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PROPOSAL

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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
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Delegations will find attached document COM(2022) 4 final.

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2021/0438 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing macro-financial assistance to the Republic of Moldova

{SWD(2022) 1 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

In recent years, the Republic of Moldova has faced many difficulties including on the economic and political front. In 2020, the COVID-19 pandemic, as well as a drought in the summer, had a sizeable negative effect on growth, with GDP contracting by 7%, the strongest recession since the global financial crisis. The economic downturn was exacerbated by a protracted political crisis that followed the presidential elections in November 2020, finally resolved by the parliamentary elections in July 2021. Since August, when the new, reform-oriented government took office, all political forces in Moldova (including the President, the Government and the Parliament) are aligned, supporting a common ambitious reform agenda, with the focus on key policy areas such as the justice sector reforms, good governance and fight against corruption.

However, notwithstanding the renewed political momentum and strong commitment to implementing reforms, Moldova continues to face significant challenges, including governance, corruption, limited administrative capacity, and a recent energy crisis, which further weakened Moldova's economic stability and put the country through a challenging negotiation process with Gazprom (a new gas supply agreement was signed on 29 October).

In this context and given Moldova's continued sizeable financing needs, with the external financing gap estimated at 1.2% of GDP in 2022, the Moldovan government requested a new MFA from the EU on 19 November 2021, following an IMF staff level agreement (announced on 21 October 2021) on a three-year Extended Credit Facility/Extended Fund Facility of USD 564 million.

Against the backdrop of renewed political stability and after an in-depth assessment of the political and economic situation in Moldova, the Commission is submitting to the European Parliament and the Council a proposal to provide a new MFA of EUR 150 million to the benefit of the Republic of Moldova, of which EUR 120 million would be in the form of loans and EUR 30 million in the form of grants.

The proposed MFA would help Moldova cover part of its residual external financing needs, which are estimated at USD 480 million, in the context of the new IMF programme over the period of 2021-2025.

The disbursement would take place in three tranches, with the release of each tranche, including the first one, strictly linked to good progress with the implementation of both the IMF programme and a number of additional policy measures to be agreed between the Commission and the authorities and listed in a Memorandum of Understanding (MoU). The MoU is likely to focus on policy reforms addressing asset recovery linked to the 2014 bank fraud, continued Public Finance Management (PFM) reforms, the justice sector reform , the energy sector as well as the business environment in general. The implementation of the proposed operation is expected to go hand-in-hand with the support under budgetary operations financed by the Neighbourhood, Development and International Cooperation Instrument (NDICI).

As further elaborated in the Commission Staff Working Document accompanying this proposal, the Commission considers, based also on the assessment of the political situation made by the European External Action Service, that the political and economic pre-conditions for the proposed MFA operation are satisfied.

- **General context**

Despite a notable recovery following the severe 2020 recession, Moldova's macroeconomic outlook remains vulnerable. This is partly due to the on-going difficult pandemic situation (with the number of COVID-19 cases rising and a relatively low vaccination rate below 30% by early December 2021), as well as the recent gas crisis that put Moldova under additional financial strains. This is on top of significant structural weaknesses, notably limited administrative capacity, further need to improve governance as well as the ongoing fight against corruption.

Following a steep decline in 2020, caused by the pandemic, the economy marked a considerable recovery in the first half of 2021 with GDP up by 11.5%, however, much of it due to the low base. Growth is projected to slow down in the second half of the year, with higher inflation and weakened household consumption. Against this backdrop, the IMF and World Bank assume an overall recovery of about 7% for this year as a whole, and a decline next year to 4.5% GDP.

After significant disinflation last year, inflation as measured by the Consumer Price Index (CPI) picked up strongly in 2021, up to 8.8% in October, significantly exceeding the target rate set by the National Bank of Moldova (NBM) at 5% +/- 1.5 pps. Most of it can be accounted for by the rise in food prices as well as higher energy tariffs. In response to the high inflationary pressure, the central bank raised its policy rate several times this year, standing at 5.5% in October. The NBM projects a double-digit inflation in the first half of 2022, up to 15%, some of which is assumed to be of transitory nature, but may also lead to further monetary tightening.

On the back of the improved growth perspective and higher tax revenues, in September, the government amended the State Budget Law, projecting a lower than initially assumed deficit, at 5.1% of GDP compared to 6.7% of GDP at the start of 2021. However, given the ongoing energy crisis and with the authorities planning to introduce new compensation measures to protect the most vulnerable consumers, Moldova's fiscal position is forecast to deteriorate next year. According to the State Budget 2022, presented to the Parliament on 25 November, the budget deficit will increase to 6% of GDP next year, high compared to Moldova's historical averages, hovering below 2% of GDP in 2015-2019. Expenditures are projected to rise by 7.6 billion lei, compared to a rise in revenues by 4.2 billion lei, supported by higher VAT collection.

Given increased spending and notwithstanding additional assistance from its international partners to mitigate the effects of the energy price increase, Moldova's public debt is projected to widen rather considerably, exceeding 40% of GDP in the medium term, compared to some 28% of GDP in 2019, before the pandemic-induced recession and the gas crisis.

The current account deficit, after having narrowed in 2020 to 6.6% of GDP, widened in the first half of 2021 to 14% of GDP year-on-year, putting renewed pressure on Moldova's balance of payments. According to IMF forecasts, the current account deficit will reach USD 1.5 billion by the end of this year (some 11% of GDP), an almost two-fold increase compared last year. Much of this can be accounted for by the significant rise of both imports and exports in 2021. Between January-September exports were up by 21.1% compared to the same period in 2020, but were outpaced by a 31.7% growth of imports.

Moldova's foreign exchange reserves proved stable throughout the pandemic in 2020, and increased in 2021, remaining high relative to historical standards, at USD 4 billion as of end-September. This translates into a coverage of 8 months of imports, and largely reflects the

allocation of the Special Drawing Rights (SDR) by the IMF in August of USD 236 million, which was part of the Fund's global response to the COVID-19 crisis.

- **Consistency with existing policy provisions in the policy area**

Decision No 701/2020/EU on providing previous macro-financial assistance to the Republic of Moldova (as part of the MFA package to the enlargement and neighbourhood countries in the context of the COVI-19 pandemic) in the amount of EUR 100 million in loans was adopted by the European Parliament and the Council on 25 May 2020. The assistance was fully disbursed during 2020-2021.

