



Plenary sitting

A8-0028/2018

22.2.2018

*****I**
REPORT

on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia (COM(2017)0559 – C8-0335/2017 – 2017/0242(COD))

Committee on International Trade

Rapporteur: Hannu Takkula

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ■ symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia
(COM(2017)0559 – C8-0335/2017 – 2017/0242(COD))**

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2017)0559),
 - having regard to Article 294(2) and Article 212(2) of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0335/2017),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the Joint Declaration of the European Parliament and of the Council adopted together with Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013 providing further macro-financial assistance to Georgia¹,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinion of the Committee on Foreign Affairs (A8-0028/2018),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a decision

Recital 13

Text proposed by the Commission

(13) The Commission should ensure that the Union's macro-financial assistance is

Amendment

(13) The Commission should ensure that the Union's macro-financial assistance is

¹ OJ L 218, 14.8.2013, p. 15

legally and substantially in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.

legally and substantially in line with the key principles *for external action enshrined in Art. 21 TEU and the objectives of*, and measures taken within, the different areas of external action and other relevant Union policies.

Amendment 2

Proposal for a decision

Recital 16

Text proposed by the Commission

(16) A pre-condition for granting the Union's macro-financial assistance should be that Georgia respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Georgia, and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both the *fulfilment* of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

Amendment

(16) A pre-condition for granting the Union's macro-financial assistance should be that Georgia respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Georgia, and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. ***The Union's macro-financial assistance to Georgia should also include measures to support the implementation of the Association Agreement, including the DCFTA. To ensure that specific objectives can be properly assessed, they need to be set out in a verifiable and measurable manner.*** Both the *fulfilment* of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service. ***If the precondition and the objectives are not met or if the aims and principles of the Association Agreement are generally disregarded, the Commission should temporarily suspend or cancel the disbursement of the Union's***

macro-financial assistance.

EXPLANATORY STATEMENT

This is the third time since 2008, when the Commission is proposing a macro-financial assistance at the request of the Government of the Republic of Georgia. The first two operations were 46 million EUR each, the first one fully in the form of grants and the second one half in grants and half in loans. Georgia implemented all relevant economic policy measures agreed in the Memorandum of Understanding and the last tranche was disbursed in May 2017.

This time, the Commission proposes 45 million EUR - of that 35 million EUR in loans and 10 million EUR in grants to help the country to cover part of its external financing needs for the period 2017-2020. Georgia continues to face a weak external environment, its fiscal deficit has widened, the lari has depreciated sharply over the recent years which has resulted in higher public debt to GDP ratio. Georgia's financial system remains sound and well capitalised overall, particularly thanks to prudent supervision and regulation by the central bank.

Georgia joined the EU's Eastern Partnership in 2009. The Deep and Comprehensive Free Trade Area (DCFTA) between the Union and Georgia entered into force on 1 September 2014, followed by the entry into force of the Association Agreement on 1 July 2016. The EU is Georgia's main trading partner and Georgia continues to adapt to the requirements of the DCFTA, showing a good progress in required reforms.

Commission proposal follows closely the Joint Declaration by the European Parliament and the Council, adopted together with the Decision No 778/2013/EU providing further macro-financial assistance to Georgia, in which co-legislators established the main principles and considerations that should guide the process of granting macro-financial assistance.

In light of the above considerations, your rapporteur takes the view that the European Parliament should agree with the Commission's proposal to provide macro-financial assistance to Georgia. Your rapporteur emphasizes that the disbursement of each instalment should be linked to clear conditions and that the Commission should rigorously monitor the fulfilment of these conditions throughout the whole macro-financial assistance operations.

