COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.10.2009
COM(2009)523 final

2009/0147 (CNS)

Proposal for a

COUNCIL DECISION

providing macro-financial assistance to Georgia

SEC(2009)1310 final

EXPLANATORY MEMORANDUM

(1) Context of the proposal

- **Grounds for and objectives of the proposal**

The Commission proposes to provide macro-financial assistance (MFA) to Georgia in the form of a grant of a maximum amount of EUR 46 million with a view to covering Georgia's external financing needs in 2009-2010 identified by the International Monetary Fund (IMF). This assistance, intended to be allocated to the financing of the deficit of the state budget, is part of a comprehensive Community package of up to EUR 500 million put in place in support of Georgia's recovery in the aftermath of the August 2008 armed conflict with Russia. It contributes also to helping Georgia address the consequences of the global economic and financial crisis.

The Community macro-financial assistance will help Georgia alleviate the financial constraints on the implementation of the country's economic recovery and stabilisation programme agreed with the Bretton Woods Institutions and supported by the stand-by arrangement (SBA) with the IMF approved in September 2008. The proposed macro-financial assistance will be exceptional and limited in time and is intended to run in parallel to the SBA. It will complement support from international and bilateral donors.

This assistance comes at a moment when the political relationship between the EU and Georgia is further strengthening following the decision of the extraordinary European Council held in Brussels on 1 September 2008 to step up relations with Georgia and following the launching on 7 May 2009 at the Prague Summit of the programme of Eastern Partnership.

In 2006, Council adopted a Decision 2006/41/EC providing an MFA of EUR 33.5 million to Georgia. The last instalment of this operation amounting to EUR 11.5 million was not disbursed due to non-fulfilment of a condition on public finance management agreed in the Memorandum of Understanding.

- **General context**

Georgia's macro-economic performance was very strong until August 2008. Its real growth figures were above 9% in 2005 and 2006 and 12% in 2007. In the first half of 2008 the annual growth rate remained robust at 8.6%. Yet, the military conflict with Russia that erupted in August 2008 dented the strong growth performance of the previous years. The global financial crisis that has been developing since late 2008 further aggravated Georgia's economic situation.

The IMF Board approved in mid-September 2008 an 18-month stand-by arrangement for USD 750 million (which constitutes exceptional access at 300 percent of Georgia's quota). Given the need to replenish international reserves of the National Bank of Georgia (NBG) in the immediate aftermath of August 2008 crisis, the arrangement was frontloaded and enabled Georgia to draw USD 250 million from the Fund upon the Board approval of the programme.

At the time of the preparation of the programme, the IMF estimated that Georgia's external financing needs for the period 2008-2010 not covered by the resources expected from the IMF would be about USD 650 million, including USD 450 million for 2009-2010. Based on this estimated external financing gap, the Commission pledged macro-financial assistance of EUR 46 million, which was also in line with the request from Georgia's Prime Minister received in September 2008. MFA from the EU would cover about 13% of the residual financing needs in 2009-2010.

The first review of the SBA arrangement was completed in December 2008. At that time, in view of a relatively positive outlook for foreign direct investment in 2009, the authorities decided not to draw the second tranche under the SBA. In these conditions, the Commission postponed the finalisation of the proposal for MFA (EU macro-financial assistance can only be provided as complementary financing to IMF funding). However, subsequently the economic situation worsened again as the result of the stronger-than-anticipated impact on Georgia of the global economic crisis. The severe contraction of external financing inflows, including export receipts, remittances and foreign direct investment, combined with the tightening of bank credits, depressed domestic demand. This translated in a sharp fall of both domestic output and imports. For 2009, the IMF forecasts real GDP growth at -4%.

The economic slowdown has also resulted in a deterioration of the fiscal position. Already in 2008, the general government deficit had widened from less than 5% of GDP to 6%, despite a significant increase in the inflow of grants from official sources. This deficit could be comfortably financed, through privatisation receipts, a bond issuance and official credits (in particular, from the World Bank and the US). For 2009, the government's objective is to maintain a comparable level of fiscal deficit; in view of the shortfall of budget revenues, to achieve this objective, the Georgian authorities will have to cut substantially the capital spending in the budget, thus reducing also the government's ability to provide a counter-cyclical fiscal stimulus.

