



EUROPEAN COMMISSION

Brussels, 20.12.2011
COM(2011) 925 final

2011/0458 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

providing macro-financial assistance to the Kyrgyz Republic

{SEC(2011) 1619 final}

EXPLANATORY MEMORANDUM

(1) Context of the proposal

- **Grounds for and objectives of the proposal**

In 2009, the Kyrgyz Republic was hit by the global crisis. Shortly after, its economic problems were aggravated by a popular revolt, which in April 2010 deposed the regime of President Bakiyev under allegations of corruption and lack of democracy. In a vacuum of power, inter-ethnic violence erupted in June 2010 in the South of the country, leaving close to 470 people dead and about 300,000 displaced. In spite of these tragic events, the new, interim government secured an approval vote for democratic reforms in a constitutional referendum held on 27 June 2010. The new Constitution, in particular, strengthens the powers of the parliament. Free parliamentary elections were held in October 2010 establishing the first parliamentary democracy in the region. Elections resulted in a broad coalition government. While the political situation remains fragile, presidential elections took place on 30 October 2011 and a newly elected president took office on 1 December 2011, while the government is leading a steady process of democratisation and reform that stands in contrast to the political situation in the neighbouring countries of Central Asia.

In support to the pro-democratic Kyrgyz authorities' efforts to alleviate the consequences of the tragic events, the international community pledged support for the country at a donors' conference in July 2010. The EU was among the major donors. The IMF extended help to the Kyrgyz Republic in 2010 with a three-month Rapid Credit Facility. In June 2011, the IMF agreed with the Kyrgyz Republic authorities on a follow-up arrangement (an Extended Credit Facility) in the amount of USD 106 million in support of a comprehensive economic adjustment and reform programme for the period mid-2011 to mid-2014.

In 2010, the President and the Minister of Finance of the Kyrgyz Republic formally requested the EU macro-financial assistance (MFA) to complement the support from the IMF.

In this context, the Commission has assessed the macroeconomic situation and financing needs of the Kyrgyz Republic. The main conclusions of the assessment are that last year's tragic political events and the related social and reconstruction expenditure have left important external and fiscal financing needs for the period 2011-12. While these needs are being partly covered by the international community, there are still substantial residual needs.

In order to supplement the resources made available by the IMF, the Commission proposes providing a MFA in the amount of up to EUR 30 million to the Kyrgyz Republic to be disbursed half in loans and half in grants. The current account deficit is projected to remain at around 8% of GDP in 2011 and 2012 before gradually declining to about 5% of GDP by 2014. Based on the projections for the current account, private capital inflows and official financing (excluding budgetary support operations), the IMF programme estimates a balance of payments financing gap of USD 271 million in 2011 and of USD 149 million in 2012. After deducting net financing from the IMF and disbursements of budgetary support operations from the World Bank, this leaves a residual external financing gap of some USD 330 million for the two years, to be

covered by other donors. The proposed MFA operation (EUR 30 million) would correspond to about 12.4% of the residual external financing gap for 2011-12.

Providing MFA to the Kyrgyz Republic, in parallel to the implementation of the IMF ECF arrangement and to the provision of financial support by other multilateral (World Bank) and regional (Asian Development Bank and EurAsEC Anti-Crisis Fund) donors, would be justified on the following grounds:

- Helping to cover the country's estimated balance of payments financing gap;
- By supporting the adoption of an appropriate macroeconomic and structural reform framework, MFA can both underpin economic and political stability and increase the effectiveness of interventions through other EU support instruments;
- Contributing to maintaining economic stability in the country during this critical period helps the pro-democracy authorities to prevent the reoccurrence of inter-ethnic violence which would have negative political and economic spillover effects on the other countries of the region;
- EU political and economic support to the Kyrgyz Republic's incipient parliamentary democracy would provide a political signal of strong EU support to democratic reforms in Central Asia, consistent with the EU policy towards the region spelled out in the Strategy for Central Asia for 2007-2013 and with statements by EU leaders;
- Such support would also be consistent with the emphasis on strengthening the link between EU external assistance and progress with democracy and human rights, made more explicit recently in the context of the last review of the ENP and in March 2011 Joint Communication on the Southern neighbourhood;
- In the same vein, it would signal to the other countries in the region that the EU is ready to support countries like the Kyrgyz Republic, embarking on a clear path towards democratisation and political reforms, in moments of economic difficulties.

In this context, and given the EU's strong political support for Kyrgyz incipient parliamentary democracy, the Commission considers that the political and economic pre-conditions for a MFA operation of a moderate amount are satisfied. While the Kyrgyz Republic is out of the normal geographical scope of MFA, the Genvol criteria foresee, in exceptional circumstances, the possibility of approving operations outside that area. The EU MFA would aim at contributing to covering the country's external financing needs, as identified in cooperation with the IMF in the context of the IMF's ECF.

The proposed MFA would support the economic reform agenda of the government as agreed with the international donor community. 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 short-term. The assistance would also promote policy measures to strengthen public finance management (building on measures supported by the ongoing the EU's sectoral budgetary support operation), tax reforms to underpin fiscal sustainability as well as measures to strengthen the banking system.

The proposed new MFA would be exceptional and limited in time and is intended to run in parallel to the IMF ECF. It would complement support from international and bilateral donors.

