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Committee on International Trade

2011/0176(COD)

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***I
DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council laying down general provisions for Macro-Financial Assistance to third countries
(COM(2011)0396 – C7-0187/2011 – 2011/0176(COD))

Committee on International Trade

Rapporteur: Metin Kazak

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

In amendments by Parliament, amendments to draft acts are highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the draft act which may require correction when the final text is prepared – for instance, obvious errors or omissions in a language version. Suggested corrections of this kind are subject to the agreement of the departments concerned.

The heading for any amendment to an existing act that the draft act seeks to amend includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend. Passages in an existing act that Parliament wishes to amend, but that the draft act has left unchanged, are highlighted in **bold**. Any deletions that Parliament wishes to make in such passages are indicated thus: **[...]**.

CONTENTS

Page

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION 5

EXPLANATORY STATEMENT 32

DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a regulation of the European Parliament and of the Council laying down general provisions for Macro-Financial Assistance to third countries (COM(2011)0396 – C7-0187/2011 – 2011/0176(COD))

(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2011)0396),

– having regard to Article 294(2) and Articles 209 and 212 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C7-0187/2011),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to Rule 55 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 (A7-0000/2012),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation
Title

Text proposed by the Commission	*Amendment*
Regulation of the European Parliament and of the Council laying down general provisions for Macro-Financial Assistance to third countries	Regulation of the European Parliament and of the Council laying down general provisions for Macro-Financial Assistance to third countries ***and territories***

Or. en

Amendment 2

Proposal for a regulation
Recital 1

Text proposed by the Commission	*Amendment*
(1) The European Union is a major provider of economic, financial and technical assistance to third countries. Union macro-financial assistance (hereinafter "macro-financial assistance") has proved an efficient instrument for economic stabilisation and a driver for structural reforms in the beneficiary countries. In accordance with its overall policy vis-à-vis candidate, potential candidate, ***and*** neighbourhood countries, the Union should be in a position to provide macro-financial assistance to those countries with the aim of developing a zone of shared stability, security, and prosperity.	(1) The European Union is a major provider of economic, financial and technical assistance to third countries. Union macro-financial assistance (hereinafter "macro-financial assistance") has proved an efficient instrument for economic stabilisation and a driver for structural reforms in the beneficiary countries. In accordance with its overall policy vis-à-vis candidate, potential candidate, neighbourhood countries ***and the Central Asian countries***, the Union should be in a position to provide macro-financial assistance to those countries with the aim of developing a zone of shared stability, security, and prosperity.

Or. en

Amendment 3

Proposal for a regulation
Recital 1 a (new)

Text proposed by the Commission	*Amendment*
	(1a) Union's macro-financial assistance should be used to provide exceptional financial assistance to third countries that have run into temporary balance of payment difficulties. Unlike other Union instruments providing direct support for its external policies (such as the Instrument for Pre-accession Assistance[1], the European Neighbourhood Instrument[2], the Development Cooperation Instrument[3] etc), macro-financial assistance should not be used to provide regular financial support nor

have as its primary aim supporting the economic and social development of the beneficiary countries. Nor should macro-financial assistance be used akin to conditional debt forgiveness grants.

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[1] ***Regulation No … of the European Parliament and of the Council of … on the Instrument for Pre-accession Assistance (IPA II) (OJ …)***

[2] ***Regulation No … of the European Parliament and of the Council of … establishing a European Neighbourhood Instrument (OJ …)***

[3] ***Regulation No … of the European Parliament and of the Council of … establishing a financing instrument for development cooperation (OJ …)***

Or. en

Amendment 4

Proposal for a regulation
Recital 2

Text proposed by the Commission	*Amendment*
(2) ***At present, macro-financial assistance to third countries is based on ad-hoc country specific decisions of the European Parliament and of the Council. This reduces*** the efficiency and effectiveness of the assistance ***by causing unnecessary delays between requests for macro-financial assistance and their actual implementation***.	(2) ***The framework regulation aims at clarifying the rules and improving*** the efficiency and effectiveness of the ***Union*** assistance***, inter alia by strengthening the application of the pre-conditions, improving the transparency and formalising the political assessment by the Commission, improving the democratic effectiveness and democratic scrutiny***.

Or. en

Amendment 5

Proposal for a regulation
Recital 3

Text proposed by the Commission	*Amendment*
(3) A framework for delivering macro-financial assistance to third countries ***with which the Union has important political, economic and commercial ties*** should ***make the assistance more effective. In particular, it should be possible to provide macro-financial assistance to third countries to*** encourage them to adopt economic policy measures likely to solve a balance of payments crisis.	(3) A framework for delivering macro-financial assistance to third countries should encourage them to adopt economic policy measures likely to solve a balance of payments crisis.