25.1.2018

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on International Trade

on the proposal for a decision of the European Parliament and of the Council providing further macro-financial assistance to Georgia
(COM(2017)0559 – C8-0335/2017 – 2017/0242(COD))

Rapporteur: Andrejs Mamikins

SHORT JUSTIFICATION

Following a request from the Georgian government, the European Commission has proposed the provision of a new Macro-Financial Assistance (MFA) programme to Georgia worth EUR 45 million, in two instalments, comprising of both medium-term loans (EUR 35m) and grants (EUR 10m). The proposed MFA programme will complement the agreement reached between Georgia and the IMF in April 2017, under the Extended Fund Facility, which commits to the disbursement of USD 285.3 million over three years. The EU also provides funding to Georgia via the European Neighbourhood Instrument (EUR 610-746m in 2014-2020).

The proposed MFA programme would be the third of its kind since 2008, with the first programme providing EUR 46 million in grants, and the second providing EUR 23 million in grants and EUR 23 million in loans. The second MFA programme reached its conclusion in May 2017, with the successful disbursement of the final tranche of payments under that programme. Three other of the six Eastern Partnership countries - Armenia, Moldova and Ukraine -already benefit from MFA programmes, in addition to four other non-EaP countries.

Georgia's macroeconomic outlook remains vulnerable. It is experiencing subdued GDP growth (2.7% in 2016, down from 4.6% in 2014). Its fiscal deficit remains significant, the national currency (the Georgian lari) has depreciated sharply and its balance of payments position is vulnerable. Georgia also continues to adapt to the requirements of the Deep and Comprehensive Free Trade Area (DCFTA) with the EU, which, along with opportunities, also entail adjustment costs.

Conditionality attached to the MFA provides useful leverage to stimulate reforms, notably those related to democracy and the rule of law. Amongst these reforms, the Georgian government is currently attempting to pass additional constitutional reforms. The government has committed to further amending the constitution in line with the Venice Commission recommendations yet Commission and EEAS monitoring, also as part of this assistance,

would be appropriate.

Consequently, in line with the agreement between the Foreign Affairs and International Trade committees on their close cooperation during this procedure and following the recent experience of the joint statement by the European Parliament, the Council and the Commission, annexed to the 4 July 2017 decision providing macro-financial assistance to the Republic of Moldova, the Foreign Affairs Committee proposes to:

1. Reaffirm the pre-condition for granting macro-financial assistance related to democracy, the rule of law and human rights as this is of major importance to the Foreign Affairs committee;
2. Ensure that the Commission and the EEAS monitor the fulfilment of this pre-condition throughout the lifecycle of the MFA;
3. Nevertheless limit the number of amendments to two, on a recital and an article of the decision in order to ensure a rapid agreement between the European Parliament and Council.

AMENDMENTS

The Committee on Foreign Affairs calls on the Committee on International Trade, as the committee responsible, to take into account the following amendments:

Amendment 1

Draft legislative resolution

Paragraph 1 a (new)

Draft legislative resolution

Amendment

1a. Approves the joint statement by Parliament, the Council and the Commission annexed to this resolution;

For information, the statement reads as follows:

‘Joint statement by the European Parliament, the Council and the Commission

The European Parliament, the Council and the Commission welcome the reform efforts in Georgia and take note of the commitment by its government to further amend the constitution in line with the recommendations of the Venice Commission. The European Parliament, the Council and the Commission underline that a pre-condition for granting macro-financial assistance is that the beneficiary country respects effective democratic mechanisms, including a multi-party parliamentary system exercising effective oversight over the executive, a strict separation of powers and a clear separation between politics and economic interests, a free, independent and pluralistic media with transparent media ownership, an independent judiciary and the rule of law and that it guarantees respect for human rights and international social and environmental standards. The Commission and the European External Action Service shall

monitor the fulfilment of this pre-condition throughout the lifecycle of the macro-financial assistance, provide a public assessment of the fulfilment of the pre-condition, including a clear indication of the benchmarks used and will thereby pay utmost attention to the consideration by the authorities of Georgia of the recommendations of relevant international partners, in particular the Venice Commission and the OSCE/ODIHR.’

Justification

This statement needs to be referred to in the legislative resolution.

