Basic information

2010/0390(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Decision	Procedure completed
Further macro-financial assistance for Georgia See also 2009/0147(CNS) See also 2017/0242(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
CODE Parliament delegation to Conciliation Committee	MOREIRA Vital (S&D)	05/02/2013

Former committee responsible	Former rapporteur	Appointed
INTA International Trade		
INTA International Trade	MOREIRA Vital (S&D)	13/09/2012

Former committee for opinion	Former rapporteur for opinion	Appointed
AFET Foreign Affairs	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
Economic and Financial Affairs ECOFIN	3252	2013-07-09
Education, Youth, Culture and Sport	3164	2012-05-10
Education, Youth, Culture and Sport	3239	2013-05-16

European Commission

Commission DG	Commissioner
Economic and Financial Affairs	REHN Olli

Key events

Date	Event	Reference	Summary
13/01/2011	Legislative proposal published	COM(2010)0804	Summary
20/01/2011	Committee referral announced in Parliament, 1st reading		
07/02/2011	Vote in committee, 1st reading		Summary
10/03/2011	Committee report tabled for plenary, 1st reading	A7-0053/2011	
10/05/2011	Decision by Parliament, 1st reading	T7-0207/2011	Summary
10/05/2011	Results of vote in Parliament		
10/05/2012	Council position published	05682/1/2012	Summary
13/09/2012	Committee referral announced in Parliament, 2nd reading		
06/11/2012	Vote in committee, 2nd reading		
09/11/2012	Committee recommendation tabled for plenary, 2nd reading	A7-0363/2012	Summary
11/12/2012	Decision by Parliament, 2nd reading	T7-0472/2012	Summary
16/05/2013	Parliament's amendments rejected by Council		
28/05/2013	Formal meeting of Conciliation Committee		
26/06/2013	Final decision by Conciliation Committee		
26/06/2013	Joint text approved by Conciliation Committee co-chairs	00038/2013	
28/06/2013	Report tabled for plenary, 3rd reading	A7-0244/2013	Summary
03/07/2013	Debate in Parliament		
04/07/2013	Decision by Parliament, 3rd reading	T7-0320/2013	Summary
04/07/2013	Results of vote in Parliament		
09/07/2013	Decision by Council, 3rd reading		
12/08/2013	Final act signed		
12/08/2013	End of procedure in Parliament		
14/08/2013	Final act published in Official Journal		

Technical information

Procedure reference	2010/0390(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Amendments and repeals	See also 2009/0147(CNS) See also 2017/0242(COD)

Legal basis	Treaty on the Functioning of the European Union TFEU 212
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	CODE/7/11676

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee report tabled for plenary, 1st reading/single reading		A7-0053/2011	10/03/2011	
Text adopted by Parliament, 1st reading/single reading		T7-0207/2011	10/05/2011	Summary
Committee draft report		PE496.414	21/09/2012	
Committee recommendation tabled for plenary, 2nd reading		A7-0363/2012	09/11/2012	Summary
Text adopted by Parliament, 2nd reading		T7-0472/2012	11/12/2012	Summary
Report tabled for plenary by Parliament delegation to Conciliation Committee, 3rd reading		A7-0244/2013	28/06/2013	Summary
Text adopted by Parliament, 3rd reading		T7-0320/2013	04/07/2013	Summary

Council of the EU

Document type	Reference	Date	Summary
Council position	05682/1/2012	10/05/2012	Summary
Draft final act	00038/2013/LEX	12/08/2013	

European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2010)0804	13/01/2011	Summary
Document attached to the procedure	SEC(2010)1617	13/01/2011	Summary
Commission response to text adopted in plenary	SP(2011)5858	30/06/2011	
Commission communication on Council's position	COM(2012)0219	11/05/2012	Summary
Commission opinion on Parliament's position at 2nd reading	COM(2013)0067	05/02/2013	Summary
Follow-up document	SWD(2019)0447	17/12/2019	
Follow-up document	SWD(2019)0449	17/12/2019	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CSL/EP	Joint text approved by Conciliation Committee co-chairs	00038/2013	26/06/2013	

Additional information

Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act

Decision 2013/0778
OJ L 218 14.08.2013, p. 0015 Summary

Further macro-financial assistance for Georgia

2010/0390(COD) - 09/11/2012 - Committee recommendation tabled for plenary, 2nd reading

