Basic information

2009/0147(CNS) CNS - Consultation procedure Decision	Procedure completed
Macro-financial assistance to Georgia See also 2010/0390(COD) **Subject** 6.20.07 Macro-financial assistance to third countries 6.40.04.04 Relations with Caucasus countries 6.40.15 European neighbourhood policy **Geographical area** Georgia	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
INTA International Trade	MOREIRA Vital (S&D)	29/09/2009

Committee for opinion	Rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	
BUDG Budgets	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Justice and Home Affairs (JHA)	2979	2009-11-30

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	

Key events

Date	Event	Reference	Summary
16/10/2009	Legislative proposal published	COM(2009)0523	Summary

10/11/2009	Vote in committee		Summary
12/11/2009	Committee referral announced in Parliament		
13/11/2009	Committee report tabled for plenary, 1st reading/single reading	A7-0060/2009	
23/11/2009	Debate in Parliament		
24/11/2009	Decision by Parliament	T7-0071/2009	Summary
24/11/2009	Results of vote in Parliament		
30/11/2009	Act adopted by Council after consultation of Parliament		
30/11/2009	End of procedure in Parliament		
05/12/2009	Final act published in Official Journal		

Technical information

Procedure reference	2009/0147(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	See also 2010/0390(COD)
Legal basis	EC Treaty (after Amsterdam) EC 308
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	INTA/7/01363

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE430.408	21/10/2009	
Committee report tabled for plenary, 1st reading/single reading		A7-0060/2009	13/11/2009	
Text adopted by Parliament, 1st reading/single reading		T7-0071/2009	24/11/2009	Summary

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2009)0523	16/10/2009	Summary
Document attached to the procedure	SEC(2009)1310	16/10/2009	

Additional information		
Source	**Document**	**Date**
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act	
Decision 2009/0889 OJ L 320 05.12.2009, p. 0001	Summary

Macro-financial assistance to Georgia

2009/0147(CNS) - 30/11/2009 - Final act

PURPOSE: to provide macro-financial assistance to Georgia for a total amount of €46 million.

LEGISLATIVE ACT: Council Decision 2009/889/EC providing macro-financial assistance to Georgia.

CONTENT: the Community shall make available to Georgia financial assistance amounting to a maximum of **€46 million in grants** with a view to supporting Georgia's efforts of post-war economic recovery, which is also affected by the international financial crisis, alleviating the financial constraints on the implementation of the government's economic reform programme. This assistance, intended to be allocated to the financing of the deficit of the state budget, is part of a comprehensive Community package of up to EUR 500 million put in place in support of Georgia's recovery in the aftermath of the August 2008 armed conflict with Russia.

This assistance will be exceptional and will be conditional, in particular on progress in the implementation of the current IMF programme and on the successful fulfilment of economic policy conditions that will be attached to this assistance. The Community financial assistance shall be made available for a limited period of two years (starting from the first day after the entry into force of the Memorandum of Understanding).

Management of assistance: the release of the Community financial assistance shall be managed by the Commission, in close cooperation with the Economic and Financial Committee. The Commission shall verify at regular intervals that the agreed economic policy conditions are being satisfactorily fulfilled. Assistance shall be made available by the Commission to Georgia in two instalments. The Commission shall decide on the release of the instalments subject to a satisfactory implementation of the economic programme supported by the IMF and of any other conditions agreed between Georgia and the Community.

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be duly taken into account.

Report: by 31 August of each year the Commission shall submit to the European Parliament and to the Council a report, including an evaluation of the implementation of this Decision in the preceding year.

ENTRY INTO FORCE: 05/12/2009.

Macro-financial assistance to Georgia

2009/0147(CNS) - 24/11/2009 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 550 votes to 55 with 60 abstentions, a legislative resolution approving unamended, under the consultation procedure, the proposal for a Council decision providing macro-financial assistance to Georgia

Macro-financial assistance to Georgia

2009/0147(CNS) - 16/10/2009 - Legislative proposal

PURPOSE: to provide macro-financial assistance to Georgia in the form of grant instalments for a total amount of EUR 46 million.

PROPOSED ACT: Council Decision.

BACKGROUND: Georgia's macro-economic performance was very strong until August 2008. Its real growth figures were above 9% in 2005 and 2006 and 12% in 2007. In the first half of 2008 the annual growth rate remained robust at 8.6%. Yet, the military conflict with Russia that erupted in August

2008 dented the strong growth performance of the previous years. The global financial crisis that has been developing since late 2008 further aggravated Georgia's economic situation. The IMF Board approved in mid-September 2008 an 18-month stand-by arrangement (SBA) for USD 750 million (which constitutes exceptional access at 300 percent of Georgia's quota). At the time of the preparation of the programme, the IMF estimated that Georgia's external financing needs for the period 2008-2010 not covered by the resources expected from the IMF would be about USD 650 million, including USD 450 million for 2009-2010.

Based on this estimated external financing gap, the Commission pledged macro-financial assistance of EUR 46 million. MFA from the EU would cover about 13% of the residual financing needs in 2009-2010.

IMPACT ASSESSMENT: macro-financial assistance is linked to the beneficiary country's economic programme supported by the IMF and covers part of Georgia's immediate external financing needs. The disbursements are tied to the use of IMF resources and therefore have a direct link to the implementation by the beneficiary of the agreed macroeconomic and structural policies and its pace of economic recovery. Project finance and/or technical assistance would not be suitable to address these macroeconomic objectives. When allocated to the budget deficit financing, as proposed in the case of Georgia, the grant disbursements increase the envelope which the government can use to finance fiscal measures during the economic downturn. Unlike the ENPI budget support operations, the macro-financial assistance is exceptional in nature and the timeframe for the assistance is limited to Georgia's stand-by arrangement with the IMF.

CONTENT: the Community shall make available to Georgia **macro-financial assistance in the form of grant instalments in a total amount of EUR 46 million**. The assistance will contribute to covering Georgia's residual external financing needs in 2009-2010 as identified by the IMF. The proposed macro-financial assistance is intended to run in parallel to the stand-by arrangement with the IMF approved in September 2008. This assistance, intended to be allocated to the financing of the deficit of the state budget, is part of a comprehensive Community package of up to EUR 500 million put in place in support of Georgia's recovery in the aftermath of the August 2008 armed conflict with Russia. It contributes also to helping Georgia address the consequences of the global economic and financial crisis.

The assistance, along with the bulk of the donor support to Georgia (with the notable exception of IMF funds) is planned to be channelled to the budget given that the financial constraints faced by the Georgian public finances appear at present as particularly severe.

The assistance will be disbursed in **two instalments in 2009-2010**. It will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be taken into account. The first tranche is scheduled for late 2009, the second tranche is planned will be disbursed in early 2010. The macro-financial assistance could be frontloaded if warranted by the evolution of the economic situation in Georgia.

The conditions attached to the disbursement of the grant instalments will include the successful implementation of the IMF SBA and the fulfilment of specific conditions in a number of key policy areas that the European Commission and the government of Georgia will agree upon. The Commission intends to focus on a limited number of areas of particular importance for macro-financial stability, in particular public finances – thus following up on the previous EU macro-financial assistance to Georgia – and financial sector reforms. The conditions will be consistent with the priorities of the EU-Georgia ENP Action Plan.

BUDGETARY IMPLICATIONS: the assistance would be financed from commitment appropriations in 2009 under budget line 01 03 02 (Macroeconomic assistance), with payments taking place in 2009 and 2010.