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PROPOSAL

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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

providing macro-financial assistance to the Republic of Tunisia

{SWD(2013) 498 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

The Tunisian economy has been negatively affected by the domestic unrest that followed the 2011 revolution, regional instability (notably the war in Libya), and a weak international environment, particularly in the euro area, with which Tunisia maintains close trade and financial links. The economy experienced a recession in 2011 and, despite the moderate economic recovery witnessed in 2012, when tourism and foreign direct investment (FDI) rebounded and economic activity picked up, **the macroeconomic situation remains very vulnerable**. In particular, the fiscal and balance of payments situation has deteriorated quite markedly, generating important financing needs.

At the same time, following the ousting of President Ben Ali on 14 January 2011, the country is taking significant steps towards the establishment of democratic mechanisms, including the organisation of free elections and the creation of a National Constituent Assembly. Although the political transition has not been without difficulties and episodes of instability, the process is expected to result in the approval of a new Constitution and the organisation of new elections in the first half of 2014.

Against this background, the Tunisian authorities reached in mid-April 2013 an agreement with the International Monetary Fund (IMF) staff on a **24-month Stand-By Arrangement (SBA) in the amount of USD 1.75 billion** (400% of quota), which was approved by the IMF Board in June. The aim of the SBA is to support the government's economic reform programme, reduce economic vulnerabilities and foster sustainable and inclusive growth.

In this context, the Tunisian government **requested Macro-Financial Assistance (MFA) from the EU in the amount of EUR 500 million** on 28 August 2013, with a portion in the form of a grant (see the request letter in Annex). The European Commission submits to the European Parliament and the Council a proposal to grant a MFA to the Republic of Tunisia amounting to a **maximum of EUR 250 million.** The assistance would take the form of **medium-term loans**, with no grant component being envisaged given that Tunisia does not meet the eligibility criteria for the use of grants in MFA operations.

The proposed EU MFA would help Tunisia **cover part of its residual external financing needs for the period 2014-15 in the context of the IMF programme, estimated at USD 3.0 billion**. It would reduce the economy's short-term balance of payments and fiscal vulnerabilities, while supporting the adjustment and reform programme agreed with the IMF and the World Bank, as well as the reforms agreed under the EU's budgetary support operations, in particular the State Building Contract *Programme d'Appui à la Relance* (PAR), which is financed in part by the EU's Support for Partnership Reform and Inclusive Growth (SPRING) programme.

The proposed MFA is in line with the aims of the G8's Deauville Partnership initiative and the orientations of the new European Neighbourhood Policy (ENP). It would signal to the other countries in the region that the EU is ready to support countries embarking on political reforms, in moments of economic difficulties.

In this context, the Commission considers that the political and economic pre-conditions for a MFA operation of the proposed amount and nature are satisfied.

- **General context**

After a severe recession in 2011, when the economy contracted by 1.9% due to the domestic political unrest and the Libyan conflict, a moderate recovery started in 2012 despite an adverse international and domestic environment, with real **GDP growth** picking up to an estimated 3.6%, helped mainly by the rebound in tourism and FDI inflows. Despite the promising pick-up in manufacturing activity and increase in tourism shown by mid-2013, the ongoing political stalemate, lower than expected growth in the EU (Tunisia's main trading partner) and emerging markets, and a bad harvest have slowed down economic activity. The IMF recently revised its forecast for GDP growth in 2013 to 3% from 4%. The growth forecast for 2014 has also been revised downwards from 4.5% to 3.7%, with risks strongly tilted to the downside reflecting the domestic political situation.

Unemployment remains a key concern with an unemployment rate of 15.9% at end-June 2013 compared with 13.5% before the revolution, and is particularly high among young people and women. There have been **inflationary** pressures since early 2012, largely explained by increases in administered energy prices, and by higher food prices.. However, inflation has dropped back to 5.7% (and core inflation to 4.4%) by September and is expected to remain stable at around that level.

Monetary policy was accommodative during 2011 and the first months of 2012 in response to the existence of a large output gap and relatively stable core inflation. However, as inflation started to accelerate and external and fiscal balances further deteriorated, the Central Bank of Tunisia (CBT) took some tightening measures, increasing its benchmark policy rate by 50 bps since August 2012 (to 4%).

Regarding the **public finances**, the IMF programme envisaged a modest fiscal adjustment for 2013, with the fiscal deficit targeted to increase to 7.3% of GDP, broadly reflecting the cost of the planned recapitalisation of banks and the repayment of arrears. However, recent trends suggest that in the absence of new measures, there will be a considerable fiscal slippage (the deficit is now projected to reach 8.4% of GDP unless corrective measures are taken). This fiscal deterioration in 2013 is expected to be partially compensated, like last year, by a lower execution rate of **public investments**.