Amendment 2

Proposal for a decision

Recital 16

Text proposed by the Commission

(16) A pre-condition for granting the Union’s macro-financial assistance should be that Georgia respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union’s macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Georgia, and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both the fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

Amendment

(16) A pre-condition for granting the Union’s macro-financial assistance should be that Georgia **fully** respects effective democratic mechanisms, including a multi-party parliamentary system **exercising effective oversight over the executive, a strict separation of powers and a clear separation between politics and economic interests, a free, independent and pluralistic media with transparent media ownership**, and the rule of law which should be **supported by an independent judiciary capable of effectively fighting against corruption**, and **which** guarantees respect for human rights, **including freedom of expression and international social and environmental standards**. In addition, the specific objectives of the Union’s macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems in Georgia, and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both the fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service **throughout the life-cycle of the macro-financial assistance. The Commission should**

provide a public assessment of the fulfilment of the pre-condition, including a clear indication of the benchmarks used.

Amendment 3

Proposal for a decision Article 2 – paragraph 1

Text proposed by the Commission

1. A pre-condition for granting the Union's macro-financial assistance shall be that Georgia respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, **and** guarantees respect for human rights.

Amendment

1. A pre-condition for granting the Union's macro-financial assistance shall be that Georgia respects effective democratic mechanisms, including a multi-party parliamentary system ***exercising effective oversight over the executive, a strict separation of powers and a clear separation between politics and economic interests, a free, independent and pluralistic media with transparent media ownership,*** and the rule of law which is ***supported by an independent judiciary capable of effectively fighting against corruption and which*** guarantees respect for human rights, ***including freedom of expression and international social and environmental standards.***

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Further macro-financial assistance to Georgia
References	COM(2017)0559 – C8-0335/2017 – 2017/0242(COD)
Committee responsible Date announced in plenary	INTA 5.10.2017
Opinion by Date announced in plenary	AFET 30.11.2017
Rapporteur Date appointed	Andrejs Mamikins 23.11.2017
Discussed in committee	4.12.2017
Date adopted	23.1.2018
Result of final vote	+: 48 –: 3 0: 5
Members present for the final vote	Lars Adaktusson, Michèle Alliot-Marie, Francisco Assis, Petras Auštrevičius, Amjad Bashir, Bas Belder, Goffredo Maria Bettini, Victor Boştinaru, Elmar Brok, Klaus Buchner, James Carver, Lorenzo Cesa, Javier Couso Permuy, Arnaud Danjean, Georgios Epitideios, Eugen Freund, Michael Gahler, Iveta Grigule-Pēterse, Sandra Kalniete, Janusz Korwin-Mikke, Andrey Kovatchev, Eduard Kukan, Ilhan Kyuchyuk, Ryszard Antoni Legutko, Sabine Lösing, Andrejs Mamikins, Alex Mayer, David McAllister, Tamás Meszerics, Francisco José Millán Mon, Clare Moody, Javier Nart, Pier Antonio Panzeri, Ioan Mircea Paşcu, Alojz Peterle, Tonino Picula, Jozo Radoš, Sofia Sakorafa, Alyn Smith, Jaromír Štětina, Dubravka Šuica, László Tőkés, Miguel Urbán Crespo, Ivo Vajgl
Substitutes present for the final vote	Brando Benifei, Rebecca Harms, Marek Jurek, Jo Leinen, Miroslav Poche, José Ignacio Salafranca Sánchez-Neyra, Traian Ungureanu, Bodil Valero, Marie-Christine Vergiat
Substitutes under Rule 200(2) present for the final vote	Teresa Jiménez-Becerril Barrio, Barbara Kudrycka, Tiemo Wölken