- **General context**

The marked deceleration in growth experienced by the Kyrgyz economy in 2009 (GDP slowed down from an average rate of 8.5% in 2007-08 to 2.3% in 2009) was a consequence of several external shocks, including a fall in remittances from migrant workers, lower demand for exports and shrinking direct and other foreign investments. Before the dramatic events of 2010, economic growth was expected to rebound in 2010 to 4.5-5.5%. However, the 2010 April popular revolt and, more importantly, the escalation of the ethnic conflict in June led to a serious deterioration in the economic outlook. Border closures, notably with Kazakhstan, hampered trade, while the security situation markedly impacted tourism and partly disrupted agricultural production. Economic activity contracted by 10% in the second quarter of 2010. For the year as a whole, real GDP declined by 1.4%. GDP expanded again by 5.5% in the first half of 2011 as the agricultural and mining sectors and remittances recovered.

The fiscal deficit increased from 3.5% of GDP in 2009 to 6.5% of GDP in 2010, reflecting the budgetary cost of the crisis-related measures and the negative effect of weaker economic activity. However, due to a lack of capacities to implement reconstruction projects the actual deficit was significantly lower than a deficit of 12% of GDP forecasted by the IMF. Part of the unrealised spending in 2010 was transferred to 2011, contributing to the expansion of the planned budget deficit to 7.6% of GDP. Energy projects financed by the soft loans from neighbouring countries could add an additional 0.7 percentage point of GDP to the 2011 budget deficit. The increase in the deficit also reflects the government's decisions to maintain the pension increases granted by the previous government and to increase wages for teachers and health care employees to bring them from below the subsistence level. The IMF considers that the temporary deterioration of the fiscal position in 2011 contributes to underpinning the economic recovery and is understandable from a political viewpoint. At the same time, the IMF programme assumes a considerable effort of fiscal consolidation for the remainder of the programme period. In September 2011, the IMF staff preliminary agreed with the government to tighten further the medium-term fiscal targets under the ECF programme, with the fiscal deficit (excluding energy infrastructure projects) declining gradually from about 8% of GDP in 2011 to 3.8% of GDP by 2014.

A jump in the global food and energy prices led to a spike of a year-on-year inflation from 0% at the end of 2009 to 22.7% in June 2011. While food and energy prices explain most of the acceleration in inflation, there is also evidence that price pressures have begun to spill over to other products. The central bank has tightened monetary policy substantially since the mid-2010. As part of its tightening measures, the central bank has stepped up its sales of short-term notes, raised reserve requirements from 8% to 9%, and increased the discount rate from 2.7% in mid-2010 to over 13% in September 2011. These measures are gradually starting to work as according to the IMF forecast headline inflation is expected to decline from 17.5% in August 2011 to 13% by the end of 2011.

The external position of the very open Kyrgyz economy remains vulnerable due to volatility in terms of trade, which leaves the financing of the large current account

deficit uncertain. Indeed, the balance of payments difficulties emerged already in 2008, because of a hike in imported commodity prices and a drop in electricity exports. Prices of imported commodities went up again in 2010. Moreover, in 2010 agricultural exports and services such as tourism and transit transportation were hit by the shutdown of the borders by the neighbouring countries, due to security concerns. The current account deficit is projected to reach around to 8% of GDP in 2011 and 2012. This is based on the assumption of external donor financing, covering the (above mentioned) USD 330 million residual external financing gap (after financing from the IMF and budgetary support operations by the World Bank).

The nominal value of foreign exchange reserves reached USD 1.9 billion by September 2011, but the import coverage ratio by the foreign exchange reserves declined from 4.9 months in 2009 to an estimated 4 months in mid-2011, as the nominal value of imports grew faster than foreign exchange reserves. While the import coverage ratio is close to an appropriate level based on conventional assumptions, the IMF estimates that reserves would fall below advisable levels in the absence of official balance of payment support. Moreover, the external position remains highly vulnerable to exogenous shocks linked to fluctuations in international commodity prices.

The central bank operates a managed floating exchange rate regime, allowing the exchange rate to adjust in case of substantial pressures or shocks while aiming at maintaining a competitive exchange rate. In the context of the global financial crisis, the exchange rate came under significant downward pressure between August 2008 and August 2009. This was followed by a period of relative exchange rate stability between September 2009 and June 2010. Since then, the national currency has tended to depreciate at a moderate pace. The current level of the exchange rate is estimated by the IMF to be broadly in line with fundamentals.

In response to last year's political events and their economic implications, the international community organised a High Level Donors Meeting for the Kyrgyz Republic on 27 July 2010 in Bishkek. At this conference, donors committed to provide USD 1.1 billion in emergency support by the end of 2011. The EU was among the major donors, pledging EUR 117.9 million for support in a number of critical areas. The World Bank pledged USD 200 million, including two emergency operations: a USD 70 million Emergency Recovery Project and an Economic Recovery Support Operation (ERSO) in the amount of USD 30 million. The Asian Development Bank (ADB) pledged USD 100 million in the form of a budgetary support operation known as Emergency Assistance for Recovery and Reconstruction. The Kyrgyz Republic has also requested support of USD 106.7 million from the Eurasian Economic Community (EurAsEC) Anti-Crisis Fund (in the form of a soft loan). However, the loan disbursement is being repeatedly delayed.

The IMF's Rapid Credit Facility (RCF) of SDR 22.2 million was implemented in September-December 2010. The authorities met all the targets of the RCF programme, building a good track-record for the follow-up programme. However, not being a full-fledged upper credit tranche arrangement and being of a very short-term nature, the RCF was not sufficient for the Commission to be able to consider at that stage putting forward an MFA proposal. The IMF in June 2011 agreed with the Kyrgyz authorities on an Extended Credit Facility (ECF) of SDR 66.6 million (USD 106 million) in support of a three-year programme of macroeconomic adjustment and structural reforms. The ECF established a framework for medium-term economic policies and

reforms. The IMF reached a staff level agreement with the Kyrgyz authorities on the first review of the ECF in September 2011, envisaging even more ambitious fiscal consolidation measures in light of better than expected economic and fiscal performance.

