



Plenary sitting

A8-0185/2017

5.5.2017

*****I**
REPORT

on the proposal for a decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova (COM(2017)0014 – C8-0016/2017 – 2017/0007(COD))

Committee on International Trade

Rapporteur: Sorin Moisă

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the ▯ symbol or ~~strikeout~~. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT 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
(COM(2017)0014 – C8-0016/2017 – 2017/0007(COD))**

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2017)0014),
 - having regard to Article 294(2) and Article 212 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0016/2017),
 - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
 - having regard to the Joint Declaration of the European Parliament and of the Council adopted together with Decision No 778/2013/EU of the European Parliament and of the Council of 12 August 2013 providing further macro-financial assistance to Georgia¹,
 - having regard to Rule 59 of its Rules of Procedure,
 - having regard to the report of the Committee on International Trade and the opinions of the Committee on Foreign Affairs and the Committee on Budgets (A8-0185/2017),
1. Adopts its position at first reading hereinafter set out;
 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

¹ OJ L 218, 14.8.2013, p. 15

Amendment 1

Proposal for a decision

Recital 11

Text proposed by the Commission

(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.

Amendment

(11) The Union's macro-financial assistance should aim to support the restoration of a sustainable external financing situation for Moldova, **contributing to the greater political and macroeconomic stability of the country, especially in areas related to economic governance, financial and banking governance and supervision, including a thorough, result oriented investigation into bank fraud and the political independence of the judiciary.**

Amendment 2

Proposal for a decision

Recital 17

Text proposed by the Commission

(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.

Amendment

(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, the **depoliticisation and transparency of public administration, an independent judiciary,** respect for human rights, **the freedom, independence and pluralism of the media,** sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair trade.

Amendment 3

Proposal for a decision

Recital 18

Text proposed by the Commission

(18) A pre-condition for granting the

Amendment

(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, 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.

Union's macro-financial assistance *and for the disbursement of each of the three instalments* 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, *ensure an effective fight against corruption and money laundering*, the governance and supervision of the financial *and banking* sector in Moldova, *provide further support for the preservation of macroeconomic stability, improve governance* and promote structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. *The Union's macro-financial assistance to Moldova should also include measures to support the implementation of the EU-Moldova Association Agreement, including the DCFTA. To ensure that specific objectives could be properly assessed, they need to be set out in a verifiable and measurable manner.* Both the fulfilment of the *precondition* and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service. *If the precondition and objectives are not met or if the aims and principles of the Association Agreement are generally disregarded, the Commission should temporarily suspend or cancel the disbursement of the Union's macro-financial assistance.*

Amendment 4

Proposal for a decision Recital 19

Text proposed by the Commission

Amendment

(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.

(19) In order to ensure that the Union's financial interests linked to the Union's macro-financial assistance are protected efficiently, Moldova should **implement** appropriate measures relating to the prevention of, and fight against, fraud, corruption and any other irregularities linked to the assistance. ***Moldova should regularly inform the Commission about the implementation of the macro-financial assistance on the basis of full disclosure and strict compliance with Union financial rules.*** In addition, provision should be made for the Commission to carry out checks and for the Court of Auditors to carry out audits.

Amendment 5

Proposal for a decision Recital 24

Text proposed by the Commission

(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

Amendment

(24) The Union's macro-financial assistance should be subject to conditions, to be laid down in a Memorandum of Understanding. ***Such conditions should be linked to the disbursement of each of the three instalments.*** In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such **implementation** 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

Understanding, and to any reduction,
suspension or cancellation of the
assistance,

adoption of the Memorandum of
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assistance,

EXPLANATORY STATEMENT

The Republic of Moldova (hereinafter “Moldova”) is in the process of recovering its political and economic stability after two challenging years. The country entered into economic recession in 2014, when the well-known banking scandal and the fiscal difficulties caused by the suspension of international donors’ support that followed worsened its economic performance, already affected by a contraction in agricultural output due to adverse weather conditions and weak export performance towards some of Moldova’s traditional economic partners, notably Belarus, Russia and Ukraine.