- **Consistency with other Union policies**

The EU and the Republic of Moldova have developed a close political and economic relationship over the years, leading to conclusion of the Association Agreement (including the DCFTA), which was signed on 27 June 2014 and entered fully into force on 1 July 2016, and an Association Agenda sets out the list of priorities for joint work. The last Association Agenda for 2017-2019 has been extended over the period of one year (due to the pandemic last year), whilst a new document is under preparation, covering the 2021-2027 period.

Moldova's economic ties with the EU are also well developed. The EU continues to be Moldova's largest trading partner, accounting for 52% of its total trade in 2020 (approx. 67% of total exports and 45% of Moldova's total imports), followed by Russia (9%) and China (8%).

Countries that are covered by the European Neighbourhood Policy are eligible for MFA (if fulfilling different conditions). The EU MFA would complement the grants mobilised under the NDICI and other EU programmes and, in particular, the conditionalities envisaged under the budget support packages being implemented by the EU. By supporting the adoption, by the Moldovan authorities, of an appropriate framework for macroeconomic policy and structural reforms, the EU's MFA would enhance the added value and effectiveness of the EU's overall financial interventions, including through other financial instruments.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this proposal is Article 212 TFEU.

- **Subsidiarity (for non-exclusive competence)**

The subsidiarity principle is respected as the objectives of restoring short-term macroeconomic stability in the Republic of Moldova cannot be sufficiently achieved by the Member States alone and can be better achieved by the European Union. The main reasons are the budgetary constraints faced at the national level and the need for strong donor coordination in order to maximise the scale and effectivenes of the assistance.

- **Proportionality**

The proposal complies with the proportionality principle: it confines itself to the minimum required in order to achieve the objectives of short-term macroeconomic stability and does not go beyond what is necessary for that purpose.

As identified by the Commission based on the estimates of the IMF in the context of the Extended Fund Facility, the amount of the proposed new MFA corresponds to 36% of the estimated residual financing gap for the period 2021-2025. This is consistent with standard practices on burden-sharing for MFA operations (for a country with an Association

Agreement, the upper limit would be 60% according to the ECOFIN Council conclusions of 8 October 2002), taking into account the assistance pledged to Moldova by other bilateral and multilateral donors.

- **Choice of the instrument**

Project finance or technical assistance would not be suitable or sufficient to address the macroeconomic objectives. The key value added of the MFA in comparison to other EU instruments would be to alleviate the external financial constraints and to help create a stable macroeconomic framework, including by promoting a sustainable balance of payments and budgetary situation, and an appropriate framework for structural reforms. By helping to put in place an appropriate overall policy framework, MFA can increase the effectiveness of the actions financed in Moldova under other, more narrowly-focused EU financial instruments.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

MFA is provided as an integral part of the international support for the economic stabilisation of the Republic of Moldova. In the preparation of this proposal for MFA, the Commission services have consulted with the IMF and the World Bank, which have already put in place sizeable financing programmes and are preparing new ones. The Commission consulted the Alternate Economic and Financial Committee on 25 November 2021, where an endorsement for the draft proposal was provided. The Commission has also been in regular contact with the Moldovan authorities.

- **Collection and use of expertise**

In line with the requirements of the Financial Regulation, in the context of the COVID-19 MFA package, the Commission services have carried out an Operational Assessment of the financial and administrative circuits of Moldova in order to ascertain that the procedures in place for the management of programme assistance, including MFA, provide adequate guarantees. The final report of the Operational Assessment, prepared by a consultancy company, was received in June 2020. The report notes clear progress in PFM systems and other financial circuits since 2015 when the last exercise was undertaken and concludes that the status of Moldova's financial circuits and procedures is deemed favourable for a subsequent MFA operation. Developments in this area will continue to be closely monitored also through the regular progress reports on PFM reforms produced by the EU Delegation in Chisinau.

- **Impact assessment**

The EUs macro-financial assistance is an exceptional emergency instrument aimed at addressing severere balance-of-payment difficulties in third countries. Therefore, this MFA proposal is exempted from the requirement to carry out an Impact Assessment in accordance with the Commission's Better Regulation Guidelines (SWD(2015) 111 final) as there is a political imperative to move ahead quickly in a situation requiring a rapid response.

More generally, the Commission's MFA proposals build on lessons learned from ex-post evaluations carried out on past operations in the EU's neighbourhood. The new MFA, and the economic adjustment and reform programme attached to it, will help alleviate Moldova's short-term financing needs while supporting policy measures aimed at strengthening medium-term balance of payments and fiscal sustainability and raising sustainable growth, thus complementing the programme to be adopted by the IMF Executive Board. These policy

conditions should address some of the fundamental weaknesses shown over the years by the Moldovan economy and economic governance system. Possible areas of conditionality could, in principle, include reforms to strengthen governance in the financial sector, PFM, energy sector reforms, and accompanying measures to strengthen the social safety net, improving the investment climate and supporting the implementation of the DCFTA agreement.

- **Fundamental rights**

Countries that are covered by the ENP are eligible for MFA. A pre-condition for granting MFA is that the eligible country respects effective democratic mechanisms, including a multi-party parliamentary system and the rule of law, and guarantees respect for human rights.

The renewed reform-commitment and strong political will by the new Moldovan authorities, following the elections in July, in the key reform areas including justice sector reforms, good governance, the rule of law and fight against corruption is a clear positive sign. The authorities are committed to conduct these reforms in a transparent manner and in line with EU standards. To that end, the political pre-condition for an MFA programme is considered to be satisfied.

4. BUDGETARY IMPLICATIONS

The proposed EUR 150 million MFA operation for Moldova is foreseen to be disbursed in three equal tranches to be released between 2022 and 2024. The financial programming over the 2022-2024 period allows for a grant component of EUR 30 million to be financed from the available budget on budget line 14 20 03 01 “Macro-financial assistance (MFA) - grants". For the loan component of EUR 120 million, the required provisioning at a rate of 9% of the External Action Guarantee will be programmed under the Neighbourhood, Development and International Cooperation Instrument (NDICI), for a total amount of EUR 10,8 million (budget line 14 02 01 70 “NDICI – Provisioning of the Common Provisioning Fund”).

