

# Procedure file

Basic information		
CNS - Consultation procedure Decision	2009/0150(CNS)	Procedure completed
Macro-financial assistance to Armenia  Subject 6.20.07 Macro-financial assistance to third countries 6.40.04.04 Relations with Caucasus countries 6.40.15 European neighbourhood policy  Geographical area Armenia		

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	<b>INTA</b> International Trade	S&D <a href="#">MOREIRA Vital</a>	29/09/2009
	Committee for opinion	Rapporteur for opinion	Appointed
Council of the European Union	<b>AFET</b> Foreign Affairs	The committee decided not to give an opinion.	
	<b>BUDG</b> Budgets	The committee decided not to give an opinion.	
	Council configuration	Meeting	Date
European Commission	<a href="#">Justice and Home Affairs (JHA)</a>	<a href="#">2979</a>	30/11/2009
	Commission DG	Commissioner	
	<a href="#">Economic and Financial Affairs</a>		

Key events			
14/10/2009	Legislative proposal published	<a href="#">COM(2009)0531</a>	Summary
10/11/2009	Vote in committee		Summary
12/11/2009	Committee referral announced in Parliament		
13/11/2009	Committee report tabled for plenary, 1st reading/single reading	<a href="#">A7-0059/2009</a>	
23/11/2009	Debate in Parliament		
24/11/2009	Results of vote in Parliament		
24/11/2009	Decision by Parliament	<a href="#">T7-0072/2009</a>	Summary

30/11/2009	Act adopted by Council after consultation of Parliament		
30/11/2009	End of procedure in Parliament		
05/12/2009	Final act published in Official Journal		

#### Technical information

Procedure reference	2009/0150(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Decision
Legal basis	EC Treaty (after Amsterdam) EC 308
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	INTA/7/01319

#### Documentation gateway

Document attached to the procedure	<a href="#">SEC(2009)1324</a>	14/10/2009	EC	
Legislative proposal	<a href="#">COM(2009)0531</a>	14/10/2009	EC	Summary
Committee draft report	<a href="#">PE430.402</a>	21/10/2009	EP	
Committee report tabled for plenary, 1st reading/single reading	<a href="#">A7-0059/2009</a>	13/11/2009	EP	
Text adopted by Parliament, 1st reading/single reading	<a href="#">T7-0072/2009</a>	24/11/2009	EP	Summary

#### Additional information

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

#### Final act

[Decision 2009/890](#)  
[OJ L 320 05.12.2009, p. 0003](#) Summary

## Macro-financial assistance to Armenia

PURPOSE: to make available to Armenia macro-financial assistance in the form of a loan facility and a grant amounting to EUR 100 million.

PROPOSED ACT: Council Decision.

BACKGROUND: the global economic downturn and particularly the rapid deterioration of the Russian economy had a deep impact on the economic activity in Armenia which started to contract since the last quarter of 2008. After six years of double digit growth, the Armenian economy grew by 6.8% in 2008 down from 13.7% in 2007. In March 2009 the IMF approved a USD 540 million 28-month Stand-By Arrangement (SBA) to help Armenia to deal with the worsening economic environment and to ensure the smooth transition to the floating exchange rate regime. The economic situation in the first six months of 2009 worsened dramatically with the GDP contracting by 16.3% on a year-on-year basis. The economic contraction resulted in large additional government financing needs as revenues fell by 33% in the first five months of 2009. Even with significant budget cuts the fiscal deficit is projected to be around 6.5% of GDP in 2009 and is unlikely to be covered by financing sources identified originally by the IMF. As a result, in June 2009 the IMF Board approved the augmentation of access of Armenia to Fund resources under the SBA by about USD 250 million (180% of quota) requested by the Armenian authorities. Overall real

GDP is forecasted to contract by 9.5% in 2009 representing a substantial deterioration of Armenia's economic outlook compared to projections anticipated at the time of the approval of the SBA, and the latest indications from July suggest that that economic downturn is even more severe than foreseen in the revised June assumptions.

**IMPACT ASSESSMENT:** macro-financial assistance will have an immediate impact on Armenia's balance of payments and will in this way contribute to the alleviation of financial constraints on the implementation of the authorities' economic programme and to financing the budget deficit. It will further support the general objectives of the stabilisation programme agreed with the IMF, which aims at achieving external adjustment, bolstering foreign reserves, maintaining confidence in the domestic currency and banking system and protecting the poor. Given the potential pressure that the easing of the fiscal policy creates on the balance of payments, part of the Macro-financial assistance will consist of grants. Project finance and/or technical assistance would not be suitable to address these macroeconomic objectives. EC assistance will also support the authorities' efforts to implement short and medium term policies identified in the EU-Armenian Action Plan.

