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'I' ITEM NOTE

From: Working Party of Financial Counsellors
To: Permanent Representatives Committee (part 2)
Subject: Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL providing further macro-financial assistance to Tunisia.
= Negotiating mandate

I. INTRODUCTION

1. On 12 February 2016, upon Tunisia's request and following an ex-ante evaluation, the Commission proposed additional macro-financial assistance (MFA) to Tunisia of up to EUR 500 million in loans (ST 6100/16). The assistance aims to support Tunisia's economic stabilisation and substantive reform agenda, and shall contribute to covering Tunisia's balance of payments needs.
2. The proposal was examined by the Working Party of Financial Counsellors on 15 February, 11 March, 4 April and 19 April. The Presidency aims at an agreement on a mandate in order to start negotiations with the European Parliament.

II. STATE OF PLAY

3. During the Working Party meetings, Member States voiced strong support for an MFA loan of EUR 500 million to Tunisia and for a swift legislative process. At the same time, a large number of Member States also stated their concerns that by introducing several changes in the Decision compared to previous Decisions granting macro-financial assistance the Commission has deviated from the Joint Declaration by the European Parliament and the Council attached to Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013. In particular these concerns related to the process and to the contents of some of these deviations, in particular the deletion in Article 3(1) of "which shall include a timeframe for the fulfilment of those conditions". Also, some Member States were hesitant to accept the deletion of the word "satisfactory" in Article 4(3)(c) and of the word "continuously" in Article 4(4).
4. The Working Party also took note of the draft report of the rapporteur of the European Parliament which proposes to accept the Commission's proposal without amendments.
5. Given the unanimous support for the MFA loan to Tunisia, the strong support for moving swiftly in the legislative process and given the exchanges in the Working Party meetings referred to in paragraph 3, and while noting the European Parliament rapporteur's intention, the Working Party agreed to the following principles for the Presidency to take into account when negotiating the MFA Tunisia II proposal with the European Parliament:
 - a) There is unanimous support for the Union to rapidly provide macro-financial assistance to the Republic of Tunisia;
 - b) As the situation in Tunisia is urgent and requires macro-financial assistance at the earliest possible moment, it is essential to work swiftly and constructively together with the European Parliament;

- c) In that context, and noting that the Joint Declaration by the European Parliament and the Council attached to Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013 enabled the swift legislative process of recent MFA, the Commission's deviation from the Joint Declaration, by proposing several changes in the Decision compared to previous Decisions granting macro-financial assistance, is regrettable;
- d) Accordingly, it should not be seen as constituting a precedent for future proposals for macro-financial assistance;
- e) Granting a MFA will continue to be attached to clear, verifiable conditionality to support a successful reform agenda in Tunisia. Concerning the deletion of a reference in the Decision to the time-frame for the fulfilment of conditions to which the Union's macro-financial assistance is subject, there is an understanding that: i) appropriate time-frames for the fulfilment of conditions will be included into the Memorandum of Understanding agreed between the European Union and the Republic of Tunisia, in line with current practise; and ii) this modification will not change the way the Commission monitors the implementation of conditions for this MFA;
- f) In the interest of the overarching political urgency for supporting Tunisia, delegations could agree to the Commission proposal without amendments, provided that the European Parliament is also ready to accept the Commission proposal without amendments.
6. The Working Party also discussed the absence of an impact assessment to the proposal at its meeting of 15 February. The Commission justified the absence of an impact assessment by arguing that no Impact Assessment was required according to its Better Regulation Guidelines as there is a political imperative to move ahead quickly in this emergency situation requiring a rapid response. Member States did not object to this explanation. Furthermore, when additional information on the budgetary impact of the proposal was requested, the Commission provided this information in a timely manner. The Working Party requested the Commission to provide this type of additional information on the budgetary impact for future MFA projects as an integrated part of the proposal, with the aim of increasing the swiftness of the legislative process. The Commission took note of this request.

III. CONCLUSION

7. Against this background the Permanent Representatives Committee is invited to:
- endorse the negotiating principles with regard to the proposed decision, agreed by the Working Party of Financial Counsellors, as stated in paragraph 5 of this Note;
 - agree on a mandate with regard to the proposed decision, namely to accept the Commission proposal without amendments (as set out in doc. ST6100/16); and
 - invite the Presidency to conduct negotiations with the European Parliament on the basis of the principles and the mandate.
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