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The European Union shall make the MFA available to Moldova for a total amount of EUR 150 million, provided in the form of medium- to long-term loans as well as including a grant component, which will contribute to cover Moldova’s residual financing needs in 2022-24. The assistance is planned to be disbursed in three instalments, disbursed evenly throughout the MFA’s duration, provided that the policy measures attached to each tranche have been fully implemented in a timely manner.

The assistance will be managed by the Commission. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, are applicable.

The Commission and the Moldovan authorities would agree on a Memorandum of Understanding setting out the structural reform measures associated with the proposed MFA operation, including aspects of timing and sequencing. Moreover, as is normally the case with MFA, the disbursements would inter alia be conditional on satisfactory reviews under the IMF programme, as well as progress on the implementation of the EU Moldova Association Agreement and the DCFTA. The Commission will work closely with the authorities to monitor progress on the policy actions and the pre-conditions, as specified above.

2021/0438 (COD)

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on providing macro-financial assistance to the Republic of Moldova

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Relations between the European Union ('the Union') and the Republic of Moldova ('Moldova') continue to develop within the framework of the European Neighbourhood Policy and the Eastern Partnership. Moldova joined the Union's Eastern Partnership in 2009, which was followed by the negotiation of an EU-Moldova Association Agreement. This agreement, which includes the gradual introduction of a Deep and Comprehensive Free Trade Area (DCFTA), was signed in June 2014 and entered into force on 1 July 2016.

(2) Moldova's economy has been affected significantly by the 2020 recession caused by the COVID-19 pandemic, the protracted political stalemate in the country after the Presidential elections in November 2020, as well as the recent energy crisis. The situation contributed to Moldova's sizable financing gap, deteriorating external position, and growing fiscal needs.

(3) Following the election in July 2021, the new Moldovan government has demonstrated a strong commitment to further reforms, with an ambitious programme "Moldova in good times 2021-2025", focusing on key policy areas including, among others, justice sector reforms, fight against corruption, good governance and the rule of law.

(4) With the renewed reform-commitment and strong political will, the authorities have significantly accelerated on reform implementation, which has also allowed Moldova to successfully complete the COVID-19 MFA operation[1], as all reform actions agreed with the Union in the Memorandum of Understanding had been fulfilled, with the exception on one action – on asset recovery – for which a waiver was granted. To that end, the Commission consulted the Member-States Committee, and received no objections.

(5) After the adoption of a new IMF programme, negotiated in 2020, had stalled, the International Monetary Fund ('IMF') has re-engaged with Moldova after the July 2021 elections and reached staff-level agreement (21 October 2021) on an Extended Credit

[1] Decision (EU) 2020/701 of the European Parliament and of the Council of 25 May 2020 on providing macro- financial assistance to enlargement and neighbourhood partners in the context of the COVID-19 pandemic, OJ L 165, 27.5.2020, p. 31–37

Facility/Extended Fund Facility programme of USD 564 million. The new programme was adopted by IMF Executive Board decision [on 20 December 2021]. The programme aims to sustain the economic recovery and launch an ambitious governance and institutional reforms agenda, to strengthen transparency and accountability, improve public policy predictability, strengthen financial institutions and foster deregulation.

(6) In view of a worsening economic situation and outlook, Moldova requested a complementary macro-financial assistance from the Union in November 2021.

(7) The Union's indicative allocation for Moldova under the European Neighbourhood Instrument is EUR 518,15 million for the 2014-2020 period, including budgetary support and technical assistance. The Single Support Frameworks for 2014-2017 and 2017-2020 identified the priority sector for cooperation with Moldova funded by the European Neighbourhood Instrument for the previous budgetary period. The priorities for 2021-2027 will be set out in the new Multiannual Indicative Programme, which has been prepared in close consultation with all relevant stakeholders.

(8) Given that Moldova is a country covered by the European Neighbourhood Policy, it should be considered to be eligible to receive macro-financial assistance from the Union.

(9) The Union's macro-financial assistance should be an exceptional financial instrument of untied and undesignated balance-of-payments support, which aims at addressing the beneficiary's immediate external financing needs and should underpin the implementation of a policy programme containing strong immediate adjustment and structural reform measures designed to improve the balance-of-payments position in the short term.

(10) Given that there is still a significant residual external financing gap in Moldova's balance of payments over and above the resources provided by the IMF and other multilateral institutions, the Union macro-financial assistance to be provided to Moldova is, under the current exceptional circumstances, considered to be an appropriate response to Moldova's request for support to the economic stabilisation, in conjunction with the IMF programme. The Union's macro-financial assistance would support the economic stabilisation and the structural reform agenda of Moldova, supplementing resources made available under the IMF's financial arrangement.

(11) The Union's macro-financial assistance should aim to support the restoration of a sustainable external financing situation for Moldova thereby supporting its economic and social development.

(12) The Union's macro-financial assistance is expected to go hand-in-hand with the implementation of disbursements of budget support operations under the Neighbourhood, Development and International Cooperation Instrument established by Regulation (EU) 2021/947 of the European Parliament and of the Council[2].

(13) The determination of the amount of the Union's macro-financial assistance is based on a complete quantitative assessment of Moldova's residual external financing needs, and takes into account its capacity to finance itself with its own resources, in particular the international reserves at its disposal. The Union's macro-financial assistance

[2] Regulation (EU) 2021/947 of the European Parliament and of the Council of 9 June 2021 establishing the Neighbourhood, Development and International Cooperation Instrument – Global Europe, amending and repealing Decision No 466/2014/EU and repealing Regulation (EU) 2017/1601 and Council Regulation (EC, Euratom) No 480/2009 (OJ L 209, 14.6.2021, p. 1)

should complement the programmes and resources provided by the IMF and the World Bank. The determination of the amount of the assistance also takes into account expected financial contributions from multilateral donors and the need to ensure fair burden sharing between the Union and other donors, as well as the pre-existing deployment of the Union's other external financing instruments in Moldova and the added value of the overall Union involvement.

(14) Taking into consideration Moldova's residual external financing needs, the level of its economic development, as measured by per capita income and poverty ratios, its capacity to finance itself with its own resources, in particular the international reserves at its disposal, and the assessment of its ability to repay drawing on debt sustainability analysis, a part of the assistance should be provided in the form of grants.

(15) The Commission should ensure that the Union's macro-financial assistance is legally and substantially in line with the key principles, objectives and measures taken within the different areas of external action and other relevant Union policies.

