






# Procedure file

Basic information		
CNS - Consultation procedure Decision	2007/0172(CNS)	Procedure completed
Macro-financial assistance to Lebanon		
Subject 6.20.07 Macro-financial assistance to third countries 6.40.05.04 Relations with the countries of the Mashreq 6.40.15 European neighbourhood policy		
Geographical area Lebanon		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 International Trade	PSE <a href="#">ARIF Kader</a>	11/09/2007
	Committee for opinion	Rapporteur for opinion	Appointed
	 Foreign Affairs	PPE-DE <a href="#">SALAFRANCA SÁNCHEZ-NEYRA José Ignacio</a>	12/09/2007
Council of the European Union	 Budgets		
	Council configuration	Meeting	Date
European Commission	<a href="#">General Affairs</a>	<a href="#">2839</a>	10/12/2007
	Commission DG <a href="#">Economic and Financial Affairs</a>	Commissioner ALMUNIA Joaquín	

Key events			
20/08/2007	Legislative proposal published	<a href="#">COM(2007)0476</a>	Summary
24/09/2007	Committee referral announced in Parliament		
21/11/2007	Vote in committee		Summary
22/11/2007	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A6-0452/2007</a>	
28/11/2007	Debate in Parliament		
29/11/2007	Results of vote in Parliament		

29/11/2007	Decision by Parliament	<a href="#">T6-0550/2007</a>	Summary
10/12/2007	Act adopted by Council after consultation of Parliament		
10/12/2007	End of procedure in Parliament		
21/12/2007	Final act published in Official Journal		

#### Technical information

Procedure reference	2007/0172(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	EC Treaty (after Amsterdam) EC 308
Stage reached in procedure	Procedure completed
Committee dossier	INTA/6/52497

#### Documentation gateway

Legislative proposal		<a href="#">COM(2007)0476</a>	20/08/2007	EC	Summary
Committee draft report		<a href="#">PE394.164</a>	27/09/2007	EP	
Committee opinion	BUDG	<a href="#">PE394.234</a>	15/10/2007	EP	
Committee opinion	AFET	<a href="#">PE394.236</a>	20/11/2007	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A6-0452/2007</a>	22/11/2007	EP	
Text adopted by Parliament, 1st reading/single reading		<a href="#">T6-0550/2007</a>	29/11/2007	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2007)6527</a>	18/12/2007	EC	

#### Additional information

National parliaments	<a href="#">IPEX</a>
European Commission	<a href="#">EUR-Lex</a>

#### Final act

[Decision 2007/860](#)  
[OJ L 337 21.12.2007, p. 0111](#) Summary

## Macro-financial assistance to Lebanon

PURPOSE: to provide Community macro-financial assistance to Lebanon.

PROPOSED ACT: Council Decision

BACKGROUND: Lebanon remains one of the world's most indebted countries. The impact of the 2006 summer conflict with Israel and the cumulative effects of past economic policies have led to a severe economic crisis that requires urgent action. Within the context of the 'European Neighbourhood Policy' (ENP) the Community signed, in January 2007, an EU Lebanon Action Plan, making Lebanon one of the EU partner countries. This includes a comprehensive programme of socio-economic reforms and setting medium-term priorities for government action. For more information on the ENP see: [INI/2004/2166](#) and [INI/2007/2088](#). Further, the 'Emergency Post-Conflict

Arrangement? (EPCA), which is supported by the IMF, commits Lebanon to economic stabilisation and structural reforms. Throughout the 2006 Israel/Lebanon conflict, the EU confirmed its strong commitment toward supporting the Lebanese State.

CONTENT: the purpose of this proposal, therefore is to strengthen the Lebanese state by providing macro-financial assistance to Lebanon in the form of firstly, a grant and secondly, a loan. These two macro-financial instruments should help support Lebanon's public finances as well as helping to settle its balance of payments. In addition such assistance, will go toward implementing those measures identified under the EU-Lebanon European Neighbourhood Policy Action Plan.