Or. en

Amendment 6

Proposal for a regulation
Recital 5

Text proposed by the Commission	*Amendment*
(5) The adoption of a general regulation for macro-financial assistance based on Articles 209 and 212 is without prejudice to the provisions of Article 213 of the Treaty, governing urgent financial assistance to third countries, and of the related prerogatives of the Council.	***deleted***

Or. en

Amendment 7

Proposal for a regulation
Recital 6

Text proposed by the Commission	*Amendment*
(6) In 2006, the Union overhauled and streamlined its external assistance framework to make it more effective. For all the key external financial instruments, it adopted framework regulations granting implementation powers to the Commission. The only major instrument that does not currently have a framework regulation is macro-financial assistance.	***deleted***

Or. en

Amendment 8

Proposal for a regulation
Recital 7

Text proposed by the Commission	*Amendment*
(7) In its conclusions of 8 October 2002, the Council established criteria (the so-called Genval criteria) to guide the EU's macro-financial assistance operations. It is appropriate to ***formalise*** these criteria in a legal act ***endorsed*** by ***both*** the Parliament and the Council ***while updating and clarifying them***.	(7) In its conclusions of 8 October 2002, the Council established criteria (the so-called Genval criteria) to guide the EU's macro-financial assistance operations. It is appropriate to ***update and clarify*** these criteria in a legal act ***adopted*** by the ***European*** Parliament and the Council***, inter alia in relation to the criteria for determining the appropriate form of assistance (loan, grant or combination thereof)***.

Or. en

Amendment 9

Proposal for a regulation
Recital 8

Text proposed by the Commission	*Amendment*
(8) Appropriate procedures and instruments should be provided for in advance to enable the Union to ***ensure that*** macro-financial assistance ***can be made*** available expeditiously, especially when circumstances call for immediate action**.** ***This would also*** increase the clarity and transparency of the criteria applicable to the implementation of macro-financial assistance.	(8) Appropriate procedures and instruments should be provided for in advance ***in order*** to enable the Union to ***make*** macro-financial assistance available expeditiously, especially when circumstances call for immediate action ***and to*** increase the clarity and transparency of the criteria applicable to the implementation of macro-financial assistance.

Or. en

Amendment 10

Proposal for a regulation
Recital 9

Text proposed by the Commission	*Amendment*
(9) The Commission should ensure that macro-financial assistance is in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.	(9) The Commission should ensure ***in its choice of beneficiary countries and in the content of the Memorandums of Understanding*** that macro-financial assistance is in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.

Or. en

Amendment 11

Proposal for a regulation
Recital 10

Text proposed by the Commission	*Amendment*
(10) Macro-financial assistance should ***support*** the beneficiary countries' commitments to common values with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as to the principles of open, rules-based and fair trade.	(10) Macro-financial assistance should ***include measures to improve*** the beneficiary countries' commitments to common values with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as to the principles of open, rules-based and fair trade. ***The fulfilment of these objectives should be regularly monitored by the Commission.***

Or. en

Amendment 12

Proposal for a regulation
Recital 13

Text proposed by the Commission	*Amendment*
(13) Macro-financial assistance should be complementary to the resources provided by the International Monetary Fund and other multilateral financial institutions and there should be a fair burden sharing with other donors. Macro-financial assistance should ***ensure*** the added value of the involvement of the Union.	***(11a) In general*** macro-financial assistance should be complementary to the resources provided by the International Monetary Fund and other ***European or*** multilateral financial institutions and there should be a fair burden sharing with ***those institutions and*** other donors. Macro-financial assistance should ***be provided where it ensures*** the added value of the involvement of the Union.

Or. en

Amendment 13

Proposal for a regulation
Recital 13 a (new)

Text proposed by the Commission	*Amendment*
	(13a) In order to ensure that macro-financial assistance can meet the demands caused by urgent economic crises, the Union should ensure that sufficient financial resources are allocated to its budget. It is also necessary to ensure that macro-financial assistance is available to all eligible countries regardless of their economic size and applied appropriately in conjunction with the Union's other financing instruments.

Or. en

Amendment 14

Proposal for a regulation
Recital 14 a (new)

Text proposed by the Commission	*Amendment*
	(14a) In order to achieve a balance between the need for effectiveness and efficiency of Union assistance on the one hand, and greater coherence, transparency and democratic scrutiny on the other, the power to adopt acts in accordance with Article 290 of the Treaty of the Functioning of the European Union should be delegated to the Commission in respect of eligible countries and territories (Annex I) and granting assistance to particular countries and territories (Annex IIa). It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and

drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

Or. en

Amendment 15

Proposal for a regulation
Recital 15

Text proposed by the Commission	*Amendment*
(15) In order to ensure uniform conditions for the implementation of this Regulation, ***as regards the approval and management of macro-financial assistance operations in beneficiary countries,*** implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) 182/2011 of the European Parliament and of the Council laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers.	(15) In order to ensure uniform conditions for the implementation of this Regulation, 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 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers.