(16) The Union's macro-financial assistance should support the Union's external policy towards Moldova. The Commission and the European External Action Service should work closely together throughout the macro-financial assistance operation in order to coordinate, and to ensure the consistency of, Union external policy.

(17) The Union's macro-financial assistance should support Moldova's commitment to values shared with the Union, including democracy, the rule of law, good governance, respect for human rights, sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair trade.

(18) A pre-condition for granting the Union's macro-financial assistance should be that Moldova respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights. In addition, the specific objectives of the Union's macro-financial assistance should strengthen the efficiency, transparency and accountability of the public finance management systems, the governance and supervision of the financial sector in Moldova and promote structural reforms aimed at supporting sustainable and inclusive growth, decent employment creation and fiscal consolidation. Both the fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

(19) In order to ensure that the Union’s financial interests linked to the Union’s macro-financial assistance are protected efficiently, Moldova should take appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. In addition, provision should be made for the Commission to carry out checks and for the Court of Auditors to carry out audits.

(20) Release of the Union's macro-financial assistance is without prejudice to the powers of the European Parliament and the Council as budgetary authority.

(21) The amounts of macro-financial assistance provided in the form of grants and the amounts of the provision required for macro-financial assistance in the form of loans should be consistent with the budgetary appropriations provided for in the multiannual financial framework.

(22) The Union's macro-financial assistance should be managed by the Commission. In order to ensure that the European Parliament and the Council are able to follow the implementation of this Decision, the Commission should regularly inform them of developments relating to the assistance and provide them with relevant documents.

(23) In order to ensure uniform conditions for the implementation of this Decision, implementing powers should be conferred on the Commission. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council[3].

(24) The Union's macro-financial assistance should be subject to economic policy conditions, to be laid down in a Memorandum of Understanding. In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such conditions with the Moldovan authorities under the supervision of the committee of representatives of the Member States in accordance with Regulation (EU) No 182/2011. Under that Regulation, the advisory procedure should, as a general rule, apply in all cases other than as provided for in that Regulation. Considering the potentially important impact of assistance of more than EUR 90 million, it is appropriate that the examination procedure be used for operations above that threshold. Considering the amount of the Union's macro-financial assistance to Moldova, the examination procedure should apply to the adoption of the Memorandum of Understanding, and to any reduction, suspension or cancellation of the assistance,

HAVE ADOPTED THIS DECISION:

Article 1

1. The Union shall make macro-financial assistance of a maximum amount of EUR 150 million available to Moldova ("the Union's macro-financial assistance"), with a view to supporting Moldova's economic stabilisation and a substantive reform agenda. Of that maximum amount, up to EUR 120 million shall be provided in the form of loans and up to EUR 30 million in the form of grants. The release of the Union's macro-financial assistance is subject to the approval of the Union budget for the relevant year by the European Parliament and the Council. The assistance shall contribute to covering Moldova's balance of payments needs as identified in the IMF programme.

2. In order to finance the loan component of the Union's macro-financial assistance, the Commission shall be empowered on behalf of the Union to borrow the necessary funds on the capital markets or from financial institutions and to on-lend them to Moldova. The loans shall have a maximum average maturity of 15 years.

3. The release of the Union's macro-financial assistance shall be managed by the Commission in a manner consistent with the agreements or understandings reached between the International Monetary Fund ('IMF') and Moldova, and with the key principles and objectives of economic reforms set out in the EU-Moldova Association Agreement, including the DCFTA, agreed under the European Neighbourhood Policy.

   The Commission shall regularly inform the European Parliament and the Council of developments regarding the Union's macro-financial assistance, including disbursements thereof, and shall provide those institutions with the relevant documents in due time.

[3] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

4. The Union's macro-financial assistance shall be made available for a period of two and a half years, starting from the first day after the entry into force of the Memorandum of Understanding referred to in Article 3(1).

5. Where the financing needs of Moldova decrease fundamentally during the period of the disbursement of the Union's macro-financial assistance compared to the initial projections, the Commission, acting in accordance with the examination procedure referred to in Article 7(2), shall reduce the amount of the assistance or suspend or cancel it.

Article 2

1. A pre-condition for granting the Union's macro-financial assistance shall be that Moldova respects effective democratic mechanisms – including a multi-party parliamentary system – and the rule of law, and guarantees respect for human rights.

2. The Commission and the European External Action Service shall monitor the fulfilment of this pre-condition throughout the life-cycle of the Union's macro-financial assistance.

3. Paragraphs 1 and 2 shall be applied in accordance with Council Decision 2010/427/EU[4].

Article 3

1. The Commission, in accordance with the examination procedure referred to in Article 7(2), shall agree with the Moldovan authorities on clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, to be laid down in a Memorandum of Understanding ("the Memorandum of Understanding") which shall include a timeframe for the fulfilment of those conditions. The economic policy and financial conditions set out in the Memorandum of Understanding shall be consistent with the agreements or understandings referred to in Article 1(3), including the macroeconomic adjustment and structural reform programmes implemented by Moldova with the support of the IMF.

2. The conditions referred to in paragraph 1 shall aim, in particular, at enhancing the efficiency, transparency and accountability of the public finance management systems in Moldova, including for the use of the Union's macro-financial assistance. Progress in mutual market opening, the development of rules-based and fair trade, and other priorities in the context of the Union's external policy shall also be duly taken into account when designing the policy measures. Progress in attaining those objectives shall be regularly monitored by the Commission.

3. The detailed financial terms of the Union's macro-financial assistance shall be laid down in a Loan Agreement and a Grant Agreement to be concluded between the Commission and Moldova .

4. The Commission shall verify, at regular intervals, that the conditions referred to in Article 4(3) continue to be met, including whether the economic policies of Moldova are in accordance with the objectives of the Union's macro-financial assistance. For

[4] Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

that verification, the Commission shall coordinate closely with the IMF and the World Bank, and, where necessary, with the European Parliament and the Council.

Article 4

1. Subject to the conditions in paragraph 3, the Union's macro-financial assistance shall be made available by the Commission in instalments, each of which shall consist of a loan and a grant element. The size of each instalment shall be laid down in the Memorandum of Understanding referred to in Article 3.

2. The amounts of the Union's macro-financial assistance provided in the form of loans shall be provisioned, where required, in accordance with Regulation (EU) 2021/947 of the European Parliament and of the Council.