Given that macro-financial assistance is a policy-based instrument, it is particularly well-suited to support Lebanon's efforts to improve the fiscal sustainability in the short-to-medium run. Further, it will have an immediate impact on Lebanon's balance of payments.

In summary, the main elements of the proposal are:

- to make EUR 80 million available to Lebanon with a view to supporting its domestic efforts of post-war reconstruction and sustainable economic recovery. This amount should also help alleviate the financial constraints on implementing the government's economic programme;
- EUR 50 million will be in the form of loans and up to EUR 30 million will be in the form of grants;
- the Community's financial assistance will be managed by the Commission in consultation with the Economic and Financial Committee. It will be consistent with IMF-Lebanon Agreements;
- to make the assistance available for two years starting from the first day after the entry into force of the proposed Decision. This may, under certain conditions, be extended by a maximum of one year;
- the Commission will be responsible for monitoring the soundness of Lebanon's financial arrangements and it will regularly verify that Lebanon's economic policy conforms with the economic objectives agreed;
- the contribution will be made available in a maximum of three instalments with the second and third instalments only being released on condition that there has been a satisfactory implementation of the economic programme as supported by the IMF and EU-Lebanon European Neighbourhood Policy Action Plan.

## Macro-financial assistance to Lebanon

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The Committee on International trade adopted a report drawn up by Kader ARIF (PES, FR), and amended, in the framework of the consultation procedure, the proposal for a Council decision providing Community macro-financial assistance to Lebanon. Members approved of the intention to provide macro-financial assistance to Lebanon, both in the form of a loan of a maximum amount of EUR 50 million and a grant of a maximum amount of EUR 30 million, with a view to supporting Lebanon's public finances and balance of payments. They did, however, make some amendments with a view to strengthening the role of the European Parliament, clarifying the conditions for funding and the fact that the assistance in question is exceptional.

The main amendments were as follows:

- The Committee inserted certain recitals in order to make explicit the context in which the macro-financial assistance is given. New recitals state that it is in the EU's interest to reinforce Lebanon's sovereignty, territorial integrity and independence, free the country from foreign interference, and strengthen its legitimate and democratic government. The EU and its Member States committed themselves to the full implementation of the United Nations Security Council Resolution 1701 (2006) with a view to stabilising the area and to finding a long-term solution to the causes that led to the 2006 conflict in Southern Lebanon. The macro-financial assistance envisaged is even more urgently needed as the funds under the ENPI for sectoral reforms will be available to Lebanon only from 2009 onwards. The planned exceptional macro-financial assistance fills this gap, being available for 2007-2009 and having an immediate impact on Lebanon's balance of payments. Provision should therefore be made in the Memorandum of Understanding to guarantee the complementarity of both actions. The Community should ensure that the EU's macro-financial assistance is exceptional and limited in time, complementary to the assistance given by Bretton Woods institutions, bilateral donors and the Paris Club creditors, as well as conditional on meeting clearly identified requirements, including political pre-conditions, and is carefully monitored and assessed in order to prevent fraud and financial irregularities.
- Such financial assistance should only be provided once it has been established that the conditions to be agreed with the Lebanese authorities have been satisfactorily fulfilled. The conditions under which instalments may be disbursed from exceptional assistance, which should be laid down in a Memorandum of Understanding and a Grant Agreement, should include specific objectives which are to be attained in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. Real progress in attaining the above objectives should provide the basis for disbursing the instalments.
- The Committee clarified the objectives. It stated that the Community will make available to Lebanon exceptional financial assistance amounting to a maximum of EUR 80 million, with a view to supporting Lebanon's domestic efforts of post-war reconstruction and sustainable economic recovery, and in this way, alleviating the financial constraints on the implementation of the government's economic programme and avoiding a further deterioration in Lebanon's trade and current account balances.
- The Commission must regularly inform the European Parliament of the Economic and Financial Committee proceedings and provide it with the relevant documents. In addition, the Commission must consult the European Parliament as well as the Economic and Financial Committee before agreeing with the authorities of Lebanon the economic policy and financial conditions attached to the financial assistance.
- The Memorandum of Understanding and the Grant Agreement shall be submitted forthwith to the Council and the European Parliament. The conditions mentioned shall include specific objectives in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. They shall also aim to encourage the implementation of economic and social policies focused on tackling poverty, on education and on health. Real progress in attaining the above objectives shall provide the basis for disbursing the instalments from this assistance. In order to increase transparency and accountability, the conditionalities of the EU's macro-financial assistance shall be made public.