The Kyrgyz Republic, with support from several donors (the EC, the ADB, the World Bank and the UN) prepared a Country Development Strategy (CDS) for 2012-14, which has already been approved by the government. The CDS cover a wide range of policy areas ranging from judicial macroeconomic policy to public order and judicial reform and trade and environmental policy.

- **Existing provisions in the area of the proposal**

None

- **Consistency with the other policies and objectives of the Union**

EU cooperation with the Kyrgyz Republic is based on a Partnership and Cooperation Agreement (PCA) that entered into force in 1999. The EU grants Generalised System of Preferences (GSP) treatment to the Kyrgyz Republic.

The EU Foreign Affairs Council, in its conclusions on the Kyrgyz Republic of 26 July 2010, welcomed the efforts of the new Kyrgyz government to establish a democratic institutional framework and invited the Commission to 'continue providing assistance, including new assistance programmes, to the Kyrgyz authorities in the implementation of their reform programme and to contribute to sustainable economic and social development of the country'. In October 2010, High Representative and Commission Vice-President Ashton welcomed the peaceful conduct of the Parliamentary elections and reiterated that the EU stands ready to assist the Kyrgyz Republic, including in promoting economic recovery.

The European Commission pledged up to EUR 117.9 million of assistance to Kyrgyz Republic at the July 2010 High Level Donors Meeting. The sources of the funding include crisis instruments, such as the Instrument for Stability, Humanitarian Aid, and the Development Cooperation Instrument (DCI) and allocations under a number of thematic budget lines. The assistance focuses mainly on rural development and agricultural sector, the education sector, social security and legal reforms. The EU intends to provide sectoral budget support to the Kyrgyz Republic under the DCI for a total of EUR 33 million over the period 2011 – 2013 to support reforms in social protection, education and public financial management. Disbursements under these programmes and projects are taking place over the medium-term and are conditional on the implementation of agreed actions by the Kyrgyz authorities. The MFA, by supporting the adoption of an appropriate macroeconomic and structural reform framework, would support the effectiveness of the above interventions.

(2) Consultation of interested parties and impact assessment

- **Consultation of interested parties**

MFA is provided as an integral part of the international support to the economic stabilisation and recovery programme of the Kyrgyz Republic. The Commission services cooperated closely with the IMF and WB in the preparations for the High Level Donors Meeting and consultations on the implementation of the pledged package have been held with the multilateral and bilateral donors. In the preparation of this proposal for MFA, the Commission services have consulted the International Monetary Fund. The Commission consulted the EU Member States in the Economic and Financial Committee and in the Financial Counsellors Working Party before submitting its proposal for MFA. The Commission has also been in regular contact with the Kyrgyz authorities.

- **Collection and use of expertise**

An Operational Assessment verifying the quality and reliability of the Kyrgyz Republic's public financial circuits and administrative procedures will be carried out by the Commission with the assistance of external experts.

- **Impact assessment**

The MFA and the economic adjustment and reform programme attached to it will help alleviate the Kyrgyz Republic's short-term financing needs while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability and raising sustainable growth as agreed with the IMF. It will notably help improve the efficiency and transparency of public finance management. An ex-ante evaluation was carried out and accompanies this proposal. It analysis the macro-economic situation, the reform challenges, the risks and the EU added value of this operation.

(3) Legal elements of the proposal

- **Summary of the proposed action**

The European Union shall make MFA available to the Kyrgyz Republic for a total maximum amount of EUR 30 million, half of which will be provided as loans and half as grants. The assistance will contribute to cover the Kyrgyz Republic's residual external financing needs in 2012, as identified by the Commission based on the estimates of the IMF.

The assistance is planned to be disbursed in 2012 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, are applicable. The disbursement of the first instalment is expected to take place in the first semester of 2012. The second

instalment, conditional on a number of policy measures, could be disbursed in the second semester of 2012.

As usual with the MFA instrument, the disbursements would be conditional on successful programme reviews under the IMF's financial arrangement (the ECF). In addition, the Commission and the Kyrgyz authorities would agree on specific structural reform measures in a Memorandum of Understanding. The Commission will target structural reforms aimed at improving the overall macroeconomic management and the conditions for sustainable growth (e.g. targeting the transparency and efficiency of public finance management, fiscal reforms and the financial stability).

The decision to disburse half of the proposed assistance in grants and the other half in loans is justified by Kyrgyz level of development (as measured by its per-capita income) and debt indicators. It is also consistent with the treatment given to the Kyrgyz Republic by the World Bank, the Asian Development Bank and the IMF, as an IDA-only country with access to these institutions' financing facilities in highly concessional terms.

- **Legal basis**

The legal basis for this proposal is Article 209 TFEU as the Kyrgyz Republic should be considered as being a developing country in the sense of Article 208 TFEU. According to the International Monetary Fund, the Kyrgyz Republic falls under the category of "emerging and developing economies"; according to the World Bank, the Kyrgyz Republic is part of the group of "low-income economies" and "IDA countries"; according to the UN-OHRLS¹, the Kyrgyz Republic falls under the category of

¹ UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.
² Article 5 of Council Regulation (EC, Euratom) No 480/2009 of 25 May 2009 establishing a Guarantee Fund for external action (codified version). The provisioning is appropriated from "the provisioning of the Guarantee Fund" (budget line 01 04 01 14).
³ OJ C [...], [...], p. [...].
⁴ Position of the European Parliament of ... 2012 and Decision of the Council of ... 2012.
⁵ OJ L 55, 28.2.2011, p. 13.
⁶ UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.
⁷ OJ L 248, 16.9.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).
⁸ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
⁹ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.
¹⁰ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html
¹¹ As referred to in Article 185 of the Financial Regulation.
¹² Diff. = Differentiated appropriations / Non-diff. = Non-Differentiated Appropriations.
¹³ EFTA: European Free Trade Association.
¹⁴ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.
¹⁵ Year N is the year in which implementation of the proposal/initiative starts (2012).
¹⁶ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.
¹⁷ Year N is the year in which implementation of the proposal/initiative starts.
¹⁸ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
¹⁹ As described in Section 1.4.2. "Specific objective(s)..."

