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THE EUROPEAN UNION**

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COVER NOTE

from: Mr Jaime Gama, President of the Assembly of the Republic of Portugal
date of receipt: 22 July 2010
to: Mr Yves Leterme, President of the Council of the European Union

Subject: Proposal for a Decision of the European Parliament and of the Council providing macro-financial assistance to the Republic of Moldova
Doc.11055 /10 [COM(2010) 302 final and SEC(2010 706]
= Opinion of the Portuguese Parliament

Delegations will find below a copy of the above opinion.



**ASSEMBLY OF THE REPUBLIC
EUROPEAN AFFAIRS COMMITTEE**

WRITTEN OPINION

DECISION OF THE EUROPEAN PARLIAMENT AND COUNCIL

Regarding the provision of macro-financial assistance to the Republic of Moldova

COM(2010)302 final

SEC(2010)706

PART I

WHEREAS

In accordance with the terms of Article 6 of Law 43/2006 of 25 August, which regulates the monitoring, assessment and pronouncement by the Assembly of the Republic within the scope of the process of constructing the European Union, the European Affairs Committee is the committee responsible for the overall monitoring and assessment of European affairs.

Carrying out this remit, in accordance with the terms of Article 7 of the above-mentioned Law and after having referred the matter under consideration to the Budget and Finance Committee for its information and to provide the chance to issue an opinion (which did not happen), the European Affairs Committee makes the following remarks within the scope of the proposed Decision of the European Parliament and Council:



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1. Grounds for and objectives of the proposal

The Republic of Moldova is one of the countries in the European Union's eastern neighbourhood most heavily affected by the global crisis. Despite high average economic growth rates in the years leading up to the crisis, Moldova's income level *per capita* remains by far the lowest in the region.

The policy response to the economic crisis was delayed first by the preparation for parliamentary elections in Spring 2009 and by the repeat elections that had to be organised in the Autumn of 2009, which brought a coalition government into power on a reform agenda that seeks closer approximation to the EU and aims at turning around the previous growth model, heavily reliant on the inflow of remittances. These political developments have created a new momentum in the scaling up of bilateral relations with the EU, culminating in the opening of formal negotiations on a new Association Agreement on 12 January 2010.

On 29 September, during the new Prime Minister's visit to Brussels, the incoming government confirmed the request for EU financial support submitted earlier in the year by the previous administration. On 29 January 2010, the IMF Board approved an assistance programme covering the period 2010-2012, under a mixture of Extended Credit Facility (ECF) and Extended Fund Facility (EFF). The programme is designed to be complemented by other international donors, in particular the World Bank (WB) and the EU, as well as other donors, both multilateral and bilateral.

At the Consultative Group meeting in Brussels of 24 March 2010 substantial contributions from bilateral donors were indeed confirmed. The proposed MFA is part of the financing provided in the context of the programme implementation.

The Commission proposes to provide to the Republic of Moldova macro-financial assistance (MFA) in the form of a grant of up to EUR 90 million, in accordance with the terms of Article 212 of the Treaty on the functioning of the European Union (TFEU).



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The proposed assistance is intended to contribute to covering Moldova's general balance-of-payments needs and the external financing needs of the State budget identified by the International Monetary Fund (IMF).

It will support the authorities' stabilisation programme with a view to ensuring sustainable fiscal and external accounts, and will thus help the country address the consequences of the global financial crisis.

The proposed European Union macro-financial assistance will complement support from the IMF foreseen under the financing arrangement agreed by the IMF board in January 2010. EU MFA is aimed at contributing towards covering the country's external financing needs in 2010 and 2011. During these two years the uncovered financing needs of the Republic of Moldova will reach a peak. Should a substantial financing gap still exist in 2012, further EU assistance might be considered under a new initiative.

The proposed assistance will also strengthen the reform momentum in the Republic of Moldova in supporting the government's economic programme and its efforts towards integration with the EU. It will also contribute to the implementation of the European Union's cooperation strategy towards the Republic of Moldova and, more generally, towards the countries of the Eastern Partnership.

EU MFA will be exceptional and limited in time, and will be conditional on progress in the implementation of the current IMF programme and on the successful fulfilment of economic policy conditions that will be attached to this assistance.

2. Consistency with other policies and objectives of the European Union

The MFA programme is complementary to other EU financing, in particular to medium-term European Neighbourhood and Partnership Instrument (ENPI) budget support



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implemented within the framework of the Country Strategy for EU cooperation with the Republic of Moldova.

3. Consultation of interested parties

During the preparation of the present proposal, the Commission services have been in contact with the authorities of the Republic of Moldova, the IMF, the World Bank, the EBRD and potential bilateral donors and creditors, to discuss assistance needs.

Following the adoption of the Decision of the Parliament and the Council, the Commission services will negotiate a Memorandum of Understanding and a Grant Agreement to lay down in detail the implementation modalities of the assistance with the authorities of the Republic of Moldova.

4. Subsidiarity principle

The proposal falls under the shared competence of the European Union in the field of economic and financial cooperation with third countries, therefore the hearing of this proposal by the Assembly of the Republic ensures full compliance with this principle.

5. Choice of instruments

In the absence of a framework regulation for the macro-financial assistance instrument, *ad hoc* Parliament and Council decisions under Article 212 of the TFEU are now the legal instrument for this assistance.

6. Budgetary implication

The assistance will be financed from commitment appropriations in 2010 and 2011 under budget line 01 03 02 (Macroeconomic assistance); the payments will also take place in 2010 and 2011.



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**PART II
CONCLUSIONS**

In view of the above, the European Affairs Committee is of the opinion that:

1. The present opinion has been drawn up in accordance with and following the provisions of Law 43/2006 of 25 August, which determines the Assembly of the Republic's powers of *monitoring, assessment and pronouncement within the scope of the process of constructing the European Union*.
2. The initiative respects the *principle of subsidiarity* and therefore there are no problems regarding the content of the proposal in European terms.

**PART III
FINAL OPINION**

Thus, the European Affairs Committee is of the opinion that the scrutiny of the initiative under analysis is now complete.

São Bento Palace, 14 July 2010

Written Opinion drawn up by Deputy, António Gameiro MP

European Affairs Committee Chairman, Vitalino Canas MP