Or. en

Amendment 16

Proposal for a regulation
Recital 16

Text proposed by the Commission	*Amendment*
(16) The examination procedure should be used for the adoption of implementing decisions defining the amount, form, duration and general conditions of individual macro-financial assistance operations given that such decisions have	***deleted***

substantial budgetary implications.

Or. en

Amendment 17

Proposal for a regulation
Recital 17

Text proposed by the Commission	*Amendment*
(17) The advisory procedure should be used for the adoption of the Memorandum of Understanding ***(MoU)*** laying down the economic policy measures associated with the Union's macro-financial assistance given that the ***MoU*** is not an implementing act of general scope, nor an act entailing ***budgetary*** implications ***or implications for third countries*** beyond those already entailed by the decision granting the assistance.	(17) The advisory procedure should be used for the adoption of the Memorandum of Understanding laying down the economic policy measures associated with the Union's macro-financial assistance given that the ***Memorandum of Understanding*** is not an implementing act of general scope, nor an act entailing ***substantial*** implications beyond those already entailed by the decision granting the assistance.

Or. en

Amendment 18

Proposal for a regulation
Article 1 – paragraph 1

Text proposed by the Commission	*Amendment*
1. This Regulation lays down general provisions for the granting of macro-financial assistance to eligible third countries and territories ***as set out in Article 2***.	1. This Regulation lays down general provisions for the granting of ***Union*** macro-financial assistance to eligible third countries and territories ***referred to in Article 2 (hereinafter the 'beneficiary countries')***.

Or. en

Amendment 19

Proposal for a regulation
Article 1 – paragraph 2

Text proposed by the Commission	*Amendment*
2. Macro-financial assistance shall be an exceptional financial instrument of untied and undesignated balance-of-payments support to ***eligible third*** countries ***and territories***. It shall aim at restoring a sustainable external finance situation for countries facing external financing difficulties. It shall underpin the implementation of strong adjustment and structural reform measures designed to remedy balance of payments difficulties.	2. Macro-financial assistance shall be an exceptional financial instrument of untied and undesignated balance-of-payments support to ***beneficiary*** countries. It shall aim at restoring a sustainable external finance situation for ***beneficiary*** countries facing external financing difficulties. It shall underpin the implementation ***by such beneficiary countries*** of ***relevant bilateral agreements and programmes with the Union and shall be aimed at*** strong adjustment and structural reform measures designed to remedy balance of payments difficulties.

Or. en

Amendment 20

Proposal for a regulation
Article 1 – paragraph 3

Text proposed by the Commission	*Amendment*
3. Macro-financial assistance may be granted on condition of the existence of a significant and residual external financing gap jointly identified with the multilateral financial institutions over and above the resources provided by the International Monetary Fund (IMF) and other multilateral institutions, despite the implementation of strong economic stabilisation and reform programmes.	3. Macro-financial assistance may be granted on condition of the existence of a significant and residual external financing gap ***in the respective beneficiary country*** jointly identified with the ***European or*** multilateral financial institutions over and above the resources provided by the International Monetary Fund (IMF) and other ***European or*** multilateral ***financial*** institutions, despite the implementation of strong economic stabilisation and reform programmes ***by the respective beneficiary country***.

Or. en

Amendment 21

Proposal for a regulation
Article 2 – title

Text proposed by the Commission	*Amendment*
Eligible countries	Eligible countries ***and territories***

Or. en

Amendment 22

Proposal for a regulation
Article 2 – introductory part

Text proposed by the Commission	*Amendment*
The third countries and territories eligible for macro-financial assistance shall be:	***1.*** The third countries and territories eligible for macro-financial assistance ***provided that they fulfil the conditionality criteria in Article 6 (the 'beneficiary countries')*** shall be:

Or. en

Amendment 23

Proposal for a regulation
Article 2 – paragraph 1 – point b a (new)

Text proposed by the Commission	*Amendment*
	(ba) Central Asian countries as listed in Point 2a of Annex I to this Regulation.

Or. en

Amendment 24

Proposal for a regulation
Article 2 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	1a. The Commission shall be empowered to adopt delegated acts in accordance with Article 14a to amend Points 1 and 2 of Annex I in order to update it following appropriate political decisions regarding countries' status as candidate or potential candidate countries or regarding the scope of the European Neighbourhood Policy.

Or. en

Amendment 25

Proposal for a regulation
Article 4 – paragraph 1

Text proposed by the Commission	*Amendment*
1. The amounts of macro-financial assistance provided ***in grants*** under this Regulation shall be consistent with the budget appropriations established in the multi-annual financial framework.	1. The amounts of macro-financial assistance provided under this Regulation ***in the form of a grant*** shall be consistent with the budget appropriations established in the multi-annual financial framework.