The provisional application (since September 2014) and then the entry into force of the Deep and Comprehensive Free Trade Agreement (DCFTA) between the European Union and Moldova (part of the EU-Moldova Association Agreement) has contributed to the process of economic recovery. EU is currently Moldova’s key trade partner, with 63% share in total Moldovan exports. In 2015, EU imports from Moldova grew by 5%, despite Moldovan exports contracting with the rest of the World.

After several years of stalemate in the reform process, substantial progress has been achieved with the implementation of the structural reform agenda over the last year, including as part of the Priority Reform Action Roadmap agreed with the EU in February 2016. This has led to a resumption of donor support, led by the International Monetary Fund (hereinafter "IMF"). Indeed, the IMF approved last November a three-year Extended Credit Facility and Extended Fund Facility ("ECF/EFF") arrangement in the amount of USD 179 million. On 28 February 2017, the IMF staff and the Moldovan authorities reached staff-level agreement on the first review of the programme, noting that there is a continuous satisfactory track record of implementing this IMF programme. The IMF's Executive Board is expected to complete this review in April 2017. The approval of the IMF programme has also allowed the World Bank to reactivate its policy-based loan operations.

The EU has also resumed its budgetary support operations through the European Neighbourhood Instrument (hereinafter ENI), frozen since 2015 and other external donors have followed the trend. Nevertheless, there is a specific need to address the short term balance of payments and fiscal vulnerabilities of the Moldovan economy. The European Commission’s (hereinafter “Commission”) proposal to grant MFA to Moldova responds to this specific need, covering approximately 25% of the country’s residual external financial needs for 2016-2018 (IMF evaluation places the total amount of external financing needs at approximately 402 mil. euros). This is a necessary step towards ensuring long term stability in Moldova and is fully consistent with broader objectives of EU external policy towards the country and the region.

Commission’s proposal follows closely the agreement included in the Joint Declaration by the European Parliament and the Council, adopted together with decision no. 778/2013/EU of 12 August 2013 providing further macro-financial assistance to Georgia, in which the co-legislators have established the main principles and considerations that should guide the process of granting MFA. Notably: i) Moldova fulfils the criteria related to the aim and eligibility of the assistance; ii) the Staff Working Document accompanying the Commission’s proposal contains a detailed assessment with regards to the fulfilment of the political and economic pre-conditions; iii) the form and amount of the proposed assistance ensure a fair burden sharing between the EU and other donors. EU will provide 100 mil euros, 60 mil. euros in the form of

a loan and 40 mil. euros in the form of a grant, to be disbursed in 3 instalments (2 in 2017 and the last one in the first half of 2018). The equilibrium between the “loan” and the “grant” component reflects the criteria agreed in 2013, i.e. the level of economic development measured by per capita income and poverty ratio, the ability to repay, drawing on debt sustainability analysis and the extent to which international financial institutions and other donors apply concessional terms to Moldova.

In light of the above considerations, your rapporteur takes the view that the European Parliament should agree with Commission’s proposal to grant macro-financial assistance to Moldova, while emphasising the strong expectations that:

1. Commission will ensure, through the negotiation of the Memorandum of Understanding with Moldova, that the MFA is linked to the implementation of an ambitious programme of economic and structural reforms, notably aiming at strengthening governance in the financial and public sector, supporting the swift implementation of the DCFTA, fight against corruption and money laundering and the efforts to increase the efficiency and independence of the judicial system and to improve governance in the energy sector, notably by ensuring the independence of the national regulator.

Clear conditions should be established for the disbursement of each of the three instalments, in line with the recommendations of the European Court of Auditors related to the identification of performance indicators to demonstrate progress and consistency between different EU aid instruments and between these instruments and Moldovan national strategies.

2. Commission will apply the outmost due diligence in monitoring the progress in attaining the objectives of the Union’s external policy, including the use of the Union macro-financial assistance (as foreseen in article 3 paragraph 2 of the proposal) and in verifying the continuous fulfilment of the pre-conditions and conditions for disbursing the assistance (as foreseen in article 3 paragraph 2 of the proposal). Immediate information of and appropriate coordination with the European Parliament should be ensured.