"landlocked-developing country"; according to the OECD/Development Assistance Committee, the Kyrgyz Republic is in the list of "other low income countries".

- **Subsidiarity principle**

The proposal falls under the mixed competence of the EU. The subsidiarity principle applies to the extent that the objectives of restoring short-term macroeconomic stability in the Kyrgyz Republic cannot be sufficiently achieved by the Member States alone and can therefore be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectiveness of the assistance.

- **Proportionality principle**

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability and does not go beyond what is necessary for that purpose.

As identified by the Commission based on the estimates of the IMF in the context of the ECF Arrangement, the amount of the assistance corresponds to 12.4% of the residual financing gap for the period 2011-2012. This is consistent with standard rules on burden-sharing for MFA operations. Given the assistance pledged to the Kyrgyz Republic by other bilateral and multilateral donors and creditors, it is deemed an appropriate level of burden-sharing for the EU.

- **Choice of instruments**

Other instruments would not be adequate, because, in the absence of a framework regulation for the Macro-Financial Assistance instrument, ad hoc European Parliament and Council decisions under Article 209 or 212 TFEU are the right legal instruments for this assistance.

Project finance or technical assistance would not be suitable or sufficient to address these macroeconomic objectives. The key value added of the MFA in comparison to other EU instruments would be to alleviate the external financial constraint and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for structural reforms. By helping to put in place an appropriate overall framework for macroeconomic and structural policies, MFA can increase the effectiveness of the actions financed in the Kyrgyz Republic under other, more narrowly focused EU financial instruments.

(4) Budgetary implications

The grant element of the assistance (EUR 15 million) would be financed from commitment appropriations of the 2012 budget, under the budget line 01 03 02 (Macroeconomic assistance), with payments taking place in 2012.

In line with the Guarantee Fund Regulation², the provisioning of the Guarantee Fund is expected to take place in 2014 and to amount to a maximum of EUR 1.35 million. This corresponds to 9% of the EUR 15 million loan expected to be disbursed in 2012.

(5) Additional information

- **Review/revision/sunset clause**

The proposal includes a sunset clause. The proposed MFA would be made available for two years, starting from the first day after the entry into force of the Memorandum of Understanding.

2011/0458 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

providing macro-financial assistance to the Kyrgyz Republic

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 209 thereof,

Having regard to the proposal from the European Commission³,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure⁴,

Whereas:

- (1) Cooperation with the EU is based on a Partnership and Cooperation Agreement (PCA) that entered into force in 1999. The EU grants Generalised System of Preferences (GSP) treatment to the Kyrgyz Republic.
- (2) Kyrgyz economy has been affected by the international financial crisis in 2009 and by the ethnic violence of June 2010, which disrupted economic activities, creating substantial public expenditure needs for reconstruction and social assistance, and resulted in important external and budgetary financial gaps.
- (3) At the High Level Donors Meeting held in July 2010, the international community pledged USD 1.1 billion in emergency support to assist in the recovery of the Kyrgyz Republic. The EU announced that it would provide up to EUR 117.9 million as financial assistance at this High Level Donors Meeting.
- (4) The EU Foreign Affairs Council, in its conclusions on the Kyrgyz Republic of 26 July 2010, welcomed the efforts of the new Kyrgyz government to establish a democratic institutional framework and invited the Commission to "continue providing assistance, including new assistance programmes, to the Kyrgyz authorities in the implementation of their reform programme and to contribute to sustainable economic and social development of the country".
- (5) EU political and economic support to the Kyrgyz Republic's incipient parliamentary democracy will provide a political signal of strong EU support to democratic reforms in Central Asia,

consistent with the EU policy towards the region spelled out in the Strategy for Central Asia for 2007-2013 and with statements by EU leaders.

- (6) The economic adjustment and reform process of the Kyrgyz Republic is supported by financial assistance from the International Monetary Fund (IMF). In June 2011, the Kyrgyz authorities agreed with the three-year IMF Extended Credit Facility of SFR 66.6 million in support of the country.
- (7) The EU intends to provide sectoral budget support to the Kyrgyz Republic under the Development Cooperation Instrument for a total of EUR 33 million over the period 2011 – 2013 to support reforms in social protection, education and public financial management.
- (8) The Kyrgyz Republic requested in 2010 EU macro-financial assistance in view of the worsening economic situation and outlook.
- (9) Given that, after taking into account macroeconomic support from the IMF and the World Bank, there is still a residual financing gap in the balance of payments, and given the vulnerability of the external position to exogenous shocks which requires maintaining an appropriate level of the foreign exchange reserves, macro-financial assistance is considered an appropriate response to the Kyrgyz Republic's request under the current exceptional circumstances. The EU's macro-financial assistance programme to the Kyrgyz Republic (hereinafter "the Union's macro-financial assistance") would support the country's economic stabilisation and the structural reform agenda, supplementing the resources being made available under the IMF's financial arrangement.
- (10) The Union's macro-financial assistance should not merely supplement programmes and resources from the IMF and the World Bank, but should also ensure the added value of Union's involvement.
- (11) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in line with the measures taken within the different areas of external action and other relevant Union policies.
- (12) The specific objectives of the Union's macro-financial assistance should strengthen efficiency, transparency and accountability of the public finance management in the Kyrgyz Republic. These objectives should be regularly monitored by the Commission.
- (13) The conditions underlying the provision of the Union's macro-financial assistance should reflect the key principles and objectives of the Union's policy towards the Kyrgyz Republic.
- (14) In order to ensure efficient protection of the EU's financial interests linked to this macro-financial assistance, it is necessary that the Kyrgyz Republic adopt appropriate measures relating to the prevention of, and the fight against, fraud, corruption and any other irregularities linked to this assistance. It is also necessary that the Commission provide for appropriate controls and that the Court of Auditors provide for appropriate audits.
- (15) The release of the EU's financial assistance is without prejudice to the powers of the budgetary authority.