Or. en

Amendment 26

Proposal for a regulation
Article 4 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The amounts of macro-financial assistance provided ***in loans*** under this Regulation shall be provisioned in accordance with Council Regulation (EC,	2. The amounts of macro-financial assistance provided under this Regulation ***in the form of a loan*** shall be provisioned in accordance with Council Regulation

Euratom) 480/2009 of 25 May 2009 on the Guarantee Fund for external actions.	(EC, Euratom) ***No*** 480/2009 of 25 May 2009 establishing a Guarantee Fund for external actions.

Or. en

Amendment 27

Proposal for a regulation
Article 4 – paragraph 3

Text proposed by the Commission	*Amendment*
3. Annual appropriations shall be authorised by the budgetary authority within the limits of the financial framework. ***The corresponding reference amounts for the period 2011 to 2013 are set out in Annex II.***	3. Annual appropriations shall be authorised by the budgetary authority within the limits of the ***multi-annual*** financial framework.

Or. en

Amendment 28

Proposal for a regulation
Article 5 – paragraph 1

Text proposed by the Commission	*Amendment*
1. The amount of the assistance shall be based on the residual external financing needs of the beneficiary country. These shall be established by the Commission in cooperation with ***internationa***l financial institutions, based on a comprehensive and well documented quantitative assessment. In particular, the Commission ***will*** draw on the latest balance of payments projections for the country in question produced by the IMF and take into account the expected financial contributions from multilateral donors.	1. The ***proposed*** amount of the assistance shall be based on the residual external financing needs of the beneficiary country. These shall be established by the Commission in cooperation with ***the IMF and other European or multilateral*** financial institutions, based on a comprehensive and well documented quantitative assessment. In particular, the Commission ***shall*** draw on the latest balance of payments projections for the ***beneficiary*** country in question produced by the IMF ***and other European or multilateral financial institutions*** and take into account the expected financial

contributions from multilateral donors ***as well as pre-existing deployment of the Union's other external financing instruments in the country concerned.***

Or. en

Amendment 29

Proposal for a regulation
Article 5 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The determination of the ***amounts*** of macro-financial assistance shall also take into account the need to ensure a fair burden sharing ***with*** other donors.	2. The determination of the ***amount*** of macro-financial assistance shall also take into account the need to ensure a fair burden sharing ***between the Union and the*** other donors. ***The Union's contribution should be sufficient to guarantee that it brings Union added value and should not normally be below 20%.***

Or. en

Amendment 30

Proposal for a regulation
Article 5 – paragraph 3

Text proposed by the Commission	*Amendment*
3. In case the financing needs of the beneficiary country decline fundamentally during the period of disbursement of the macro-financial assistance, the Commission, ***acting in accordance with Article 14 (2), may decide*** to reduce the amount of funds made available in the context of the assistance, suspend or cancel the assistance.	3. In case the financing needs of the beneficiary country decline fundamentally during the period of disbursement of the macro-financial assistance, the Commission ***shall be empowered to adopt delegated acts, in accordance with Article 14a, to amend Annex IIa*** to reduce the amount of funds made available in the context of the assistance, suspend or cancel the assistance.

Or. en

Amendment 31

Proposal for a regulation
Article 6 – paragraph 1 a (new)

Text proposed by the Commission	*Amendment*
	1a. The European External Action Service (EEAS) shall make an assessment of the country concerned specifying whether it meets the levels of democratic accountability required through reference to the reports of relevant international and civil society organisations. Only if the report from the EEAS demonstrates a sufficient commitment to democratic mechanisms should the Commission provide an individual macro-financial assistance. The report may also make policy recommendations to be included in the Memorandum of Understanding under Article 6(4a). This report shall be added to each individual delegated act referred to in Article 7(3).

Or. en

Amendment 32

Proposal for a regulation
Article 6 – paragraph 2

Text proposed by the Commission	*Amendment*
2. Macro-financial assistance shall be conditional on the existence of an IMF programme entailing the use of IMF resources.	2. Macro-financial assistance shall be conditional on the existence of an IMF programme entailing the use of IMF resources ***or that of another European or multilateral financial institution.***

Or. en

Amendment 33

Proposal for a regulation
Article 6 – paragraph 3

Text proposed by the Commission	*Amendment*
3. The disbursement of the assistance shall be conditional on a satisfactory track record of an IMF programme. It shall also be conditional on the implementation, within a specific time frame, of a series of clearly defined economic policy measures focusing on structural reforms, to be agreed between the Commission and the beneficiary country and to be laid down in a Memorandum of Understanding.	3. The disbursement of the assistance shall be conditional on a satisfactory track record of an IMF programme ***or that of another European or multilateral financial institution.*** It shall also be conditional on the implementation, within a specific time frame, of a series of clearly defined economic policy measures focusing on structural reforms, to be agreed between the Commission and the beneficiary country and to be laid down in a Memorandum of Understanding.

