

# EU concludes agreement on €45 million Macro-Financial Assistance package for Georgia

While Georgia has made significant progress, the country's economy faces regional economic risks, as well as its own economic imbalances. This context has formed the base for the proposal for the MFA programme.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"Georgia has shown strong and lasting commitment to economic reform, which the EU has consistently supported and fostered. This agreement includes policy measures that will help make the Georgian economy more resilient, with stronger and more inclusive growth for the benefit of its citizens."*

The MFA programme is designed to help the country cover part of its financing needs and support the implementation of structural reforms. It will complement Georgia's programme with the International Monetary Fund (IMF).

Up to €10 million will be provided in the form of grants and the remaining €35 million in medium-term loans, at favourable financing conditions.

The assistance will be distributed in two tranches. It is conditional on the implementation of specific policy conditionality agreed between Georgia and the EU, which are enumerated in the Memorandum of Understanding. Disbursements are also dependent on the fulfilment of the political precondition, which requires Georgia to continue respecting effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guaranteeing the respect for human rights. Finally, disbursements will also be contingent on good progress with the IMF programme.

The policy conditions in the Memorandum of Understanding build on the government's reform programme and are consistent with the reform path agreed between the EU and Georgia in the context of the Association Agreement. The policy conditions aim to strengthen the Georgian economy in the areas of public finance management, the financial sector, social and labour market policies, and the business environment. By supporting the Georgian government's reform agenda in those areas, the EU is helping Georgia lay the ground for sustainable and inclusive economic growth.

The next step in the implementation of the MFA programme is the ratification of the Memorandum of Understanding by the Parliament of Georgia.

## **Background**

MFA is an exceptional EU crisis response instrument available to the EU's neighbouring countries. It is complementary to assistance provided by the

IMF. MFA loans are financed through EU borrowing on capital markets. The funds are then on-lent with similar financial terms to the beneficiary countries. MFA grants come from the EU budget.

The Commission proposed a new MFA programme for Georgia in September 2017. The proposal was adopted by the European Parliament and the Council in April 2018.

The new MFA operation is the third since 2008. At an International Donors' Conference in Brussels in October 2008, the EU pledged two MFA operations of €46 million each. The first of those operations (€46 million, fully in the form of grants) was implemented in 2009-2010 and the second (again 46 million – half in grants, half in loans) in 2015-2017. The last tranche of the second operation was disbursed in May 2017.

**Further information:**

Press release: [Commission proposes fresh macro-financial assistance to Georgia of up to €45 million](#)

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