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**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT**

pursuant to Article 294(6) of the Treaty on the Functioning of the European Union

concerning the

**position of the Council at first reading on the adoption of a Decision of the European
Parliament and of the Council providing macro-financial assistance to the Kyrgyz
Republic**

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1. BACKGROUND

Date of transmission of the proposal to the European Parliament and to the Council
(document COM(2011) 925 final - 2011/0458(COD):

20 December 2011

Date of the opinion of the Committee of the Regions: not applicable

Date of the position of the European Parliament, first reading: 11 December 2012

Date of transmission of the amended proposal: not applicable

Date of the position of the Council, first reading: 23 September 2013

2. OBJECTIVE OF THE PROPOSAL FROM THE COMMISSION

The proposal followed the High Level Donors Meeting of 27 July 2010 where the international community pledged support for the democratic transition in the Kyrgyz Republic in the aftermath of the tragic inter-ethnic violence earlier in 2010. The objectives of the proposed Macro-Financial Assistance (MFA) are to:

- Contribute to cover the current substantial residual external financing gap of the Kyrgyz Republic;
- Support the macroeconomic and structural reform agenda of the Kyrgyz government as agreed with the international donor community;
- Contribute to maintaining economic stability in the country during this critical period in view of helping the pro-democracy authorities to prevent the reoccurrence of inter-ethnic violence.

More concretely, the assistance would also promote policy measures to strengthen public finance management (building on measures supported by the ongoing EU's sectoral budgetary support operation), tax reforms to underpin fiscal sustainability as well as to strengthen the banking system.

3. COMMENTS ON THE POSITION OF THE COUNCIL

3.1. General context of the Commission proposal in first reading

The European Commission pledged up to EUR 117.9 million of assistance to the Kyrgyz Republic at the High Level Donors Meeting of July 2010, including crisis instruments (e.g. Instrument for Stability, Humanitarian Aid) and thematic budget lines. The proposed MFA of EUR 30 million was meant to support the effectiveness of the above mentioned EU interventions by reducing the short-term financial vulnerability of this country.

However, the Commission proposal of late 2011 could not be adopted for more than one-and-a-half years because of a dispute between the co-legislators related to the choice of the comitology procedure for the adoption of the Memorandum of Understanding, which contains the economic and financial policy measures to be implemented by the beneficiary. The Council insisted on the (binding) examination procedure, whereas the Parliament insisted on the (non-binding) advisory procedure. The Parliament's view was expressed in its position in the first reading of 11 December 2012.

This dispute was finally settled in the context of the conciliation procedure on the proposed decision of the European Parliament and the Council providing further MFA to Georgia. This decision was adopted on 12 August 2013.

The Council's position on the proposed decision for the MFA to the Kyrgyz Republic was adopted on 23 September 2013 (first reading). The Council amendments are in accordance with the outcome of the Trilogue of 26 June 2013, which was endorsed by the Parliament through a letter dated 11 July 2013. In this letter, the Chair of the International Trade Committee of the Parliament indicated that he would recommend to the plenary that Parliament, in its second reading, accepts the Council position without any amendments.

3.2. Commission comments

The Commission supports the Council position in first reading and agrees with its amendments. The Commission welcomes the fact that the co-legislators could finally find the necessary agreement on the planned MFA operation for the Kyrgyz Republic after a long delay of more than one-and-a-half years. During the visit of the Kyrgyz President in Brussels on 17 September 2013, the relevance and urgency of the MFA operation were reiterated.

4. CONCLUSION

The Commission supports the Council position in first reading and agrees with the amendments to its proposal. The Commission will fully cooperate with the co-legislators in order to ensure the adoption of the proposal by the Parliament in an early second reading.