Or. en

Amendment 34

Proposal for a regulation
Article 6 – paragraph 4 a (new)

Text proposed by the Commission	*Amendment*
	4a. With a view to protecting the Union's democratic interests and reinforcing beneficiary countries' respect for fundamental rights, the Memorandum of Understanding shall include country specific measures that are consistent with the Union's external policies aimed at strengthening human and labour rights, transparency and combating corruption. These measures may include specific governance policies, including those suggested by the EEAS under Article 6(1a), and may include the ratification and implementation of relevant international conventions.

Or. en

Amendment 35

Proposal for a regulation
Article 7 – paragraph 2

Text proposed by the Commission	*Amendment*
2. ***If*** the conditions referred to in Article 1, Article 2, Article 4 and Article 6 are met, macro-financial assistance ***shall be granted by*** the Commission ***acting in accordance with Article 14(2).***	2. ***Upon receiving the request, the Commission shall make an assessment as to whether*** the conditions referred to in Article 1, Article 2, Article 4 and Article 6 are met ***for granting*** macro-financial assistance. ***If those conditions are met,*** the Commission ***shall determine the amount and the form of the assistance under the conditions referred to in Article 5 and Article 3 respectively.***

Or. en

Amendment 36

Proposal for a regulation
Article 7 – paragraphs 3 and 3a (new)

Text proposed by the Commission	*Amendment*
3. The decision to provide a loan shall specify the amount, the maximum average maturity, the maximum number of instalments of the macro-financial assistance. The decision to provide a grant shall specify the amount, and the maximum number of instalments. ***In both cases the availability period of the macro-financial assistance shall be defined.*** As a rule, ***it*** shall not exceed three years.	3. ***For the purpose of paragraph 2 the Commission shall be empowered to adopt delegated acts in accordance with Article 14a to establish and to amend Annex IIa in order to provide macro-financial assistance to a particular country or territory. In the delegated act the Commission shall, inter alia, stipulate the following:*** ***(a) All delegated acts shall stipulate the beneficiary of the assistance, the total maximum amount of the assistance, the form of the assistance, and the availability period of the assistance.*** ***(b)*** The decision to provide a loan shall specify the amount, the maximum average

maturity, the maximum number of instalments of the macro-financial assistance.

(c) The decision to provide a grant shall specify the amount, and the maximum number of instalments. ***The decision to provide a grant shall be accompanied by a justification of the grant (or grant element) of assistance.***

3a. As a rule, ***the availability period of the macro-financial assistance*** shall not exceed three years.

Or. en

Amendment 37

Proposal for a regulation
Article 7 – paragraph 4

Text proposed by the Commission	*Amendment*
4. Following the ***approval*** of the ***decision*** granting macro-financial assistance, the Commission, acting in accordance with Article 14(3), shall agree the policy measures referred to in Article 6(3), (4), (5) and (6) with the beneficiary country.	4. Following the ***adoption*** of the ***delegated act on*** granting macro-financial assistance, the Commission, acting in accordance with Article 14(3), shall agree ***in the Memorandum of Understanding*** the policy measures referred to in Article 6(3), (4), ***(4a)***, (5) and (6) with the beneficiary country.

Or. en

Amendment 38

Proposal for a regulation
Article 7 – paragraph 5

Text proposed by the Commission	*Amendment*
5. Following the ***approval*** of the ***decision*** granting macro-financial assistance, the Commission shall agree the detailed	5. Following the ***adoption*** of the ***delegated act on*** granting macro-financial assistance, the Commission shall agree the detailed

financial terms of the assistance with the beneficiary country. These shall be laid down in a Grant or Loan Agreement.	financial terms of the assistance with the beneficiary country. These shall be laid down in a Grant or Loan Agreement.

Or. en

Amendment 39

Proposal for a regulation
Article 9 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The assistance shall be disbursed in successive instalments, conditional upon the fulfilment of the conditions referred to in ***Article 6(2) and 6(3)***.	2. The assistance shall be disbursed in successive instalments, conditional upon the fulfilment of the conditions referred to in ***Article 6(1), (2), (3) and (4a)***.

Or. en

Amendment 40

Proposal for a regulation
Article 9 – paragraph 3

Text proposed by the Commission	*Amendment*
3. The Commission shall verify at regular intervals that the conditions referred to in ***Article 6(2) and 6(3)*** continue to be met.	3. The Commission shall verify at regular intervals that the conditions referred to in ***Article 6(1), (2), (3) and (4a)*** continue to be met. ***When verifying the implementation of Article 6(4a), the Commission shall closely consult the EEAS and base its judgement on its evaluation.***

Or. en

Amendment 41

Proposal for a regulation
Article 9 – paragraph 4

Text proposed by the Commission	*Amendment*
4. In case the conditions referred to in ***Article 6(2) and 6(3)*** are not met, the Commission can temporarily suspend, reduce or cancel the disbursement of the assistance.	4. In case the conditions referred to in ***Article 6(1), (2), (3) or (4a)*** are not met, the Commission can temporarily suspend, reduce or cancel the disbursement of the assistance ***and inform the European Parliament and the Council thereof***.

