



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 9.10.2006  
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2006/0184 (CNS)

Proposal for a

**COUNCIL DECISION**

**Providing Community macro-financial assistance to Moldova**

(presented by the Commission)

{SEC(2006) 1258}

## EXPLANATORY MEMORANDUM

### 1) CONTEXT OF THE PROPOSAL

- **Grounds for and objectives of the proposal**

The Commission proposes to provide macro-financial assistance to Moldova in the form of a grant of a maximum amount of EUR 45 million with a view to supporting Moldova's balance of payments and the reserve build-up. The proposed assistance will help Moldova alleviate the financial constraints on the implementation of its economic programme. It will also facilitate and encourage the authorities' efforts to implement reforms under the EU-Moldova European Neighbourhood Policy Action Plan and the Economic Growth and Poverty Reduction Strategy Paper.

The proposed macro-financial assistance will be exceptional and limited in time, will complement support from the Bretton Woods Institutions, bilateral donors and the Paris Club, and will be conditional, in particular, on progress in the implementation of the IMF-supported PRGF arrangement. This operation will take place at a time when EU-Moldova relations have entered a phase of deeper integration in the context of the European Neighbourhood Policy.

- **General context**

In the initial stage of its transition to market economy, Moldova implemented successfully a number of first generation reforms. Subsequently, towards the end of the nineties and in the beginning of the current decade, reforms slowed down and the government's administrative interference in the economy increased. Against this background, policy lending by the Bretton Woods Institutions was discontinued. Two EU macro-financial assistance operations for Moldova – a loan of EUR 15 million decided in 2000 and a grant of the same amount decided in 2002<sup>1</sup> – could therefore not be implemented.

In this period, Moldova's GDP grew at an average annual growth rate of 7%. Growth has been driven by domestic demand boosted by booming remittances that have increased over time to more than 30% of GDP. By 2005, Moldova's GDP per capita had more than doubled (in dollar terms) compared to its level in 2000. Yet, at only USD 812, it is still by far the lowest in Europe. Moldova is the only country in Europe to be classified as low-income by the World Bank.

Towards 2004-2005, structural reforms re-appeared on the Moldova's policy agenda, notably with the adoption by the government of the Economic Growth and Poverty Reduction Strategy Paper (EGPRSP). The government's commitment to reforms has been reinforced by its European aspirations, confirmed by the adoption in February 2005 of the EU-Moldova European Neighbourhood Policy (ENP) Action Plan.

For most of 2005, the government pursued economic policy intended to demonstrate this renewed stabilisation and reform commitment. In view of the results achieved,

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<sup>1</sup> Council Decisions 2000/452/EC of 10 July 2000 (OJ L 181, 20.7.2000, p.77) and 2002/1106/EC of 19 December 2002 (OJ L 351, 28.12.2002, p.76).

towards the end of 2005, the authorities and the IMF resumed discussions on a new programme that could be supported by a financing arrangement with the Fund. In February 2006 an agreement was reached on the parameters of such programme and in May 2006 the IMF Board approved a three-year financing arrangement under the Poverty Reduction and Growth Facility (PRGF). The approval of the arrangement was followed by an agreement with the Paris Club of Moldova's official creditors on a restructuring of accumulated arrears and current payments falling due in the period of the programme on the so-called Houston terms. Helping the government normalise Moldova's relations with the official creditors was one of the key objectives of the arrangement.

The PRGF programme is designed to maintain macroeconomic stability and in this way to support growth and poverty reduction, particularly in the context of continued strong inflows of remittances and substantially higher prices for imported energy. Under the programme, the authorities are committed to limit the budget deficit to 0.5% of GDP and the National Bank is aiming at increasing foreign exchange reserves to three months of imports by end-2008. The priority structural policy measures include in particular actions in the areas of foreign trade liberalisation, corporate governance, banking sector reform and tax administration.

By the time of the adoption of the programme, it was assumed that the contemplated policies would translate into GDP growth of 6% in 2006 and 5% in 2007-2008, a gradual reduction of inflation to about 7% by end-2008 and current account deficits in the neighbourhood of 5% of GDP.

Yet, the programme is being implemented in a particularly difficult external environment. Already in 2005, due in particular to a strong increase in oil prices, Moldova's trade and current account deficits had increased sharply. Since the beginning of 2006, Moldova is facing additional balance-of-payments shocks – a decision by Russia's gas monopoly, Gazprom, to increase the gas prices it charges to Moldova from USD 80 per thousand cubic meters to USD 110 in January 2006 and USD 160 in July, and a ban on Moldova's exports of wine and alcohol to Russia – that make the prospects for achieving the objectives of the PRGF programme extremely weak. The weakening of Moldova's external accounts will also complicate the achievement of the government's medium-term objectives in terms of growth and poverty reduction contained in the government's Economic Growth and Poverty Reduction Strategy Paper, and of the goals of the EU-Moldova ENP Action Plan.

The economic developments in Moldova will require, first, some adjustment of the PRGF programme and, second, additional exceptional financing, on top of the financing currently available.

In the past the EU has provided on several occasions macro-financial assistance (MFA) to Moldova aimed at responding to balance-of-payments shocks. The Commission considers that the current situation justifies a further recourse to the same instrument. EU MFA would contribute to meeting Moldova's external financing requirements in 2007 and 2008.

This is further warranted by deepening EU-Moldova cooperation in the context of the European Neighbourhood Policy. Moldova is one of the EU partner countries in this context since the ENP was launched in 2004. Moldova is also, together with Ukraine,

the only Eastern Neighbourhood country currently implementing an ENP Action Plan. The ENP aims at developing an increasingly close relationship between the EU and the partner countries, going beyond past levels of cooperation, at deepening political cooperation including in the area of foreign and security policy and, in the case of Moldova, in the resolution of the conflict in Transnistria, and at promoting economic growth and poverty reduction.

