



# Procedure file

Basic information			
COD - Ordinary legislative procedure (ex-codecision procedure) Decision		Procedure completed	
Macro-financial assistance to Kyrgyzstan			
Subject 6.20.07 Macro-financial assistance to third countries			
Geographical area Kyrgyzstan			
Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<div>INTA</div> International Trade		14/10/2013
		S&D <a href="#">MOREIRA Vital</a>	
		Shadow rapporteur	
		PPE <a href="#">QUISTHOUDT-ROWOHL Godelieve</a>	
		ALDE <a href="#">KAZAK Metin</a>	
		Verts/ALE <a href="#">KELLER Ska</a>	
		ECR <a href="#">ZAHRADIL Jan</a>	
		Former committee responsible	
	<div>INTA</div> International Trade		25/01/2012
		S&D <a href="#">MOREIRA Vital</a>	
	Former committee for opinion		
	<div>AFET</div> Foreign Affairs	The committee decided not to give an opinion.	
	<div>BUDG</div> Budgets	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	<a href="#">Agriculture and Fisheries</a>	<a href="#">3257</a>	23/09/2013
European Commission	Commission DG	Commissioner	
	<a href="#">Economic and Financial Affairs</a>	REHN Olli	

Key events			
20/12/2011	Legislative proposal published	COM(2011)0925	Summary
17/01/2012	Committee referral announced in Parliament, 1st reading		

21/06/2012	Vote in committee, 1st reading		
25/06/2012	Committee report tabled for plenary, 1st reading	<a href="#">A7-0208/2012</a>	Summary
10/12/2012	Debate in Parliament		
11/12/2012	Results of vote in Parliament		
11/12/2012	Decision by Parliament, 1st reading	<a href="#">T7-0466/2012</a>	Summary
25/09/2013	Council position published	<a href="#">11703/1/2013</a>	Summary
10/10/2013	Committee referral announced in Parliament, 2nd reading		
14/10/2013	Vote in committee, 2nd reading		
17/10/2013	Committee recommendation tabled for plenary, 2nd reading	<a href="#">A7-0334/2013</a>	Summary
22/10/2013	Decision by Parliament, 2nd reading	<a href="#">T7-0426/2013</a>	Summary
22/10/2013	Final act signed		
22/10/2013	End of procedure in Parliament		
25/10/2013	Final act published in Official Journal		

#### Technical information

Procedure reference	2011/0458(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	Treaty on the Functioning of the EU TFEU 209-p1
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	INTA/7/13347

#### Documentation gateway

Legislative proposal		COM(2011)0925	20/12/2011	EC	Summary
Document attached to the procedure		SEC(2011)1619	20/12/2011	EC	
Committee draft report		<a href="#">PE488.020</a>	08/05/2012	EP	
Committee report tabled for plenary, 1st reading/single reading		<a href="#">A7-0208/2012</a>	25/06/2012	EP	Summary
Text adopted by Parliament, 1st reading/single reading		<a href="#">T7-0466/2012</a>	11/12/2012	EP	Summary
Commission response to text adopted in plenary		<a href="#">SP(2013)111</a>	13/02/2013	EC	
Council position		<a href="#">11703/1/2013</a>	25/09/2013	CSL	Summary
Committee draft report		<a href="#">PE519.784</a>	03/10/2013	EP	
Commission communication on Council's position		COM(2013)0699	07/10/2013	EC	Summary

Committee recommendation tabled for plenary, 2nd reading		<a href="#">A7-0334/2013</a>	17/10/2013	EP	Summary
Text adopted by Parliament, 2nd reading		<a href="#">T7-0426/2013</a>	22/10/2013	EP	Summary
Draft final act		<a href="#">00100/2013/LEX</a>	23/10/2013	CSL	
Follow-up document		SWD(2019)0446	17/12/2019	EC	
Follow-up document		SWD(2019)0448	17/12/2019	EC	

#### Additional information

National parliaments	<a href="#">IPEX</a>
European Commission	<a href="#">EUR-Lex</a>

#### Final act

[Decision 2013/1025](#)  
[OJ L 283 25.10.2013, p. 0001](#) Summary

## Macro-financial assistance to Kyrgyzstan

**PURPOSE:** to provide a macro-financial assistance to the Kyrgyz Republic for an amount of 30 million.

**PROPOSED ACT:** Decision of the European Parliament and of the Council.

**BACKGROUND:** 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. Economic activity contracted by 10% in the second quarter of 2010.