- (16) The assistance should be managed by the Commission. In order to ensure that the European Parliament and the Economic and Financial Committee are able to follow the implementation of this Decision, the Commission should regularly inform them of developments relating to the assistance and provide them with relevant documents.
- (17) 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 of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers⁵.
- (18) Economic policy conditions, to be laid down in a Memorandum of Understanding, will be attached to the Union's macro-financial assistance. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Kyrgyz authorities under the supervision of the Committee of the Member States foreseen by Regulation (EU) No 182/2011. The fact that the assistance is of a limited maximum amount provides for the due justification required by the second sentence of Article 2(3) of Regulation (EU) No 182/2011 to subject the adoption of the Memorandum of Understanding to the advisory procedure.
- (19) According to the International Monetary Fund, the Kyrgyz Republic falls under the category of "emerging and developing economies"; according to the World Bank, the Kyrgyz Republic is part of the group of "low-income economies" and "IDA countries"; according to the UN-OHRLLS⁶, the Kyrgyz Republic falls under the category of "landlocked-developing country"; according to the OECD/Development Assistance Committee, the Kyrgyz Republic is in the list of "other low income countries". Therefore, the Kyrgyz Republic should be considered as being a developing country in the sense of Article 208 TFEU, which justifies the choice of Article 209 TFEU as a legal basis for this Decision.

HAVE ADOPTED THIS DECISION:

Article 1

1. The European Union shall make macro-financial assistance available to the Kyrgyz Republic for a maximum amount of EUR 30 million, with a view to supporting the country's economic stabilisation and covering its balance of payments needs as identified in the current IMF programme. Of this amount, up to EUR 15 million shall be provided in the form of loans and up to EUR 15 million in the form of grants. The release of the proposed macro-financial assistance is subject to the approval of the 2012 Budget by the budgetary authority. The Commission is empowered to borrow the necessary resources on behalf of the European Union in order to finance the loan component of the Union's macro-financial assistance. The loan shall have a maximum maturity of 15 years.
2. The release of the Union's financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the IMF and the Kyrgyz Republic and with the key principles and objectives of economic reforms set out in the the EU-Kyrgyz Republic Partnership and Cooperation Agreement and in the Strategy for Central Asia for 2007-2013. The Commission shall regularly inform the European Parliament

and the Economic and Financial Committee of developments in the management of the assistance and provide them with relevant documents.

3. The European Union financial assistance shall be made available for two years starting from the first day after the entry into force of the Memorandum of Understanding referred to in Article 2(1).

Article 2

1. The Commission, acting in accordance with the advisory procedure referred to in Article 6(2), shall be empowered to agree with the authorities of the Kyrgyz Republic on the economic policy and financial conditions attached to the European Union macro-financial assistance, to be laid down in a Memorandum of Understanding which shall include a timeframe for their fulfilment (hereafter the 'Memorandum of Understanding'). The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(3). These conditions will aim, in particular, at strengthening the efficiency, transparency and accountability of the assistance, including public finance management systems in the Kyrgyz Republic. Progress in attaining these objectives shall be regularly monitored by the Commission. The detailed financial terms of the assistance shall be laid down in the Grant Agreement and the Loan Agreement to be agreed between the Commission and the authorities of the Kyrgyz Republic.
2. During the implementation of the European Union financial assistance, the Commission shall monitor the soundness of the Kyrgyz Republic's financial arrangements, the administrative procedures and the internal and external control mechanisms which are relevant to such assistance and the adherence to the agreed timeframe.
3. The Commission shall verify at regular intervals that the economic policies of the Kyrgyz Republic are in accordance with the objectives of the Union's macro-financial assistance and that the agreed economic policy conditions are being satisfactorily fulfilled. In doing so, the Commission shall coordinate closely with the IMF and the World Bank, and, when required, with the Economic and Financial Committee.

Article 3

1. Subject to the conditions of paragraph 2, the European Union financial assistance shall be made available by the Commission to the Kyrgyz Republic in two instalments, each of them consisting of a loan and a grant element. The size of each instalment shall be laid down in the Memorandum of Understanding.
2. The Commission shall decide on the release of the instalments subject to a satisfactory implementation of the economic policy conditions agreed in the Memorandum of Understanding. The disbursement of the second instalment shall not take place earlier than three months after the release of the first instalment.
3. The European Union funds shall be paid to the National Bank of the Kyrgyz Republic. Subject to provisions to be agreed in the Memorandum of Understanding, including a confirmation of

residual budgetary financing needs, the Union funds may be transferred to the Treasury of the Kyrgyz Republic as the final beneficiary.

Article 4

1. The borrowing and lending operations related to the loan component of the European Union assistance shall be carried out in euro using the same value date and shall not involve the European Union in the transformation of maturities, in any exchange or interest rate risks, or in any other commercial risk.
2. The Commission shall take the necessary steps, if the Kyrgyz Republic 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 borrowing operations.
3. At the request of the Kyrgyz Republic and where circumstances permit an improvement of the interest rate of the loan, the Commission may refinance all or part of its initial loan or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average maturity of the loan concerned or increasing the amount of capital outstanding at the date of the refinancing or restructuring.
4. All costs incurred by the European Union which are related to the borrowing and lending operations under this Decision shall be borne by the Kyrgyz Republic.
5. The European Parliament and the Economic and Financial Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3.