For 2014, the IMF is calling for an additional adjustment of about 2 percentage points of GDP in order to reach the programmed deficit target of 6.4% of GDP. Corrective measures are likely to include adjusting energy tariffs while developing a better targeted social safety net, increasing control over the public wage bill (which represents about 13% of GDP and 60% of revenues), increases in excises and measures to improve the efficiency of public expenditures. The recapitalisation needs for the financial sector should also be properly budgeted in the law.

The general government debt remained at 44% of GDP in 2012, but it is projected to increase slightly to 45.3% of GDP by the end of this year and to peak at 49.5% of GDP in 2014. Debt service remains at a manageable 6% of total budget expenditures.

The rebound in growth throughout 2012 amid subdued world demand (particularly from the EU) and persistently high commodity prices contributed to a widening of the **current account deficit** to 8.1% of GDP. The deficit has further increased in 2013, with the latest projections indicating a worsening to around 8.3% of GDP compared with the 7.5% of GDP targeted under the IMF programme. In addition, so far in 2013 FDI inflows have been about 40% below those initially assumed in the IMF programme. Moreover, disbursements of official assistance are well below what had been programmed. As a result of these shortfalls in financing and the higher than programmed current account deficit, Tunisia faces a significant balance of payments gap (of around USD 750 million) for 2013, although a potential loan from Qatar may contribute to reducing it. The IMF expects this shortfall to be covered by a decline of USD 600 million in foreign reserves compared to the original programme targets and by a further compression in public investment (which has high import content).

After recovering partially in 2012, official foreign exchange reserves started to decline rapidly in early 2013. By end-October 2013, reserves stood at USD 6.9 billion, covering only 104 days of imports. They are expected to finish 2013 at USD 7.5 billion, a decrease of USD 1.1 billion in 2013, which compares to an originally targeted increase of USD 400 million for the year. The dinar has depreciated, in nominal effective terms, by around 12% since the revolution, and by around 6% since the beginning of 2013.

The 2011 crisis had a negative impact on a number of key banks, notably the public ones, who were more exposed to the hard-hit tourism sector. This led the CBT to provide substantial liquidity to the commercial banks during 2012 to help them cover their refinancing needs, although a gradual unwinding of liquidity injections has already been initiated. Under the programme agreed with the IMF, the authorities intend to proceed with the recapitalisation and rehabilitation of the banks affected by the crisis.

In addition to the need to restructure and strengthen the banking system, other key structural reform challenges include reducing unemployment while raising participation rates (notably among women), reducing income and regional disparities, reducing the excessive reliance on the development of a low value-added export industry located in the coastline, and reforming the inefficient price subsidy system while strengthening the social safety net.

On 7 June 2013 the IMF Board approved, as noted, an USD 1.75 billion (400% of the Tunisian quota), two-year, SBA. The main objectives of the IMF programme are: i) to maintain macroeconomic stability, partly through the implementation of structural reforms and the selective recapitalisation of banks; ii) to support inclusive growth; iii) to reduce external vulnerabilities; and iv) to strengthen investor and donor confidence.

Revised projections point towards significant balance of payments needs for the 2014-2015 period, with the overall external financing gap estimated at USD 4.4 billion. This financing gap is broadly attributed to two factors; a persistently large current account deficit and the need to build up foreign exchange reserves over the period 2014-2015. Net of disbursements under the SBA and the World Bank's Development Policy Loan (DPL), Tunisia faces a residual external financing gap of USD 3.0 billion over this period. The proposed EU MFA would contribute to cover some 10.8% of the residual financing gap for the 2014-2015 period.

- **Existing provisions in the area of the proposal**

None

- **Consistency with the other policies and objectives of the Union**

The EU seeks to develop a close relationship to Tunisia and to support Tunisia’s economic and political reforms. In 1995, Tunisia became the first country in the Southern Mediterranean to sign an Association Agreement with the EU. This agreement continues to be the legal basis for bilateral cooperation. Bilateral relations have been further reinforced under the EU’s ENP, including through the adoption of five-year ENP Action Plans establishing strategic objectives for this cooperation, the latest of which covers 2013-2017. Tunisia is also a member of the Union for the Mediterranean. Economic ties with the EU are important. Tunisia conducts the largest share of its trade with the EU. In 2012, the EU was the source of 59.3% of Tunisia's imports and the destination of 68.1% of its exports. Tunisia has also a high dependence on the EU in terms of FDI and other financial flows, remittances and tourism inflows. Tunisia finalized the dismantling of tariffs for industrial products in 2008, thus becoming the first Mediterranean country to conclude a free trade agreement with the EU. The EU has offered Tunisia to negotiate a Deep and Comprehensive Free Trade Agreement with the goal to allowing the full access of Tunisia to the EU's single market, although negotiations have not yet started.

