## Basic information

| | |
|---|---|
| **2017/0242(COD)**<br>COD - Ordinary legislative procedure (ex-codecision procedure)<br>Decision | Procedure completed |
| Further macro-financial assistance to Georgia<br>See also 2010/0390(COD)<br>**Subject**<br>6.20.07 Macro-financial assistance to third countries<br>**Geographical area**<br>Georgia | |

## Key players

### European Parliament

| Committee responsible | Rapporteur | Appointed |
|---|---|---|
| INTA International Trade | TAKKULA Hannu (ALDE) | 11/10/2017 |
| | Shadow rapporteur<br>KOULOGLOU Stelios (GUE/NGL) | |

| Committee for opinion | Rapporteur for opinion | Appointed |
|---|---|---|
| AFET Foreign Affairs | MAMIKINS Andrejs (S&D) | 23/11/2017 |

### Council of the European Union

| Council configuration | Meetings | Date |
|---|---|---|
| General Affairs | 3611 | 2018-04-12 |

### European Commission

| Commission DG | Commissioner |
|---|---|
| Economic and Financial Affairs | MOSCOVICI Pierre |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 29/09/2017 | Legislative proposal published | COM(2017)0559 | Summary |

| | | | |
|---|---|---|---|
| 05/10/2017 | Committee referral announced in Parliament, 1st reading | | |
| 20/02/2018 | Vote in committee, 1st reading | | |
| 22/02/2018 | Committee report tabled for plenary, 1st reading | A8-0028/2018 | Summary |
| 14/03/2018 | Decision by Parliament, 1st reading | T8-0073/2018 | Summary |
| 14/03/2018 | Results of vote in Parliament |  | |
| 12/04/2018 | Act adopted by Council after Parliament's 1st reading | | |
| 18/04/2018 | Final act signed | | |
| 18/04/2018 | End of procedure in Parliament | | |
| 23/04/2018 | Final act published in Official Journal | | |

## Technical information

| | |
|---|---|
| **Procedure reference** | 2017/0242(COD) |
| **Procedure type** | COD - Ordinary legislative procedure (ex-codecision procedure) |
| **Procedure subtype** | Legislation |
| **Legislative instrument** | Decision |
| **Amendments and repeals** | See also 2010/0390(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** | INTA/8/11184 |

## Documentation gateway

**European Parliament**

| Document type | Committee | Reference | Date | Summary |
|---|---|---|---|---|
| Committee draft report | | PE612.257 | 27/10/2017 | |
| Amendments tabled in committee | | PE616.604 | 12/01/2018 | |
| Committee opinion | AFET | PE613.630 | 25/01/2018 | |
| Committee report tabled for plenary, 1st reading/single reading | | A8-0028/2018 | 22/02/2018 | Summary |
| Text adopted by Parliament, 1st reading/single reading | | T8-0073/2018 | 14/03/2018 | Summary |

**Council of the EU**

| Document type | Reference | Date | Summary |
|---|---|---|---|
| Draft final act | 00007/2018/LEX | 18/04/2018 | |

**European Commission**

| Document type | Reference | Date | Summary |
|---|---|---|---|

| | | | |
|---|---|---|---|
| Legislative proposal | COM(2017)0559 | 29/09/2017 | Summary |
| Document attached to the procedure | SWD(2017)0321 | 29/09/2017 | |
| Commission response to text adopted in plenary | SP(2018)242 | 24/05/2018 | |
| Follow-up document | SWD(2024)0238 | 22/10/2024 | |
| Follow-up document | SWD(2024)0239 | 22/10/2024 | |

**National parliaments**

| Document type | Parliament /Chamber | Reference | Date | Summary |
|---|---|---|---|---|
| Contribution | ES_PARLIAMENT | COM(2017)0559 | 21/11/2017 | |

**Additional information**

| Source | Document | Date |
|---|---|---|
| European Commission | EUR-Lex | |

**Final act**

Decision 2018/0598
OJ L 103 23.04.2018, p. 0008 Summary

# Further macro-financial assistance to Georgia

2017/0242(COD) - 14/03/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 570 votes to 108, with 25 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.

As a reminder, the Commission proposes to **make macro-financial assistance available to Georgia for a maximum amount of EUR 45 million** - of which EUR 35 million in the form of loans and EUR 10 million in the form of grants - to help the country to cover part of its external financing needs over the period 2017-2020.

The European Parliament's position adopted at first reading following the ordinary legislative procedure amends the Commission proposal to clarify that the Union's macro-financial assistance should also include measures to support the implementation of the association, including the Deep and Comprehensive Free Trade Agreement.

The specific objectives of the assistance should be defined in a **verifiable and measurable way** so that they can be properly evaluated.

In the event of failure to comply with the precondition and the objectives, or in the event of a general breach of the objectives and principles of the Association Agreement, the Commission should temporarily suspend or cancel the payment of the macro-financial assistance of the Union.

# Further macro-financial assistance to Georgia

2017/0242(COD) - 22/02/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on International Trade adopted the report by Hannu TAKKULA (ALDE, FI) on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia.