The Committee on International Trade adopted the recommendation for second reading in the report by Vital MOREIRA (S&D, PT) on the Council position at first reading with a view to the adoption of a Decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

The committee recommends that the European Parliament's position at second reading under the ordinary legislative procedure should be to amend the Council's position as follows:

Implementing powers: the Commission shall, **in accordance with the advisory procedure** provided for in Regulation (EU) No 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers, adopt a **Memorandum of Understanding** containing the economic policy and financial conditions to which the Union's macro-financial assistance is subject, including a time-frame for meeting those conditions. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings covered in the decision Those conditions shall aim, in particular, at strengthening the efficiency, transparency and accountability of the Union's macro-financial assistance, including public finance management systems in Georgia. Progress in attaining those objectives shall be regularly monitored by the Commission.

Lending operations: the borrowing and lending operations relating to the loan component of the Union's macro-financial assistance shall be carried out in euro using the same value date and shall not involve the Union in the transformation of maturities, in any exchange or interest rate risks, or in any other commercial risk. The Commission shall take the necessary steps, **if Georgia so requests**, to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the Commission's borrowing operations.

Further macro-financial assistance for Georgia

2010/0390(COD) - 11/12/2012 - Text adopted by Parliament, 2nd reading

The European Parliament adopted a legislative resolution on the Council position at first reading with a view to the adoption of a Decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

Parliament adopted its position in second reading by 598 votes to 49, with 23 abstentions, under the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise negotiated between the European Parliament and the Council. The amend the Council's position as follows:

- **Implementing powers:** the Commission shall, **in accordance with the advisory procedure** provided for in Regulation (EU) No 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers, adopt a **Memorandum of Understanding** containing the economic policy and financial

conditions to which the Union's macro-financial assistance is subject, including a time-frame for meeting those conditions. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings covered in the decision Those conditions shall aim, in particular, at strengthening the efficiency, transparency and accountability of the Union's macro-financial assistance, including public finance management systems in Georgia. Progress in attaining those objectives shall be regularly monitored by the Commission.

- **Lending operations:** the borrowing and lending operations relating to the loan component of the Union's macro-financial assistance shall be carried out in euro using the same value date and shall not involve the Union in the transformation of maturities, in any exchange or interest rate risks, or in any other commercial risk. The Commission shall take the necessary steps, **if Georgia so requests**, to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the Commission's borrowing operations.

It should be noted that a proposal to reject Council's position tabled by the EFD group was rejected in plenary by 591 votes to 53, with 29 abstentions.

Further macro-financial assistance for Georgia

2010/0390(COD) - 05/02/2013 - Commission opinion on Parliament's position at 2nd reading

The Commission's opinion recalls that it agreed with Parliament's position in both first and second reading regarding **the only contentious issue**: the use of the comitology procedure for the adoption of the Memorandum of Understanding (MoU - the list of policy conditions) of Articles 2 and 6, where Parliament requires the **use of advisory procedure without justification.** The other amendments introduced by the Parliament are either editorial or reconfirm the initial Commission proposal.

However, the Commission proposes to keep a specific justification for the application of the Advisory Procedure for the adoption of a MoU. This is in line with the Commission's position on Parliament's amendments in first reading on the proposal for a MFA for the Kyrgyz Republic, and given the conflict between the Parliament and the Council on this sensitive procedural issue, which blocks currently all MFA proposals and which requires an urgent compromise solution between the two institutions. The discussions between the co-legislators will focus on the comitology issue and the Commission is above all interested in finding a solution as soon as possible regarding the conflicting views of the Council and the Parliament concerning the application of the Advisory or the Examination Procedure for the adoption of the MoU for Georgia. The Commission will continue to propose compromise solutions.

Further macro-financial assistance for Georgia

2010/0390(COD) - 28/06/2013 - Report tabled for plenary by Parliament delegation to Conciliation Committee, 3rd reading

The European Parliament delegation to the Conciliation Committee, chaired by Alejo VIDAL-QUADRAS (EPP, ES), tabled a report at third reading of the ordinary legislative procedure. The report recommends that the European Parliament should approve the joint text approved by the Conciliation Committee for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

Vital MOREIRA (P&S, PT) was the committee responsible's rapporteur.