11.4.2017

OPINION OF THE COMMITTEE ON FOREIGN AFFAIRS

for the Committee on International Trade

on the proposal for a decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova
(COM(2017)0014 – C8-0016/2017 – 2017/0007(COD))

Rapporteur: Petras Auštrevičius

SHORT JUSTIFICATION

The Commission proposal is to provide 100m€ to Moldova in the form of loans (60m€) and grants (40m€). The EU is also providing other financial assistance through budget support relaunched in December 2016 (45.3m€ delivered) following an agreement with the IMF.

The last EU macro-financial assistance (MFA) to Moldova was of 90m€ delivered in grants in 2010-2012. The other MFA beneficiaries are currently Armenia, Georgia, Jordan, Kyrgyz Republic, Lebanon, Tunisia & Ukraine.

Given the difficult economic situation in Moldova and given the upcoming parliamentary elections in Moldova (in November 2018), it would be in the EU's interest to support the reformist program of the current Moldovan government by delivering MFA within the proposed timeframe (2017-2018). The conditionality attached to the MFA also provides useful leverage to push for these reforms, in particular in the context of the need to strengthen the principle of “more for more” when it comes to the EU assistance with its neighbouring partner countries in light of the most recent developments in Moldova. Indeed, the EC/EEAS's March 2017 Association Implementation Report on the Republic of Moldova highlights that some progress was recently made through the adoption of a number of reforms aiming inter alia to restore the independence of the judiciary and tackle corruption. However, further reform efforts are needed to improve the rule of law and the business environment, which is still affected by endemic corruption, as well as inconsistent policymaking; and strong implementation measures are needed in order to deliver tangible results for the people of Moldova.

The banking fraud uncovered in 2014 – whereby Moldovan leaders including former Prime Minister Filat are accused of having pocketed 1 billion € (17% of GDP that year) from three

banks (Savings Bank, Unibank and Banca Sociala) means that part of EU funds (561m€ during 2007-13) might not have had the intended impact. Possible implication might be that the EU now has to support Moldova to compensate the losses caused by this fraud. Moreover, the fraud has contributed to the significant reduction in Moldovans' trust in the EU.

Consequently, the amendments proposed by the Foreign Affairs Committee are focused on:

1. Emphasising some key democratic principles that should be strengthened (ie: independence of the Judiciary; free, independent and pluralistic media) and reinforcing the provisions on anti-corruption and anti-fraud (ie: effective implementation of these measures), with more explicit conditionality linked to these: clear benchmarks, reporting to the EP, suspension of instalments if no progress;

2. Ensuring sufficient involvement of the EP, especially in the preparation of the key Memorandum of Understanding which will contain the detail on the conditionality for the disbursement of the MFA.

AMENDMENTS

The Committee on Foreign Affairs calls on the Committee on International Trade, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a decision

Recital 3

Text proposed by the Commission

(3) Following the appointment in early 2016 of a new government and of a new governor of the central bank, the authorities have demonstrated a renewed commitment to moving forward with necessary political reforms and to addressing the country's governance challenges in the financial sector and in the area of public finance management.

Amendment

(3) Following the appointment in early 2016 of a new government and of a new governor of the central bank, the authorities have demonstrated a renewed commitment to moving forward with necessary political reforms and to addressing the country's governance challenges in the financial sector and in the area of public finance management, ***and have taken significant steps in that respect.***

Amendment 2

Proposal for a decision

Recital 11

Text proposed by the Commission

Amendment

(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.

(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, *especially in areas related to economic governance and to the independence of the judiciary.*

Amendment 3

Proposal for a decision Recital 17

Text proposed by the Commission

(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.

Amendment

(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 - *including an accountable, transparent and de-politicised public administration, an independent judiciary, impartial and effective law enforcement bodies* - respect for human rights *and fundamental freedoms as well as free, independent and pluralistic media, a social market economy*, sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair trade.

