Further macro-financial assistance to Georgia

2017/0242(COD) - 18/04/2018 - Final act

PURPOSE: to provide macro-financial assistance to Georgia.

LEGISLATIVE ACT: Decision 2018/598 of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

CONTENT: the Decision provides for the **Union's macro-financial assistance to Georgia of a maximum amount of EUR 45 million,** with a view to supporting Georgia's economic stabilisation and a substantive reform agenda.

Of that maximum amount:

- up to EUR 35 million shall be provided in the form of loans, and
- up to EUR 10 million in the form of grants.

The assistance will be made available in **two instalments**, each of which shall consist of **a loan and a grant element.**

Macro-financial assistance: the assistance shall contribute to covering Georgia's balance of payments needs as identified in the IMF programme. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Georgia, and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation.

In order to **finance the loan component**, 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 Georgia. The loans shall have a maximum average maturity of 15 years.

The Union's macro-financial assistance shall be made available for a period of **two and a half years**.

Management: the release of the Union's assistance shall be managed by the Commission in a manner consistent with the agreements reached between the IMF and Georgia, and with the key principles and objectives of economic reforms set out in the Association Agreement, including the Deep and Comprehensive Free Trade Area (DCFTA).

The Commission shall decide on the **release of the instalments** subject to the fulfilment of all of the following conditions:

- **the pre-condition** that Georgia respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. The Commission and the European External Action Service shall monitor the fulfilment of that pre-condition throughout the life cycle of the Union's macro-financial assistance;
- **continuous satisfactory track record** of implementing a policy programme that contains strong adjustment and structural reform measures supported by a non-precautionary IMF credit arrangement; and

- the satisfactory implementation of the **economic policy and financial conditions** focusing on structural reforms and sound public finances **set out in the Memorandum of Understanding**, which will be agreed between the Commission and the Georgian authorities and will include a **timeframe** for the fulfilment of those conditions.

Where the pre-condition is not met, the Commission shall **temporarily suspend or cancel** the disbursement of the Union's macro-financial assistance, and inform the European Parliament and the Council of its reasons.

The Commission shall **regularly inform** the European Parliament and the Council of developments regarding the Union's macro-financial assistance, and shall provide those institutions with the relevant documents in due time.

By 30 June of each year, the Commission must submit a **report** on the implementation of the Decision in the preceding year, which will:

- examine the progress made in implementing the Union's macro-financial assistance;
- assess the economic situation and prospects of Georgia, as well as progress made in implementing the policy measures in the Memorandum of Understanding;
- indicate the connection between the economic policy conditions laid down in the Memorandum of Understanding, Georgia's on-going economic and fiscal performance and the Commission's decisions to release the instalments of the Union's macro-financial assistance.

The Commission must also submit an **ex post evaluation report**, assessing the results and efficiency of the completed Union's macro-financial assistance and the extent to which it has contributed to the aims of the assistance.

ENTRY INTO FORCE: 26.04.2018.