- The Commission, after informing the European Parliament and the Council, may adapt the provision of this exceptional macro-financial assistance to political developments in Lebanon, bearing in mind at all times the importance of enhancing the stability of the country and not further aggravating the internal crisis.
- The Commission, after having informed the European Parliament and the Council, may suspend the provision of this exceptional macro-financial assistance if a deterioration in Lebanon's political situation makes it de facto impossible to fulfil the objectives of this assistance, or in the event of a serious infringement of international democratic and human rights standards, and the fundamental principles of the rule of law.
- No later than two years after the expiry of the implementation period concerning the assistance provided for in the Decision, the Commission shall submit to the European Parliament and the Council an ex-post evaluation report.

Lastly, the Committee stipulated that the Decision shall be valid for a period of two years.

## Macro-financial assistance to Lebanon

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The European Parliament adopted a report drawn up by Kader ARIF (PES, FR), and amended the proposal for a Council decision providing Community macro-financial assistance to Lebanon. Members approved of the intention to provide macro-financial assistance to Lebanon, both in the form of a loan of a maximum amount of EUR 50 million and a grant of a maximum amount of EUR 30 million, with a view to supporting Lebanon's public finances and balance of payments. They did, however, make some amendments with a view to strengthening the role of the European Parliament, clarifying the conditions for funding and stressing the fact that the assistance in question is exceptional.

The main amendments were as follows:

- Parliament inserted certain recitals in order to make explicit the context in which the macro-financial assistance is given. New recitals state that it is in the EU's interest to reinforce Lebanon's sovereignty, territorial integrity and independence, free the country from foreign interference, and strengthen its legitimate and democratic government. The EU and its Member States committed themselves to the full implementation of the United Nations Security Council Resolution 1701 (2006) with a view to stabilising the area and to finding a long-term solution to the causes that led to the 2006 conflict in Southern Lebanon. The macro-financial assistance envisaged is even more urgently needed as the funds under the ENPI for sectoral reforms will be available to Lebanon only from 2009 onwards. The planned exceptional macro-financial assistance fills this gap, being available for 2007-2009 and having an immediate impact on Lebanon's balance of payments. Provision should therefore be made in the Memorandum of Understanding to guarantee the complementarity of both actions. The Community should ensure that the EU's macro-financial assistance is exceptional and limited in time, complementary to the assistance given by Bretton Woods institutions, bilateral donors and the Paris Club creditors, as well as conditional on meeting clearly identified requirements, including political pre-conditions, and is carefully monitored and assessed in order to prevent fraud and financial irregularities. The EU's macro-financial assistance should not merely supplement programmes and resources from the Bretton Woods institutions but ensure the added value of EU involvement.
- Such financial assistance should only be provided once it has been established that the conditions to be agreed with the Lebanese authorities have been satisfactorily fulfilled. The conditions under which instalments may be disbursed from exceptional assistance, which should be laid down in a Memorandum of Understanding and a Grant Agreement, should include specific objectives which are to be attained in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. Real progress in attaining the above objectives should provide the basis for disbursing the instalments. The EU's strong financial and political support should be contingent on the successful rebuilding of a Lebanese state that is able to exercise full sovereignty over its whole territory, on an improvement in its economic and social situation and on the strengthening of the democratisation process in the country.
- Parliament clarified the objectives. It stated that the Community will make available to Lebanon exceptional financial assistance amounting to a maximum of EUR 80 million, with a view to supporting Lebanon's domestic efforts of post-war reconstruction and sustainable economic recovery, and in this way, alleviating the financial constraints on the implementation of the government's economic programme and avoiding a further deterioration in Lebanon's trade and current account balances.
- The Commission must regularly inform the European Parliament of the Economic and Financial Committee proceedings and provide it with the relevant documents. In addition, the Commission must consult the European Parliament as well as the Economic and Financial Committee before agreeing with the authorities of Lebanon the economic policy and financial conditions attached to the financial assistance.
- The Memorandum of Understanding and the Grant Agreement shall be submitted forthwith to the Council and the European Parliament. The conditions mentioned shall include specific objectives in the following areas: improved transparency and increased sustainability of public finances; the application of macro-economic and budgetary priorities; and full compliance with international democratic and human rights standards, and the fundamental principles of the rule of law. They shall also aim to encourage the implementation of economic and social policies focused on tackling poverty, on education and on health. Real progress in attaining the above objectives shall provide the basis for disbursing the instalments from this assistance. In order to increase transparency and accountability, the conditionalities of the EU's macro-financial assistance shall be made public.
- The Commission, after informing the European Parliament and the Council, may adapt the provision of this exceptional macro-financial assistance to political developments in Lebanon, bearing in mind at all times the importance of enhancing the stability of the country and not further aggravating the internal crisis.
- The Commission, after having informed the European Parliament and the Council, may suspend the provision of this exceptional macro-financial assistance if a deterioration in Lebanon's political situation makes it de facto impossible to fulfil the objectives of this assistance, or in the event of a serious infringement of international democratic and human rights standards, and the fundamental principles of the rule of law.
- No later than two years after the expiry of the implementation period concerning the assistance provided for in the Decision, the Commission shall submit to the European Parliament and the Council an ex-post evaluation report.