The more severe than anticipated decline in economic activity is translating in significant developments in the external accounts. The latest IMF's projections of Georgia's balance of payments in 2009-2010 point to a combination of narrowing trade and current account deficits and much lower private capital inflows. The contraction of the projected net capital inflows reflects several factors, including lower foreign direct investment inflows and higher credit amortisation. On balance, the currently projected external financing needs resulting from these developments are not substantially different from what was expected in September 2008. Nevertheless, these projections remain extremely uncertain and the financing needs may well turn out to be substantially higher reflecting significant downside risks. In particular, foreign direct investment, although going down, is still projected to remain above 8% of GDP; which may well be an over-optimistic assumption.

In these conditions, to limit the impact of the economic slowdown, the Georgian authorities decided to seek potential external financing. Upon the completion of the second review of the IMF's SBA in March, Georgia drew two instalments under the arrangement, an amount equivalent to some USD 187 million. The third programme review under the SBA was approved by the IMF Board on the 6th of August 2009. The main result of this review is the extension of the duration of the SBA until June 2011 and the increase in the financing package by SDR 270 million (about USD 424 million). Also, Georgia will be able to draw some USD 148 million immediately.

The substantial amounts of assistance pledged at the Donor Conference held in

Brussels on 22 October 2008, including the EU macro-financial assistance, appear to be sufficient to cover Georgia's remaining estimated external financing needs, even if much of the donor support still needs to be confirmed, or its timing still needs to be clarified. Including donor commitments, the projections of the financing requirements for 2009-2010 made by the IMF suggest that the financing gap will be closed, as targeted by the Donor Conference. At the same time, the financing gap might re-emerge should the assistance pledged not materialise. In these circumstances, the Commission considers it appropriate to confirm the pledge of MFA made in October 2008 in order to help Georgia meet its financing needs.

- **Existing provisions in the area of the proposal**

None

- **Consistency with the other policies and objectives of the Union**

Georgia is one of the EU partner countries in the framework of the European Neighbourhood Policy (ENP). The EU-Georgia ENP Action Plan was adopted in November 2006 for a period of five years. The European Union has a vital interest in seeing stability, better governance and economic development at its Eastern borders. To this end, the European Commission has prepared a proposal for the establishment of an "Eastern Partnership". The Eastern Partnership was officially launched by the EU and the six partner countries during the Prague Summit on 7 May 2009.

The European Commission pledged up to EUR 500 million of assistance to Georgia at the October 2008 Donor Conference. The sources of the funding include both programmed funds under the envelope of the European Neighbourhood and Partnership Instrument (ENPI) and crisis instruments, such as the Instrument for Stability, Humanitarian Aid and the Macro-Financial Assistance. The package covers the period of 2008-2010 thus providing a direct response to the economic and social hardships the country endured as a result of the military conflict in August 2008. The macro-financial assistance complements other assistance instruments by providing short-term macro-economic support to Georgia in the context of the IMF-supported economic program whereas the ENPI budget support, while also contributing to covering Georgia's financing needs, is linked to specific sectoral reforms.

(2) Consultation of interested parties and impact assessment

- **Consultation of interested parties**

Macro-financial assistance is provided as an integral part of the international community's support to Georgia's post-conflict economic recovery. The Commission services cooperated closely with the World Bank in the preparations for the Joint Donors' Conference and consultations on the implementation of the pledged package are held with the multilateral and bilateral donors. In preparation of this proposal for macro-financial assistance, the Commission services have consulted with the International Monetary Fund. The Commission consulted the EU Member States in the Economic and Financial Committee before submitting its proposal for macro-financial assistance. Also, the Commission has been in regular contact with the Georgian government.

- **Collection and use of expertise**

No external expertise was deemed necessary.

- **Impact assessment**

Macro-financial assistance is linked to the beneficiary country's economic programme supported by the IMF and covers part of Georgia's immediate external financing needs. The disbursements are tied to the use of IMF resources and therefore have a direct link to the implementation by the beneficiary of the agreed macroeconomic and structural policies and its pace of economic recovery.

Project finance and/or technical assistance would not be suitable to address these macroeconomic objectives. When allocated to the budget deficit financing, as proposed in the case of Georgia (see below), the grant disbursements increase the envelope which the government can use to finance fiscal measures during the economic downturn. Unlike the ENPI budget support operations, the macro-financial assistance is exceptional in nature and the timeframe for the assistance is limited to Georgia's stand-by arrangement with the IMF.