3. The Commission shall decide on the release of the instalments subject to the fulfilment of the following conditions:

(a) the pre-condition set out in Article 2;

(b) a continuous satisfactory track record of implementing a policy programme that contains strong adjustment and structural reform measures supported by a non-precautionary IMF credit arrangement;

(c) the satisfactory implementation of the economic policy and financial conditions agreed in the Memorandum of Understanding.

The release of the second instalment shall not, in principle, take place earlier than three months after the release of the first instalment. The release of the third instalment shall not, in principle, take place earlier than three months after the release of the second instalment.

4. Where the conditions in paragraph 3 are not met, the Commission shall temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such cases, it shall inform the European Parliament and the Council of the reasons for that suspension or cancellation.

5. The Union's macro-financial assistance shall be disbursed to the National Bank of Moldova. Subject to the provisions to be agreed in the Memorandum of Understanding, including a confirmation of residual budgetary financing needs, the Union funds may be transferred to the Moldovan Ministry of Finance as the final beneficiary.

Article 5

1. The borrowing and lending operations related to the loan component of the Union's macro-financial assistance shall be carried out in euro using the same value date and shall not involve the Union in the transformation of maturities, or expose it to any exchange or interest rate risk, or to any other commercial risk.

2. Where the circumstances permit, and if Moldova so requests, the Commission may take the steps necessary to ensure that an early repayment clause is included in the loan terms and conditions and that it is matched by a corresponding clause in the terms and conditions of the borrowing operations.

3. Where circumstances permit an improvement of the interest rate of the loan and if Moldova so requests, the Commission may decide to refinance all or part of its initial borrowings or may restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with paragraphs 1 and 4 and shall not have the effect of extending the maturity of the borrowings concerned or of increasing the amount of capital outstanding at the date of the refinancing or restructuring.

4. All costs incurred by the Union which relate to the borrowing and lending operations under this Decision shall be borne by Moldova.

5. The Commission shall inform the European Parliament and the Council of developments in the operations referred to in paragraphs 2 and 3.

Article 6

1. The Union's macro-financial assistance shall be implemented in accordance with Regulation (EU, Euratom) No 1046/2018 of the European Parliament and of the Council[5].

2. The implementation of the Union's macro-financial assistance shall be under direct management.

3. The Loan Agreement and the Grant Agreement to be agreed with the Moldovan authorities shall contain provisions:

(a) ensuring that Moldova regularly checks that financing provided from the budget of the Union has been properly used, takes appropriate measures to prevent irregularities and fraud, and, if necessary, takes legal action to recover any funds provided under this Decision that have been misappropriated;

(b) ensuring the protection of the Union's financial interests, in particular providing for specific measures in relation to the prevention of, and fight against, fraud, corruption and any other irregularities affecting the Union's macro-financial assistance, in accordance with Council Regulation (EC, Euratom) No 2988/95[6], Council Regulation (EC, Euratom) No 2185/96[7], Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[8] and, for those Member States participating in enhanced cooperation regarding the European Public Prosecutor's Office, Council Regulation (EU) 2017/1939[9]; notably, to that end, the European Anti-Fraud Office (OLAF) shall be expressly authorised to carry out investigations,

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5 Regulation (EU, Euratom) No 1046/2018 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union and repealing Regulation (EC, Euratom) No 966/2012 (OJ L 193, 30.07.2018, p. 1).

6 Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

7 Council Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission to protect the Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

8 Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

9 Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

including in particular on-the-spot checks and inspections including digital forensic operations and interviews; expressly authorising the Commission, or its representatives to carry out checks, including on-the-spot checks and inspections;

(c) expressly authorising the Commission and the Court of Auditors to perform audits during and after the availability period of the Union's macro-financial assistance, including document audits and on-the-spot audits, such as operational assessments;

(d) ensuring that the Union is entitled to early repayment of the loan and/or to full repayment of the grant where it has been established that, in relation to the management of the Union's macro-financial assistance, Moldova has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union.

(e) Ensuring that all costs incurred by the Union that relate to a financial assistance shall be borne by Moldova.

4. Before the implementation of the Union's macro-financial assistance, the Commission shall assess, by means of an operational assessment, the soundness of Moldova's financial arrangements, the administrative procedures, and the internal and external control mechanisms which are relevant to the assistance.

Article 7

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.

2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.

Article 8

1. By 30 June of each year, the Commission shall submit to the European Parliament and to the Council a report on the implementation of this Decision in the preceding year, including an evaluation of that implementation. The report shall:

(a) examine the progress made in implementing the Union's macro-financial assistance;

(b) assess the economic situation and prospects of Moldova, as well as progress made in implementing the policy measures referred to in Article 3(1);

(c) indicate the connection between the economic policy conditions laid down in the Memorandum of Understanding, Moldova’s on-going economic and fiscal performance and the Commission’s decisions to release the instalments of the Union's macro-financial assistance.

2. Not later than two years after the expiry of the availability period referred to in Article 1(4), the Commission shall submit to the European Parliament and to the Council an ex-post evaluation report, assessing the results and efficiency of the completed Union's macro-financial assistance and the extent to which it has contributed to the aims of the assistance.

Article 9

This Decision shall enter into force on the third day after its publication in the Official Journal of the European Union.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

1.2. Policy area(s) concerned

1.3. The proposal/initiative relates to:

1.4. Objective(s)

1.4.1. General objective(s)

1.4.2. Specific objective(s)

1.4.3. Expected result(s) and impact

1.4.4. Indicators of performance

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

1.5.3. Lessons learned from similar experiences in the past

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

1.5.5. Assessment of the different available financing options, including scope for redeployment

1.6. Duration and financial impact of the proposal/initiative

1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

3.2.2. Estimated output funded with operational appropriations

3.2.3. Summary of estimated impact on administrative appropriations

3.2.4. Compatibility with the current multiannual financial framework

3.2.5. Third-party contributions

3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Decision of the European Parliament and of the Council providing further Macro-financial assistance to the Republic of Moldova

1.2. Policy area(s) concerned in the ABM/ABB structure[10]

Policy area:	Economic and Financial Affairs
Activity:	International economic and financial affairs

1.3. Nature of the proposal/initiative

X The proposal/initiative relates to **a new action**

☐ The proposal/initiative relates to **a new action following a pilot project/preparatory action**[11]

☐ The proposal/initiative relates to **the extension of an existing action**

☐ The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. The Commission's multiannual strategic objective(s) targeted by the proposal/initiative

"A new boost for jobs, growth and investment: promoting prosperity beyond the EU"

1.4.2. Specific objective(s)

Specific objective No
"Promoting prosperity beyond the EU"
ABM/ABB activity(ies) concerned
The DG ECFIN related activities pertain to:
(a) Supporting macro-financial stability and promoting growth-enhancing reforms outside the EU, including through regular economic dialogues with key partners and by providing macro-financial assistance; and
(b) Supporting the enlargement process and the implementation of the EU enlargement and neighbourhood policies and other EU priorities in partners by conducting economic analysis and providing policy assessments and advice.