The EU MFA would complement the total EUR 445 million in grants mobilised under the ENPI and the SPRING Programme, and in particular the conditionalities envisaged under the PAR III package in which the EU is participating. Close coordination will be ensured in the implementation of these two programmes, since both are complementary and mutually reinforcing. While the envisaged MFA will provide short term balance of payments support the state building contract will support the completion of the democratic transition process through economic and political governance measures. By supporting the adoption by the Tunisian authorities of an appropriate framework for macroeconomic policy and structural reforms, the EU's MFA would enhance the added value and effectiveness of the EU's involvement through other financial instruments. In addition, it would complement the resources made available by the international financial institutions, bilateral donors and other EU financial institutions, thus contributing to the overall effectiveness of the package of financial support agreed by the international donor community in the aftermath of the crisis.

In sum, while Tunisia's road to full democracy is not without difficulties and significant uncertainties remain, the country has taken significant steps towards political reform, with the aim of strengthening democratic institutions and mechanisms, including a multi-party parliamentary system, the rule of law and the respect for human rights. The country is also envisaging an economic reform programme aimed at laying the ground for a sustainable, employment generating and equitable growth model.

The MFA proposal is consistent with the EU's commitment to support Tunisia's economic and political transition. It is also consistent with the wording of two MFA decisions on the Kyrgyz Republic and Hashemite Kingdom of Jordan[1]. In particular, and as explained in more detail in the accompanying Staff Working Document, the Commission's proposal is consistent with the following principles: exceptional character, political preconditions, complementarity, conditionality and financial discipline.

The Commission will continue to monitor and assess during the life of the MFA operation satisfaction of these criteria. Regarding the assessment of the political preconditions, Commission services will work in close liaison with the European External Action Service.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENTS

- **Consultation of interested parties**

[1] Decision No 1025/2013/EU of 22 October 2013 providing macro-financial assistance to the Kyrgyz Republic; Draft Decision providing macro-financial assistance to the Hashemite Kingdome of Jordan, adoption of which is foreseen for December 2013.

MFA is provided as an integral part of the international support to the economic stabilisation of Tunisia. In the preparation of this proposal for MFA, the Commission services have consulted with the International Monetary Fund and the World Bank, which have already put in place sizeable financing programs. The Commission has also been in regular contact with the Tunisian authorities.

- **Collection and use of expertise**

An Operational Assessment verifying the quality and reliability of Tunisia's public financial circuits and administrative procedures will be carried out by the Commission with the assistance of external experts during the month of December 2013.

- **Impact assessment**

The MFA and the economic adjustment and reform programme attached to it will help alleviate Tunisia's short-term financing needs while supporting policy measures aimed at strengthening the balance of payments and fiscal positions and raising sustainable growth, as agreed with the IMF. It will notably help improve the efficiency and transparency of public finance management; promote fiscal reforms to increase tax collections and improve the progressivity of the tax system; support existing efforts to strengthen the social safety net; promote labour market reforms (to reduce unemployment and raise participation rates, notably among women); and facilitate the adoption of measures to improve the regulatory framework for trade and investment.

3. LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The European Union shall make available to Tunisia MFA for a total maximum amount of EUR 250 million, provided in the form of a medium term loan. The objetives of the assistance will be to: (i) contribute to cover Tunisia's residual external financing needs in 2014-15, as identified by the Commission based on the estimates of the IMF; (ii) support the fiscal consolidation effort and external stabilisation in the context of the IMF programme; (iii) facilitate and encourage efforts of the authorities of Tunisia to implement measures identified under the EU-Tunisia ENP Action Plan, and; (iv) support structural reform efforts aimed at improving the overall macroeconomic management, strenghening economic governance and transparency, and improving conditions for sustainable growth.

The assistance is planned to be disbursed in three loan instalments. The disbursement of the first instalment (EUR 90 million) is expected to take place in mid-2014. The second instalment (EUR 80 million), conditional on a number of policy measures, could be disbursed towards the end of 2014. The third and last instalment (EUR 80 million) could be made available, provided the policy measures are met, during the first half of 2015. 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.

As usual with the MFA instrument, the disbursements would be conditional on successful programme reviews under the IMF's financial arrangement (the SBA). In addition, the Commission and the Tunisian authorities would agree on specific structural reform measures in a Memorandum of Understanding. The Commission will target structural reforms aimed at improving the overall macroeconomic management and the conditions for sustainable growth (e.g. targeting the transparency and efficiency of public finance management; fiscal reforms; reforms to strengthen the social safety net; labour market reforms; and reforms to improve the regulatory framework for trade and investment).

The decision to disburse the full MFA in the form of loans is justified by Tunisia's level of development (as measured by its per-capita income) and debt indicators. It is also consistent with the treatment given to Tunisia by the World Bank and the IMF. Indeed, Tunisia is not eligible for concessional financing from either the IDA or the IMF's Poverty Reduction and Growth Trust.

- **Legal basis**

The legal basis for this proposal is Article 212 of the TFEU.

