



**COUNCIL OF
THE EUROPEAN UNION**

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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL DECISION providing precautionary Union medium-term financial assistance to Romania

COUNCIL DECISION

of

providing precautionary Union medium-term financial assistance to Romania

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments¹ and in particular Article 3(2) thereof,

Having regard to the proposal from the European Commission made after consulting the Economic and Financial Committee,

¹ OJ L 53, 23.2.2002, p. 1.

Whereas:

- (1) By Decision 2013/.../EU^{1*}, the Council has decided to grant mutual assistance to Romania.
- (2) Precautionary medium-term financial assistance for Romania under the balance-of-payments facility for Member States is appropriate under the current circumstances of unstable capital flows affecting in particular emerging markets, risks to the macroeconomic scenario, and remaining vulnerabilities in the banking sector. While under present market conditions Romania does not intend to request the disbursement of any instalment, the precautionary assistance can be expected to help consolidate macroeconomic, budgetary and financial stability and, through the pursuit of structural reforms, increase the resilience and the growth potential of the Romanian economy.
- (3) If negative risks materialise, Romania may not be able to cover its external financing needs from available funding resources. These risks are associated with, among others, important external debt and financial sector roll-overs, a high negative net investment position, and spill-overs from adverse developments in the euro area. In such a stress scenario, the residual financing needs may have to be covered from activating the precautionary medium-term financial assistance.

¹ See page xx of this Official Journal.

* OJ: please insert references for the Decision on granting mutual assistance for Romania ST 14699/13.

- (4) It is appropriate to provide Union support to Romania of up to EUR 2 000 million on a precautionary basis under the facility providing medium-term financial assistance for Member States' balance of payments established in Regulation (EC) No 332/2002. That assistance should be provided in conjunction with support from the International Monetary Fund (IMF) through a Stand-by Arrangement in the amount of SDR 1 751,34 million (about EUR 2 000 million, 170 % of Romania's IMF quota), approved on 27 September 2013, which the authorities are also to treat as precautionary medium-term financial assistance. The World Bank has made EUR 1 000 million available under a Development Policy Loan with a deferred drawdown option valid through December 2015. In addition, the World Bank is to continue to provide earlier committed support of EUR 891 million, of which EUR 514 million is still to be disbursed.
- (5) The precautionary medium-term financial assistance should be managed by the Commission which is to agree with the authorities of Romania, after consulting the Economic and Financial Committee (EFC), on the specific economic policy conditions attached to that assistance. Those conditions should be laid down in a Memorandum of Understanding.

- (6) In view of the precautionary nature of the medium-term financial assistance, Romania will not request the disbursement of any instalment under the Union loan, unless difficulties as regards its balance of current payments or capital movements emerge. If Romania makes a request for funding to the Commission, the latter is to decide, after having consulted the EFC, on the activation of the programme and on the amount and timing of such instalments. The detailed financial terms related to possible disbursements is to be laid down in a Precautionary Loan Facility Agreement (PLFA).
- (7) The precautionary medium-term financial assistance should be provided with a view to contributing to the successful implementation of the Government's economic policy programme, and, in this way, should support the sustainability of Romania's balance of payments,

HAS ADOPTED THIS DECISION:

Article 1

1. The Union shall make available to Romania precautionary medium-term financial assistance amounting to a maximum of EUR 2 000 million. In case the facility is activated and disbursements are provided, that assistance shall be provided in the form of a loan with a maximum average maturity of eight years.
2. Activation of the precautionary medium-term financial assistance and disbursements thereof may be requested until 30 September 2015.

Article 2

1. The precautionary medium-term financial assistance shall be managed by the Commission in a manner consistent with Romania's undertakings and the recommendations by the Council, in particular in the context of the implementation of Romania's National Reform Programme (NRP) and of the annual update of its Convergence Programme (CP).
2. The Commission shall agree with the Romanian authorities, after consulting the EFC, on the specific economic policy conditions attached to the precautionary medium-term financial assistance as listed under Article 3(3) of this Decision. Those conditions shall be laid down in a Memorandum of Understanding (MoU) consistent with the undertakings and recommendations referred to in paragraph 1 of this Article. The detailed financial terms shall be laid down by the Commission in a PLFA.

3. The Commission shall verify at regular intervals, in collaboration with the EFC, that the economic policy conditions attached to the precautionary medium-term financial assistance are fulfilled.

Article 3

1. The activation of the precautionary medium-term financial assistance shall be examined by the Commission, following a written request by Romania to the Commission. The Commission, after consulting the EFC, shall decide whether the activation of the assistance and the request for disbursements under that assistance are justified, and shall decide on the amount and timing of such disbursements. In the event that that assistance is being activated, the funds may be made available in not more than two instalments. Each instalment may be disbursed in one or more tranches.
2. Upon activation of the precautionary medium-term financial assistance, the Commission shall decide on the disbursement of the Union loan, or parts thereof, after having obtained the opinion of the EFC.
3. Any disbursement shall be made on the basis of a satisfactory implementation of the economic programme of the Government to be included in both the CP and the NRP.

Furthermore, the specific economic policy conditions laid down in the MoU, shall include, inter alia:

- (a) the adoption of budgets and the implementation of policies in line with the fiscal consolidation path derived from Romania's obligations under the Stability and Growth Pact with a view to reaching Romania's medium-term budgetary objective by 2015, and to maintaining it thereafter;
- (b) the full preservation of the measures agreed under the previous two programmes and the implementation of any remaining parts of yet unfulfilled conditionality;
- (c) the further strengthening of the fiscal governance framework, including through the implementation of the Treaty on Stability, Coordination, and Governance, so as to ensure that fiscal consolidation is well anchored. Particular attention shall be given to reinforcing multi-annual budgetary planning, to the implementation of an effective commitment control system, to improving tax collection, and to improving the capital budgeting process;
- (d) the implementation of the action plans adopted in response to the findings of the functional reviews carried out by the World Bank in 2010-2011 in a timely manner and the establishment of a central delivery unit to improve the government-wide policy prioritisation;

- (e) the clearing of arrears and the strengthening of budget control mechanisms in the health sector through improved reporting and monitoring frameworks;
- (f) the implementation of the strategic action plan for healthcare, rationalising the hospital structure and increasing the scope for primary care activities, in order to improve health outcomes;
- (g) the improvement of public debt management with a view to reducing risks and to consolidating and extending the yield curve for sovereign debt;
- (h) the further strengthening of the bank-resolution framework, the Central Bank of Romania's contingency planning and the corporate governance of the Deposit Guarantee Fund, as well as the implementation of measures to speed up the process of national banks' balance sheet cleaning and the preservation of credit discipline in the banking sector;
- (i) the alignment of the legislation on the Financial Supervisory Authority to international good practices to strengthen the supervision of the non-banking financial market;
- (j) the restructuring of state-owned enterprises (SOEs), including sales of stakes in their capital, and strengthening the corporate governance of SOEs;

(k) the further implementation of measures to improve the business environment, including through the reduction of administrative burdens for the small and medium-sized enterprises (SMEs), and measures to facilitate access to finance for SMEs.

4. If required in order to finance the loan, the prudent use of interest rate swaps with counterparties of highest credit quality shall be permitted. The EFC shall be kept informed by the Commission of possible refinancing of the borrowings or restructuring of the financial conditions.

Article 4

This Decision shall take effect on the day of its notification.

Article 5

This Decision is addressed to Romania.

Done at Brussels,

For the Council
The President