Amendment 4

Proposal for a decision Recital 18

Text proposed by the Commission

(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

Amendment

(18) A pre-condition for granting the Union's macro-financial assistance should be that Moldova *fully* respects effective democratic mechanisms – including a multi-party parliamentary system *and a*

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, 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.

strict separation of powers – and the rule of law, *including the independence of the judiciary*, guarantees respect for human rights, *supports free, independent and pluralistic media, and ensures an effective fight against corruption, the influence of oligarchs and money laundering as well as a thorough, result-orientated investigation into the “bank fraud”*. 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 *and banking* sector in Moldova and promote *effective* structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. Both the fulfilment of the *pre-condition* and the achievement of those objectives should be regularly monitored by the Commission and the European External Action Service.

Amendment 5

Proposal for a decision Recital 18 a (new)

Text proposed by the Commission

Amendment

(18 a) Before any instalment is released, the Commission and the European External Action Service should report to the European Parliament and the Council on the level of fulfilment of that pre-condition and the achievement of tangible progress towards those objectives against clearly defined benchmarks, in a stringent and measurable manner. Conditionality for disbursement should be fully implemented in order to strengthen incentive-based funds allocation. In the event that progress towards the objectives set out in the Council Conclusions of 15 February 2016 on Moldova, the EU-Moldova Association Agenda and the

Memorandum of Understanding is insufficient, the release of instalments should be suspended immediately.

Amendment 6

Proposal for a decision Recital 19

Text proposed by the Commission

(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.

Amendment

(19) In order to ensure that the Union's financial interests linked to the Union's macro-financial assistance are protected efficiently, Moldova should **fully implement** 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. ***Moldova should regularly inform the Commission about the implementation of the Union's macro-financial assistance, on the basis of full disclosure and strict compliance with Union financial rules, as well as about the reforms related to the Union's macro-financial assistance.***

Amendment 7

Proposal for a decision Recital 22

Text proposed by the Commission

(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

Amendment

(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 ***including the draft***

relevant documents.

Memorandum of Understanding.

Amendment 8

Proposal for a decision

Recital 24

Text proposed by the Commission

(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,

Amendment

(24) The Union's macro-financial assistance should be subject to **political and** economic policy conditions **in accordance with Articles 1 to 4 of the EU-Moldova Association Agreement**, to be laid down in a Memorandum of Understanding. **Those conditions should be accompanied by well-defined timelines for their fulfilment.** In order to ensure uniform conditions of implementation and for reasons of efficiency, the Commission should be empowered to negotiate such **implementation** 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,

Amendment 9

Proposal for a decision

Article 1 – paragraph 3 – subparagraph 2

Text proposed by the Commission

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.

Amendment

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, ***including the draft Memorandum of Understanding***, in due time.

Amendment 10

**Proposal for a decision
Article 2 – paragraph 1**

Text proposed by the Commission

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.

Amendment

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 a strict separation of powers*** – the rule of law and guarantees respect for human rights. ***That pre-condition shall provide for a strong engagement and the adoption of concrete measures to enhance good governance, to de-politicise appointments in the public administration, to fight against corruption, to strengthen the independence of the judiciary, to ensure a result-orientated investigation into the “bank fraud” and an environment which allows for pluralistic and free media and stimulates free and fair political competition.***

Amendment 11

**Proposal for a decision
Article 2 – paragraph 2**

Text proposed by the Commission

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.

