

Establishing the Reform and Growth Facility for Moldova

2024/0258(COD) - 09/10/2024 - Legislative proposal

PURPOSE: to establish the reform and growth facility for Moldova for the period 2025-2027.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: it is in the common interest of the Union and Moldova to advance with the reforms its political, legal and economic systems with a view to its future Union membership. The prospect of Union membership has a powerful transformative effect, embedding positive democratic, political, economic and societal change.

There is a need to bring forward some of the advantages of Union membership before accession. Economic convergence is at the heart of those benefits. Currently, the convergence of Moldova in terms of GDP per capita expressed in purchasing power standards remains low at 29% of the Union average and is not progressing fast enough.

CONTENT: the Commission drafted this proposal to establish the Reform and Growth Facility for Moldova. The proposal lays down the Facility's objectives, its financing, the budget for the period 2025-2027, the forms of Union funding under it and the rules for providing such funding.

The general objectives of the Facility should be to accelerate regional economic integration, progressive integration with the Union single market, socio-economic convergence of Western Balkans economies and alignment with Union laws, rules, standards, policies and practices with a view to Union membership. The Facility should also help accelerate reforms related to fundamentals of the enlargement process, including rule of law, public procurement and State aid control, public finance management and fight against corruption. These objectives should be pursued in a mutually reinforcing manner.

Reform agendas

Moldova will submit a reform agenda which should contain reforms and investment areas to be financed by the Facility, and the systems to prevent, detect and correct irregularities, fraud, corruption and conflicts of interests, when using the funds provided under the Facility.

Funding

In 2025-2027, the maximum resources made available to Moldova through the Facility will be EUR 1 785 million (in current prices). This amount combines up to EUR 1 500 million in concessional loans and EUR 285 million of non-repayable financial support. On top of the maximum amount available for disbursements to Moldova, referred to above, EUR 135 million will be set aside in the Common Provisioning Fund to provision the loans.

The non-repayable support will cover support provided by the Union for projects approved under the Neighbourhood Investment Platform (NIP), as well as complementary support. This complementary support will include support to civil society organisations and technical assistance, which will facilitate the implementation of reforms and Moldova's path to EU accession.

In addition, the Facility is expected to mobilise up to EUR 2 500 million of new investments from the international financial institutions and the private sector.

The implementation of the Growth Plan for Moldova requires the appropriate funding under a dedicated new financing instrument, the Facility to assist the country in implementing reforms for sustainable economic growth and advance on the fundamentals.

To achieve the goals of the Growth Plan for Moldova, emphasis with respect to investment areas should be placed on sectors that are likely to function as key multipliers for social and economic development: connectivity, including sustainable transport, decarbonisation, energy, green and digital transitions, as well as education, labour market participation and skills development, with a particular focus on youth.

Release of funds

Payments will take place on a semi-annual basis, following Moldova's submission of a request to release the funds after having satisfactorily met the relevant payment conditions in the form of qualitative and quantitative steps to be undertaken. In case of a negative assessment by the Commission, a part of the amount corresponding to the payment conditions that have not been met will be withheld. The withheld funds can only be released once Moldova has duly justified, as part of the subsequent request to release funds, that it has taken the necessary measures to ensure the relevant payment conditions have been satisfactorily met.