1.4.3. Expected result(s) and impact

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

- Contribute to covering the external financing needs of Moldova in the context of a significant deterioration of their external accounts brought about by the on-going COVID-19 pandemic.

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10 ABM: activity-based management; ABB: activity-based budgeting.

11 As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

- Alleviate the partner's budgetary financing needs.
- Support the fiscal consolidation effort and external stabilisation in the context of the IMF programme.
- Support structural reforms aimed at improving the overall macroeconomic management, strengthening economic governance and transparency, and improving conditions for sustainable growth.

1.4.4. Indicators of performance

Specify the indicators for monitoring progress and achievements.

The authorities of Moldova will be required to report on a set of economic indicators to the Commission services on a regular basis and, provide a comprehensive report on the compliance with the agreed policy conditions ahead of the disbursement of the instalments of the assistance.

The Commission services will continue to monitor public finance management, following the operational assessment of the financial circuits and administrative procedures in Moldova, that was delivered in June 2020. The EU Delegation in the partners will also provide regular 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 insights from their on-going activities in the respective partner.

An annual report to the Council and European Parliament is foreseen in the proposed legislative decision, including an assessment of the implementation of this operation. An independent ex-post evaluation of the assistance will be carried out within two years after the expiry of the implementation period.

1.5. Grounds for the proposal/initiative

1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

The disbursement of the assistance will be conditional on the fulfilment of the political pre-conditions and a satisfactory track record in the implementation of the economic programme between Moldova and the IMF, which was approved by the Board on [20 December 2021], following implementation by the Moldovan authorities of a number of prior actions. In addition, the Commission shall agree with the authorities of Moldova on specific policy conditions, listed in a Memorandum of Understanding.

The assistance is planned to be disbursed in three instalments. The disbursement of the first instalment is expected to take place mid-2022. The second instalment could be disbursed in early 2023 whilst the third tranche could follow later that year or in the first half of 2024, provided that the policy measures attached to each instalment have been implemented in a timely manner.

1.5.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

The instrument of macro-financial assistance is a policy-based instrument directed to alleviate short- and medium-term external financial needs. In the context of the ongoing COVID-19 pandemic, MFA will help to provide economic policy space for the authorities to mount an effective economic response to the lingering pandemic By helping the partner overcome the economic difficulties amplified by the COVID-19 pandemic, the proposed MFA will contribute to promoting macroeconomic and political stability in the partners. MFA will complement the resources made available by the international financial institutions, bilateral donors and other EU financial institutions. In doing so, it will contribute to the overall effectiveness of the financial support provided by the international community, as well as of other EU financial assistance, including budgetary support operations.

Furthermore, by providing long-term financing in highly concessional terms, usually lower than the rest of international or bilateral donors, the MFA programme is expected to help the government to execute its budget without fiscal deviations and to contribute to debt sustainability.

In addition to the financial impact of the MFA, the proposed programme will strengthen the governments' reform commitment and their aspiration towards closer relations with the EU, as reflected by the Association Agreement that entered into force in 2016 This result will be achieved, inter alia, through appropriate conditionality for the disbursement of the assistance. In a larger context, the programme will signal that the EU is ready to support partners in the Eastern neighbourhood, including Moldova, in moments of economic difficulties.

1.5.3. Lessons learned from similar experiences in the past

Macro-financial assistance operations in partners are subject to ex-post evaluation. Evaluations conducted thus far (on completed MFA programmes), 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 partner. In most cases, MFA operations had a positive effect on the balance of payments of the partner and helped to relax their budgetary constraints. They also led to somewhat higher economic growth.

1.5.4. Compatibility with the Multiannual Financial Framework and possible synergies with other appropriate instruments

Compatibility with the Multiannual Financial Framework

In the 2021-2027 multiannual financial framework, the provisioining of MFA loans will be covered by the External Action Guarantee within Global Europe (Neighbourhood, Development and International Cooperation Instrument). The (indicative) lending capacity foreseen for MFA is sufficient to cover this operation as well as other MFA operations being implemented.

Possible synergies with other appropriate instruments

The EU is among the major donors to Moldova, supporting their economic, structural and institutional reforms as well as civil society. EU financial support to Moldova

over 2014-2020 amounted to EUR 518,15 million (the 2021-2027 Multiannual Indicative Programme (MIP), which is under preparation). In this context, this MFA programme complements other EU external actions or instruments used to support Moldova. It is also aligned with the new Global Europe instrument (Neighbourhood, Development and International Cooperation instrument) and the instrument for Pre-accession assistance (IPA-III) for 2021-2027.

The key value added of the MFA in comparison to other EU instruments would be to help create a stable macroeconomic framework, including by promoting a sustainable balance-of-payments and budgetary situation, and an appropriate framework for advancing structural reforms. MFA does not provide regular financial support and is to be discontinued as soon as the partner's external financial situation has been brought back onto a sustainable path.

MFA would also be complementary to interventions envisaged by the international community, in particular the adjustment and reform programmes supported by the IMF and the World Bank.

1.5.5. Assessment of the different available financing options, including scope for redeployment

By using loans, this MFA operation increases the effectiveness of the EU budget through the leverage effect and provides for the best cost-efficient option.

The Commission is empowered to borrow funds from capital markets on behalf of both the European Union and Euratom using the guarantee of the EU budget. The aim is to obtain funds from the market at the best available rates due to the top credit status (AAA-rated by Fitch, Moody's and DBRS, AA by S&P, all with stable outlook) of the EU/Euratom and then on-lend them to eligible borrowers in the context of lending under the EFSM, BoP, MFA and to Euratom projects. Borrowing and lending is conducted as a back-to-back operation, ensuring that the EU budget does not take any interest rate or foreign exchange risk. The target of obtaining funds at the best available rates for borrowing and lending activities has been achieved because those rates are in line with peer institutions (EIB, EFSM, and ESM).