Amendment

2. The Commission and the European External Action Service shall monitor the fulfilment of **the** pre-condition **laid down in paragraph 1 of this Article** throughout the life-cycle of the Union's macro-financial assistance. **Before any instalment is released, they shall report to the European Parliament and the Council on the level of fulfilment of that pre-condition, against clearly defined benchmarks. Should progress towards the objectives set out in the Council Conclusions of 15 February 2016 on Moldova, the EU-Moldova Association Agenda and the Memorandum of Understanding be insufficient, the release of instalments shall be immediately suspended.**

Amendment 12

**Proposal for a decision
Article 3 – paragraph 1**

Text proposed by the Commission

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

Amendment

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, financial conditions, focusing on structural reforms and sound public finances, to which the Union's macro-financial assistance is to be subject, **as well as on conditions relating to democracy and the rule of law, such as measures to fight corruption and strengthen the independence of the judiciary**, to be laid down in a Memorandum of Understanding ("the Memorandum of Understanding") which shall include a timeframe **and clear benchmarks** for the fulfilment of those conditions. The economic policy and financial conditions set out in the

implemented by Moldova with the support of the IMF.

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.

Amendment 13

Proposal for a decision Article 3 – paragraph 2

Text proposed by the Commission

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.

Amendment

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, ***including respect for human rights and democratic principles, such as freedom of the media, the depoliticisation of all State institutions and the stimulation of a free and fair environment allowing political competition***. Progress in attaining those objectives shall be regularly monitored by the Commission.

Amendment 14

Proposal for a decision Article 3 – paragraph 4

Text proposed by the Commission

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

Amendment

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. In so doing, the Commission shall coordinate closely with the IMF and the World Bank, and, *where necessary*, with the European Parliament and the Council.

policies of Moldova are in accordance with the objectives of the Union's macro-financial assistance. In so doing, the Commission shall coordinate closely with the IMF and the World Bank, and with the European Parliament and the Council.

Amendment 15

Proposal for a decision

Article 4 – paragraph 3 – subparagraph 1 – point c

Text proposed by the Commission

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

Amendment

(c) the implementation of the *political*, economic policy and financial conditions agreed in the Memorandum of Understanding, *as assessed using measurable criteria*.

Amendment 16

Proposal for a decision

Article 6 – paragraph 3 – point b

Text proposed by the Commission

(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 2988/95¹¹, Council Regulation (EC, Euratom) No 2185/96¹² and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹³;

Amendment

(b) ensuring the protection of the Union's financial interests, in particular *fully implementing* 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 2988/95¹¹, Council Regulation (EC, Euratom) No 2185/96¹² and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹³;

¹¹ 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).

¹¹ 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).

¹² 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).

¹³ 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).

¹² 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).

¹³ 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).

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Macro-financial assistance to the Republic of Moldova
References	COM(2017)0014 – C8-0016/2017 – 2017/0007(COD)
Committee responsible Date announced in plenary	INTA 19.1.2017
Opinion by Date announced in plenary	AFET 19.1.2017
Rapporteur Date appointed	Petras Auštrevičius 30.1.2017
Discussed in committee	20.3.2017
Date adopted	11.4.2017
Result of final vote	+: 55 –: 4 0: 0
Members present for the final vote	Lars Adaktusson, Francisco Assis, Amjad Bashir, Bas Belder, Mario Borghezio, Fabio Massimo Castaldo, Lorenzo Cesa, Javier Couso Permuy, Andi Cristea, Arnaud Danjean, Georgios Epitideios, Knut Fleckenstein, Eugen Freund, Michael Gahler, Sandra Kalniete, Karol Karski, Tunne Kelam, Janusz Korwin-Mikke, Eduard Kukan, Arne Lietz, Barbara Lochbihler, Sabine Lösing, Ulrike Lunacek, Andrejs Mamikins, Ramona Nicole Mănescu, Alex Mayer, David McAllister, Francisco José Millán Mon, Javier Nart, Pier Antonio Panzeri, Demetris Papadakis, Ioan Mircea Pașcu, Alojz Peterle, Tonino Picula, Kati Piri, Julia Pitera, Cristian Dan Preda, Jozo Radoš, Jordi Solé, Jaromír Štětina, Dubravka Šuica, Charles Tannock, László Tókéš, Ivo Vajgl, Elena Valenciano, Geoffrey Van Orden, Anders Primdahl Vistisen, Boris Zala
Substitutes present for the final vote	María Teresa Giménez Barbat, Andrzej Grzyb, Antonio López-Istúriz White, Norica Nicolai, Urmas Paet, José Ignacio Salafranca Sánchez-Neyra, Marietje Schaake, Helmut Scholz, Igor Šoltés, Marie-Christine Vergiat
Substitutes under Rule 200(2) present for the final vote	Josef Weidenholzer