- **Subsidiarity principle**

The subsidiarity principle applies to the extent that the objectives of restoring short-term macroeconomic stability in Tunisia cannot be sufficiently achieved by the Member States alone and can therefore be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectivenes of the assistance.

- **Proportionality principle**

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 and does not go beyond what is necessary for that purpose.

As identified by the Commission based on the estimates of the IMF in the context of the SBA, the amount of the assistance corresponds to 10.8% of the residual financing gap for the period 2014-2015. Given the assistance pledged to Tunisia by other bilateral and multilateral donors and creditors, it is deemed an appropriate level of burden-sharing for the EU.

- **Choice of instruments**

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 to alleviate the external financial constraint and 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 Tunisia under other, more narrowly focused EU financial instruments.

The proposed programme will also strengthen the government's reform commitment and its 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 to the other countries in the region that the EU is ready to support countries embarking on a clear path towards political reforms in times of economic difficulties.

4. BUDGETARY IMPLICATIONS

The planned assistance would be provided in the form of a loan and should be financed through a borrowing operation that the Commission will conduct on behalf of the EU. The budgetary costs of the assistance will correspond to the provisioning, at a rate of 9%, of the amounts disbursed in the guarantee fund for external lending of the EU, from budget line 01 03 06 ("the provisioning of the Guarantee Fund")[2]. Assuming that the first and second loan disbursements will be made in 2014 for a total amount of EUR 170 million and the third loan disbursement in 2015 for the amount of EUR 80 million, and according to the rules governing the guarantee fund mechanism, the provisioning will take place in the 2016-17 budgets.

5. OPTIONAL ELEMENTS

- **Review/revision/sunset clause**

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

[2] Budget line 01 04 01 14 becomes budget line 01 03 06 as from the 2014 budget.

2013/0416 (COD)

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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 thereof,

Having regard to the proposal from the European Commission[3],

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure[4],

Whereas:

(1) Relations between the European Union ('the Union') and the Republic of Tunisia ('Tunisia') are developing within the framework of the European Neighbourhood Policy (ENP). The Euro-Med Association Agreement between the European Community and its Member States, on the one hand, and Tunisia, on the other hand, came into force on 1 March 1998. Under this Association Agreement, Tunisia finalized dismantling tariffs for industrial products in 2008, thus making Tunisia the first Mediterranean country to enter in a free trade area with the Union. Bilateral political dialogue and economic cooperation have been further developed within the framework of ENP Action Plans, of which the most recent under discussion would cover the period 2013-2017.

(2) Tunisia's economy has been significantly affected by domestic events related to the events in the Southern Mediterranean since the end of 2010, known as the "Arab Spring", and by the regional unrest that followed, notably in neighbouring Libya. These events and the weak global economic environment, in particular the recession in the euro area (Tunisia's main trading and financial partner), has had a very negative impact on the Tunisian economy, leading to a slowdown in growth and generating large external and budgetary financing gaps.

(3) Following the ousting of President Ben Ali on 14 January 2011, Tunisia’s first free and democratic elections took place on 23 October 2011. A National Constituent

[3] OJ C […], […], p. […].

[4] Position of the European Parliament of … 2012 and Decision of the Council of … 2012.

Assembly has been in place since then, and although the political transition has not been without difficulties, there are concerted efforts from the main political actors to proceed with reforms towards a fully-fledged democratic system.

(4) Since the Arab Spring began, the Union has declared on various occasions its commitment to support Tunisia in its economic and political reform process. This commitment was reaffirmed in the conclusions of the meeting of the Association Council between the Union and Tunisia in November 2012. Financial support from the Union to Tunisia's reform process is consistent with the Union's policy towards the Southern Mediterranean region, as set out in the context of the ENP.

(5) Union macro-financial assistance should be an exceptional financial instrument of untied and undesignated balance-of-payments support, which aims at restoring a beneficiary's sustainable external finance situation and should underpin the implementation of a policy programme containing strong adjustment and structural reform measures designed to improve the balance of payment position, in particular over the programme period, and reinforce the implementation of relevant agreements and programmes with the Union.

(6) In April 2013, the Tunisian authorities and the International Monetary Fund (IMF) agreed on a non-precautionary three-year Stand-By-Arrangement ('IMF programme') of SDR 1,150 million (Special Drawing Rights) in support of Tunisia's economic adjustment and reform programme. The objectives of the IMF programme are consistent with the purpose of the Union macro-financial assistance, namely to alleviate short-term balance of payment difficulties, and the implementation of strong adjustment measures consistent with the aim of Union macro-financial assistance.

(7) The Union has made available EUR 290 million in grants for the period 2011-13 under its regular cooperation programme in support of Tunisia's economic and political reform agenda. In addition, EUR 155 million has been allocated to Tunisia in 2011-2013 under the "Support for partnership, reforms and inclusive growth" (SPRING) programme.