1.6. Duration and financial impact of the proposal/initiative

X limited duration

– ☐ in effect from 2022 to 2024

– ☐ Financial impact from 2022 to 2024 for commitment appropriations and from 2022 to 2025 for payment appropriations.

☐ **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

1.7. Management mode(s) planned[12]

X Direct management by the Commission

– **X** by its departments, including by its staff in the Union delegations;

– ☐ by the executive agencies

☐ **Shared management** with the Member States

☐ **Indirect management** by entrusting budget implementation tasks to:

– ☐ third countries or the bodies they have designated;

– ☐ international organisations and their agencies (to be specified);

– ☐ the EIB and the European Investment Fund;

– ☐ bodies referred to in Articles 70 and 71 of the Financial Regulation;

– ☐ public law bodies;

– ☐ bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees;

– ☐ bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees;

– ☐ persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

– *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

[12] Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

This assistance is of macroeconomic nature and its design is consistent with the IMF-supported programme. The monitoring of the action by the Commission services will take place on the basis of progress in the implementation of the IMF arrangement and the implementation of specific reform measures to be agreed with the authorities of the partners in a Memorandum of Understanding with a frequency that is consistent with the number of instalments (See also point 1.4.4).

2.2. Management and control system(s)

2.2.1. Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed

The actions to be financed under this Decision will be implemented under direct management by the Commission from headquarters and with support of the Union delegations.

MFA disbursements are dependent on successful reviews, and tied to the fulfilment of conditionality attached to each operation. The implementation of conditions is closely monitored by the Commission, in close coordination with the Union Delegations.

2.2.2. Information concerning the risks identified and the internal control system(s) set up to mitigate them

Risks identified

There are fiduciary, policy and political risks related to the proposed MFA operations.

There is a risk that the MFA could be used in a fraudulent way. As MFA is not designated to specific expenses (contrary to project financing, for example), this risk is related to factors such as the general quality of management systems in the partner's Central Bank and the Ministry of Finance, administrative procedures, control and oversight functions, the security of IT systems and the appropriateness of internal and external audit capabilities.

A second risk stems from the possibility that the partner will fail to service the financial liabilities towards the EU stemming from the proposed MFA loans (default or credit risk), which could be caused for example by a significant additional deterioration of the balance of payments and fiscal position of the partner.

Internal control systems

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and by the European Court of Auditors as foreseen by Article 129 of the Financial Regulation

Ex-ante: Commission assessment of management and control system in the beneficiary country. For each beneficiary country, an ex-ante operational assessment of the financial circuits and control environment is carried out by the Commission, if necessary, with technical support from consultants. An analysis of accounting procedures, segregation of duties and internal/external audit of the Central bank and the Ministry of Finance are carried out to ensure a reasonable level of assurance for sound financial management. Should weaknesses be identified, they are translated into conditions, which have to be implemented before the disbursement of the assistance. Also, when needed, specific arrangements for payments (e.g. ring-fenced accounts) are put in place.

During implementation: Commission checks of periodic partner declarations. The payment is subject to (1) monitoring by DG ECFIN staff, in close coordination with the EU Delegations and with the external stakeholders, like the IMF, of the implementation of the agreed conditionalities, and (2) the normal control procedure provided for by the financial circuit (model 2) used in DG ECFIN, including the verification by the financial unit of the fulfilment of conditions attached to the disbursement of the assistance mentioned above. The disbursement relating to MFA operations may be subject to additional independent ex-post (documentary and/or on-the-spot) verifications by officials of the ex-post control team of the DG. Such verifications may also be initiated at the request of the responsible AOSD. Interruptions and suspensions of payments, financial corrections (implemented by Commission), and recoveries may be practiced where needed (it has not occurred so far), and are explicitly foreseen in the financing agreements with the partners.

2.2.3. Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)

The control systems in place, such as the ex-ante operational assessments or the ex-post assessments, ensured an effective error rate for the MFA payments of 0%. There are no known cases of fraud, corruption or illegal activity. MFA operations have a clear intervention logic, one that allows the Commission to evaluate their impact. The controls enable the confirmation of assurance and of attainment of policy objectives and priorities.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

To mitigate the risks of fraudulent use several measures have been and will be taken:

First, the Loan Agreement will comprise a set of provisions on inspection, fraud prevention, audits and recovery of funds in case of fraud or corruption. It is further envisaged that a number of specific policy conditions will be attached to the assistance, including in the area of public finance management, with a view to strengthening efficiency, transparency and accountability. Also, the assistance will be paid to a specific account of the Central Bank of the partner.

Moreover, in line with the requirements of the Financial Regulation, the Commission services have carried out an Operational Assessment of the financial and administrative circuits of Moldova to ascertain that the procedures in place for the management of programme assistance, including MFA, provide adequate guarantees. The assessment was carried out –in 2020, and covers areas such as budget preparation and execution, public internal financial control, internal and external

audit, public procurement, cash and public debt management, as well as the independence of the central bank. Developments in that area will be further closely monitored by the EU Delegations in the respective partner. The Commission is also using budget support assistance to help the respective partners improve their PFM systems, and these efforts are strongly supported by other donors.

Finally, the assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Anti-Fraud Office (OLAF), and the European Court of Auditors as foreseen by Article 129 of the Financial Regulation.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff.[13]	from EFTA countries [14]	from candidate countries[15]	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	14.02.01.70.06 [MFA loans – EAG]	Diff.	NO	NO	NO	NO
	14.20.03.01 [MFA Grants]	Diff.	NO	NO	NO	NO

- New budget lines requested – Not applicable

[13] Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.
[14] EFTA: European Free Trade Association.
[15] Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated financial impact of the proposal on appropriations

3.2.1. Summary of estimated impact on operational appropriations

– ☐ The proposal/initiative does not require the use of operational appropriations

– **X The proposal/initiative requires the use of operational appropriations, as explained below:**

EUR million (to three decimal places)

Heading of multiannual financial framework	6	**Heading 6 - 'Neighbourhood and the World'**