Article 5

The European Union financial assistance shall be implemented in accordance with the provisions of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities⁷ and its implementing rules. In particular, the Memorandum of Understanding, the Loan Agreement and the Grant Agreement to be agreed with the authorities of the Kyrgyz Republic shall provide for appropriate measures in relation to the prevention of, and the fight against, fraud, corruption and other irregularities affecting the assistance. In order to ensure greater transparency in the management and disbursement of funds, the Memorandum of Understanding, the Loan Agreement and the Grant Agreement shall also provide for controls, including on-the-spot checks and inspections, to be carried out by the Commission, including the European Anti-Fraud Office. Those documents shall, in addition, provide for audits, including where appropriate on-the-spot audits, by the Court of Auditors.

Article 6

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Article 7

1. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Decision in the preceding year, including an evaluation thereof. The report shall indicate the connection between the economic policy conditions as laid down in the Memorandum of Understanding, the Kyrgyz Republic's ongoing economic and fiscal performance and the Commission's decisions to release the instalments of the assistance.
2. No later than two years after the expiry of the availability period referred to in Article 1(4), the Commission shall submit to the European Parliament and to the Council an *ex post* evaluation report.

Article 8

This Decision shall take effect on the day of its publication in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Decision of the European Parliament and of the Council providing macro-financial assistance to the Kyrgyz Republic

1.2. Policy area(s) concerned in the ABM/ABB structure⁸

Policy area: Title 01 – Economic and Financial Affairs

Activity: 03 – International economic and financial affairs

1.3. Nature of the proposal/initiative

The proposal/initiative relates to **a new action**

The proposal/initiative relates to **a new action following a pilot project/preparatory action**⁹

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

"To promote prosperity beyond the EU"

The major area of DG ECFIN related activity pertains to:

Developing, monitoring and implementing macro-financial assistance for partner third countries, in co-operation with the relevant international financial institutions.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective No 3: "Providing macro-financial assistance to third countries in resolving their balance of payment crises and restoring external debt sustainability"

ABM/ABB activity(ies) concerned: International Economic and Financial Relations, global governance.

1.4.3. Expected result(s) and impact

The proposed assistance consists of an EU loan of EUR 15 million and a grant of up to EUR 15 million to the Kyrgyz Republic (the grant to be financed from the General Budget), with a view to contributing to a more sustainable balance of payments situation. Both loan and grant component of the assistance will be disbursed in two instalments. The assistance will help the country overcome the economic and social hardships endured as a result of the ethnic and political violence and the consequences of the global financial crisis. It will also promote structural reforms aimed at raising sustainable economic growth and improving public finance management.

An ex-ante evaluation (see the Staff Working Document accompanying the Commission proposal) was carried out by Commission services in September-October 2011. It concluded that the EU macro-financial assistance was warranted.

1.4.4. Indicators of results and impact

The authorities, notably the Ministry of Finance of the Kyrgyz Republic, will be required to report on a set of indicators to the Commission services on a regular basis. They will also provide a comprehensive report on the compliance with the agreed policy conditions ahead of the disbursement of the second instalment of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures that will be carried out in the Kyrgyz Republic in preparation of this operation. The Delegation of the European Union to the Kyrgyz Republic will also provide regular reporting on issues that are relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their insights from their on-going activities in the Kyrgyz Republic.

The present operation will be subject to ex-post evaluation within two years after the expiry of its implementation period.

An annual report to the Council and European Parliament is foreseen in the proposed decision of the European Parliament and the Council, comprising an assessment of the implementation of this assistance operation.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term

The disbursement of the assistance will be conditional upon a satisfactory track record in the implementation of the present three-year arrangement agreed between the Kyrgyz Republic and the IMF under the Fund's Extended Credit Facility (ECF). In addition, the Commission shall agree with the Kyrgyz authorities on a number of specific policy conditions which have to be met before the second instalment is released by the Commission. These policy measures shall be consistent with agreements reached by the Kyrgyz Republic with the IMF. Before the

release of the assistance, the Commission services, in co-operation with the national authorities, shall verify that the policy conditions have been fulfilled.

1.5.2. Added value of EU involvement

The Kyrgyz Republic is the country in the region committed to democratic reforms. By helping the country overcome the economic shock caused by the global recession and inter-ethnic conflict, the proposed MFA will contribute to promoting macroeconomic stability, economic reforms and political progress in the country. By complementing the resources made available by the international financial institutions, the EU and other donors, it contributes to the overall effectiveness of the package of financial support agreed by the international donor community in the aftermath of the crisis.

In addition to the financial impact of the MFA, the proposed programme will strengthen the government's reform commitment and its aspiration towards closer relations with the EU. This result will be achieved, inter alia, through appropriate conditionality for the disbursement of the assistance. In a larger context, the programme will signal to the other countries in the region that the EU is ready to support countries like the Kyrgyz Republic, embarking on a clear path towards democratization and political reforms, in moments of economic difficulties.

1.5.3. Lessons learned from similar experiences in the past

Recent external evaluations of macro-financial assistance programmes indicate that the practice of selecting a limited number of key structural reforms has been successful and suggests continuing this practice with adequate monitoring and close policy dialogue being maintained throughout the implementation period of the assistance.