The main aim of this file was to find an agreement on the procedure to provide macrofinancial assistance (MFA) to Georgia. The Council and the European Parliament had different opinions on how the Memorandum of Understanding (MoU), which entails the economic policy and financial conditions to which the MFA is subject, should be adopted. **According to the Parliament this should be done by means of the advisory procedure as proposed by the Commission, but according to the Council the examination procedure would be more appropriate.**

After a series of negotiations, and given the horizontal nature of this decision, the European Parliament and the Council reached, on 8 May 2013 during an informal meeting, an agreement on the basis of which the **advisory committee procedure would be used for macro-financial assistance until EUR 90 million and the examination procedure would be used for amounts above**.

These elements are set out in the draft statement adopted in plenary.

The other main elements of the compromise can be summarised as follows:

- agreement was also reached on a stricter wording concerning the disbursement of assistance;
- introduction of a recital in the MFA Georgia Decision clarifying that the use of the advisory committee procedure is confirmed as a general rule for assistance up to a threshold of EUR 90 million.

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.

Further macro-financial assistance for Georgia

2010/0390(COD) - 12/08/2013 - Final act

PURPOSE: to grant further macrofinancial assistance to Georgia in the amount of EUR 46 million.

LEGISLATIVE ACT: Decision No 778/2013/EU of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

CONTENT : this Decision makes macro-financial assistance available to Georgia of a maximum amount of **EUR 46 million**, with up to EUR 23 million provided in the form of grants and up to EUR 23 million in the form of loans.

The aim is to support the country's economic stabilisation and cover its balance of payments needs, as identified in its current IMF programme.

The loan shall have a maximum maturity of 15 years.

The release of the Union’s macro-financial assistance shall be subject to the approval of the 2013 Union budget by the budgetary authority.

Management of the assistance: the release of the Union’s macro-financial assistance will be managed by the Commission in a manner consistent with the agreements or understandings reached between the IMF and Georgia and with the key principles and objectives of economic reform set out in the EU-Georgia Partnership and Cooperation Agreement. The Commission shall regularly inform the European Parliament and the Economic and Financial Committee of developments in the management of the Union’s macro-financial assistance and provide them with relevant documents.

Availability of aid: the Union's macro-financial assistance shall be made available for a period of two years and six months starting from the first day after the entry into force of the Memorandum of Understanding referred to the Decision.

Subject to the conditions set out in the Decision, the Union's macro-financial assistance will be made available by the Commission in two instalments, each of them consisting of a grant and a loan element. The size of each instalment will be laid down in the Memorandum of Understanding.

The disbursement of the second instalment shall take place no earlier than three months after the release of the first instalment.

Conditions for granting aid: in accordance with the advisory procedure set out in the Decision, the Commission shall adopt a Memorandum of Understanding containing **the economic policy and financial conditions to which the Union's macro-financial assistance is subject,** including a time-frame for the fulfilment of those conditions.

The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the relevant agreements and shall aim at strengthening the efficiency, transparency and accountability of the Union's macro-financial assistance, including public finance management systems in Georgia. Progress in attaining those objectives shall be regularly monitored by the Commission, which shall verify at regular intervals that Georgia's economic policies are in accordance with the objectives of the Union's macro-financial assistance.

Repayment clause: the Commission shall take the necessary steps, if Georgia so requests, to ensure that an early repayment clause is included in the loan terms and conditions, or a re-financing clause.

Observance of anti-fraud rules: provisions are made to ensure that Georgia adopt appropriate measures relating to the prevention of, and the fight against, fraud and corruption and observes EU rules.

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 the Decision.

No later than two years after the expiry of the availability period it shall submit to the European Parliament and to the Council an ex post evaluation report.

Joint Declaration by the European Parliament and the Council: in a Joint Declaration annexed to the Decision, Parliament and Council set out certain principles to be applied to the Decision and **also to the granting of Union macro-financial assistance to eligible third countries and territories in the future.**

The Joint Declaration sets out, in particular:

-the aim of the assistance and its exceptional nature;

-eligible countries and territories

- 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.