DG: ECFIN			Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	**TOTAL**
• Operational appropriations								
Budget line[16] 14.02.01.70.06 [MFA loans – EAG]	Commitments	(1a)		10.8				**10.8**
	Payments	(2a)		10.8				**10.8**
Budget line 14.20.03.01 [MFA Grants]	Commitments	(1b)		30				**30**
	Payments	(2b)		20	10			**30**
Appropriations of an administrative nature financed from the envelope of specific programmes[17]								
Budget line 14.20.03.01		(3)					0.15	**0.15**
TOTAL appropriations for DG ECFIN	Commitments	=1a+1b +3		40.8			0.15	**40.95**
	Payments	=2a+2b +3		30.8	10		0.15	**40.95**

16 According to the official budget nomenclature.

17 Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

• TOTAL operational appropriations	Commitments	(4)		40.8				**40.8**
	Payments	(5)		30.8	10			**40.8**
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)					0.15	**0.15**
TOTAL appropriations under HEADING 6 of the multiannual financial framework	Commitments	=4+ 6		40.8			0.15	**40,95**
	Payments	=5+ 6		30.8	10		0,15	**40,95**

If more than one operational heading is affected by the proposal / initiative, repeat the section above: (EUR million (to three decimal places))

Heading of multiannual financial framework	7	**Heading 7 – 'European public administration'**

This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex to the Legislative Financial Statement (Annex V to the internal rules), which is uploaded to DECIDE for interservice consultation purposes.

DG: ECFIN			Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	**TOTAL**
Human Resource			0.034	0.044	0.022	0.011	0.011	**0.122**
Other administrative expenditure				0.020	0.010			**0.030**
TOTAL appropriations under HEADING 7 of the multiannual financial framework	Appropriations		0.034	0.064	0.032	0.011	0.011	**0.152**
	(Total commitments = Total payments)		0.034	0.064	0.032	0.011	0.011	**0.152**

			Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	**TOTAL**
TOTAL appropriations under HEADINGS 1 to 7 of the multiannual financial framework (Reference amount)	Commitments	=4+ 6	0.034	30.864	10.032	0.011	0.161	**41,102**
	Payments	=5+ 6	0.034	30.864	10.032	0.011	0.161	**41,102**

3.2.2. Estimated output funded with operational appropriations

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ⇩		Year **2021**		Year **2022**		Year **2023**		Year **2024**		Year **2025**		**TOTAL**	
	Type[18]	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Number	Cost	Total number	Total cost
SPECIFIC OBJECTIVE NO 1[19]													
- Output 1	Grant disbursements			1	20	2	10					3	30
- Output 2	Provisioning of the External Action Guarantee			3	10.8							3	10.8
- Output 3	Ex-post evaluation									1	0.15	1	0.15
Subtotal for specific objective No 1		-	-	1	20	5	10	-	-	1	0.15	7	30.15
TOTAL COST		-	-	1	30.8	5	10	-	-	1	0.15	7	40,95

[18] Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).

[19] As described in point 1.4.2. 'Specific objective(s)…'

3.2.3. Summary of estimated impact on administrative appropriations

– **X The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:**

EUR million (to three decimal places)

	Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**	**TOTAL**
HEADING 7 of the multiannual financial framework						
Human resources	0.033	0.069	0.041	0.003	0.025	**0.171**
Other administrative expenditure		0.020	0.010			**0.030**
Subtotal HEADING 7 of the multiannual financial framework	0.033	0.089	0.051	0.003	0.025	**0,201**

Outside HEADING 7[20] of the multiannual financial framework						
Human resources						
Other expenditure of an administrative nature						
Subtotal outside HEADING 7 of the multiannual financial framework						

TOTAL	0.033	0.089	0.051	0.003	0.025	**0,201**

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG.

[20] Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.3.1. Estimated requirements of human resources

– **X The proposal/initiative requires the use of human resources, as explained below:**

Estimate to be expressed in full time equivalent units

		Year **2021**	Year **2022**	Year **2023**	Year **2024**	Year **2025**
	• Establishment plan posts (officials and temporary staff)					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0.100	0.250	0.150	0.010	0.100
20 01 02 03 (Delegations)						
01 01 01 01 (Indirect research)						
01 01 01 11 (Direct research)						
Other budget lines (specify)						
	• External staff (in Full Time Equivalent unit: FTE)[21]					
20 02 01 (AC, END, INT from the 'global envelope')		0.200	0.350	0.200	0.010	0.100
20 02 03 (AC, AL, END, INT and JPD in the delegations)						
XX 01 xx **yy zz** [22]	- at Headquarters					
	- in Delegations					
01 01 01 02 (AC, END, INT - Indirect research)						
01 01 01 12 (AC, END, INT - Direct research)						
Other budget lines (specify)						
TOTAL		**0.300**	**0.600**	**0.350**	**0.020**	**0.200**

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Director Dir. D: Supervise and manage the operation, liaise with Council and Parliament for the adoption of the Decision and the approval of the Memorandum of Understanding (MoU), negotiate the MoU with the authorities of Moldova, review reports, lead missions and assess progress with conditionality compliance. HoU/DHoU Dir. D: Assist the Director in managing the operation, liaising with Council and Parliament for the adoption of the Decision and the approval of the MoU, negotiating with the Moldovian authorities the MoU and Loan Facility Agreement (together with DG BUDGET), reviewing reports and assessing progress with conditionality compliance. DG BUDGET (Units E1, E3 under the supervision of the Director): Prepare the Loan Facility Agreement (LFA), negotiate it with the authorities of Moldova and have it approved by the responsible Commission services and signed by both parties. Follow up the entry into force of the LFA. Prepare the Commission decision(s) on the borrowing transaction(s), follow up the submission of the Request(s) for Funds, select

[21] AC= Contract Staff; AL = Local Staff; END= Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

[22] Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

	the banks, prepare and execute the funding transaction(s) and disburse the funds to Moldova. Carry out the back-office activities to follow up the reimbursement of the loan(s). Prepare the corresponding reports on these activities.
External staff	Desk economists, MFA Sector (Dir. D): Prepare the Decision and MoU, liaise with the authorities and the IFIs, conduct review missions, prepare Commission staff reports and Commission procedures related to the management of the assistance, liaise with external experts for the operational assessment and the ex-post evaluation.

3.2.4. Compatibility with the current multiannual financial framework

The proposal/initiative:

– **X can be fully financed through redeployment within the relevant heading of the Multiannual Financial Framework (MFF).**

3.2.5. Third-party contributions

The proposal/initiative:

– **X does not provide for co-financing by third parties**

3.3. Estimated impact on revenue

– **X The proposal/initiative has no financial impact on revenue.**