

Economic Union: medium-term financial assistance for Member States' balances of payment (repeal. Regulation (EEC) No 1969/88)

2001/0062(CNS) - 30/08/2017 - Follow-up document

The Commission presented a report on the Union's facility providing medium-term financial assistance for Member States' balances of payments pursuant to Article 10 of Council Regulation (EC) No 332/2002 (the BoP Regulation).

Pursuant to the BoP Regulation, the BoP Instrument was created to **provide Union medium-term financial assistance to Member States which have not adopted the euro** (Member States with a derogation) and are experiencing, or are threatened with, difficulties in their balance of payments. This financial assistance is either in the form of an EU loan or a credit line.

The main conclusions of the report are as follows:

Appropriateness of the BoP Instrument: since 2012, the BoP Instrument has **effectively fulfilled its role**. Generally, all of the beneficiaries mentioned above saw the sustainability of their balance of payments situation improve rapidly, and therefore access to market-based financing could be re-established:

Romania, has requested and received assistance under the instrument. The precautionary assistance by the EU amounted to EUR 2 billion, while the IMF contributed up to SDR 1.75 billion (around EUR 2 billion) on the basis of an equally precautionary SBA.

The precautionary assistance for Romania, following up on two previous arrangements (one of which on a precautionary basis), has demonstrated the versatility of the instrument. Romania still had EUR 3.5 billion left to repay from the non-precautionary support disbursed in 2010-11.

Hungary fully repaid its loan in April 2016 whereas EUR 0.7 billion of **Latvia's** loan is still outstanding.

Ceiling: the ceiling of EUR 50 billion for outstanding loans in principal appears adequate. There is no need to revise this ceiling taking into consideration that the remaining capacity of the instrument currently stands at EUR 45.8 billion with no further requests.

Necessary modifications: during 2010-13, the toolbox of international financial assistance instruments had been extended to include more flexible and more preventive instruments:

- in the euro area, the **European Stability Mechanism (ESM)** has a comprehensive toolkit to address the funding needs of its members;
- in the Union, the **European Financial Stabilisation Mechanism (EFSM)** set up under [Regulation \(EU\) No 407/2010](#), broadly similar in its workings to the BoP Instrument, introduced a more flexible framework for borrowing and lending operations for macro financial purposes;
- the **multilateral surveillance framework was enhanced**, with the adoption of the 'six pack' and the 'two pack'.

In order to reflect these institutional innovations, it was suggested that the **rules for credit lines in the BoP Regulation should be clarified**, while those for borrowing and lending operations should be aligned to the more flexible ones applicable to the European Financial Stabilisation Mechanism (EFSM).

For this purpose, the Commission submitted a [proposal](#) which remains under discussion in the Council. The main elements are as follows: (i) a more flexible toolkit; (ii) greater transparency and accountability; (iii) enhanced surveillance; (iv) streamlining of surveillance procedures.

In addition to these changes proposed by the Commission, the **European Parliament** requested including the possibility to provide loans to non-euro area Member States to recapitalise financial institutions (indirect recapitalisation instrument). In response to this request, the Commission agreed to clarify that financing needs stemming from the necessity to recapitalise financial institutions could be addressed with the instrument and that the necessary conditionality could be adjusted to address primarily these problems.

Lastly, the Commission proposed to **finalise the legislative process**, because it improves the procedure and therefore contributes to a level playing field between Member States.