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

55	+
ALDE	María Teresa Giménez Barbat, Javier Nart, Norica Nicolai, Urmas Paet, Jozo Radoš, Marietje Schaake, Ivo Vajgl
ECR	Amjad Bashir, Bas Belder, Karol Karski, Charles Tannock, Geoffrey Van Orden, Anders Primdahl Vistisen
GUE/NGL	Javier Couso Permuy, Sabine Lösing, Helmut Scholz, Marie-Christine Vergiat
PPE	Lars Adaktusson, Lorenzo Cesa, Arnaud Danjean, Michael Gahler, Andrzej Grzyb, Sandra Kalniete, Tunne Kelam, Eduard Kukan, Antonio López-Istúriz White, David McAllister, Francisco José Millán Mon, Ramona Nicole Mănescu, Alojz Peterle, Julia Pitera, Cristian Dan Preda, José Ignacio Salafranca Sánchez-Neyra, László Tőkés, Jaromír Štětina, Dubravka Šuica
S&D	Francisco Assis, Andi Cristea, Knut Fleckenstein, Eugen Freund, Arne Lietz, Andrejs Mamikins, Alex Mayer, Pier Antonio Panzeri, Demetris Papadakis, Ioan Mircea Pașcu, Tonino Picula, Kati Piri, Elena Valenciano, Josef Weidenholzer, Boris Zala
VERTS/ALE	Barbara Lochbihler, Ulrike Lunacek, Jordi Solé, Igor Šoltes

4	-
EFDD	Fabio Massimo Castaldo
ENF	Mario Borghezio
NI	Georgios Epitideios, Janusz Korwin-Mikke

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention

OPINION OF THE COMMITTEE ON BUDGETS

for the Committee on International Trade

on the proposal for a decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova
(COM(2017)0014 – C8-0016/2017 – 2017/0007(COD))

Rapporteur: Siegfried Mureşan

SHORT JUSTIFICATION

The rapporteur notes that the proposed MFA operation would amount to a maximum of EUR 100 million, provided in the form of a medium-term loan of up to EUR 60 million and in grants of up to EUR 40 million and released in three instalments in 2017 and 2018. The provisioning of the loan would take place in the 2019-2020 budgets while the commitments and payments of the grant element would take place in 2017-2018 budgets.

The aim of the proposed operation is to support the restoration of a sustainable external financing situation of Moldova. It would be complementary to the programmes and resources provided by the IMF and the World Bank and would be pre-conditioned by Moldova's respect for effective democratic mechanisms, including a multi-party parliamentary system, and the rule of law and guarantees of respect for human rights.

The rapporteur supports the proposed MFA operation, as a necessary complement to international and European assistance for Moldova and as a demonstration of European solidarity with the country still facing a difficult political and economic period. He acknowledges the renewed commitment by the Moldovan authorities to address the country's governance challenges and moving forward with the necessary political reforms but maintains that Moldova needs to effectively deliver on its reform process.

It is therefore crucial that the release of the different tranches of the assistance be made strictly conditional upon fulfilment of obligations within well-defined timeframe with the Moldovan authorities, including in areas related to rule of law, fight against corruption, independence of judiciary, strengthening of resilience of financial sector, and transparency in financing of political parties.

The rapporteur recalls that the Association Agreement with Moldova is one of the most advanced that the EU has ever signed: it provides a solid basis for deeper economic and political cooperation on Moldova's path towards European integration.

The main EU financing instrument for supporting Moldova is currently the European Neighbourhood Instrument (ENI), supporting namely the implementation of the Deep and Comprehensive Free Trade Area and the Association agenda. The rapporteur also notes that Moldova participates in regional programmes, cross-border cooperation and initiatives open to all neighbourhood countries, such as Erasmus+, TAIEX, SIGMA and the Neighbourhood Investment Facility (NIF). When adopted, the European Fund for Sustainable Development will also allow for new investment possibilities in Moldova.