(8) In August 2013, in view of the worsening economic situation and outlook, Tunisia requested Union macro-financial assistance.

(9) Given that Tunisia is a country covered by the ENP, it should be considered to be eligible to receive Union macro-financial assistance.

(10) Given that there is still a significant residual external financing gap in Tunisia's balance of payments over and above the resources provided by IMF and other multilateral institutions, the Union macro-financial assistance to be provided to Tunisia ("the Union's macro-financial assistance") is, under the current exceptional circumstances, considered to be an appropriate response to Tunisia's request to support economic stabilisation in conjunction with the IMF programme. The Union's macro-financial assistance would support the economic stabilisation and the structural reform agenda of Tunisia, supplementing resources made available under the IMF's financial arrangement.

(11) The Union's macro-financial assistance should aim to support the restoration of a sustainable external financing situation for Tunisia thereby supporting its economic and social development.

(12) The determination of the amount of the Union's macro-financial assistance is based on a complete quantitative assessment of Tunisia'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 expected financial contributions from multilateral donors and 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 in Tunisia and the added value of the overall Union involvement.

(13) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.

(14) The Union's macro-financial assistance should support the Union's external policy towards Tunisia. 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, Union external policy.

(15) The Union's macro-financial assistance should support Tunisia's 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.

(16) A pre-condition for granting the Union's macro-financial assistance should be that Tunisia respects 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 Tunisia and to promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission.

(17) In order to ensure that the Union’s financial interests linked to the Union’s macro-financial assistance are protected efficiently, Tunisia 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 and for the European Court of Auditors to carry out audits.

(18) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council.

(19) 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.

(20) 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.

(21) 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[5].

(22) 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 Tunisian authorities 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 Tunisia, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance,

HAVE ADOPTED THIS DECISION:

Article 1

1. The Union shall make macro-financial assistance available to Tunisia ("the Union's macro-financial assistance") of a maximum amount of EUR 250 million, with a view to supporting Tunisia's economic stabilisation and reforms. The assistance shall contribute to covering Tunisia's balance of payments needs as identified in the IMF programme.

2. The full amount of the Union's macro-financial assistance shall be provided to Tunisia 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 Tunisia. The loans shall have a maximum 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 Tunisia, and with the key principles and objectives of economic reforms set out in the EU-Tunisia Association Agreement and the EU-Tunisia Action Plan for 2013-2017 agreed under the ENP. 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.

[5] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

4. The Union's macro-financial assistance shall be made available for a period of two and a half years from the first day after the entry into force of the Memorandum of Understanding referred to in Article 3(1).

5. Where the financing needs of Tunisia 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

A pre-condition for granting the Union's macro financial assistance shall be that Tunisia respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights. The Commission shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance. This Article shall be applied in accordance with Council Decision 2010/427/EU[6].

Article 3

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Tunisian authorities 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 macro-economic adjustment and structural reform programmes implemented by Tunisia, with the support of the IMF.

2. Those conditions shall aim, in particular, to enhance the efficiency, transparency and accountability of the public finance management systems in Tunisia, 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 agreed between the Commission and the Tunisian authorities.

4. The Commission shall verify at regular intervals that the conditions in Article 4(3) continue to be met, including that the economic policies of Tunisia are in accordance with the objectives of the Union's macro-financial assistance. In so doing, the

[6] Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

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 in paragraph 3, the Union's macro-financial assistance shall be made available by the Commission in three loan instalments. The size of each instalment shall be laid down in the Memorandum of Understanding.

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[7].

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 policy programme that contains strong adjustment and structural reform measures supported by a non-precautionary IMF credit arrangement; and

   (c) the implementation, within a specific time-frame, of the economic policy and financial conditions agreed in the Memorandum of Understanding.

   The disbursement of the second instalment shall not take place earlier than three months after the release of the first instalment. The disbursement of the third instalment shall not take place earlier than three months after the release of the second instalment.

4. Where the conditions in 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 that suspension or cancellation.

5. The Union's macro-financial assistance shall be disbursed to the Central Bank of Tunisia. Subject to 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 Tunisian 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 Tunisia so requests, the Commission may take the steps necessary to ensure that an early repayment clause is included in the

[7] Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions (OJ L 145, 10.6.2009, p. 10).

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 Tunisia 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 Tunisia.

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 966/2012 of the European Parliament and of the Council[8] and Commission Delegated Regulation (EU) No 1268/2012[9].

2. The implementation of the Union's macro-financial assistance shall be under direct management.

3. The Memorandum of Understanding and the Loan Agreement to be agreed with the Tunisian authorities shall contain provisions:

   (a) ensuring that Tunisia 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 988/95[10], Council Regulation (EC, Euratom) No 2185/96[11]

8 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

9 Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).

10 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

11 Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission to protect the Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[12];

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

(d) expressly authorising the Commission and the European 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, Tunisia has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union.

