereas, over and above the overall estimated financing which could be provided by the IMF and the World Bank to these countries, a global residual financial gap of some US\$ 600 million remains to be covered, in order to provide the necessary financing assurances to the stand-by arrangements that these countries are expected to conclude with the IMF on the basis of their economic adjustment and reform programmes;

Whereas the financial gap estimates have been provided by the IMF in close consultation with the Commission and the G-24;

Whereas the Commission as co-ordinator of assistance from G-24 has invited them to provide medium-term financial assistance to Estonia, Latvia and Lithuania;

Whereas the grant by the Community of medium-term loans to Estonia, Latvia and Lithuania are appropriate measures to support their balances of payments and to strengthen those countries' reserve positions;

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

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall grant to Estonia, Latvia and Lithuania medium-term loan facilities of a maximum amount of ECU 40 million, 80 million and 100 million respectively in principal, with a maximum duration of seven years, with a view to ensuring sustainable balance-of-payments situations and strengthening the reserve positions.

2. To this end the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Estonia, Latvia and Lithuania in the form of loans.

3. These loans will be managed by the Commission in full consultation with the Monetary Committee and in a manner consistent with any Agreements reached between the IMF and Estonia, Latvia and Lithuania.

Article 2

1. The Commission is empowered to negotiate with the Estonian, Latvian and Lithuanian authorities, after consultation with the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with the agreements referred to in Article 1 (3) and with arrangements made by G-24.

⁽¹⁾ OJ No C 266, 15. 10. 1992, p. 8.

⁽²⁾ Opinion delivered on 30 October 1992 (not yet published in the Official Journal).

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the G-24 and the IMF, that the economic policies in Estonia, Latvia and Lithuania are in accordance with the objectives of these loans and that their conditions are being fulfilled.

Article 3

1. The loans shall be made available to Estonia, Latvia and Lithuania separately, on a case-by-case basis. Each loan shall be released in two instalments.

2. The first instalment shall be released in each case as soon as a 'stand-by arrangement' has been agreed with the IMF. Subject to Article 2 (2), the second instalment shall be released on the basis of a satisfactory track record in the implementation of this arrangement and not before the second quarter of 1993.

3. The funds shall be paid to the central banks.

Article 4

1. The respective borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, in any exchange or interest-rate risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Estonia, Latvia or Lithuania so decide, to include in the respective loan conditions, and also to exercise, an early repayment clause.

3. At the request of Estonia, Latvia and Lithuania, and if circumstances permit an improvement in the interest rate on the respective loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of these operations.

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Estonia, Latvia and Lithuania as appropriate.

5. The Monetary Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3.

Article 5

At least once a year the Commission shall send to the European Parliament and to the Council a report, which will include an assessment on the implementation of this Decision.

Done at Brussels, 23 November 1992.

For the Council

The President

N. LAMONT