European Commission approves disbursement of EUR 23 million in assistance to Georgia

The European Commission, on behalf of the EU, has today approved the disbursement of the second tranche of EUR 23 million under its Macro-Financial Assistance (MFA) to Georgia. The funds – EUR 10 million in grants and EUR 13 million in low-interest loans – will be disbursed in May 2017. This is the final instalment of the second of two MFA operations, each in an amount of EUR 46 million. The first one was fully disbursed in 2009-2010.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxations and Customs, said: *"The disbursement decided today is part of the EU's long-standing support to Georgia and its citizens. On the back of successful completion of critical reform commitments and improved stability, but at a time when our partner continues to face a challenging balance-of-payments and fiscal situation, the EU's assistance will help alleviate Georgia's short-term financing needs. It will also support the implementation of key reforms aimed at boosting economic growth and job creation, reinforcing social safety nets and strengthening the stability of the financial sector."*

The EU's MFA programme was intended to strengthen Georgia's external and budgetary positions and to support the government's agenda of economic, social and financial reforms. The policy programme attached to the EU's assistance, which was jointly agreed by Georgia and the EU in December 2014, included measures aimed at improving public finance management, fostering social inclusiveness and strengthening financial supervision. It also contained measures related to trade and competition policies, which aimed to help Georgia fully reap the benefits of the EU-Georgia Association Agreement (AA), including a Deep and Comprehensive Free Trade Area (DCFTA), which was signed in 2014, provisionally applied from September 2014 and entered into force in July 2016.

Background

Macro-financial assistance (MFA) operations are part of the EU's wider engagement with neighbouring countries and are intended as an exceptional EU crisis response instrument. They are available to EU partner countries experiencing severe balance-of-payments issues. EU assistance to Georgia is also delivered through other financial instruments, such as budget support.

In August 2013, the EU approved an MFA programme for Georgia of up to EUR 46 million, to be disbursed in two equal tranches of EUR 23 million. The European Commission signed a memorandum of understanding with Georgia in December 2014 and disbursed the first MFA tranche in early 2015 (EUR 13 million in grants in January 2015 and EUR 10 million in loans in April 2015). This second and final instalment follows the recent agreement between Georgia and the International Monetary Fund on a new assistance programme. Based on the findings gathered during a review mission conducted in November 2015, the Commission concluded that Georgia had implemented all MFA policy measures associated with the second tranche of MFA (worth EUR 10 million in grants and EUR 13 million in loans). The disbursement of this tranche was foreseen to take place in 2016, but had to be delayed due to the lack of progress with the implementation of Georgia's programme with the International Monetary Fund (IMF). With the approval by the IMF Executive Board of a new $285 million Extended Fund Facility for Georgia on 12 April 2017, the Commission has decided to proceed with the disbursement of the second tranche of MFA.

This MFA programme for Georgia is the second of two operations pledged by the EU at the International Donor Conference which took place in Brussels in October 2008, in the aftermath of the military conflict with Russia. A previous EU MFA programme for Georgia, also amounting to EUR 46 million and exclusively composed of grants, had been successfully implemented in 2009-2010.

Further information:

EU economic cooperation with Georgia, including macro-financial assistance

Information on MFA operations, including annual reports

EU investor relations website