AMENDMENTS

The Committee on Budgets calls on the Committee on International Trade, as the committee responsible, to take into account the following amendments:

Amendment 1

Proposal for a decision

Recital 11

Text proposed by the Commission

(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.

Amendment

(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, *especially in areas related to economic governance and the judiciary, and encourage reforms in those areas.*

Amendment 2

Proposal for a decision

Recital 17

Text proposed by the Commission

(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.

Amendment

(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, *depoliticisation of appointments in public administration*, respect for human rights *and free, independent and pluralistic media*, sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair

trade.

Amendment 3

Proposal for a decision

Recital 18

Text proposed by the Commission

(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, 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.

Amendment

(18) A pre-condition for granting the Union's macro-financial assistance ***and releasing each instalment of the 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, ***pursue stability-oriented policies providing further support to preserve macroeconomic stability, improve governance and promote genuine and effective*** structural reforms aimed at supporting sustainable and inclusive growth, employment creation and fiscal consolidation. ***The release of macro-financial assistance should also be conditional upon tangible progress in the fight against money laundering and corruption, including high-level corruption, and the strengthening of the independence of the judiciary. Such conditions should also contribute to the improvement of economic governance and encourage reforms in Moldova. To ensure that they may be properly assessed, it is crucial that such conditions are set out in a stringent and measurable manner.*** Both the fulfilment of the preconditions and the achievement of those objectives should be regularly monitored by the Commission and the European

Amendment 4

Proposal for a decision

Recital 19

Text proposed by the Commission

(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.

Amendment

(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. ***Moldova should regularly inform the Commission about the implementation of the macro-financial assistance on the basis of full disclosure and strict compliance with Union financial rules.*** In addition, provision should be made for the Commission to carry out checks and for the Court of Auditors to carry out audits.

Amendment 5

Proposal for a decision

Recital 24

Text proposed by the Commission

(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)

Amendment

(24) The Union's macro-financial assistance should be subject to economic policy conditions, ***with a particular focus on the Moldovan economy, the system of economic governance, in particular in the banking sector, and the judiciary,*** to be laid down in a Memorandum of Understanding, ***including well-defined timelines for the fulfilment of such conditions. Absence of tangible progress in fulfilling those conditions should lead to the temporary suspension or***

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,

cancellation of disbursement of the Union's macro-financial assistance. 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,

PROCEDURE – COMMITTEE ASKED FOR OPINION

Title	Macro-financial assistance to the Republic of Moldova
References	COM(2017)0014 – C8-0016/2017 – 2017/0007(COD)
Committee responsible Date announced in plenary	INTA 19.1.2017
Opinion by Date announced in plenary	BUDG 19.1.2017
Rapporteur Date appointed	Siegfried Mureşan 26.1.2017
Date adopted	3.4.2017
Result of final vote	+: 29 –: 6 0: 0
Members present for the final vote	Nedzhmi Ali, Jean Arthuis, Lefteris Christoforou, Gérard Deprez, José Manuel Fernandes, Eider Gardiazabal Rubial, Jens Geier, Ingeborg Gräßle, Iris Hoffmann, Bernd Kölmel, Zbigniew Kuźmiuk, Clare Moody, Siegfried Mureşan, Victor Negrescu, Liadh Ni Riada, Jan Olbrycht, Younous Omarjee, Pina Picierno, Paul Rübig, Petri Sarvamaa, Jordi Solé, Eleftherios Synadinos, Indrek Tarand, Isabelle Thomas, Monika Vana, Daniele Viotti, Marco Zanni, Stanisław Żółtek
Substitutes present for the final vote	Nicola Caputo, Ivana Maletić, Andrey Novakov, Marco Valli, Tomáš Zdechovský
Substitutes under Rule 200(2) present for the final vote	Othmar Karas, Bernd Lucke