Or. en

Amendment 42

Proposal for a regulation
Article 11 – paragraph 1

Text proposed by the Commission	*Amendment*
1. Beneficiary countries shall regularly check that financing provided from the budget of the Union has been properly used, take appropriate measures to prevent irregularities and fraud, and, if necessary, take legal action to recover any funds provided under this Regulation that have been misappropriated.	1. ***Any agreements resulting from this Regulation shall contain provisions ensuring that*** beneficiary countries shall regularly check that financing provided from the budget of the Union has been properly used, take appropriate measures to prevent irregularities and fraud, and, if necessary, take legal action to recover any funds provided under this Regulation that have been misappropriated.

Or. en

Amendment 43

Proposal for a regulation
Article 11 – paragraph 3 a (new)

Text proposed by the Commission	*Amendment*
	3a. The Memorandum of Understanding referred to in Article 6(3) and any other

agreements resulting from this Regulation shall ensure the rights of the Commission and the Court of Auditors under paragraphs 2 and 3 of this Article during and after the availability period of the macro-financial assistance.

Or. en

Amendment 44

Proposal for a regulation
Article 12 – paragraph 1

Text proposed by the Commission	*Amendment*
1. The Commission shall regularly evaluate the results and efficiency of macro-financial assistance in order to ascertain whether the objectives have been met and enable it to formulate recommendations with a view to improving future operations.	1. The Commission shall regularly evaluate the results and efficiency of macro-financial assistance ***regarding each and every particular recipient country or territory*** in order to ascertain whether the objectives have been met and enable it to formulate recommendations with a view to improving future operations. ***When evaluating the functioning of the political conditionality and measures under Article 6(4a), the Commission shall consult the EEAS***.

Or. en

Amendment 45

Proposal for a regulation
Article 12 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The Commission shall send ex-post evaluation reports to the European Parliament ***and*** the Council, assessing the extent to which recently completed ***MFA*** operations have contributed to the aims of the assistance.	2. The Commission shall send ex-post evaluation reports to the European Parliament***,*** the Council ***and the Court of Auditors***, assessing the extent to which recently completed ***macro-financial assistance*** operations ***regarding a***

particular recipient country or territory have contributed to the aims of the assistance.

Or. en

Amendment 46

Proposal for a regulation
Article 12 – paragraph 2 a (new)

Text proposed by the Commission	*Amendment*
	2a. The Court of Auditors shall audit the financial management of the assistance.

Or. en

Amendment 47

Proposal for a regulation
Article 13 – paragraph 2

Text proposed by the Commission	*Amendment*
2. The annual report shall assess the economic situation and prospects of the beneficiary countries, as well as the progress made with the implementation of the policy measures referred to in Article 6(3).	2. The annual report shall assess the economic situation and prospects of the beneficiary countries, as well as the progress made with the implementation of the policy measures referred to in Article 6(3) ***and (4a)***.

Or. en

Amendment 48

Proposal for a regulation
Article 14 a (new)

Text proposed by the Commission	*Amendment*
	Article 14a

Exercise of the delegation

1. The power to adopt delegated acts referred to in Articles 2(1a), 5(3) and 7(3) shall be conferred on the Commission for a period of applicability of this Regulation.

2. The delegation of power may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

3. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and the Council.

4. A delegated act adopted pursuant to Articles 2(1a), 5(3) and 7(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of two months of notification of the act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.

Or. en

Amendment 49

Proposal for a regulation
Article 14 b (new)

Text proposed by the Commission	*Amendment*
	Article 14b
	Review
	1. No later than .....* and every five years thereafter, the Commission shall present to the European Parliament and the Council a report on the application of this Regulation.
	2. The report referred to in paragraph 1 shall include a detailed overview of macro-financial assistance granted under this Regulation and shall be accompanied, if appropriate, by a legislative proposal for a review of this Regulation.
	**** OJ: five years after the entry into force of this Regulation.***

Or. en

Amendment 50

Proposal for a regulation
Article 15

Text proposed by the Commission	*Amendment*
This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union ***and shall expire on 31 December 2013***.	This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

Or. en

Amendment 51

Proposal for a regulation
Annex I – title

Text proposed by the Commission	*Amendment*
COUNTRIES AND TERRITORIES ELIGIBLE UNDER ARTICLE 2***(a) AND (b)***	COUNTRIES AND TERRITORIES ELIGIBLE UNDER ARTICLE 2

Or. en

Amendment 52

Proposal for a regulation
Annex I – point 2 a (new)

Text proposed by the Commission	*Amendment*
	2a. Central Asian countries
	Kazakhstan
	Kyrgyzstan
	Tajikistan
	Turkmenistan
	Uzbekistan

Or. en

Amendment 53

Proposal for a regulation
Annex II

Text proposed by the Commission	*Amendment*
	Annex deleted.