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 117.9 million for support in a number of critical areas.

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. 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 years 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.

**IMPACT ASSESSMENT:** according to the 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.

**LEGAL BASIS:** Article 209 of the Treaty on the Functioning of the European Union (TFEU).

**CONTENT:** it is proposed that the European Union shall make macro-financial assistance available to the Kyrgyz Republic for a maximum amount of 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 15 million shall be provided in the form of loans and up to 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 conditions attached the granting of the macro-financial assistance shall be consistent with the principles and fundamental objectives of the Union policy as regards this country. These are as follows:

- 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;
- the assistance shall be made available for two years;
- the release of the Union's financial assistance shall 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;

- the disbursements would be conditional on successful programme reviews under the IMF's financial arrangement (the ECF);
- the Commission and the Kyrgyz authorities would agree on specific structural reform measures in a Memorandum of Understanding.

It should be noted that 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.

**BUDGETARY IMPLICATIONS:** the grant element of the assistance (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 Regulation, the provisioning of the Guarantee Fund is expected to take place in 2014 and to amount to a maximum of 1.35 million. This corresponds to 9% of the 15 million loan expected to be disbursed in 2012.

## Macro-financial assistance to Kyrgyzstan

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The Committee on International Trade adopted the legislative report by Vital MOREIRA (ALDE, PT) on the proposal for a decision of the European Parliament and of the Council on providing macro-financial assistance to the Kyrgyz Republic. The committee recommends that the European Parliament's position in first reading following the ordinary legislative procedure should amend the Commission proposal as follows: the committee deleted a sentence from a recital referring to the adoption of the Memorandum of Understanding through the advisory procedure as a result of the assistance being of a limited maximum amount.

## Macro-financial assistance to Kyrgyzstan

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The European Parliament adopted by 541 votes to 42, with 74 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council on providing macro-financial assistance to the Kyrgyz Republic.

The European Parliament's position adopted at first reading following the ordinary legislative procedure amends the Commission proposal as follows: part of a sentence is deleted from a recital referring to the Memorandum of Understanding laying down the economic policy conditions attached to the granting of 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](#).

Parliament rejects the justification foreseen in the recital that states 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.

## Macro-financial assistance to Kyrgyzstan

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The Council presented its position at first reading with a view to the adoption of a Decision of the European Parliament and of the Council providing macrofinancial assistance to the Kyrgyz Republic.

A number of amendments were introduced:

**Geographical scope:** the Council recalls that the Kyrgyz Republic is not a candidate or potential candidate country nor a country or territory covered by the European Neighbourhood Policy. It underlines however that given its strategic importance for the Union, as well as the determining role it plays in regional stability, the Kyrgyz Republic should exceptionally be considered eligible to receive Union macro-financial assistance. A new recital has been introduced in this regard.

**Amount and form of the assistance:** while there are no changes to the amounts proposed by the Commission (up to EUR 15 million in the form of loans and up to EUR 15 million in the form of grants), the Council Position specifies the criteria for the determination of the amount of the assistance and its form in loans and grants.

The determination of the amount of the Union's macro-financial assistance should be based on a complete quantitative assessment of the Kyrgyz Republic's residual external financing needs, and takes into account its capacity to finance itself with its own resources, in particular the international reserves at its disposal.

The determination of the amount of the assistance also takes into account expected financial contributions from multilateral donors and the need to ensure fair burden sharing between the Union and other donors, as well as the pre-existing deployment of the Union's other external financing instruments in the Kyrgyz Republic and the added value of the overall Union involvement.

It is also stated that taking into consideration the Kyrgyz Republic's residual external financing needs, the level of its economic development and poverty ratios, a part of the assistance should be provided in the form of grants.

