

Macro-financial assistance to Kyrgyzstan

2011/0458(COD) - 22/10/2013 - Final act

PURPOSE: to make macro-financial assistance available to the Kyrgyz Republic of an amount of EUR 30 million.

LEGISLATIVE ACT: Decision No 1025/2013/EU of the European Parliament and of the Council providing macro-financial assistance to the Kyrgyz Republic.

BACKGROUND: given that Union political and economic support to the Kyrgyz Republic's incipient parliamentary democracy would provide a political signal of the Union's strong support to democratic reforms in Central Asia, it was considered desirable to grant, **on an exceptional basis**, macro-financial assistance (this country is neither a candidate country nor a potential accession country nor is it a country or territory covered by the European neighbourhood policy - however given its strategic importance as well as the determining role it plays in regional stability, this country should be considered to be eligible to receive Union macro-financial assistance).

CONTENT: with the present decision, the European Parliament and the Council shall make available to the Kyrgyz Republic **macro-financial assistance of an amount of EUR 30 million**, with a view to supporting its economic stabilisation and covering its balance of payments needs as identified in the current IMF programme.

Of this maximum amount:

- EUR 15 million shall be provided in the form of loans and,
- EUR 15 million in the form of grants.

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 the Kyrgyz Republic.

Duration of loans: the loans shall have a maximum maturity of **15 years**.

Criteria for the determination of the aid: the amount of the macro-financial assistance is 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.

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 added value of the overall Union involvement**.

Pre-condition: the Union's macro-financial assistance should be subject to a pre-condition 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 Commission should regularly monitor the fulfilment of the precondition over the period of the Union's macro-financial assistance.

Other technical conditions: the other technical conditions attached to the provision of assistance can be summarised as follows:

- clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to be laid down in a Memorandum of Understanding concluded between this country and the Commission, including a timeframe for the fulfilment of those conditions;
- the economic policy and financial conditions shall be consistent with the agreements or understandings reached between the IMF and the Kyrgyz Republic, and with the key principles and objectives of economic reforms set out in the PCA and in the Union Strategy for Central Asia (2007-13);
- the strengthening of the efficiency of public finance management systems in the Kyrgyz Republic.

Provision of assistance and the release of the instalments:

- the financial aid shall be available to the Kyrgyz Republic for 2 years;
- the funds shall be made available in two instalments, each of which shall consist of a loan and a grant element; the size of each instalment shall be laid down in the Memorandum of Understanding;
- the release of the instalments shall be subject to the fulfilment of the various conditions linked to the granting of aid: in particular, the aid would be conditional on a continuous satisfactory track record of implementing a policy programme of structural reform measures.
- Where the conditions are not met, the Commission may temporarily suspend or cancel the disbursement of the Union's macro-financial assistance on informing the European Parliament and the Council.

Other technical measures:

- specific measures are foreseen to prevent fraud and other irregularities, in line with the financial regulation;
- provision has also been made so that the Commission can, **acting in accordance with the advisory procedure, reduce the amount of assistance, suspend it or cancel it** where the financing needs of this country decrease fundamentally compared to the initial projections;
- where the circumstances permit, and if the Kyrgyz Republic so requests, the Commission may take the steps necessary to ensure that an **early repayment clause** is included in the loan terms or to refinance all or part.

Procedure of the decision: in line with Decision No 778/2013/EU [providing further macro-financial assistance to Georgia](#), in order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Kyrgyz authorities under the supervision of the committee of representatives of the Member States in accordance with [Regulation \(EU\) No 182/2011](#). Thus, as a general rule, the advisory procedure should apply in the case of the present decision (the examination procedure applying to assistance of more than EUR 90 million).

Reports:

- 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 and including an evaluation of that implementation;
- not later than two years after the expiry of the availability period, the Commission shall submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the macro-financial assistance.

ENTRY INTO FORCE: 28.10.2013.