



EUROPEAN COMMISSION

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**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT**

pursuant to Article 294(6) of the Treaty on the Functioning of the European Union

concerning the

position of the Council at first reading on the adoption of a Decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia

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1. BACKGROUND

Date of transmission of the proposal to the European Parliament and to the Council

(document COM(2010) 804 final – 2010/0390 COD): 13 January 2011

Date of the opinion of the Committee of the Regions: not applicable

Date of the position of the European Parliament, first reading: 10 May 2011

Date of transmission of the amended proposal: not applicable

Date of adoption of the common position of the Council 10 May 2012

2. OBJECTIVE OF THE PROPOSAL FROM THE COMMISSION

The proposal was part of the potential EU deliverables announced at the donor conference in 2008. The objectives of the proposed Macro-Financial Assistance (MFA) are to:

- Contribute to covering the external financing needs of Georgia and to alleviating budgetary financing needs.
- Support the fiscal consolidation effort and external stabilisation in the context of an International Monetary Fund programme.
- Support structural reform efforts aimed at raising sustainable growth and increasing the transparency and efficiency of public finance management.
- Facilitate and encourage efforts by the authorities of Georgia to implement measures identified under the EU-Georgia ENP Action Plan and the Eastern Partnership so as to promote closer economic and financial integration with the EU, also in line with the plan to conclude a "Deep and Comprehensive Free Trade Area" between the two parties.

3. COMMENTS ON THE POSITION OF THE COUNCIL

3.1. General comments on the Council position at first reading

The comprehensive EU package of up to EUR 500 million to support Georgia's economic recovery, pledged at the October 2008 International Donor Conference in Brussels, in the aftermath of the August 2008 conflict with Russia, included two potential Macro-Financial Assistance operations, amounting to EUR 46 million each. The first part was successfully implemented during 2009-10. For the second part, the Commission adopted a proposal for further MFA to Georgia on 13 January 2011.

The European Parliament's plenary voted on the proposal on 10 May 2011 and adopted a legislative resolution with amendments which were fully accepted by the Commission and incorporated in the text. These amendments primarily aimed at reflecting the entry into force of the new comitology regulation in March 2011¹. The Commission acknowledges that amendments to the initial proposal were needed due to the new comitology regulation, and supports the European Parliament's view that the adoption of the Memorandum of Understanding (MoU) for the MFA programme should be governed by the advisory procedure, rather than the examination procedure as suggested by the Council.

On 15 December 2011, COREPER reached a qualified majority agreement to adopt a common position, which insists on the use of the examination procedure for the adoption of the MFA Memorandum of Understanding. This was confirmed by the political agreement adopted by the Council on 23 January 2012.

During the previous discussions at the Financial Counsellors Working Party, the Commission argued in favour of the use of the advisory procedure for the adoption of the MoU, and supported the Presidency's proposed compromise solution. This solution would have established the examination procedure as a rule, but would have allowed for the advisory procedure, in this case on the basis of Article 2.3, second sentence, of the comitology regulation, which foresees that, under duly justified cases, the advisory procedure may apply for the adoption of implementing acts in cases where the examination procedure is in principle applicable. The proposed compromise text argued that since the proposed MFA was (i) a follow-up to the operation approved in 2009 and (ii) had only a modest maximum amount (of EUR 46 million), there was a case for applying the advisory procedure. However, the Presidency could not build a consensus and its compromise solution was not adopted.

The Commission is concerned about the delays that a second reading will imply for the proposed assistance: it is important that the proposed MFA for Georgia is approved as quickly as possible. Approximately a year elapsed since the Commission adopted the proposal in January of 2011 and the Commission considers it regrettable that this delay is taking place despite the fact that the two co-legislators agree on the substance of the proposal, which, as noted, stems from a pledge made in 2008.

The Commission believes that it is crucial to find a quick solution on whether an advisory or examination procedure should be applied for the MoU adoption. It should also be noted that if the case of the proposal for Georgia is not solved, this issue would risk blocking any forthcoming MFA proposal, a scenario that must be avoided, not least since the worsening global financial environment and the economic and financial impact of the Arab Spring in the

¹ Regulation (EC) No 182/2011 of the European Parliament and of the Council of 16 February 2011.

EU's Southern Neighbourhood may result in new requests for complementary MFA support from the EU.

3.2. Agreement at the stage of the Council's position

Since the adoption by the European Parliament of its position at first reading, the inter-institutional discussions between the Council and the Parliament have not been successful. The Parliament strongly prefers the use of the advisory procedure for the adoption of the Memorandum of Understanding, while the Council believes that, according to the new Comitology regulation, the examination procedure should be used. Informal meetings have not resulted in a compromise on this issue.

4. CONCLUSION

The Commission favours the application of the advisory procedure for the adoption of the MoU. It does therefore not agree with the common position of the Council as adopted on 10 May 2012. However, as indicated above, the Commission believes that it is crucial to find a quick solution and stands ready to contribute to finding an early compromise on this issue between the two co-legislators.