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

48	+
ALDE	Petras Auštrevičius, Iveta Grigule-Pēterse, Ilhan Kyuchyuk, Javier Nart, Jozo Radoš, Ivo Vajgl
ECR	Amjad Bashir, Bas Belder, Marek Jurek, Ryszard Antoni Legutko
PPE	Lars Adaktusson, Michèle Alliot-Marie, Elmar Brok, Lorenzo Cesa, Arnaud Danjean, Michael Gahler, Teresa Jiménez-Becerril Barrio, Sandra Kalniete, Andrey Kovatchev, Barbara Kudrycka, Eduard Kukan, David McAllister, Francisco José Millán Mon, Alojz Peterle, José Ignacio Salafranca Sánchez-Neyra, László Tőkés, Traian Ungureanu, Jaromír Štětina, Dubravka Šuica
S&D	Francisco Assis, Brando Benifei, Goffredo Maria Bettini, Victor Boștinaru, Eugen Freund, Jo Leinen, Andrejs Mamikins, Alex Mayer, Clare Moody, Pier Antonio Panzeri, Ioan Mircea Pașcu, Tonino Picula, Miroslav Poche, Tiemo Wölken
VERTS/ALE	Klaus Buchner, Rebecca Harms, Tamás Meszerics, Alyn Smith, Bodil Valero

3	-
EFDD	James Carver
NI	Georgios Epitideios, Janusz Korwin-Mikke

5	0
GUE/NGL	Javier Couso Permuy, Sabine Lösing, Sofia Sakorafa, Miguel Urbán Crespo, Marie-Christine Vergiat

Key to symbols:

+ : in favour

- : against

0 : abstention

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Further macro-financial assistance to Georgia
References	COM(2017)0559 – C8-0335/2017 – 2017/0242(COD)
Date submitted to Parliament	29.9.2017
Committee responsible Date announced in plenary	INTA 5.10.2017
Committees asked for opinions Date announced in plenary	AFET 30.11.2017
Rapporteurs Date appointed	Hannu Takkula 11.10.2017
Discussed in committee	22.11.2017 19.2.2018
Date adopted	20.2.2018
Result of final vote	+: 30 -: 3 0: 2
Members present for the final vote	William (The Earl of) Dartmouth, Laima Liucija Andrikienė, David Campbell Bannerman, Daniel Caspary, Salvatore Cicu, Santiago Fisas Ayxelà, Christofer Fjellner, Karoline Graswander-Hainz, Heidi Hautala, Nadja Hirsch, Patricia Lalonde, Bernd Lange, David Martin, Anne-Marie Mineur, Sorin Moisă, Alessia Maria Mosca, Godelieve Quisthoudt-Rowohl, Viviane Reding, Marietje Schaake, Helmut Scholz, Joachim Schuster, Joachim Starbatty, Adam Szejnfeld, Hannu Takkula, Iuliu Winkler, Jan Zahradil
Substitutes present for the final vote	Bendt Bendtsen, Klaus Buchner, Nicola Danti, Agnes Jongerius, Sajjad Karim, Paul Rübig, Jarosław Wałęsa
Substitutes under Rule 200(2) present for the final vote	Mario Borghezio, Jacques Colombier
Date tabled	22.2.2018

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

30	+
ALDE	Nadja Hirsch, Patricia Lalonde, Marietje Schaake, Hannu Takkula
ECR	David Campbell Bannerman, Sajjad Karim, Joachim Starbatty, Jan Zahradil
PPE	Laima Liucija Andrikienė, Bendt Bendtsen, Daniel Caspary, Salvatore Cicu, Santiago Fisas Ayxelà, Christofer Fjellner, Sorin Moisă, Godelieve Quisthoudt-Rowohl, Viviane Reding, Paul Rübig, Adam Szejnfeld, Jarosław Wałęsa, Iuliu Winkler
S&D	Nicola Danti, Karoline Graswander-Hainz, Agnes Jongerius, Bernd Lange, David Martin, Alessia Maria Mosca, Joachim Schuster
Verts/ALE	Klaus Buchner, Heidi Hautala

3	-
EFDD	William (The Earl of) Dartmouth
ENF	Mario Borghezio, Jacques Colombier

2	0
GUE/NGL	Anne-Marie Mineur, Helmut Scholz

Key to symbols:

+ : in favour

- : against

0 : abstention