Lastly, Parliament stipulated that the Decision shall be valid for a period of two years.

## Macro-financial assistance to Lebanon

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**PURPOSE:** to provide Community macro-financial assistance to Lebanon in the form of a combination of a grant and loan amounting to EUR 80 million.

**LEGISLATIVE ACT:** Council Decision 2007/860/EC providing Community macro-financial assistance to Lebanon.

**CONTENT:** with this Decision, the Community provides Lebanon with financial assistance, with a view to supporting Lebanon's domestic efforts of post-war reconstruction and sustainable economic recovery and, in this way, alleviating the financial constraints on the implementation of the government's economic programme.

Given Lebanon's high level of indebtedness the Community financial assistance shall consist of EUR 50 million in loans and up to EUR 30 million in grants.

Lebanon faces substantial financing needs arising from the mounting financial constraints of the public sector, including a high level of public debt, aggravated by the July-August 2006 military conflict and a projected deterioration of the balance of payments in 2007. In this context, The Lebanese authorities have requested financial assistance on a concessional basis from the International Financial Institutions, the Community and other bilateral donors.

Over and above the financing from the IMF and the World Bank, a substantial residual financing gap remains to be covered in Lebanon, which is one of the most indebted countries in the world.

That is why Community assistance to Lebanon should be made available in the form of a combination of a grant and loan, as an appropriate measure to help the beneficiary country at this critical juncture.

The Community financial assistance shall be made available for two years. However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

The funds shall be released in a maximum of 3 instalments. The funds shall be released by the Commission which will determine with the relevant authorities the particular economic and financial conditions under which each instalment shall be paid. The second and third instalments shall be released on the basis of a satisfactory implementation of the economic programme supported by the IMF and of the EU-Lebanon European Neighbourhood Policy Action Plan and any other measures agreed with the Commission, and not before one quarter after the release of the previous instalment.

Measures specifically aimed at preventing fraud and other irregularities, in accordance with the Financial Regulation, are set out.

A report on the implementation of the Decision shall be submitted to the Council and the European Parliament by 31 August each year.

**ENTRY INTO FORCE:** the Decision takes effect on 21/12/2007.