4. During the implementation of the Union's macro-financial assistance, the Commission shall monitor, by means of operational assessments, the soundness of Tunisia'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 5 of Regulation (EU) No 182/2011 shall apply.

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 Tunisia, 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, Tunisia’s on-going economic and fiscal

[12] Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

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 third day following that of its publication in the *Official Journal of the European Union*.

Done at …,

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. Objectives

1.5. Grounds for the proposal/initiative

1.6. Duration and financial impact

1.7. Management mode(s) envisaged

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

2.2. Management and control system

2.3. Measures to prevent fraud and irregularities

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

3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Macro-financial assistance to the Republic of Tunisia

1.2. Policy area(s) concerned in the ABM/ABB structure[13]

Policy area: Title 01 – Economic and Financial Affairs

Activity: 03 – International economic and financial affairs

1.3. Nature of the proposal/initiative

X The proposal/initiative relates to **a new action**

1.4. Objectives

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

"To promote prosperity beyond the EU"

The major area of DG ECFIN related activity pertains to:

1. Fostering the implementation of the European Neighbourhood Policy by deepening economic analysis and strengthening policy dialogue and advice on the economic aspects of the Action Plans.

2. Developing, monitoring and implementing macro-financial assistance for partner third countries, in co-operation with the relevant international financial institutions.

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

Specific objective No 1: "Providing macro-financial assistance to third countries in resolving their balance of payment crises and restoring external debt sustainability"

ABM/ABB activity(ies) concerned: International Economic and Financial Relations, global governance.

1.4.3. Expected result(s) and impact

The proposed assistance consists of an EU loan of EUR 250 million to the Republic of Tunisia ('Tunisia'), with a view to contributing to a more sustainable balance of payments situation. The assistance, to be disbursed in three instalments, will help the country overcome the economic and social hardships endured as a result of the domestic and regional unrest. It will also promote structural reforms aimed at raising sustainable economic growth and improving public finance management.

[13] ABM: Activity-Based Management – ABB: Activity-Based Budgeting.

1.4.4. Indicators of results and impact

The authorities will be required to report on a set of 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 second and third 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 Tunisia that will be carried out in preparation of this operation. The EU Delegation in Tunisia 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 Tunisia.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, comprising 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 upon a satisfactory track record in the implementation of the Stand-By Arrangement (SBA) between Tunisia and the IMF. In addition, the Commission shall agree with the Tunisian authorities on specific policy conditions, listed in a Memorandum of Understanding, to be met before the second and third instalments are released by the Commission.

1.5.2. Added value of EU involvement

By helping the country overcome the economic shock caused by the domestic and regional unrest, the proposed MFA will contribute to promoting macroeconomic stability, economic reforms and political progress in the country. By complementing the resources made available by the international financial institutions, the EU and other donors, it will contribute to the overall effectiveness of the package of financial support agreed by the international donor community in the aftermath of the crisis.

The proposed programme will also strengthen the government's reform commitment and its 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 to the other countries in the region that the EU is ready to support countries embarking on a clear path towards political reforms in times of economic difficulties.

1.5.3. Lessons learned from similar experiences in the past

Since 2004, a total of fifteen ex-post evaluations have been carried out on macro-financial assistance operations. These evaluations 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 recipient country. In most cases, MFA operations had a positive effect on the balance of payments of the beneficiary country and helped to relax their budgetary constraints. They also led to a somewhat higher economic growth.

1.5.4. Compatibility and possible synergy with other appropriate instruments

The EU is among the major donors of Tunisia. The EU has made available EUR 290 million in grants for the period 2011-13 under its regular cooperation, in support of Tunisia's political and economic reform agenda. In addition, EUR 140 million has been allocated to Tunisia in the period 2011-13 under the SPRING programme.

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 structural reforms. MFA does not provide a regular financial support nor is meant to support the economic and social development of the recipient countries. The MFA is to be discontinued as soon as the country's external financial situation has been brought back into a sustainable path. Afterwards, regular EU cooperation assistance instruments are meant to take over.

MFA is also meant to be complementary to interventions by the international financial institutions, in particular the adjustment and reform programme supported by the IMF's SBA and the Development Policy Loan of the World Bank.

1.6. Duration and financial impact

X Proposal/initiative of **limited duration**

X Proposal/initiative in effect for 2.5 years from the entry into force of the Memorandum of Understanding, as stated in Article (1.4) of the Decision

X Financial impact from 2014 to 2017

1.7. Management mode(s) envisaged[14]

X **Centralised direct management** by the Commission

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

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

[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

2.2. Management and control system

2.2.1. Risk(s) identified

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

There is a risk that the macro-financial assistance, which is not dedicated to specific expenses, could be used in a fraudulent way. In general terms, this risk is related to factors such as the quality of management systems in the central bank and the ministry of finance and the appropriatedness of internal and external audit capabilities.

