

# Further macro-financial assistance for Georgia

2010/0390(COD) - 04/07/2013 - Text adopted by Parliament, 3rd reading

The European Parliament adopted by 508 votes to 36 with 21 abstentions, in the third reading of the ordinary legislative procedure, a legislative resolution on the joint text approved by the Conciliation Committee for a decision of the European Parliament and of the Council providing further macro-financial assistance for Georgia.

In a spirit of conciliation, Parliament decided to accept the overall compromise reached in third reading and attached to the text a declaration, which aims to clarify the framework in which decisions are taken on the granting of macro-financial aid to third countries as well as the specific case of Georgia.

The Joint Declaration by the European Parliament and the Council stresses the following points:

**Aim of the assistance:** macro-financial assistance should be an **exceptional** financial instrument of untied and undesignated balance-of-payments support to eligible third countries and territories. It should be conditional on a significant and residual external financing gap having been determined by the Commission in cooperation with the multilateral financial institutions. It should be of a short-term nature and should be discontinued as soon as the external financial situation has been brought back to a sustainable situation.

**Eligible countries and territories:** those eligible are:

- candidate and potential candidate countries;
- countries and territories covered by the European Neighbourhood Policy;
- in exceptional and duly justified circumstances, other third countries that play a determining role in regional stability, are of strategic importance for the Union, and are politically, economically and geographically close to the Union.

**Form of the assistance:** macro-financial assistance should generally take the form of a loan. In exceptional cases, however, the assistance may be provided in the form of a grant or a combination of a loan and a grant. When determining the appropriate share of a possible grant element, the Commission should take into consideration the level of economic development of the beneficiary, as measured by per capita income and poverty ratios.

The text contains provisions setting out the nature and form of loans and relevant financial provisions.

**Amount of the assistance:** the determination of the amount of the assistance should be based on the residual external financing needs of the eligible country or territory, and should take into account its capacity to finance itself with its own resources, and in particular the international reserves at its disposal. Those financing needs should be determined by the Commission in cooperation with international financial institutions, based on an assessment by the IMF. Where the financing needs of the beneficiary decrease fundamentally during the period of disbursement of the macro-financial assistance compared to the initial projections, **the Commission should, in accordance with the advisory procedure where the assistance is equal to or below EUR 90 million, and in accordance with the examination procedure where the assistance is above EUR 90 million, reduce the amount of such assistance or suspend or cancel it.**

**Conditionality:** a pre-condition for granting macro-financial assistance should be that the eligible country or territory respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law and guarantees respect for human rights. Other conditions are set out in the text, such as the existence of a non-precautionary credit arrangement. The disbursement of the assistance should be conditional on a continuous satisfactory track record in respect of an IMF-supported policy programme and on the fulfilment of the pre-conditions referred to in the text.

**Procedure:** a country or territory seeking macro-financial assistance should make a request in writing to the Commission. The Commission should check whether the conditions are met and could submit a proposal for a decision to the European Parliament and to the Council. The decision to provide a loan should specify the amount, the maximum average maturity and the maximum number of instalments of the macro-financial assistance. **The Commission should inform the European Parliament and the Council of developments in country-specific assistance, including disbursements thereof, and provide those institutions with the relevant documents in due time.**

Lastly, the text lays down provisions regarding: (i) implementation and financial management; (ii) disbursement of the assistance; (iii) protection of the Union's financial interests; (iv) reporting on the implementation of financial assistance and evaluation of the provision of the macro-financial assistance granted.