(3) Legal elements of the proposal

- **Summary of the proposed action**

The Community shall make available to Georgia macro-financial assistance in the form of grant instalments in a total amount of EUR 46 million. The assistance will contribute to covering Georgia's residual external financing needs in 2009-2010 as identified by the International Monetary Fund. The proposed macro-financial assistance is intended to run in parallel to the stand-by arrangement with the IMF approved in September 2008. The assistance, along with the bulk of the donor support to Georgia (with the notable exception of IMF funds) is planned to be channelled to the budget given that the financial constraints faced by the Georgian public finances appear at present as particularly severe.

The assistance is planned to be disbursed in two instalments in 2009-2010. The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be taken into account. The first tranche is scheduled for late 2009, the second tranche is planned to be disbursed in early 2010. The macro-financial assistance could be frontloaded if warranted by the evolution of the economic situation in Georgia.

The conditions attached to the disbursement of the grant instalments will include the successful implementation of the IMF SBA and the fulfilment of specific conditions in a number of key policy areas that the European Commission and the government of Georgia will agree upon. The Commission intends to focus on a limited number of areas of particular importance for macro-financial stability, in particular public finances – thus following up on the previous EU macro-financial assistance to Georgia – and financial sector reforms. The conditions will be consistent with the priorities of the EU-Georgia ENP Action Plan.

- **Legal basis**

The legal basis for this proposal is Article 308 of the Treaty.

- **Subsidiarity principle**

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reasons.

The assistance is channelled to the state budget of Georgia; thereby it is made available to finance public expenditure through national implementation modalities. Given that the most recent projections suggest that the economic outlook remains fragile, the assistance is planned to be disbursed in only two instalments and frontloaded.

The amount of the assistance corresponds to 13% of the residual financing gap in the balance of payments identified by the IMF in the context of the stand-by arrangement. This is deemed an appropriate level of burden-sharing for the Community, given the assistance pledged to Georgia by the EU Member States and other bilateral donors and multilateral creditors.

- **Choice of instruments**

Proposed instruments: other.

Other instruments would not be adequate because in the absence of a framework regulation for the macro-financial assistance instrument, ad hoc Council decisions under Article 308 of the Treaty are the only available legal instrument for this assistance.

(4) Budgetary implication

The assistance would be financed from commitment appropriations in 2009 under budget line 01 03 02 (Macroeconomic assistance), with payments taking place in 2009 and 2010.

(5) Additional information

- **Review/revision/sunset clause**

The proposal includes a sunset clause.

2009/0147 (CNS)

Proposal for a

COUNCIL DECISION

providing macro-financial assistance to Georgia

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission[1],

Having regard to the opinion of the European Parliament[2],

After consulting the Economic and Financial Committee,

Whereas:

(1) Relations between Georgia and the European Union are developing within the framework of the European Neighbourhood Policy, which is enhanced by the newly launched Eastern Partnership.

(2) The extraordinary European Council of 1 September 2008 confirmed the EU's willingness to strengthen EU-Georgia relations in the aftermath of the armed conflict in August 2008 between Georgia and Russia.

(3) Georgia's economic stabilisation and recovery is supported by the International Monetary Fund (IMF) through a stand-by arrangement which was approved on 15 September 2008.

(4) At donors' conference held on 22 October 2008 the international community pledged support to Georgia's economic recovery in line with the Joint Needs Assessment carried out by the United Nations and the World Bank.

(5) The European Community announced up to EUR 500 million of assistance to Georgia in 2008-2010.

(6) Given that a substantial residual financing gap remains in the balance of payments in 2009-2010, macro-financial assistance is included in the Community package to Georgia.

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1 OJ C […], […], p. […].

2 OJ C […], […], p. […].

(7) In order to ensure efficient protection of the Community's financial interests linked to the present financial assistance, it is necessary to provide for appropriate measures by Georgia related to the prevention of, and the fight against, fraud, corruption and any other irregularities linked to this assistance, as well as for controls by the Commission and audits by the Court of Auditors.

(8) The release of the Community financial assistance is without prejudice to the powers of the budgetary authority.

(9) This assistance should be managed by the Commission in consultation with the Economic and Financial Committee.-

(10) The Treaty does not provide for the adoption of this Decision powers other than those of Article 308,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Georgia financial assistance amounting to a maximum of EUR 46 million in grants with a view to supporting Georgia's efforts of post-war economic recovery, which is also affected by the international financial crisis, alleviating the financial constraints on the implementation of the government's economic reform programme.

2. The Community financial assistance shall be managed by the Commission in consultation with the Economic and Financial Committee and in a manner consistent with the agreements or understandings reached between the IMF and Georgia.