1.5.4. Coherence and possible synergy with other relevant instruments

The EU was among the major donors in the July 2010 donor conference and pledged EUR 117.9 million for support in a number of critical areas. Part of these commitments came under emergency instruments (such as the Instrument for Stability – IfS - and ECHO humanitarian aid). Another part, coming mostly from the allocation under the Development Cooperation Instrument (DCI) and allocations under a number of thematic budget lines, consisted in the increase and the acceleration of disbursements under already approved programmes/projects. The assistance focuses mainly on rural development and agricultural sector, the education sector, social security and legal reforms. Support provided under the DCI includes a Sector Policy Support Programme (SPSP) in the amount of EUR 33 million over the period 2011 – 2013 to support reforms in social protection, education and public financial management. The key value added of the MFA in comparison to other EU instruments would be to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for structural reforms.

MFA does not provide a regular financial support nor is meant to support the economic and social development of the recipient countries. The MFA is to be discontinued as soon as the country's external financial situation has been brought back into a sustainable path. Afterwards, regular EU cooperation assistance instruments are meant to take over, notably the direct budget support provided under the DCI.

MFA is also meant to be complementary to interventions by the international financial institutions; in particular the IMF supported adjustment and reform programmes. The assistance of macroeconomic nature is released only if economic and financial policy conditions are fulfilled.

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

- Proposal/initiative in effect: for 2 years from the entry into force of the Memorandum of Understanding, as stated in Art 1(4) of the proposed Decision.
- Financial impact from 2012 to 2014 (provisioning of the Guarantee Fund and ex-post evaluation)

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) envisaged¹⁰

Centralised direct management by the Commission

Centralised indirect management with the delegation of implementation tasks to:

- executive agencies
- bodies set up by the Communities¹¹
- national public-sector bodies/bodies with public-service mission
- persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation

Shared management with the Member States

Decentralised management with third countries

Joint management with international organisations (*to be specified*)

Comments

Active cooperation will be sought from the EEAS headquarters and from the EU Delegations in the monitoring of the assistance.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported economic programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the ECF arrangement and specific reform measures to be agreed with the Kyrgyz authorities in a Memorandum of Understanding. The authorities, notably the Ministry of Finance, will be required to report on a set of indicators to the Commission services on a quarterly basis and will provide a comprehensive compliance report ahead of the disbursement of the second instalment of the operation.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures that will be carried out in the Kyrgyz Republic in preparation of this operation. The Delegation of the European Union to the Kyrgyz Republic will also provide regular reporting on issues that are relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their on-going activities in the Kyrgyz Republic.

An annual report to the Council and to the European Parliament is foreseen in the proposed decision of the European Parliament and the Council and, comprising an assessment of the implementation of this assistance operation. Furthermore, an independent ex-post evaluation of the assistance is planned to be carried out by the Commission or its duly authorised representatives within two years after the expiry of the implementation period.

2.2. Management and control system

2.2.1. Risks identified

There are fiduciary, policy and political risks related to this macro-financial assistance operation.

There is a risk that the macro-financial assistance, which is not dedicated to specific expenses (contrary to project financing, for example), could be used in a fraudulent way. In general terms, this risk is related to factors such as central bank independence, quality of management systems and administrative procedures, control and oversight functions in the financial circuits, security of IT systems, and adequate internal and external audit capabilities.

As regards policy risks, the main assumption is that the Government of the Kyrgyz Republic will remain committed to fiscal adjustment and compliance with its agreement with the IMF.

This will be validated on the basis of IMF's regular monitoring of performance indicators and structural benchmarks. There is, however, a risk that the Government of the Kyrgyz Republic will not comply with the IMF programme conditions, as the programme targets may turn out more difficult to reach than assumed and as political conditions in the country may change. Also, the Kyrgyz Republic remains vulnerable to negative changes in terms of trade stemming from possible exogenous shocks. Yet, the authorities have so far shown strong commitment to work with International Financial Institutions to implement the reform agenda. The good track-record under the previous short-term IMF operation in Kyrgyzstan bodes well in this respect.

Further risks relate to a possible reactivation of the inter-ethnic tension and political instability. The country conducted presidential elections on 30 October 2011, which were conducted peacefully and were observed by an International Observation Mission. The political risks remain manageable, given recent impressive efforts of the Kyrgyz authorities to establish legitimate democratic institutions.

2.2.2. Control method(s) envisaged

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Antifraud Office (OLAF), and by the European Court of Auditors.

2.3. Measures to prevent fraud and irregularities

The Commission services have put in place a programme of operational assessments of the financial circuits and administrative procedures in all third countries benefiting from the European Union macro-financial assistance in order to fulfil requirements implied by the Financial Regulation applicable to the General Budget of the European Communities. The conclusions of available IMF Safeguard Assessments and of other relevant reports of the IMF and the World Bank are also taken into consideration.

In the Kyrgyz Republic, the Commission services, with the support of duly mandated external experts, will carry out an operational assessment of the financial circuits and administrative procedures at the Ministry of Finance and the central bank. This review will cover areas such as management structure and organisation, management and control of funds, security of IT systems, internal and external audit capacity as well as the independence of the central bank.

The proposed legal basis for macro-financial assistance to the Kyrgyz Republic includes a provision on fraud prevention measures. These measures will be elaborated further in a Memorandum of Understanding. It is envisaged that a number of specific policy conditions will be attached to the assistance, mainly in the area of public finance management, with a view to strengthening efficiency, transparency and accountability.