Or. en

Amendment 54

Proposal for a regulation
Annex II a (new)

Amendment by Parliament

ANNEX II a

MACRO-FINANCIAL ASSISTANCE TO PARTICULAR COUNTRIES AND TERRITORIES

Beneficiary of assistance	***Total maximum amount of assistance***	***Form of assistance***					***Availability period of assistance***
		Loan			***Grant***		
		Amount	***Maximum average maturity***	***Maximum number of instalments***	***Amount***	***Maximum number of instalments***	
…	…	…	…	…	…	…	…

Or. en

EXPLANATORY STATEMENT

Introduction

The EU's Macro-Financial Assistance (MFA) was launched in 1990 to grant financial assistance to third countries experiencing short-term balance of payments difficulties. A total of 55 MFA decisions benefiting 23 countries have so far been approved, amounting to 7.2 billion Euros, in the form of grants or loans, or a combination of the two.

In recent years INTA has been involved in granting MFA first under the consultation procedure and, since the Lisbon Treaty, as co-legislator. Under the Treaty of Lisbon, the appropriate legal bases for decisions granting MFA are Articles 209(1) and 212(2) TFEU, depending on whether the beneficiary country is a developing country or not. In both cases, OLP applies.

Two ad hoc decisions have been adopted under Lisbon for Ukraine and Moldova. A third decision for Georgia has been held up due to a procedural disagreement: for the adoption of the Memorandum of Understanding (MOU), the EP is insisting on the "advisory procedure" used for Ukraine and Moldova, whereas Council wants the "examination procedure".

Until now, the EU has taken MFA decisions based on the Council's so-called "Genval criteria" of October 2002 which have been subject to case-by-case legislative decisions. Deeming this situation unsatisfactory, the EP's resolution of 2003 called for a framework regulation for MFA and thus, the Commission's proposal comes as a direct response to this demand.

Commission Proposal

According to the Commission, the main goals of its proposal are:

– to create a formal legal instrument for MFAs to third countries,

– to introduce quicker, more efficient and streamlined decision-making for individual MFA operations,

– to agree rules and conditions among the EU institutions (to make the EP "co-owner of the rules"),

– to update and clarify some of the rules, most notably on the geographical scope of MFA,

– to align decision-making for MFA with other external financial assistance instruments.

In its staff working paper, the Commission expressed its concerns over the current situation of case by-case legislative decisions, particularly in light of the mandatory eight week consultation of the national parliaments. Although MFA has made a valuable contribution to macroeconomic stability in the EU’s neighbourhood, current procedures tend to reduce its effectiveness and transparency.

In its justifications, the Commission has mixed together two distinct issues: the goal of

making MFA more effective and the need to agree clear rules and conditions for MFA disbursement. The Rapporteur recommends looking firstly at whether we agree with the rules governing the MFA, and separately at whether we agree to the proposed decision making procedures.

The EP has also received contributions from the Portuguese Parliament of 20 September 2011 and the Italian Senate of 29 November 2011.

The Rules

The "Genval criteria" make MFA assistance conditional on shared democratic, economic and geographical proximity, as well as the existence of an IMF scheme and financial discipline.

Procedural Rules and Conditionality

The Commission has not altered the fundamental parameters of the "Genval Criteria" though some minor procedural rules have been modified. For instance, the Commission has removed the use of ceilings for the EU's proportion of the assistance (Article 5(2)), explaining they are difficult to calculate and impractical. It seems appropriate that the Commission is given sufficient flexibility in determining the appropriate ratio and a procedural straightjacket is avoided, whilst also ensuring that each assistance programme undergoes democratic scrutiny.

The same logic applies to the split between grants and loans. The Commission's proposal is somewhat vague on how the ratio of grants to loans is determined, stating that they shall consider *"the level of economic development of the beneficiary country"* but not explaining how this analysis will be used (Article 3(1)). Previously, grants have been part of the MFA to countries such as Albania (2004), Bosnia-Herzegovina (2004), Georgia (2005 and 2009), Lebanon (2007), Moldova (2007 and 2010) and Armenia (2009).

As with the ceilings, the rapporteur considers that a balance needs to be struck between establishing clear rules and allowing the Commission room to tailor its assistance to the specific situation at hand. Past experience has shown cases where MFA has been used as a financial package akin to conditional debt forgiveness grants and the rapporteur believes that this practise should be avoided in the future.

