

COUNCIL DECISION

of 17 November 1997

providing exceptional financial assistance for Armenia and Georgia

(97/787/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission ⁽¹⁾,

Having regard to the opinion of the European Parliament ⁽²⁾,

Whereas the Commission has consulted the Monetary Committee before submitting its proposal;

Whereas Armenia and Georgia are undertaking fundamental political and economic reforms and are making substantial efforts to implement a market economy model;

Whereas trade, commercial and economic links will develop between the Community, Armenia and Georgia within the framework of their respective Partnership and Cooperation Agreements signed on 22 April 1996;

Whereas Armenia and Georgia agreed with the International Monetary Fund (IMF) in 1994 on a first set of stabilization and policy reform measures which was supported by the IMF's Systemic Transformation Facility; whereas the IMF Board approved in June 1995 stand-by arrangements in support of further ambitious stabilization and structural adjustment reforms for the period July 1995 to June 1996;

Whereas the IMF board approved in February 1996 a three-year enhanced structural adjustment facility (ESAF) on concessional terms for Armenia and Georgia, in replacement of the current stand-by arrangements;

Whereas the Armenian and Georgian authorities have formally undertaken to service fully all their outstanding financial obligations towards the Community;

Whereas those authorities have requested exceptional financial support from the Community;

Whereas Armenia and Georgia are low-income countries and are facing particularly critical economic and social circumstances; and whereas these countries are eligible for highly concessional loans from the World Bank and the IMF;

Whereas concessional financial assistance from the Community in the form of long-term loans and straight

grants is an appropriate measure to help the beneficiary countries at this critical juncture;

Whereas this assistance, both the loan and the grant component, is highly exceptional and therefore in no way constitutes a precedent for the future;

Whereas the inclusion of a grant component in this assistance is without prejudice to the powers of the budgetary authority;

Whereas this assistance should be managed by the Commission;

Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Armenia and Georgia exceptional financial assistance, in the form of long-term loans and straight grants.

2. The total loan component of this assistance shall amount to a maximum of ECU 170 million, with a maximum maturity of 15 years and a grace period of 10 years. To this end, the Commission is empowered to borrow, on behalf of the European Community, the necessary resources that will be placed at the disposal of the beneficiary countries in the form of loans.

3. The grant component of this assistance shall consist of an amount of ECU 10 million for 1997 and of ECU 17 million annually for the 1998-2002 period. The annual grants shall be made available insofar as the net debtor position of the beneficiary countries towards the Community has been reduced by at least a similar amount.

4. The financial assistance provided for in paragraphs 2 and 3 will only be disbursed to the beneficiary countries on condition that:

- (a) those countries have fully settled all existing obligations towards the Community;
- (b) those countries are satisfactorily implementing a comprehensive adjustment and reform programme in the context of an IMF programme.

5. The Community financial assistance shall be managed by the Commission, in close consultation with the Monetary Committee, taking into account existing and future agreements to be reached between the IMF and the beneficiary countries.

⁽¹⁾ OJ C 95, 24. 3. 1997, p. 64.

⁽²⁾ OJ C 304, 6. 10. 1997, p. 39.

Article 2

1. Subject to the provisions of this Decision, the Commission is empowered to agree with the authorities of the beneficiary countries the specific amounts and terms, and the conditions attached to this assistance.
2. The Commission shall verify, in consultation with the Monetary Committee, that the policies of the recipient countries respect the objectives and the conditions of the financial assistance under this Decision.

Article 3

1. The total amount of the loan shall be made available by the Commission in 1997 together with the first instalment of the grant, subject to respect of the conditions of Article 1 (4). Subsequently, the remainder of the grant component shall be made available by the Commission in successive yearly instalments, subject to respect of the conditions of Article 1 (4) (b).
2. The funds shall be paid to the central banks of the recipient countries.

Article 4

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date. Those operations shall not involve the Community in the transformation of maturities, in any exchange or interest rate risk, or in any other commercial risk.
2. The Commission shall ensure that an early repayment clause is included in the loan terms and conditions.
3. At the request of the beneficiary countries, and where circumstances permit an improvement in the in-

terest rate on the loans, the Commission may refinance all or part of its initial borrowings, or restructure the corresponding financial conditions. Refinancing or restructuring operations shall respect the conditions of paragraph 1. Those operations shall not lead to the extension of the average maturity of the borrowing concerned or to the increase of the amount, expressed at the current exchange rate, of capital outstanding at the date of the refinancing or restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operations under this Decision shall be borne by the beneficiary countries.

5. The Monetary Committee shall be kept informed of the operations under paragraphs 2 and 3 at least once a year.

Article 5

1. At least once a year, the Commission shall address to the European Parliament and to the Council a report on the application of this Decision.
2. Before 31 December 2002, the Council shall examine the application of this Decision to that date on the basis of a comprehensive report by the Commission.

Done at Brussels, 17 November 1997.

For the Council

The President

J.-C. JUNKER