3. The Community financial assistance shall be made available for two years starting from the first day after the entry into force of the Memorandum of Understanding referred to in Article 2(1). However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.

Article 2

1. The Commission is empowered to agree with the authorities of Georgia, after consulting the Economic and Financial Committee, the economic policy and financial conditions attached to the Community financial assistance, to be laid down in a Memorandum of Understanding and a Grant Agreement. The conditions shall be consistent with the agreements or understandings reached between the IMF and Georgia.

2. During the implementation of the Community financial assistance, the Commission shall monitor the soundness of Georgia's financial arrangements, administrative procedures, and internal and external control mechanisms which are relevant to such assistance.

3. The Commission shall verify at regular intervals that Georgia's economic policies are in accordance with the objectives of the Community assistance and that the agreed economic policy and financial conditions are being satisfactorily fulfilled. In doing so, the Commission shall coordinate closely with the International Monetary Fund and the World Bank, and, when required, with the Economic and Financial Committee.

Article 3

1. The Community financial assistance shall be made available by the Commission to Georgia in two instalments.

2. The Commission shall decide on the release of the instalments subject to a satisfactory implementation of the economic programme supported by the IMF and of any other measures between Georgia and the Community as set in accordance Article 2 (1). The disbursement of the second instalment shall not take place earlier than three months after the release of the first instalment.

3. The Community funds shall be paid to the National Bank of Georgia. Subject to provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, their counter-value in local currency may be transferred to the Treasury of Georgia as the final beneficiary.

Article 4

The Community financial assistance shall be implemented in accordance with the provisions of Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities[3] and its implementing rules[4] In particular, the Memorandum of Understanding and the Grant Agreement to be agreed with the authorities of Georgia shall provide for appropriate measures by Georgia related to the prevention of, and the fight against, fraud, corruption and other irregularities affecting the assistance. They shall also provide for controls by the Commission, including the European Anti-Fraud Office (OLAF), with the right to perform on-the-spot checks and inspections, and for audits by the Court of Auditors, where appropriate, to be carried out on the spot.

Article 5

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. The report shall indicate the connection between the policy conditions as laid down in a Memorandum of Understanding pursuant to Article 2(1), Georgia's on-going economic and fiscal performance, and the Commission's decision to release the instalments of the assistance.

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3 OJ L 248, 16.9.2002 p. 1.

4 Commission Regulation (EC, Euratom) No 2342/2002 OJ L 357 31.12.2002, p.1

Article 6

This Decision shall take effect on the day of its publication in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL:

Macro-financial assistance to Georgia

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Title 01 – Economic and Financial Affairs, 03 – International economic and financial affairs

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings:

Article 01 03 02 – Macroeconomic assistance

3.2. Duration of the action and of the financial impact:

Start 2009, tentatively all disbursements will have take place over the period 2009-2010 in two instalments. However, delays that would prolong the operation cannot be excluded.

3.3. Budgetary characteristics:

Budget line	**Type of expenditure**		**New**	**EFTA contribution**	**Contributions from applicant countries**	**Heading in financial perspective**
01 03 02	Non-comp	Diff	NO	NO	NO	**No 4**

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		2009	2010			Total
Operational expenditure[5]							
Commitment Appropriations (CA)	8.1.	a	99,000	107,000[6]			
Payment Appropriations (PA)		b	110,000	111,000[5]			
Administrative expenditure within reference amount							
Technical & administrative assistance (NDA)	8.2.4.	c	0				
TOTAL REFERENCE AMOUNT							
Commitment Appropriations		a+c					
Payment Appropriations		b+c					
Administrative expenditure <u>not</u> included in reference amount							
Human resources and associated expenditure (NDA)	8.2.5.	d					
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6.	e					
Total indicative financial cost of intervention							
TOTAL CA including cost of Human Resources		a+c +d+ e	99,000	107,000[5]			
TOTAL PA including cost of Human Resources		b+c +d+ e	110,000	111,000[5]			

5 Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.
6 Preliminary Draft Budget for 2010

4.1.2. Compatibility with Financial Programming

X Proposal is compatible with existing financial programming.

☐ Proposal will entail reprogramming of the relevant heading in the financial perspective.

☐ Proposal may require application of the provisions of the Inter-institutional Agreement[7] (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

X Proposal has no financial implications on revenue

☐ Proposal has financial impact – the effect on revenue is as follows:

4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.