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

29	+
ALDE	Nedzhmi Ali, Jean Arthuis, Gérard Deprez
ECR	Zbigniew Kuźmiuk, Bernd Kölmel, Bernd Lucke
PPE	Lefteris Christoforou, José Manuel Fernandes, Ingeborg Gräßle, Othmar Karas, Ivana Maletić, Siegfried Mureşan, Andrey Novakov, Jan Olbrycht, Paul Rübig, Petri Sarvamaa, Tomáš Zdechovský
S&D	Nicola Caputo, Eider Gardiazabal Rubial, Jens Geier, Iris Hoffmann, Clare Moody, Victor Negrescu, Pina Picierno, Isabelle Thomas, Daniele Viotti
Verts/ALE	Jordi Solé, Indrek Tarand, Monika Vana

6	-
EFDD	Marco Valli
ENF	Marco Zanni, Stanisław Żółtek
GUE/NGL	Liadh Ní Riada, Younous Omarjee
NI	Eleftherios Synadinos

0	0

Key to symbols:

+ : in favour

- : against

0 : abstention

PROCEDURE – COMMITTEE RESPONSIBLE

Title	Macro-financial assistance to the Republic of Moldova	
References	COM(2017)0014 – C8-0016/2017 – 2017/0007(COD)	
Date submitted to Parliament	13.1.2017	
Committee responsible Date announced in plenary	INTA 19.1.2017	
Committees asked for opinions Date announced in plenary	AFET 19.1.2017	BUDG 19.1.2017
Rapporteurs Date appointed	Sorin Moisă 23.1.2017	
Discussed in committee	28.2.2017	21.3.2017
Date adopted	4.5.2017	
Result of final vote	+: 31 -: 6 0: 1	
Members present for the final vote	Laima Liucija Andrikiienė, Maria Arena, Tiziana Beghin, David Borrelli, Daniel Caspary, Salvatore Cicu, Santiago Fisas Ayxelà, Heidi Hautala, Yannick Jadot, Bernd Lange, David Martin, Anne-Marie Mineur, Sorin Moisă, Franz Obermayr, Franck Proust, Tokia Saïfi, Marietje Schaake, Helmut Scholz, Joachim Schuster, Joachim Starbatty, Adam Szejnfeld, Hannu Takkula	
Substitutes present for the final vote	Eric Andrieu, Bendt Bendtsen, Dita Charanzová, Edouard Ferrand, Danuta Maria Hübner, Agnes Jongerius, Stelios Kouloglou, Sander Loones, Bolesław G. Piecha, Fernando Ruas, José Ignacio Salafranca Sánchez-Neyra, Pedro Silva Pereira, Jarosław Wałęsa	
Substitutes under Rule 200(2) present for the final vote	Beatriz Becerra Basterrechea, Edward Czesak, Marco Zanni	
Date tabled	5.5.2017	

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

31	+
ALDE	Becerra Basterrechea Beatriz, Charanzová Dita, Schaake Marietje, Takkula Hannu
ECR	Czesak Edward, Loones Sander, Piecha Bolesław G., Starbatty Joachim
GUE/NGL	Kouloglou Stelios
PPE	Andrikienė Laima Liucija, Bendtsen Bendt, Caspary Daniel, Cicu Salvatore, Fisas Ayxelà Santiago, Hübner Danuta Maria, Proust Franck, Ruas Fernando, Salafranca Sánchez-Neyra José Ignacio, Saïfi Tokia, Szejnfeld Adam, Wałęsa Jarosław
S&D	Andrieu Eric, Arena Maria, Jongerius Agnes, Lange Bernd, Martin David, Moisă Sorin, Schuster Joachim, Silva Pereira Pedro
VERTS/ALE	Hautala Heidi, Jadot Yannick

6	-
EFDD	Beghin Tiziana, Borrelli David
ENF	Ferrand Edouard, Obermayr Franz, Zanni Marco
GUE/NGL	Mineur Anne-Marie

1	0
GUE/NGL	Scholz Helmut