

EU Programs Supporting non-EU Countries

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Original post [here](#).

On [April 22](#), the European Commission approved a €3 billion macro-financial assistance (MFA) program to ten neighboring countries outside the European Union for a period of one year to help them cover their immediate financing needs. Like the €20 billion [Team Europe](#) strategy announced earlier, this helps demonstrate the EU's solidarity with other countries in tackling the COVID-19 pandemic.

The MFA program still requires the approval of the European Parliament and the EU Council. The first installment of the MFA aid will happen shortly after approval, whereas the second installment could happen in Q4 2020 or the first half of 2021, [if recipients fulfill conditions](#) to maintain macroeconomic stability.

If adopted, the MFA will issue 12-month loans on favourable terms. EU MFA programs typically are for 2.5 years and disbursed in multiple tranches. Allocations to individual countries correspond to estimates of their external financing needs, accounting for their capacity to finance themselves internally and externally, for example from the International Monetary Fund (IMF). The MFA program may be available to other countries on a case-by-case basis.

The MFA is intended as an exceptional crisis response instrument for countries experiencing balance-of-payments problems. Countries must meet certain requirements to be eligible. These include democratic principles in their political systems; support for human rights and rule of law; and participation in an IMF financial assistance program. The EU usually disburses MFA funds on a case-by-case basis. The EU [used the program to support](#) multiple countries in the wake of the Global Financial Crisis. An MFA program must be proposed by the EC and approved by both the EU Council and Parliament. [However](#), in 2003 it became clear that this case-by-case and lengthy decision-making process was inefficient, and a new framework for expediting it was implemented in the Lisbon Treaty.

[The MFA](#) is a complement to IMF financing and aims to restore sustainable external financial situations, while encouraging economic adjustments and structural reforms. It takes the form of loans or grants paid directly to recipients' central banks and can be used as they see fit. Most MFA funding is in the form of loans, though grants did become popular in the [early 2000s](#), due in part to funding for the Balkans. Per capita income, repayment capability, and other financial factors help the EC decide whether to use loan funding, grant funding or a blend of the two.

The assistance is financed through a European Commission borrowing operation, and the budgetary impact of this assistance will be 9% of the amount disbursed in the [Guarantee Fund](#) for External Actions of the EU, to be provisioned in two years--in other words, loans disbursed in 2020 will be in the 2022 budget.

EU MFA operations are subject to an ex-post evaluation two years after the end of the availability period. So far, the [EU has found MFA operations](#) to benefit the recipient countries' external sustainability, macroeconomic and fiscal stability, structural reforms, and balance of payments. An important and unique benefit of the EU MFA is its generous terms, which help contribute to sustainable public debt. Coordination with the IMF and the World Bank programs

ensures the MFA is implemented efficiently and delivers good results. Some have [criticized](#) the MFA program for lack of transparency and a long negotiation processes.

TEAM EUROPE

[Team Europe](#) is a broader EU effort totaling €20 billion, of which the EU itself is directly contributing [€15.6 billion](#). It [seeks to support](#) the most vulnerable countries, such as in Africa and the Balkans, and at-risk populations, particularly women and minorities. It promotes coordinated multilateral responses alongside the United Nations, international financial institutions, and the G7 and G20. The [EU will ensure](#) the flow of goods and prevent supply chain disruptions; promote and uphold democratic governance principles; and commit itself to transparency, communication, and fighting disinformation.

The majority of funds (€15.6 billion) will be allocated to several regions including neighboring countries, Africa, Asia and the Pacific, Latin America and the Caribbeans. Of the €15.6 billion, €507 million will go to immediate needs, €2.8 billion will go to research and health aid and €12.2 billion will go to mitigating the economic and social impacts of the crisis. A list of specific actions to support these goals can be found [here](#).

The [funding for Team Europe](#) comes primarily from reorienting existing funds and programs to address the COVID-19 crisis, and includes €5.2 billion of accelerated European Investment Bank (EIB) loans. To complete the Team Europe package, these funds also mobilize private resources through budgetary guarantees, and will be supplemented with resources from member states, the EIB, and the European Bank for Reconstruction and Development.

This [complements](#) the European Commission's existing €25 million allocation from the European Development Fund to support the World Health Organization's response to African, Caribbean, and Pacific countries as well as €30 million from ECHO (European Civil Protection and Humanitarian Aid Operations) budget reserves. Private involvement will be encouraged through the use of €500 million of the EU External Investment Plan (EIP)'s €1.55 billion guarantee. This will prioritize financing for SMEs, local currency financing, and healthcare pandemic responses.

A significant portion of EU crisis assistance will be channeled through the UN, to which the EU and its member states provide 30% of total funding. The EU has [already committed](#) to provide €114 million to the UN Strategic Preparedness and Response Plan led by the WHO, and committed €1.3 billion to global health initiatives.

Country receiving MFA assistance	Amount (EUR)
Republic of Albania	€180 million
Bosnia and Herzegovina	€250 million
Georgia	€150 million
Hashemite Kingdom of Jordan	€200 million
Kosovo	€100 million
Republic of Moldova	€100 million
Montenegro	€60 million
Republic of North Macedonia	€160 million
Republic of Tunisia	€600 million
Ukraine	€1.2 billion