Annual requirements	2009	2010				
Total number of human resources	1/3	1/3				

5. CHARACTERISTICS AND OBJECTIVES

5.1. Need to be met in the short or long term

Following the armed conflict with Russia, the Georgian economy contracted in the third quarter of 2008. The economic downturn became more severe since then, reflecting the impact of the global economic and financial crisis. The International Monetary Fund identified an external financing gap of USD 1.4 billion for the period 2008-2010. Through a stand-by arrangement with the IMF, Georgia has access to about USD 750 million. The residual financing gap in 2009-2010 estimated by the IMF at about USD 450 million is expected to be covered by bilateral and multilateral donors, including the European Union. The subsequent reviews of the SBA conducted by the IMF confirm the need for substantial external financing of the balance of payments and fiscal deficits run by Georgia.

5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy

International donors pledged a total of EUR 3.4 billion in Post-Conflict Support to Georgia at a joint European Commission/World Bank Conference held in Brussels on 22 October 2008. The European Commission pledged up to EUR 500 million subject to review based on the pace of recovery and evolution of the Georgian economy. The EU Member States pledged in addition EUR 131 million. The

7 See points 19 and 24 of the Interinstitutional agreement.

European Investment Bank can envisage lending to Georgia up to EUR 250 million in the medium-term. The Community financial support to Georgia's economic recovery reflects the country's strategic importance to the EU in the context of the European Neighbourhood Policy and the newly established Eastern Partnership. The instrument of macro-financial assistance is included in the overall EC package of assistance on the grounds of establishing synergies with the IMF-supported economic program to which the instrument's use is directly linked.

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

Within the Activity "International Economic and Financial Affairs" of the Directorate General for Economic and Financial Affairs, the Objective of "providing macro-financial assistance to third countries in resolving their balance of payment crises and restoring external debt sustainability" is related to the general objective "to promote prosperity beyond the EU".

The related indicators are "current account balance as a percentage of GDP", "external debt as a percentage of GDP" and "official reserves in months of imports of goods and services" .

5.4. Method of Implementation (indicative)

X ***Centralised Management***

- X directly by the Commission
- ☐ indirectly by delegation to:
  - ☐ executive Agencies
  - ☐ bodies set up by the Communities as referred to in art. 185 of the Financial Regulation
  - ☐ national public-sector bodies/bodies with public-service mission

☐ ***Shared or decentralised management***

- ☐ with Member states
- ☐ with Third countries

☐ ***Joint management with international organisations (please specify)***

Relevant comments:

6. MONITORING AND EVALUATION

6.1. Monitoring system

The monitoring of the action by the Commission services will take place on the basis of macro-economic and structural policy measures to be agreed with the Georgian authorities in a Memorandum of Understanding. The authorities will be required to report on those measures to the Commission services on a regular basis. The Delegation of the European Commission in Tbilisi will also provide reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their expertise.

6.2. Evaluation

6.2.1. Ex-ante evaluation

An ex–ante evaluation was carried out by Commission services (Unit D3 of the Economic and Financial Affairs Directorate-General)

6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)

Since 2004 a total of nine ex-post evaluations have been carried out on macro-financial assistance operations, including two in the new independent states of the former Soviet Union (Armenia, Tajikistan). An independent ex-post evaluation of the macro-financial assistance to Georgia provided under Council Decision 2006/41/EC of 24 January 2006 is being conducted and is expected to be completed in 2009, before the expected start of implementation of the proposed assistance.

The evaluations carried out so far conclude that MFA operations do contribute, albeit sometimes modestly and indirectly, to the improvement of the external sustainability, the macroeconomic stability and the achievement of structural reforms in the recipient country. In most cases, MFA operation had a positive effect on the balance of payments of the beneficiary country and contributed to relax their budgetary constraints. They also led to a slightly higher economic growth.

6.2.3. Terms and frequency of future evaluation

An independent ex-post evaluation of the assistance to Georgia is planned to be carried out by external consultants under the multi-annual evaluation programme of the Directorate-General for Economic and Financial Affairs. This will take place one to two years after the expiry of the implementation period.

7. ANTI-FRAUD MEASURES

Commission services have put in place an on-going programme of Operational Assessments of the financial circuits and administrative procedures in all third countries benefiting from the Community macro-financial assistance in order to fulfil requirements of the Financial Regulation applicable to the General Budget of the European Communities.