-the form of the assistance, which should **generally take the form of a loan and in exceptional cases, in the form of a grant** or a combination of the two;

-conditionality, with regard to the fact that the eligible country or territory must respect effective democratic mechanisms, including respect for human rights and other conditions;

-the rules of procedure attached to the aid, and monitoring conditions as well as information to the European Parliament and the Council of developments in country-specific assistance, including disbursements and implementation.

Lastly, the joint declaration sets **rules to determine the amount of the assistance.** The amount 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 raise money from other lenders.

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.

ENTRY INTO FORCE: the Decision enters into force on 14 August 2013.

Further macro-financial assistance for Georgia

2010/0390(COD) - 11/05/2012 - Commission communication on Council's position

In its communication on the position of the Council at first reading on the adoption of a Decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia, the Commission calls for a compromise from the European Parliament and the Council on this text.

European Parliament amendments: the European Parliament's adopted a legislative resolution with amendments which were fully accepted by the Commission and incorporated in the text. These amendments primarily aimed at reflecting the entry into force of the new comitology regulation in March 2011. The Commission acknowledges that amendments to the initial proposal were needed due to the new comitology regulation, and **supports the European Parliament's view that the adoption of the Memorandum of Understanding (MoU) for the MFA programme should be governed by the advisory procedure**, rather than the examination procedure as suggested by the Council.

Council position: on 15 December 2011, COREPER reached a qualified majority agreement to adopt a common position, which in**sists on the use of the examination procedure for the adoption of the MFA Memorandum of Understanding**. This was confirmed by the political agreement adopted by the Council on 23 January 2012.

During the previous discussions at the Financial Counsellors Working Party, **the Commission argued in favour of the use of the advisory procedure** for the adoption of the MoU, and

supported the Presidency's proposed compromise solution. This solution would have established the examination procedure as a rule, but would have allowed for the advisory procedure, in this case on the basis of Article 2.3, second sentence, of the comitology regulation, which foresees that, under duly justified cases, the advisory procedure may apply for the adoption of implementing acts in cases where the examination procedure is in principle applicable.

The proposed compromise text argued that since the proposed MFA was (i) a follow-up to the operation approved in 2009 and (ii) had only a modest maximum amount (of EUR 46 million), there was a case for applying the advisory procedure. However, the Presidency could not build a consensus and its compromise solution was not adopted.

The Commission is concerned about the delays that a second reading will imply for the proposed assistance: it is important that the proposed MFA for Georgia is approved as quickly as possible. Approximately a year elapsed since the Commission adopted the proposal in January of 2011 and the Commission considers it regrettable that this delay is taking place despite the fact that the two co-legislators agree on the substance of the proposal, which, as noted, stems from a pledge made in 2008.

The Commission believes that it is **crucial to find a quick solution on whether an advisory or examination procedure should be applied for the MoU adoption**. It should also be noted that if the case of the proposal for Georgia is not solved, this issue would risk blocking any forthcoming MFA proposal, a scenario that must be avoided, not least since the worsening global financial environment and the economic and financial impact of the Arab Spring in the EU's Southern Neighbourhood may result in new requests for complementary MFA support from the EU.

Agreement at the stage of the Council's position: since the adoption by the European Parliament of its position at first reading, the interinstitutional discussions between the Council and the Parliament have not been successful and that. Informal meetings have not resulted in a compromise on this issue. In conclusion, the Commission favours the application of the advisory procedure for the adoption of the MoU. It does therefore not agree with the common position of the Council as adopted on 10 May 2012. However, as indicated above, the Commission believes that it is **crucial to find a quick solution and stands ready to contribute to finding an early compromise on this issue between the two co-legislators.**

Further macro-financial assistance for Georgia

2010/0390(COD) - 10/05/2012 - Council position

The Council presents its position at first reading with a view to the adoption of a Decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

Comitology: regulation 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (the new Comitology Regulation) entered into force. The provisions contained in the Commission proposal on further macro-financial assistance to Georgia as regards the exercise of implementing powers conferred on the Commission therefore needed to be aligned with regulation 182/2011.

In this respect, informal contacts were held in April 2011 between the European Parliament, the Commission and the Council as foreseen by points 16 to 18 of the Joint declaration on practical arrangements for the co-decision procedure. **The European Parliament disagreed with the Council on the changes required to align the provisions as regards the exercise of implementing powers with regulation 182/2011**.