As a reminder, the Commission proposes to make macro-financial assistance available to Georgia for a maximum amount of **EUR 45 million** - of which EUR 35 million in the form of loans and EUR 10 million in the form of grants - to help the country to cover part of its external financing needs over the period 2017-2020.

The proposal provides that the provision of macro-financial assistance by the Union should:

- be subject to a **pre-condition** that the beneficiary country respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law and that it guarantees respect for human rights;
- have as specific objectives increased 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.

The committee recommended that the European Parliament's position adopted at first reading under the ordinary legislative procedure should amend the Commission proposal so as to make it clear that the Union's macro-financial assistance should also include **measures to support the implementation of the Association Agreement, including the Deep and Comprehensive Free Trade Agreement**. To ensure that specific objectives can be properly assessed, they need to be set out in a verifiable and measurable manner.

If the precondition and the objectives are not met or if the aims and principles of the Association Agreement are generally disregarded, the Commission should temporarily suspend or cancel the disbursement of the Union's macro-financial assistance.

# 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.

# Further macro-financial assistance to Georgia

2017/0242(COD) - 29/09/2017 - Legislative proposal

PURPOSE: to provide macro-financial assistance to Georgia.

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

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: relations between the European Union and Georgia continue to develop within the framework of the **European Neighbourhood Policy** (ENP) and the Eastern Partnership. The EU-Georgia Association Agreement, which includes the gradual introduction of a Deep and Comprehensive Free Trade Area (DCFTA), was signed in June 2014 and entered into force on 1 July 2016.

Georgia continues to face a **weak external environment**, which, through reduced exports and remittances, has contributed to the relatively subdued GDP growth of 2.7% in 2016 (compared to 2.9% in 2015 and 4.6% in 2014). Georgia’s fiscal deficit remains significant and its public debt-to-GDP ratio has increased. Georgia’s balance of payments position remains vulnerable due to a very large current account deficit and high external debt.

In this context, the Georgian authorities and the IMF agreed, in April 2017, on a three-year (2017-2020) Extended Fund Facility (EFF) arrangement in the amount of **USD 285.3 million**. The aim of the EFF arrangement is to support an economic reform programme which will help Georgia reduce economic vulnerabilities, and promote higher and more inclusive economic growth.

In view of Georgia’s residual external financing needs, the **Georgian authorities requested complementary macro-financial assistance from the Union in June 2017**. The proposed new MFA operation is the third one after Georgia’s military conflict with Russia in August 2008. The first of those operations (EUR 46 million, fully in the form of grants) was implemented in 2009-2010 and the second (again EUR 46 million, half in grants and half loans) in 2015-2017.

The EU’s macro-financial assistance is an exceptional emergency instrument aimed at addressing severe balance-of-payment difficulties in third countries.

Given that there is still a **significant residual external financing gap in Georgia’s balance of payments** over and above the resources provided by IMF and other multilateral institutions, the Union macro-financial assistance to be provided to Georgia is, under the current exceptional circumstances, considered to be an **appropriate response** to Georgia’s request for support to the economic stabilisation, in conjunction with the IMF programme.

CONTENT: the proposed new MFA operation under consideration would amount to a maximum of **EUR 45 million.** It will help Georgia cover part of the external financing needs for the period of 2017-2020, which are estimated at USD 752 million. The operation will reduce the economy’s short-term balance of payments and fiscal vulnerabilities.

It will be designed and implemented in coordination with the adjustment and reform programmes Georgia has agreed with the IMF and the World Bank, as well as with the reforms agreed in the context of the EU’s budget support operations and the DCFTA.

The Commission proposes to provide the amount of the assistance **in the form of medium-term loans of up to EUR 35 million and grants of up to EUR 10 million**.

The Commission is considering releasing the assistance in two instalments.

Disbursements would be conditional on successful reviews under the IMF programme and on the effective drawing by Georgia on IMF funds. The Commission and the Georgian authorities would agree on a specific set of structural reform measures, to be defined in a **Memorandum of Understanding**. These reform measures would support the authorities’ reform agenda and complement the programmes agreed with the IMF and the World Bank.

A pre-condition for granting the Union’s macro-financial assistance shall be that Georgia **respects effective democratic mechanisms** – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights.

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.

Both the fulfilment of the preconditions and the achievement of those objectives should be **regularly monitored** by the Commission and the European External Action Service

The Commission should also regularly inform the Council and the Parliament about developments relating to the assistance and provide them with relevant documents.

BUDGETARY IMPLICATION: assistance shall be provided in the form of a loan and grants.

**The loan part** will be financed through a borrowing operation that the Commission will conduct on behalf of the EU.

Assuming that the two loan disbursements (of EUR 15 million for the first tranche and EUR 20 million for the second tranche) will be made in 2018, the provisioning will take place in the 2020 budget, in accordance with the rules governing the Guarantee Fund mechanism, for an amount of EUR 3.15 million.

**The grant element** of the assistance (EUR 10 million in total, i.e. EUR 5 million for each of the two tranches) will be financed from commitment appropriations of the 2018 budget, under the budget line 01 03 02 (Macro-financial assistance), with payments also taking place in 2018.