



**2017/0007(COD)**

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

PA\_Legam

## 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*

(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 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

*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, respect for human rights, sustainable development and poverty reduction, as well as its commitment to the principles of open, rules-based and fair trade.

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 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 should be that Moldova ***fully*** respects effective democratic mechanisms – including a multi-party parliamentary system ***and a 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 relevant documents.

*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 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

*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 in due time.

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 implemented by Moldova with the support of the IMF.

*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 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 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.

*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 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 2988/95<sup>11</sup>, Council Regulation (EC, Euratom) No 2185/96<sup>12</sup> and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>13</sup>;

*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 2988/95<sup>11</sup>, Council Regulation (EC, Euratom) No 2185/96<sup>12</sup> and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>13</sup>;

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<sup>11</sup> 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).

<sup>12</sup> 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).

<sup>13</sup> Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning

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<sup>11</sup> 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).

<sup>12</sup> 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).

<sup>13</sup> 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).

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

<b>Title</b>	Macro-financial assistance to the Republic of Moldova
<b>References</b>	COM(2017)0014 – C8-0016/2017 – 2017/0007(COD)
<b>Committee responsible</b> Date announced in plenary	INTA 19.1.2017
<b>Opinion by</b> Date announced in plenary	AFET 19.1.2017
<b>Rapporteur</b> Date appointed	Petras Auštrevičius 30.1.2017
<b>Discussed in committee</b>	20.3.2017
<b>Date adopted</b>	11.4.2017
<b>Result of final vote</b>	+: 55 –: 4 0: 0
<b>Members present for the final vote</b>	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 Tőkés, Ivo Vajgl, Elena Valenciano, Geoffrey Van Orden, Anders Primdahl Vistisen, Boris Zala
<b>Substitutes present for the final vote</b>	María Teresa Giménez Barbat, Andrzej Grzyb, Antonio López-Istúriz White, Norica Nicolai, Urmas Paet, José Ignacio Salafranca Sánchez-Neyra, Marietje Schaake, Helmut Scholz, Igor Šoltes, Marie-Christine Vergiat
<b>Substitutes under Rule 200(2) present for the final vote</b>	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