In Georgia, the Commission services assessed in October 2004, with the support of duly mandated external experts, the reliability of financial circuits and administrative procedures that are relevant for to this type of assistance, concluding that the framework for sound financial management of macro-financial assistance is sufficiently effective. A follow up of the Operational Assessment was carried out in

December 2005, again with the support of external experts. The findings of the updated Operational Assessment were used for the definition of appropriate conditionality for the macro-financial assistance provided to Georgia under Council Decision (2006/41/EC) of 24 January 2006. A new follow up of the Operational Assessment is planned in preparation of the currently proposed macro-financial assistance to Georgia. The results of the follow up will be used to guide the definition of the specific policy measures to be attached to the release of the assistance with a view of strengthening efficiency, transparency and accountability of public finance management systems in Georgia.

The proposed legal basis for macro-financial assistance to Georgia includes a provision on fraud prevention measures. These measures will be elaborated further in a Memorandum of Understanding and the grant agreement. It is envisaged that a number of specific policy conditions will be attached to the assistance, mainly in the area of public finance management with a view of strengthening efficiency, transparency and accountability of the assistance. The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Antifraud Office (OLAF), and by the European Court of Auditors.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year 2009		Year n+1		Year n+2		Year n+3		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1 [8] Support to Georgia's post-conflict recovery																
Action 1: Balance of payments/ budget support to Georgia																
- Output 1	Commitment		1	46.0												
- Output 2																
Action 2: Update of Operational Assessment.																
- Output 1	Report		1	0.05												
Sub-total Objective 1				46.05												

8 As described under Section 5.3

OPERATIONAL OBJECTIVE No.2 [1]………																
Action 1: Ex-post evaluation……… ……….																
- Output 1	Report				1	0.250										
Sub-total Objective 2																
OPERATIONAL OBJECTIVE No.[1]																
Sub-total Objective n																
TOTAL COST				46.05		0.250										

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (**number of posts/FTEs**)					
		Year 2009	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff[9] (XX 01 01)	A*/AD	1/3	1/3				
	B*, C*/AST						
Staff financed[10] by art. XX 01 02							
Other staff[11] financed by art. XX 01 04/05							
TOTAL		1/3	1/3				

8.2.2. Description of tasks deriving from the action

Inter alia prepare/negotiate memoranda of understanding and grant agreement, liaise with the authorities and the International Financial Institutions, monitor economic and structural policies of the beneficiary country, conduct review missions and prepare Commission staff reports, prepare Commission procedures related to the management of the assistance.

8.2.3. Sources of human resources (statutory)

X Posts currently allocated to the management of the programme to be replaced or extended

☐ Posts pre-allocated within the APS/PDB exercise for year n

☐ Posts to be requested in the next APS/PDB procedure

☐ Posts to be redeployed using existing resources within the managing service (internal redeployment)

☐ Posts required for year n although not foreseen in the APS/PDB exercise of the year in question

9 Cost of which is NOT covered by the reference amount
10 Cost of which is NOT covered by the reference amount
11 Cost of which is included within the reference amount

8.2.4. Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)

EUR million (to 3 decimal places)

Budget line 01 03 02 Macro-economic assistance	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
1 Technical and administrative assistance (including related staff costs)							
Executive agencies[12]							
Other technical and administrative assistance							
- *intra muros*							
- *extra muros* *1) Operational assessment* *2) Ex-post evaluation*	0.050	0.250					
Total Technical and administrative assistance	0.050	0.250					

8.2.5. *Financial cost of human resources and associated costs not included in the reference amount*

EUR million (to 3 decimal places)

Type of human resources	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later
Officials and temporary staff (XX 01 01)	0.030	0.030				
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
Total cost of Human Resources and associated costs (NOT in reference amount)	0.030	0.030				

[12] Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

Calculation– ***Officials and Temporary agents*** Reference should be made to Point 8.2.1, if applicable NOT APPLICABLE

Calculation– ***Staff financed under art. XX 01 02*** Reference should be made to Point 8.2.1, if applicable NOT APPLICABLE

8.2.6. Other administrative expenditure *not* *included in reference amount*

EUR million (to 3 decimal places)

	Year 2009	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions	0.020	0.010					0.030
XX 01 02 11 02 – Meetings & Conferences							
XX 01 02 11 03 – Committees[13]							
XX 01 02 11 04 – Studies & consultations							
XX 01 02 11 05 - Information systems							
2 Total Other Management Expenditure (XX 01 02 11)							
3 Other expenditure of an administrative nature (specify including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)	0.020	0.010					0.030

13 Specify the type of committee and the group to which it belongs.

Calculation - ***Other administrative expenditure <u>not</u> included in reference amount*** Three staff missions for one/two persons