European Parliament amendments: in May 2011, the European Parliament adopted its position at first reading introducing amendments on the following points:

- **Recital (18) - implementing powers**: the drafting of this recital on the conferral of implementing powers to the Commission is adapted in order to taken into account the entry into force of regulation 182/2011; this amendment has been included in the Council's position at first reading.
- **Article 2 - Adoption of the Memorandum of Understanding**: a European Parliament amendment foresees the adoption of a Memorandum of Understanding containing the economic policy and financial conditions to which the Union macrofinancial assistance is subject in accordance with the advisory procedure. **This amendment is rejected by the Council** on the ground that, in line with regulation 182/2011, the Memorandum of Understanding should be adopted in accordance with the examination procedure.
- **Article 6 – Committee**: another European Parliament amendment refers to Article 4 of Regulation (EU) No 182/2011 (advisory procedure). **The amendment is rejected by the Council** on the same grounds as for Amendment 2, i.e. the examination procedure should apply.

In conclusion, the Council's position introduces changes to the European Parliament's position at first reading only as regards the provisions for the exercise of implementing powers in order to ensure their appropriate alignment with the new Comitology regulation (182/2011). The Council looks forward to constructive discussions with the European Parliament at second reading with a view to the swift adoption of the Decision.

Further macro-financial assistance for Georgia

2010/0390(COD) - 10/05/2011 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 496 votes to 30, with 11 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

Parliament adopted its position at first reading, under the ordinary legislative procedure. The amendments adopted in plenary are the result of a compromise reached between the European Parliament and the Council. They amend the proposal as follows:

Implementing powers: in order to ensure uniform conditions for the implementation of this Decision, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers.

The Commission shall adopt, **by means of implementing acts**, a Memorandum of Understanding containing the economic policy and financial conditions to which the Union macro-financial assistance is subject, including a timeframe for meeting those conditions. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 6(2) of the abovementioned Regulation.

Further macro-financial assistance for Georgia

2010/0390(COD) - 13/01/2011 - Document attached to the procedure

The Commission presents a Staff Working Document which contains an ex-ante evaluation statement on further macro-financial assistance 9MFA) to Georgia. It accompanies the Commission’s proposal for a decision providing further MFA to Georgia, in the amount of EUR 46 million. The document gives detailed consideration to Georgia’s macro-economic situation and describes the 2008 IMF Stand By Arrangement (SBA) and other donor support.

Based on the estimates provided by the IMF, total financing needs for the three years (2009-11) amount to around USD 2.4 billion. Out of this amount, the Breton Woods institutions are expected to provide around USD 1.5 billion, including some USD 900 million for the period 2010-11. The proposed new MFA would amount to EUR 46 million and, together with the last MFA operation, would cover around 14% of the residual financing needs for the period 2009-11 (around USD 850 million).

The paper goes on to give an account of the risk assessment and the added value of EU involvement.

Further macro-financial assistance for Georgia

2010/0390(COD) - 13/01/2011 - Legislative proposal

PURPOSE: to propose further macro-financial assistance for Georgia, in the amount of EUR 46 million.

PROPOSED ACT: Decision of the European Parliament and of the Council.

BACKGROUND: The EU completed in early August 2010 the disbursement of a EUR 46 million macrofinancial assistance (MFA) operation to Georgia approved by the Council in November 2009. The assistance, which was provided in the form of grants, was part of a pledge of two possible MFA operations of the same amount made by the European Commission at the International Donors' Conference of October 2008. The approval of the second MFA was conditional on the continued existence of external financing needs over and above those covered by the IMF arrangement.

In a letter from 10 May 2010, the Georgian Minister of Finance requested the activation of the second part of the Commission pledge of EU funds, amounting to EUR 46 million, which is the subject of this proposal.

The Commission considers that the activation of the second part of the MFA pledged in 2008 is warranted. Although the Georgian economy is recovering (following the double shock caused by the military conflict with Russia of August 2008 and the global financial crisis), the balance of payments and budgetary position remain weak and vulnerable.

The new MFA would contribute to help Georgia to address the economic consequences of the conflict with Russia and the global crisis. The new MFA will support the economic reform agenda of the government. It would reduce the short-term financial vulnerability still faced by the economy, while supporting reform measures aimed at achieving a more sustainable balance of payments and budgetary situation over the medium-term.