**Possibility to reduce, suspend or cancel European assistance:** a new clause has been introduced whereby the Commission, acting in accordance with the advisory procedure, shall reduce the amount of the assistance or suspend or cancel it, where the financing needs of the Kyrgyz Republic decrease fundamentally during the period of disbursement of the Union's macro-financial assistance compared to the initial projections.

**Conditionality:** as regards the pre-condition for the assistance, namely that the Kyrgyz Republic respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law and guarantees respect for human rights, the Council introduces the requirement for the Commission to monitor the fulfilment of this pre-condition throughout the life cycle of the assistance.

Technical amendments have been introduced:

- to the conditions to which the assistance should be subject, which are to be laid out in a Memorandum of Understanding;
- as regards the obligation for the Commission to temporarily suspend or cancel the disbursement of the assistance when the relevant conditions are not met.

Comitology: on 9 July 2013, the European Parliament and the Council adopted Decision 778/2013/EU providing [further macro-financial assistance to Georgia](#).

In a joint Declaration adopted together with the above decision, the European Parliament and the Council:

- agreed that the adoption of the decision on providing further macro-financial assistance to Georgia should be seen in the wider context of the need for a framework that should secure sound and effective decisions on providing macro-financial assistance to third countries;
- agreed that the adoption of decisions on macro-financial assistance operations should be based on the considerations and the principles set out in the joint Declaration for the granting of Union macro-financial assistance to eligible third countries and territories, without prejudice to the right of legislative initiative and the legal form that a future instrument formalising these considerations and principles might take;
- committed to fully reflect these considerations and principles in the future individual decisions on granting the Union's macro-financial assistance.

In that context, amendments have been introduced in the proposal for a decision providing macro-financial assistance to the Kyrgyz Republic to fully reflect the considerations and principles set out in the joint Declaration.

New provisions are made for the adoption of the Memorandum of Understanding referred to in the proposed Decision and for the decision to reduce, suspend or cancel the assistance. The Commission is to be assisted by a Committee in accordance with [Regulation \(EU\) No 182/2011](#). The Commission is to act in accordance with the advisory procedure. The choice of procedure is explained in a recital that includes the objectives of the aforementioned joint Declaration.

Reporting: amendments have also been introduced as regards the reporting requirements for the Commission to European Parliament and to the Council.

In conclusion: the Council position at first reading reflects the compromise reached in negotiations between the Council and the European Parliament, facilitated by the Commission.

The Chair of the Committee on International Trade sent a letter to the Chair of Coreper indicating that, should the Council transmit its position as attached to the letter of the Committee, he would recommend to the plenary that Parliament, in its second reading, accept the Council position without any amendments, subject to verification by the lawyer linguists of both institutions.

## Macro-financial assistance to Kyrgyzstan

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In its communication concerning the position of the Council at first reading on the adoption of a Decision of the European Parliament and of the Council providing macro-financial assistance to the Kyrgyz Republic, the Commission stated that it supported the Council position in first reading and agreed with the amendments to its proposal which aim to reach the necessary agreement on the planned MFA operation for the Kyrgyz Republic after a long delay of more than one-and-a-half years to grant assistance of EUR 117.9 million.

The Council amendments are in accordance with the outcome of the Trilogue of 26 June 2013, which was endorsed by the Parliament through a letter dated 11 July 2013. This letter indicated that Parliament would accept, in its second reading, the Council position without any amendments.

## Macro-financial assistance to Kyrgyzstan

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The Committee on International Trade adopted the recommendation for second reading on the Council position at first reading with a view to the adoption of a decision of the European Parliament and of the Council providing macrofinancial assistance to the Kyrgyz Republic.

The committee recommended that Parliament approve, unamended, the Council position at first reading.

## Macro-financial assistance to Kyrgyzstan

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The European Parliament adopted, at second reading of the ordinary legislative procedure, the Council position at first reading with a view to the adoption of a decision of the European Parliament and of the Council providing macro-financial assistance to the Kyrgyz Republic.

The act is adopted in accordance with the Council position.

It should be noted that a proposal to reject the Council position presented by the EFD group was rejected in plenary by 48 votes to 434, with 59 abstentions.