Importantly, the Regulation maintains the central complementary principle that MFA should only be granted where there is an IMF programme (Article 6(2)). While the practise of linking the MFA to an IMF scheme will continue as the norm, the rapporteur believes that there should be flexibility for the EU to work with other European or multilateral financial institutions such as the World Bank or the European Investment Bank (EIB).

The rapporteur would like to stress that MFA must bring EU added-value and should only occur where the EU can bring something to the table rather than act as an 'IMF top-up'. Therefore, by de-coupling MFA from the existence of an IMF scheme, the EU will have greater freedom to provide added value. The EU could, in certain cases, consider taking the lead role in MFA operations. Furthermore, the joint CEPS and LSE study commissioned by the EP notes that MFA is often too small to guarantee implementation of the policy measures adopted under the MOU. Therefore, the report proposes that, in most cases, the EU's contribution should not fall beneath a minimum percentage to ensure that the EU's

contribution is sufficient to ensure added value and makes it easier for large countries to benefit from MFA.

Eligible Countries

Eligible countries include candidates for EU membership, potential candidates, ENP countries and, exceptionally, additional countries which are "politically, economically and geographically close to the EU" (art 2). In practise, this latter category has meant Central Asian countries.

The rapporteur believes that these "additional partners" should be removed as this provision is ambiguous and, in previous cases, the selection criteria have not been properly applied. Instead, the rapporteur proposes to list the Central Asian countries as a third category. Stability in the EU's immediate neighbourhood and "Europeanisation" should be the key objectives of MFA and countries should be approved accordingly. More broadly, the provisions have been introduced so that the Commission better explains and discloses the inter-relation of MFA programmes to the EU's other external financing instruments.

Political Conditionality

Taking its lead from the "Genval Criteria", the Regulation makes MFA support conditional on the presence of *"effective democratic mechanisms, including multi-party parliamentary systems, the rule of law and respect for human rights"* (Article 6(1)). At face value, this appears in line with the EU's responsibility under the Lisbon Treaty to promote its core values in its external affairs.

However, experience demonstrates that such conditionality is rarely practised. For example, the CEPS study commissioned by the EP notes that the 2002 MFA for Ukraine showed the EU "had little regard for the political pre-conditions". This pattern has been consistently repeated as demonstrated by the more recent study.

The rapporteur considers that the application of the pre-conditions must be strengthened and the political assessment by the Commission should become more formalised and transparent. Proposed improvements include the introduction of a transparent report by the European External Action Service prior to the proposal of each MFA to verify each partner country respects human rights and other political conditions.

The rapporteur proposes to further strengthen the democratic effectiveness of MFA through an explicit reference that democratic and human rights policy measures should be included in the MOU. Clearly some of the measures to strengthen financial accountability and transparency (Articles 6(4) and (5)) have a democratic side effect but to merely refer to "other priorities in the context of the EU's external policy" is not sufficient. Explicit measures on human rights and democratic mechanisms should be included in the MOU where applicable. Furthermore, the rapporteur includes deterioration in democratic conditions as a reason for the suspension, reduction or cancellation of the disbursement.

In summary, the rapporteur wants the regulation to place sufficient emphasis on the EU's democratic interest to match that already contained for the EU's financial and economic interest.

The Procedure

The Commission introduces the following decision-making procedure:

(i) examination procedure for:

- the adoption of country-specific decisions to grant MFA;
- the adoption of decisions to either reduce the amount of funds made available in the context of the assistance, to suspend or to cancel the assistance;
- agreeing consultancy contracts for support measures if the unitary value exceeds EUR 250,000;

(ii) advisory procedure for agreeing the MOU with the beneficiary country laying down the policy measures associated with the assistance.

Therefore, the Commission proposal removes the case by case OLP for each MFA and replaces this with a decision taken by the Commission and approved by the Council. In practice the EP would have no role in overseeing future MFAs and the use of delegated acts (Article 290 TFEU) is not foreseen for a single decision.

The rapporteur agrees with the Commission that changes are necessary to establish clear rules and make MFA decision-making smoother and more efficient. However, the total removal of parliamentary scrutiny and the introduction of implementing acts for MFA is unacceptable.

Therefore, the rapporteur has proposed to use delegated acts to grant MFA on a case by case basis. Delegated acts combine greater speed and efficiency with effective democratic scrutiny through the requirement that the EP gives its approval to each MFA decision.

Finally, the Commission proposes that the Regulation should only last until the end of 2013, and is thus meant to be transitional. Thereafter the Regulation would be replaced (or amended) by a new framework regulation. The rapporteur considers that one framework regulation is sufficient and it does not make sense to approve a regulation for less than two years. Therefore, the rapporteur proposes that the Regulation should be open-ended with the possibility for review every five years.