

II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 24 January 2006

providing macro-financial assistance to Georgia

(2006/41/EC)

THE COUNCIL OF THE EUROPEAN UNION,

committed and paid under the exceptional financial assistance.

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament ⁽¹⁾,

Whereas:

(1) By Decision 97/787/EC ⁽²⁾ the Council provided exceptional financial assistance for Armenia and Georgia in the form of long-term loans and grants.

(2) By Decision 2000/244/EC the Council provided exceptional financial assistance for Tajikistan and extended the implementation period of the assistance to Armenia and Georgia until 2004.

(3) In case of Georgia, the objectives of the assistance have not been fully met, owing to an unsatisfactory economic policy environment in the country during most of the implementation period.

(4) Therefore, only EUR 31,5 million of the total grant component of EUR 65 million for Georgia was

(5) The present authorities of Georgia are committed to economic stabilisation and structural reforms, supported by the International Monetary Fund (IMF) through a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) which was approved on 4 June 2004 for a total amount of SDR 98 million. Subsequently, the Paris Club creditors agreed on 21 July 2004 to a restructuring of Georgia's bilateral official debt on the Houston terms.

(6) The new Government of Georgia also received strong support from the international community at the donors' conference held in Brussels on 16 June 2004.

(7) The World Bank approved in June 2004 a USD 24 million Reform Support Credit, and will continue its assistance to Georgia under a new Country Partnership Strategy in the form of Poverty Reduction Support Operations.

(8) The Georgian authorities have expressed their intention to pursue early debt repayments to the Community with a view to improving debt sustainability.

(9) As EU-Georgia relations are developing within the framework of the European Neighbourhood Policy, which is expected to lead to deeper economic integration, Community support for the government's economic reform programme is considered appropriate.

⁽¹⁾ Opinion delivered on 15.12.2005 (not yet published in the Official Journal).

⁽²⁾ OJ L 322, 25.11.1997, p. 37. Decision as amended by Decision 2000/244/EC (OJ L 77, 28.3.2000, p. 11).

- (10) Making available an amount equivalent to the uncommitted grant component of the exceptional financial assistance, which would support the country's economic reforms and help reduce external indebtedness, is an appropriate contribution by the Community to the implementation of poverty reduction and growth strategies in Georgia.
- (11) In order to ensure efficient protection of the Community's financial interests in connection with the present macro-financial assistance, it is necessary to provide for appropriate measures by Georgia in relation to the prevention of and the fight against fraud, corruption and any other irregularities linked to this assistance, as well as for controls by the Commission and audits by the Court of Auditors.
- (12) The Commission services, with the support of duly mandated external experts, carried out in October 2004 an operational assessment of the financial circuits and administrative procedures at the Ministry of Finance of Georgia and the National Bank of Georgia to ascertain the existence of a framework for sound financial management.
- (13) The release of this grant assistance is without prejudice to the powers of the budgetary authority.
- (14) The Commission has consulted the Economic and Financial Committee before submitting its proposal.
- (15) The Treaty provides for no powers, other than those of Article 308 thereof, for the adoption of this Decision,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Georgia macro-financial assistance in the form of straight grants up to a maximum amount of EUR 33,5 million with a view to supporting economic reforms and helping the country improve debt sustainability.

2. This Community macro-financial assistance shall be managed by the Commission in consultation with the Economic and Financial Committee and in a manner fully consistent with the agreements reached between the IMF and Georgia.

3. The Community macro-financial assistance shall be made available for two years starting from the first day after the entry into force of this Decision. However, if circumstances so require, the Commission, after consulting the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

Article 2

1. The Commission shall be empowered to agree with the authorities of Georgia, after consulting the Economic and Financial Committee, the economic policy and financial conditions attached to this assistance, to be laid down in a Memorandum of Understanding. These conditions shall be consistent with the agreements reached between the IMF and Georgia.

2. During the implementation of the Community assistance, the Commission shall monitor the soundness of Georgia's financial circuits, administrative procedures and internal and external control mechanisms which are relevant to this Community macro-financial assistance.

3. The Commission shall verify at regular intervals that the government's economic policies are in accordance with the objectives of this assistance and that the agreed economic policy and financial conditions are being fulfilled.

Article 3

1. The grant amount shall be made available to Georgia in at least two instalments insofar as its net debtor position towards the Community has been reduced, as a rule, by at least a similar amount.

2. The first grant instalment shall be released on the basis of a satisfactory implementation of the economic programme supported by the IMF under the Poverty Reduction and Growth Facility.

The second and any further instalments shall be released on the basis of a satisfactory implementation of the IMF-supported economic programme and any other measures laid down in the Memorandum of Understanding referred to in Article 2(1), and not before three months have elapsed since the release of the previous instalment.

3. The funds shall be paid to the National Bank of Georgia. The final recipient of the funds will be the Ministry of Finance of Georgia.

Article 4

The implementation of this assistance shall take place 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 Communities ⁽¹⁾ and its implementing rules. In particular, the Memorandum of Understanding referred to in Article 2(1) shall provide for appropriate measures by Georgia in relation to the prevention of and the fight against fraud, corruption and any other irregularities linked to this assistance. It shall also provide for controls by the Commission, including the European Anti-Fraud Office (OLAF), with the right to perform on-the-spot checks and inspections, and for audits by the Court of Auditors, where appropriate, to be carried out on the spot.

Article 5

At least once a year, before September, the Commission shall submit to the European Parliament and to the Council a report including an evaluation of the implementation of this Decision in the previous year.

Article 6

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

Done at Brussels, 24 January 2006.

For the Council
The President
K.-H. GRASSER

⁽¹⁾ OJ L 248, 16.9.2002, p. 1.