Macro-financial assistance to Kyrgyzstan

2011/0458(COD) - 25/09/2013 - Council position

The Council presented its position at first reading with a view to the adoption of a Decision of the European Parliament and of the Council providing macrofinancial assistance to the Kyrgyz Republic.

A number of amendments were introduced:

Geographical scope: the Council recalls that the Kyrgyz Republic is not a candidate or potential candidate country nor a country or territory covered by the European Neighbourhood Policy. It underlines however that given its strategic importance for the Union, as well as the determining role it plays in regional stability, **the Kyrgyz Republic should exceptionally be considered eligible to receive Union macro-financial assistance**. A new recital has been introduced in this regard.

Amount and form of the assistance: while there are no changes to the amounts proposed by the Commission (up to EUR 15 million in the form of loans and up to EUR 15 million in the form of grants), **the Council Position specifies the criteria for the determination of the amount of the assistance and its form in loans and grants**.

The determination of the amount of the Union's macro-financial assistance should be based on a **complete quantitative assessment of the Kyrgyz Republic'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 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 the Kyrgyz Republic and the **added value of the overall Union involvement**.

It is also stated that taking into consideration the Kyrgyz Republic's residual external financing needs, the level of its economic development and poverty ratios, a part of the assistance should be provided in the form of grants.

Possibility to reduce, suspend or cancel European assistance: a new clause has been introduced whereby the Commission, **acting in accordance with the advisory procedure**, shall **reduce the amount of the assistance or suspend or cancel it**, where the financing needs of the Kyrgyz Republic decrease fundamentally during the period of disbursement of the Union's macro-financial assistance compared to the initial projections.

Conditionality: as regards the pre-condition for the assistance, namely that the Kyrgyz Republic respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law and guarantees respect for human rights, the Council introduces the requirement for the **Commission to monitor the fulfilment of this pre-condition** throughout the life cycle of the assistance.

Technical amendments have been introduced:

- to the conditions to which the assistance should be subject, which are to be laid out in a Memorandum of Understanding;
- as regards the obligation for the Commission to temporarily suspend or cancel the disbursement of the assistance when the relevant conditions are not met.

Comitology: on 9 July 2013, the European Parliament and the Council adopted Decision 778/2013/EU providing further macro-financial assistance to Georgia.

In a joint Declaration adopted together with the above decision, the European Parliament and the Council:

- agreed that the adoption of the decision on providing further macro-financial assistance to Georgia should be seen in the wider context of the need for a framework that should secure sound and effective decisions on providing macro-financial assistance to third countries;
- agreed that the adoption of decisions on macro-financial assistance operations should be **based on the considerations and the principles set out in the joint Declaration for the granting of Union macro-financial assistance to eligible third countries and territories**, without prejudice to the right of legislative initiative and the legal form that a future instrument formalising these considerations and principles might take;
- committed to fully reflect these considerations and principles in the future individual decisions on granting the Union's macro-financial assistance.

In that context, amendments have been introduced in the proposal for a decision providing macro-financial assistance to the Kyrgyz Republic to **fully reflect the considerations and principles set out in the joint Declaration**.

New provisions are made for the adoption of the Memorandum of Understanding referred to in the proposed Decision and for the decision to reduce, suspend or cancel the assistance. The Commission is to be assisted by a Committee in accordance with Regulation (EU) No 182/2011. The Commission is to act in accordance with the **advisory procedure**. The choice of procedure is explained in a recital that includes the objectives of the aforementioned joint Declaration.

Reporting: amendments have also been introduced as regards the reporting requirements for the Commission to European Parliament and to the Council.

In conclusion: the Council position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament, facilitated by the Commission.

The Chair of the Committee on International Trade sent a letter to the Chair of Coreper indicating that, should the Council transmit its position as attached to the letter of the Committee, he would recommend to the plenary that Parliament, in its second reading, **accept the Council position without any amendments** , subject to verification by the lawyer linguists of both institutions.