



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 26 April 2012

**Interinstitutional File:
2010/0390 (COD)**

**5682/12
ADD 1**

**ECOFIN 56
RELEX 51
COEST 16
NIS 3
CODEC 187
OC 30**

DRAFT STATEMENT OF THE COUNCIL'S REASONS

from: General Secretariat of the Council

to: COREPER/COUNCIL

Subject: Position of the Council 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

COMMON GUIDELINES

- Consultation deadline: 02.05.2012

Encl.:

I. INTRODUCTION

The Commission adopted its proposal on 13 January 2011.

The European Parliament adopted its position at first reading at its plenary session on 10 May 2011. The European Parliament adopted three amendments.

On 23 January 2012, the Council reached a political agreement on the text of the proposal.¹

II. OBJECTIVE

In the aftermath of the August 2008 armed conflict with Russia and in the context of the global financial crisis, an amount of up to EUR 500 million of EU assistance to support the Georgian economy was pledged by the European Commission at the International Donors' Conference of October 2008. The pledge included two possible macro-financial assistance (MFA) operations of EUR 46 million.

The EU completed in early August 2010 the disbursement of the first MFA operation approved by the Council in November 2009². The approval of the second MFA operation 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. The Commission considers that the activation of the second part of the MFA pledged in 2008 is warranted as, despite a recovery of the Georgian economy, the balance of payments and budgetary position remain weak and vulnerable.

¹ Doc. 18792/11.

² Council Decision 2009/889/EC of 30 November 2009 providing macro-financial assistance to Georgia.

The proposal aims at contributing to covering the country's external financing needs, as identified in cooperation with the IMF in the context of the IMF Stand-By Arrangement (SBA) of USD 1.17 billion, in place since October 2008. The proposed assistance would be provided half in grants and half in loans.

III. ANALYSIS OF THE COUNCIL'S POSITION AT FIRST READING

On 1 March 2011, *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.

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.³

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.

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

³ OJ C 145, 30.6.2007, p. 5.

Recital (18) - implementing powers

European Parliament amendment 1

The drafting of recital (18) 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.

Amendment 1 has been included in the Council's position at first reading.

Article 2 - Adoption of the Memorandum of Understanding

European Parliament amendment 2

Amendment 2 of the European Parliament foresees the adoption of a Memorandum of Understanding containing the economic policy and financial conditions to which the Union macro-financial 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

European Parliament amendment 3

Amendment 3 of the European Parliament 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 addition, the Council proposes to add that in cases where the committee delivers no opinion, the Commission shall not adopt the draft implementing act.

IV. 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.