**CONTENT:** the Community will make available to Armenia macro-financial assistance EUR 100 million. Given the deep impact of the economic crisis to the economy of Armenia and the country's eligibility to concessional (IDA) financing, the Community assistance will consist of a grant (EUR 35 million) and a loan (EUR 65 million). Regarding the loan component the Commission shall be empowered to borrow up to EUR 65 million on the capital markets or from financial institutions. The assistance will be made available in two instalments. The maximum average loan maturity shall not exceed 15 years. The assistance will be managed by the Commission which shall agree with the authorities the specific economic policy and financial conditions attached to the payment of each instalment. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be duly taken into account.

In view of the financing needs identified for 2010, it is important that the Community macro-financial assistance to Armenia is disbursed over the period 2010-2011.

The assistance will be fully consistent with the macroeconomic targets already set in Armenia's economic policy documents, such as the 2009 Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding agreed with the IMF. It will be also consistent with longer-term policy objectives contemplated in the EU-Armenia Action Plan adopted in November 2006. As regards specific economic policy conditions attached to the disbursement of the grant and loan instalments, the Commission intends to focus on a limited number of areas, including public finance management. Also, the Commission may consider targeting specific policies of particular importance, such as priorities identified in the context of the EU-Armenia Action Plan and the 2009 Progress Report, or measures deemed appropriate following the above mentioned Operational Assessment.

**BUDGETARY IMPLICATIONS:** the grant component of the assistance (EUR 35 million) would be financed from commitment appropriations in 2009 under budget line 01 03 02 (Macroeconomic assistance), with payments taking place at the earliest in 2010. In line with the Guarantee Fund Regulation the provisioning of a EUR 65 million loan disbursed in 2010 would intervene in 2012 and amount to a maximum of EUR 5.85 million.

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## Macro-financial assistance to Armenia

The Committee on International Trade adopted the report drawn up by Vital MOREIRA (S&D, PT) approving unamended, under the consultation procedure, the proposal for a Council decision providing macro-financial assistance to Armenia.

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## Macro-financial assistance to Armenia

The European Parliament adopted by 580 votes to 29 with 55 abstentions, a legislative resolution approving unamended, under the consultation procedure, the proposal for a Council decision providing macro-financial assistance to Armenia.

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## Macro-financial assistance to Armenia

**PURPOSE:** to make available to Armenia macro-financial assistance in the form of a loan facility and a grant amounting to ?100 million.

**LEGISLATIVE ACT:** Council Decision 2009/890/EC providing macro-financial assistance to Armenia.

**CONTENT:** following a further deterioration of the economic situation and a necessary revision of the programme's underlying economic assumptions as well as higher external financing needs, the Community shall make available to Armenia macro-financial assistance in the form of a loan facility and a grant with a view to supporting Armenia's economic stabilisation and alleviating its balance of payments and budgetary needs as identified in the current IMF programme. The loan component of this assistance shall amount to a maximum principal of ?65 million with a maximum maturity of 15 years. To this end, the Commission is empowered to borrow on behalf of the Community the necessary resources. The grant component of this assistance shall amount to a maximum of ?35 million.

This assistance will be exceptional and will be conditional, in particular on progress in the implementation of the current IMF programme and on the successful fulfilment of economic policy conditions that will be attached to this assistance. The Community financial assistance shall be made available for a limited period of two years (starting from the first day after the entry into force of the Memorandum of Understanding).

**Management of assistance:** the release of the Community financial assistance shall be managed by the Commission, in close cooperation with the Economic and Financial Committee. To this end, the Commission is empowered to borrow ?65 million on behalf of the Community. The Commission shall verify at regular intervals that Armenia's economic policies are in accordance with the objectives of the Community assistance and that the agreed economic policy conditions are being satisfactorily fulfilled. The Community financial assistance shall be made available by the Commission to Armenia in two loan instalments.

**Specific provisions:** the Commission shall take the necessary steps, if Armenia so requests, to ensure that an early repayment clause is included in the loan terms and conditions and matched by a corresponding clause in the terms and conditions of the borrowing operations. At

Armenia's request, and where circumstances permit an improvement of the interest rate of the loan, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. All costs incurred by the Community which are related to the borrowing and lending operations under this Decision shall be borne by Armenia.

Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be duly taken into account.

Report: by 31 August of each year the Commission shall submit to the European Parliament and to the Council a report, including an evaluation of the implementation of this Decision in the preceding year.

ENTRY INTO FORCE: 05/12/2009.