In addition, the Commission intends to emphasise public finance management reforms in the policy conditionality attached to this operation.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [Description.....]	Diff./non-diff. (12)	from EFTA ¹³ countries	from candidate countries ¹⁴	from third countries	within the meaning of Article 18(1)(aa) of the Financial Regulation
4	01 03 02 Macroeconomic assistance	Diff.	NO	NO	NO	NO
4	01 04 01 14 Provisioning of the Guarantee Fund	Diff.	NO	NO	NO	NO

The Guarantee Fund for external actions has to be provisioned according to the Fund Regulation, as amended. In line with this Regulation, loans are based on the outstanding amount at the end of a year. The provisioning amount is calculated at the beginning of the year "n" as the difference between the target amount and the Fund's net assets at the end of the year "n-1". This provisioning amount is introduced in the year "n" to the "n+1" preliminary budget and effectively paid in one transaction at the beginning of the year "n+1" from "the provisioning of the Guarantee Fund" (budget line 01 04 01 14). As a result, 9% (maximum of EUR 1.35 million) of the effectively disbursed amount will be considered in the target amount at the end of the year "n-1" for the calculation of the provisioning of the Fund.

The budget entry ("p.m.") reflecting the budget guarantee for the loan (EUR 15 million) will be activated only in the case of an effective call on the guarantee. It is not expected that the budget guarantee be called.

- New budget lines requested: no

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

Heading of multiannual financial framework:	4	The EU as a global partner
--	---	----------------------------

DG: ECFIN			Year N ¹⁵	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
• Operational appropriations										
Number of budget line: 01 03 02	Commitments	(1)	15							15
	Payments	(2)	15							15
Number of budget line: 01 04 01 14	Commitments	(1a)			1.35					1.35
	Payments	(2a)			1.35					1.35
Appropriations of an administrative nature financed from the envelope for specific programmes ¹⁶										
Number of budget line: 01 03 02	Commitments	(3)	0.03		0.15					0.18
	Payments	(3a)	0.03		0.15					0.18
TOTAL appropriations for DG ECFIN	Commitments	=1+1a +3	15.03		1.50					16.53
	Payments	=2+2a +3a	15.03		1.50					16.53

• TOTAL operational appropriations	Commitments	(4)								
	Payments	(5)								

• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes	(6)								
TOTAL appropriations under HEADING 4 of the multiannual financial framework	Commitments	=4+ 6	15.03		1.50				16.53
	Payments	=5+ 6	15.03		1.50				16.53

Heading of multiannual financial framework:	5	" Administrative expenditure "
--	----------	--------------------------------

EUR million (to 3 decimal places)

		Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
DG: ECFIN									
• Human resources		0.038	0.013	0.013					0.064
• Other administrative expenditure		0.025	0.005	0.010					0.040
TOTAL DG ECFIN	Appropriations	0.063	0.018	0.023					0.104

TOTAL appropriations under HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	0.063	0.018	0.023					0.104
--	---	-------	-------	-------	--	--	--	--	--------------

EUR million (to 3 decimal places)

		Year N ¹⁷	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)			TOTAL
TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	15.093	0.018	1.523					16.634
	Payments	15.093	0.018	1.523					16.634

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

Indicate objectives and outputs ↓			Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)										TOTAL			
	OUTPUTS																			
	Type of output ¹⁸	Average cost of the output	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Number of outputs	Cost	Total number of outputs	Total cost
SPECIFIC OBJECTIVE No 1 ¹⁹ ...																				
- Output 1	Grant disbursements	7.5	2	15															2	15
- Output 2	Operational assessment	0.03	1	0.03															1	0.03
- Output 3	Ex-post evaluation	0.15					1	0.15											1	0.15
- Output 4	Provisioning of guarantee fund	1.35					1	1.35											1	1.35
Sub-total for specific objective N°1			3	15.03			2	1.50											5	16.53
TOTAL COST			3	15.03			2	1.50											5	16.53

3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

	Year N ²⁰	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
--	-------------------------	-------------	-------------	-------------	---	-------

²⁰ Year N is the year in which implementation of the proposal/initiative starts.

²¹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

²² CA= Contract Agent; INT= agency staff ("*Intérimaire*"); JED= "*Jeune Expert en Délégation*" (Young Experts in Delegations); LA= Local Agent; SNE= Seconded National Expert.

²³ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

²⁴ Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

²⁵ See points 19 and 24 of the Interinstitutional Agreement.

HEADING 5 of the multiannual financial framework								
Human resources	0.038	0.013	0.013					0.064
Other administrative expenditure	0.025	0.005	0.010					0.040
Subtotal HEADING 5 of the multiannual financial framework	0.063	0.018	0.023					0.104

Outside HEADING 5²¹ of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 5 of the multiannual financial framework								

TOTAL	0.063	0.018	0.023					
--------------	--------------	--------------	--------------	--	--	--	--	--

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

	Year N	Year N+1	Year N+2	Year N+3	... enter as many years as necessary to show the duration of the impact (see point 1.6)		
• Establishment plan posts (officials and temporary agents)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)	0.3	0.1	0.1				
XX 01 01 02 (Delegations)							
XX 01 05 01 (Indirect research)							
10 01 05 01 (Direct research)							
• External personnel (in Full Time Equivalent unit: FTE)²²							
XX 01 02 01 (CA, INT, SNE from the "global envelope")							
XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations)							
XX 01 04 yy ²³	- at Headquarters ²⁴						
	- in delegations						
XX 01 05 02 (CA, INT, SNE - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
TOTAL	0.3	0.1	0.1				

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Cost of the staff needed is estimated on the basis of 30% of the annual expenditure for an AD5 – AD12 grade official.

Description of tasks to be carried out:

Officials and temporary agents	Prepare the Memorandum of Understanding, the Loan and Grant Agreements, liaise with the authorities and the IFIs, liaise with external experts for the operational assessment and ex-post evaluation, conduct review missions and prepare Commission staff reports, prepare Commission procedures related to the management of the assistance.
External personnel	

3.2.4. *Compatibility with the current multiannual financial framework*

- X Proposal/initiative is compatible the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.
- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework²⁵.

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties

3.3. Estimated impact on revenue

- X Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue