Macro-financial assistance to Moldova

2021/0438(COD) - 24/03/2022 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 558 votes to 20, with 10 abstentions, a legislative resolution on the proposal for a decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova

Parliament adopted its position at first reading in accordance with the ordinary legislative procedure, **taking over** the Commission's proposal.

The proposal aims at providing Moldova with **macro-financial assistance of up to EUR 150 million** with a view to facilitating the stabilisation of its economy and the implementation of a major reform programme. Of this maximum amount, up to EUR 120 million will be disbursed in the form of loans and up to EUR 30 million in the form of grants.

The Commission should agree with the Moldovan authorities on clearly defined economic policy and financial conditions, focusing on structural reforms and sound public finances, set out in a **Memorandum of Understanding** including a timeframe for the fulfilment of these conditions.

The Commission will make available EU macro-financial assistance in three instalments subject to the fulfilment of all the following conditions:

- the precondition that Moldova respects **effective democratic mechanisms**, including parliamentary pluralism, and the rule of law, and that it ensures respect for human rights;

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

- satisfactory implementation of the economic policy and financial conditions set out in the Memorandum of Understanding.

Where these conditions are not met, the Commission may temporarily suspend or cancel the disbursement of the Union's macro-financial assistance. In such a case, it will inform the European Parliament and the Council of the reasons for the suspension or cancellation.

Moldova’s economy has been significantly affected by the recession in 2020 which was caused by the COVID-19 pandemic, by the protracted political stalemate in the country after the presidential elections in November 2020, and by the recent energy crisis. Those circumstances have contributed to Moldova’s sizable financing gap, deteriorating external position and growing fiscal needs.

Following the parliamentary elections in July 2021, the new Moldovan government has demonstrated its strong commitment to further reforms, with an ambitious programme focusing on key policy areas, including justice sector reform, anti-corruption, good governance and the rule of law.

In view of the deteriorating economic situation and outlook, Moldova has requested further macro-financial assistance from the EU in November 2021. As Moldova's balance of payments continues to show a significant residual external financing need, EU macro-financial assistance is considered, under the current exceptional circumstances, an appropriate response to Moldova's request to support the stabilisation of its economy in combination with the IMF programme.

By 30 June each year at the latest, the Commission should submit a report to the European Parliament and the Council on the implementation of this Decision in the previous year, including an evaluation of its implementation.