The assistance would also promote policy measures to strengthen public finance management, as well as measures to foster economic and financial integration with the EU, in particular by exploiting the potential offered by the future Association Agreement, which aims at concluding a Deep Comprehensive Free Trade Agreement between the two parties.

IMPACT ASSESSMENT: the MFA and the economic adjustment and reform programme attached to it will help alleviate Georgia's short-term financing needs while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability, raising sustainable growth and promoting economic integration and regulatory convergence with the EU. It will also help improve the efficiency and transparency of public finance management, building on the positive impact of the previous MFA operation in the country. MFA will also support the macroeconomic stabilisation and structural policies of the programme agreed with the IMF.

LEGAL BASIS: Article 212 of the TFEU.

CONTENT: the EU shall make the MFA available to Georgia for a total maximum amount of EUR 46 million, half of which will be provided as grants and half as loans. The assistance will contribute to cover Georgia's residual external financing needs in 2009-2011, as identified by the Commission based on the estimates of the IMF.

The assistance will be disbursed in 2011 in two equal instalments, each of them consisting of a grant and a loan element. The assistance 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 main points are as follows:

- the disbursement of the first instalment is expected to take place in the first quarter of 2011;
- the second instalment, conditional on a number of policy measures, could be disbursed in the third quarter of 2011;
- as is usual with the MFA instrument, the disbursements would be conditional on successful programme reviews under the IMF's Stand-By Arrangement;
- in addition, the Commission and the Georgian authorities would agree on specific structural reform measures in a Memorandum of Understanding. In the context of the previous MFA operations, the Commission services have worked closely with the Georgian authorities on public finance management (PFM) reforms that aim at establishing a more transparent, coherent and accountable PFM system;
- in the new MFA operation, the scope of the policy conditionality would be enlarged, notably to measures aimed at fostering the economic and financial integration as well as regulatory harmonisation with the EU in selected areas, under the ENP Action Plan and taking into account the new context created by the plan to conclude an Association Agreement between the EU and Georgia;
- the new MFA would be exceptional and limited in time and is intended to run in parallel to the SBA. It will complement support from international and bilateral donors;
- the proposal includes a sunset clause. The proposed MFA would be made available for 2.5 years starting from the first day after the entry into force of the Memorandum of Understanding.

Following the successful implementation of the last MFA, in which the Georgian authorities demonstrated the political will and the capacity to implement structural reforms, the Commission believes that also this second MFA operation would contribute to the implementation of the government's agenda of structural reforms. The conditions will be consistent with the priorities of the EU-Georgia ENP Action Plan.

The decision to disburse half of the proposed assistance in grants and the other half in loans is justified by Georgia’s level of development (as measured by its per capital income) and debt indicators, and the recent improvement in the country's economic situation. The full use of grants in the previous operation had to be understood as an exceptional decision justified by the very difficult circumstances Georgia found itself in late 2008. The blend of grants and loans is also consistent with the fact that Georgia has been a blend country for the World Bank since January 2009. For the forthcoming World Bank operations, the country is expected to receive one third of the World Bank assistance in the form of the IDA lending, while two thirds of the assistance are expected to be provided on IBRD terms.

The new MFA will reduce the short-term financial vulnerability still faced by the economy, while supporting reform measures aimed at achieving a more sustainable balance of payments and budgetary situation over the medium-term. The assistance will also promote policy measures to strengthen public finance management (building on those of the previous operation and of the EU's sectoral budgetary support operation), as well as measures to foster economic and financial integration with the EU, in particular by exploiting the potential offered by the future Association Agreement, which aims at concluding a Deep and Comprehensive Free Trade Agreement between the two parties.

BUDGETARY IMPLICATIONS: the grant element of the assistance of EUR 23 million would be financed from commitment appropriations of the 2011 budget, under the budget line 01 03 02 (Macroeconomic assistance), with payments taking place in 2011. In line with the Guarantee Fund Regulation, the provisioning of the Guarantee Fund is expected to take place in 2013 and to amount to a maximum of EUR 2.1 million. This corresponds to 9% of the EUR 23 million loan expected to be disbursed in 2011.