

COUNCIL DECISION

of 22 December 1994

providing further macrofinancial assistance for Slovak Republic

(94/939/EC)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission ⁽¹⁾, submitted after consulting the Monetary Committee,

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

Whereas the people of the Slovak Republic has close historic relationships with the peoples of the Community, whereas that country has undertaken fundamental political and economic reforms and is making substantial efforts to consolidate a market economy model;

Whereas, on 4 October 1994, the Slovak Republic and the Community signed an Association Agreement replacing that signed between the Czech and Slovak Federal Republic on 14 December 1991;

Whereas the dissolution of the Czech and Slovak Federal Republic has had negative implications for the Slovak economy at a time when it was still suffering from the external shock associated with the dismantlement of the Council of Mutual Economic Assistance trade system and from the difficulties accompanying the transition to a market economy;

Whereas the financial support of the reforms from the Community will strengthen mutual confidence and will bring the Slovak Republic closer to the Community;

Whereas the Slovak Republic has agreed with the International Monetary Fund (IMF) on a 'stand-by arrangement' and a new purchase under the 'systemic transformation facility' supporting the country's economic programme for 1994 to 1995; whereas these facilities were approved by the IMF Board on 22 July 1994;

Whereas the authorities of the Slovak Republic have requested financial assistance from the international financial institutions, the Community and other bilateral donors; whereas, over and above the estimated financing which could be provided by the IMF and the World Bank, a residual financing gap of some US \$ 300 million remains to be covered in the remainder of 1994 and 1995 in order to strengthen the Slovak Republic's reserve position and support the policy objectives attached to the government's reform effort;

Whereas the grant by the Community of a medium-term loan to the Slovak Republic is an appropriate measure to support the balance of payments and to strengthen the country's reserve position;

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 the Slovak Republic a medium-term loan facility of a maximum amount of ECU 130 million in principal with a maximum maturity of seven years, with a view to ensuring a sustainable balance-of-payments situation and strengthening the reserve position.

2. To this end the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of the Slovak Republic in the form of a loan.

3. This loan will be managed by the Commission in close consultation with the Monetary Committee and in a manner consistent with any agreement reached between the IMF and the Slovak Republic.

Article 2

1. The Commission is empowered to negotiate with the Slovak authorities, after consultation with the Monetary Committee, the economic policy conditions

⁽¹⁾ OJ No C 302, 28. 10. 1994, p. 11.

⁽²⁾ Opinion delivered on 15 December 1994 (not yet published in the Official Journal).

attached to the loan. These conditions shall be consistent with the agreement referred to in Article 1 (3).

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the IMF, that the economic policy in the Slovak Republic is in accordance with the objectives of this loan and that its conditions are being fulfilled.

Article 3

1. The loan shall be made available to the Slovak Republic in two instalments. The first instalment shall be released on the basis of the approval of the 'stand-by arrangement' by the Board of the IMF and subject to the provisions of Article 2 (1).

2. The second instalment shall be released at least two-quarter after the release of the first instalment, on the basis of a satisfactory progress in the Slovak Republic's application of the 'stand-by arrangement' and subject to the provisions of Article 2 (2).

3. The funds shall be paid to the Bank of Slovakia.

Article 4

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

2. The Commission shall take the necessary steps, if Slovak Republic so wishes, to ensure that an early repayment clause is included in the loan terms and conditions and that it may be exercised.

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

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by the Slovak Republic.

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

Article 5

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

Done at Brussels, 22 December 1994

For the Council

The President

H. SEEHOFER