Another key risk to the operation stems from the regional economic and political uncertainty, notably in Libya, which has direct implications for the Tunisian economy. On the domestic front, the main risk is instability related to difficulties in the political and economic reform process. The full implementation of the stabilisation and reform measures supported by the international community, including the proposed MFA operation, might be undermined by social dissatisfaction.

Finally, there are risks stemming from a possible weakening of the European and global economic environment and an increase in international energy and food prices.

2.2.2. Control method(s) envisaged

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Antifraud Office (OLAF), and by the European Court of Auditors.

2.2.3. Costs and benefits of controls and probable non-compliance rate

The basic costs for the Commission related to the methods of verification and control, as well as the cost of the Operational Assessment of financial and administrative circuits conducted prior to the operation, are described in Table 3.2.1. In addition, there are costs for the European Court of Auditors and of possible interventions of the OLAF. The Operational Assessment not only helps assess risks of misuse of the funds but, as a collateral benefit, it provides useful information on the necessary reforms in the area of public finance management, which are reflected in the policy conditionality of the operation. Regarding the probable non-compliance rate, the risk of non-compliance (in the form of non-repayment of the loan or misuse of the funds) is judged to be low, based on the experience with the MFA instrument since its creation.

2.3. Measures to prevent fraud and irregularities

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

First, the proposed legal basis for macro-financial assistance to Tunisia includes a provision on fraud prevention measures. These measures will be elaborated further in the Memorandum of Understanding and the Loan Agreement, envisaging 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, mainly in the area of public finance management, with a view to strengthening efficiency, transparency and accountability.

Second, before the agreement on the Memorandum of Understanding is reached, the Commission services, with the support of duly mandated external experts, will carry out an Operational Assessment of the financial circuits and administrative procedures at the Ministry of Finance and the Central Bank of Tunisia, in order to fulfil the requirements of the Financial Regulation applicable to the General Budget of the European Communities. This review will determine whether the framework for sound financial management of macro-financial assistance is sufficiently effective in Tunisia by covering areas such as management structure and organisation, management and control of funds, security of IT systems, internal and external audit capacity as well as the independence of the central bank. In the light of this assessment, specific mechanisms applying to the management of the funds by the beneficiaries may be introduced in agreement with the national authorities. Also, the assistance will be paid to a dedicated account at the Central Bank of Tunisia.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including OLAF, and the European Court of Auditors.

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

01 03 02: Macro-financial assistance

01 03 06– Provisioning of the Guarantee Fund[15]

<u>In order</u> of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description……… ………..……….]	Diff./non-diff. (16)	from EFTA countries[17]	from candidate countries[18]	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
4	01 03 02 Macro-financial assistance	Diff.	NO	NO	NO	NO

15 Budget line 01 04 01 14 becomes budget line 01 03 06 as from the 2014 budget.
16 Diff. = Differentiated appropriations / Non-Diff. = Non-differentiated appropriations.
17 EFTA: European Free Trade Association.
18 Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

4	01 03 06 Provisioning of the Guarantee Fund	Diff.	NO	NO	NO	NO

01 03 06 – European Union guarantee for EU loans raised for macro-financial assistance to third countries: The Guarantee Fund for external actions has to be provisioned according to the Fund Regulation, as amended. In line with this Regulation, loans are based on the outstanding amount at the end of a year. 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 introduced in the year "n" to the "n+1" preliminary budget and effectively paid in one transaction at the beginning of the year "n+1" from "the provisioning of the Guarantee Fund" (budget line 01 03 06). As a result, 9% (maximum of EUR 22.5 million) 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.

The budget entry ("p.m.") reflecting the budget guarantee for the loan will be activated only in the case of an effective call on the guarantee. It is not expected that the budget guarantee be called.

☐☐New budget lines requested: not applicable.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework: **4** [Heading: The EU as a global partner]

DG: <ECFIN>			Year **2013**[19]	Year **2014**	Year **2015**	Year **2016**	**Year 2017**	**TOTAL**
• Operational appropriations								
Budget line 01 03 06 Provisioning of the Guarantee Fund	Commitments	(1a)				15.3	**7.2**	**22.5**
	Payments	(2a)				15.3	**7.2**	**22.5**
Appropriations of an administrative nature financed from the envelope of specific programmes[20] (operational assessment and ex-post evaluation)								
Budget line 01 03 02	Commitments	(3)	0.05			**0.15**		**0.20**
	Payments	(3a)		**0.05**		0.05	**0.10**	**0.20**
TOTAL appropriations for DG ECFIN	Commitments	=1+1a +3	0.05			15.45	**7.2**	**22.7**
	Payments	=2+2a +3		0.05		15.35	**7.3**	**22.7**

19 Year N is the year in which implementation of the proposal/initiative starts.

20 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.