## Macro-financial assistance to Kyrgyzstan

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PURPOSE: to make macro-financial assistance available to the Kyrgyz Republic of an amount of EUR 30 million.

LEGISLATIVE ACT: Decision No 1025/2013/EU of the European Parliament and of the Council providing macro-financial assistance to the Kyrgyz Republic.

**BACKGROUND:** given that Union political and economic support to the Kyrgyz Republics incipient parliamentary democracy would provide a political signal of the Unions strong support to democratic reforms in Central Asia, it was considered desirable to grant, on an exceptional basis, macro-financial assistance (this country is neither a candidate country nor a potential accession country nor is it a country or territory covered by the European neighbourhood policy - however given its strategic importance as well as the determining role it plays in regional stability, this country should be considered to be eligible to receive Union macro-financial assistance).

**CONTENT:** with the present decision, the European Parliament and the Council shall make available to the Kyrgyz Republic macro-financial assistance of an amount of EUR 30 million, with a view to supporting its economic stabilisation and covering its balance of payments needs as identified in the current IMF programme.

Of this maximum amount:

- EUR 15 million shall be provided in the form of loans and,
- EUR 15 million in the form of grants.

The Commission shall be empowered on behalf of the Union to borrow the necessary funds on the capital markets or from financial institutions and to on-lend them to the Kyrgyz Republic.

Duration of loans: the loans shall have a maximum maturity of 15 years.

Criteria for the determination of the aid: the amount of the macro-financial assistance is based on a complete quantitative assessment of the Kyrgyz Republics residual external financing needs, and takes into account its capacity to finance itself with its own resources.

The determination of the amount of the assistance also takes into account expected financial contributions from multilateral donors and the need to ensure fair burden sharing between the Union and other donors, as well as the added value of the overall Union involvement.

Pre-condition: the Unions macro-financial assistance should be subject to a pre-condition that the Kyrgyz Republic respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights. The Commission should regularly monitor the fulfilment of the precondition over the period of the Unions macro-financial assistance.

Other technical conditions: the other technical conditions attached to the provision of assistance can be summarised as follows:

- clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to be laid down in a Memorandum of Understanding concluded between this country and the Commission, including a timeframe for the fulfilment of those conditions;
- the economic policy and financial conditions shall be 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 PCA and in the Union Strategy for Central Asia (2007-13);
- the strengthening of the efficiency of public finance management systems in the Kyrgyz Republic.

Provision of assistance and the release of the instalments:

- the financial aid shall be available to the Kyrgyz Republic for 2 years;
- the funds shall be made available in two instalments, each of which shall consist of a loan and a grant element; the size of each instalment shall be laid down in the Memorandum of Understanding;
- the release of the instalments shall be subject to the fulfilment of the various conditions linked to the granting of aid: in particular, the aid would be conditional on a continuous satisfactory track record of implementing a policy programme of structural reform measures.
- Where the conditions are not met, the Commission may temporarily suspend or cancel the disbursement of the Unions macro-financial assistance on informing the European Parliament and the Council.

Other technical measures:

- specific measures are foreseen to prevent fraud and other irregularities, in line with the financial regulation;
- provision has also been made so that the Commission can, acting in accordance with the advisory procedure, reduce the amount of assistance, suspend it or cancel it where the financing needs of this country decrease fundamentally compared to the initial projections;
- where the circumstances permit, and if the Kyrgyz Republic so requests, the Commission may take the steps necessary to ensure that an early repayment clause is included in the loan terms or to refinance all or part.

Procedure of the decision: in line with Decision No 778/2013/EU [providing further macro-financial assistance to Georgia](#), 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 representatives of the Member States in accordance with [Regulation \(EU\) No 182/2011](#). Thus, as a general rule, the advisory procedure should apply in the case of the present decision (the examination procedure applying to assistance of more than EUR 90 million).

Reports:

- 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 and including an evaluation of that implementation;
- not later than two years after the expiry of the availability period, the Commission shall submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the macro-financial assistance.

ENTRY INTO FORCE: 28.10.2013.