• TOTAL operational appropriations	Commitments	(4)	0.05			15.45	7.2	**22.7**
	Payments	(5)		0.05		15.35	7.3	**22.7**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)						
TOTAL appropriations under HEADING 4 of the multiannual financial framework	Commitments	=4+ 6	0.05			15.45	7.2	**22.7**
	Payments	=5+ 6		0.05		15.35	7.3	**22.7**

If more than one heading is affected by the proposal / initiative:

EUR million (to three decimal places)

Heading of multiannual financial framework:	**5**		'Administrative expenditure'				
		Year **2013**	Year **2014**	Year **2015**	Year **2016**	Year **2017**	**TOTAL**
DG: <…….>							
• Human resources		0.030	0.028	0.021	0.010	0.016	**0.105**
• Other administrative expenditure		0.015	0.015	**0.010**			**0.040**
TOTAL DG ECFIN	Appropriations	0.045	0.043	0.031	0.010	0.016	**0.145**
TOTAL appropriations for HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	0.045	0.043	0.031	0.010	0.016	**0.145**

EUR million (to three decimal places)

		Year **2013**[21]	Year **2014**	Year **2015**	Year **2016**	Year **2017**	**TOTAL**
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	0.095	0.043	0.031	15.46	**7.216**	**22.845**
	Payments	0.045	0.093	0.031	15.36	**7.316**	**22.845**

[21] Year N is the year in which implementation of the proposal/initiative starts.

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)

Indicate objectives and outputs

⇩

SPECIFIC OBJECTIVE NO 1[22]

		Year 2013		Year 2014		Year 2015		Year 2016		Year 2017			
	Type	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Total number	Total Cost
- Output 1	Operational assessment	1	0.05									1	0.05
- Output 2	Ex-post evaluation							1	0.15			1	0.15
- Output 3	Provisioning of the Guarantee Fund							1	15.3	1	7.2	2	22.5
Subtotal for specific objective No 1		1	0.05					2	15.45	1	7.2	4	22.7

22 As described in point 1.4.2. ‘Specific objective(s)…’

TOTAL COST	1	0.05					2	15.45	1	7.2	4	22.7

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)

	Year **2013**[23]	Year **2014**	Year **2015**	Year **2016**	Year **2017**	Enter as many years as necessary to show the duration of the impact (see point 1.6)			**TOTAL**
HEADING 5 of the multiannual financial framework									
Human resources	0.030	0.028	0.021	0.010	0.016				**0.105**
Other administrative expenditure	0.015	0.015	0.010						**0.040**
Subtotal HEADING 5 of the multiannual financial framework	0.045	0.043	0.031	0.010	0.016				**0.145**
Outside HEADING 5[24] **of the multiannual financial framework**									
Human resources									
Other expenditure of an administrative nature									
Subtotal outside HEADING 5 of the multiannual financial framework									
TOTAL	0.045	0.043	0.031	0.010	0.016				**0.145**

The administrative appropriations required will be met by the appropriations of the DG which are already assigned to management of the action and/or which 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.

[23] Year N is the year in which implementation of the proposal/initiative starts.

[24] 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.

– X The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	Year **2013**	Year **2014**	Year 2015	Year 2016	Year 2017	Enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary agents)								
01 01 01 01 (Headquarters and Commission's Representation Offices)	0.227	0.212	0.159	0.076	0.121			
XX 01 01 02 (Delegations)								
XX 01 05 01 (Indirect research)								
10 01 05 01 (Direct research)								
• External personnel (in Full Time Equivalent unit: FTE)[25]								
XX 01 02 01 (CA, INT, SNE from the "global envelope")								
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)								
XX 01 04 **yy**[26] - at Headquarters								
- in delegations								
XX 01 05 02 (CA, SNE, INT - Indirect research)								
10 01 05 02 (CA, SNE, INT - Direct research)								
Other budget lines (specify)								
TOTAL	**0.227**	**0.212**	**0.159**	**0.076**	**0.121**			

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	HoU: Supervise and manage the operation, agree on the Loan Agreement review reports, lead missions and assess progress with conditionality compliance. Desk: Prepare the Memorandum of Understanding, liaise with the authorities and the IFIs, liaise with external experts for the operational assessment and ex-post evaluation, conduct review missions, prepar Commission staff reports and Commission procedures related to the management of the assistance.
External staff	N/A

25 CA= Contract Agent; LA = Local Agent; SNE = Seconded National Expert; INT = agency staff ('Intérimaire'); JED= 'Jeune Expert en Délégation' (Young Experts in Delegations).

26 Sub-ceiling for external staff covered by operational appropriations (former "BA" lines).

3.2.4. *Compatibility with the current multiannual financial framework*

– X Proposal/initiative is compatible the current multiannual financial framework.

3.2.5. *Third-party contributions*

– X The proposal/initiative does not provide for co-financing by third parties.

3.3. Estimated impact on revenue

X Proposal/initiative has no financial impact on revenue.