- **Existing provisions in the area of the proposal**

None

- **Consistency with other policies and objectives of the Union**

EU-Moldova relations have entered a phase of deeper integration since the launching of the European Neighbourhood Policy. Community's assistance through the macro-financial assistance instrument would contribute to the strengthening of the bilateral relations with Moldova. It is envisaged that from 2007 onwards the European Neighbourhood and Partnership Instrument (ENPI) will become available to Moldova, allowing assistance also in the form of budget support. Preparation of sectoral and/or general budget support programmes in favour of Moldova is expected to start as soon as the ENPI becomes operational. However, no disbursements under ENPI budget support are anticipated in the near future. Moreover, the instrument of budget support under the ENPI, designed to support structural policies in a medium- to long-term perspective, is not well adapted to Moldova's current difficulties resulting largely from short-term balance of payment shocks.

Financing under the macro-financial assistance instrument is expected to be available well before a possible budget support operation under the ENPI. MFA, as a short-term instrument, will be specifically addressing the currently pressing external financing needs of Moldova arising from a significant deterioration of the country's external economic environment. Yet, macro-financial assistance will also support in the interim period structural reforms contemplated in the EU-Moldova Action Plan and the Economic Growth and Poverty Reduction Strategy Paper.

## 2) CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

Moldova's Finance Minister Mihail Pop requested financial assistance from the EC in May 2006. Commission services have been in contact with the International Monetary Fund and the World Bank and bilateral donors during the preparation of the present Commission proposal to discuss assistance needs. The Commission has consulted the Economic and Financial Committee before submitting its proposal. Following the adoption of the Council Decision, the Commission services will negotiate with the authorities of Moldova a Memorandum of Understanding and the grant agreement to lay down in detail the implementation modalities of the assistance.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

Because macro-financial assistance is a policy-based instrument, it is particularly well-suited to support the efforts of the authorities of Moldova to improve the fiscal sustainability in the short-to-medium run.

Macro-financial assistance will have an immediate impact on Moldova's balance of payments and reserves and will in this way contribute to the alleviation of financial constraints on the implementation of the authorities' economic programme.

EC assistance will also help the authorities implement short- and medium-term policies identified in the EU-Moldova European Neighbourhood Policy Action Plan and the Economic Growth and Poverty Reduction Strategy Paper.

### 3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The Community shall make available to Moldova macro-financial assistance in the form of grants of a maximum amount of EUR 45 million. The assistance will be made available in three instalments over a period of two years. The period of the implementation of the programme could be extended by one more year. The assistance will be managed by the Commission which shall agree with the authorities the specific economic policy and financial conditions attached to the payment of the grant instalments. Specific provisions on the prevention of fraud and other irregularities, consistent with the Financial Regulation, will be duly taken into account.

- **Legal basis**

Article 308 of the Treaty

- **Subsidiarity principle**

The proposal falls under the exclusive competence of the Community. The subsidiarity principle therefore does not apply.

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reason(s).

The amount of the assistance corresponds broadly to one-third of the residual financing needs of Moldova for the years 2007-2008, covered by the assistance. This is deemed an appropriate level of burden sharing for the Community, given the assistance provided to Moldova by bilateral donors and creditors and the international donor community at large.

The assistance will be fully consistent with the macroeconomic targets already set in Moldova's economic policy documents, such as the Memorandum of Economic and Financial Policies in the context of the PRGF arrangement with the IMF, approved in May 2006. It will be also consistent with longer-term policy objectives contemplated in the Economic Growth and Poverty Reduction Strategy Paper approved in May 2004

and with the EU-Moldova European Neighbourhood Policy Action Plan adopted in February 2005. As regards specific conditions attached to the disbursement of the grant instalments, the Commission intends to focus on a limited number of areas, including in particular public finance management. Also, the Commission may consider targeting specific sectoral policies of particular importance, identified as such in the EU-Moldova ENP Action Plan.

- **Choice of instruments**

Proposed instruments: other.

Other means would not be adequate for the following reason(s).

In the absence of a framework regulation for the macro-financial assistance instrument, ad hoc Council decisions under Article 308 of the Treaty are the only available legal instrument for this assistance.

#### **4) BUDGETARY IMPLICATION**

Such assistance would be financed from commitment appropriations in 2007 under budget line 01 03 02 (Macroeconomic assistance), subject to final approval of the 2007 EC Budget, with payments taking place in 2007 and 2008.

#### **5) ADDITIONAL INFORMATION**

- **Review/revision/sunset clause**

The proposal includes a sunset clause.

Proposal for a

**COUNCIL DECISION**

**Providing Community macro-financial assistance to Moldova**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 308 thereof,

Having regard to the proposal from the Commission<sup>2</sup>,

Having regard to the opinion of the European Parliament<sup>3</sup>,

After consulting the Economic and Financial Committee,

Whereas:

- (1) The authorities of Moldova are committed to economic stabilisation and structural reforms, supported by the International Monetary Fund (IMF) through a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) which was approved on 5 May 2006. Thereafter, the Paris Club creditors agreed on 12 May 2006 to a restructuring of Moldova's bilateral official debt on the Houston terms,
- (2) The authorities of Moldova adopted in May 2004 an Economic Growth and Poverty Reduction Strategy Paper, setting medium-term priorities for government action,
- (3) Moldova, on the one hand, and the European Community and its Member States on the other hand, have signed a Partnership and Cooperation Agreement, which entered into force on 1 July 1998,
- (4) Relations between Moldova and the European Union are developing within the framework of the European Neighbourhood Policy, which is expected to lead to deeper economic integration. The EU and Moldova have agreed on a European Neighbourhood Policy Action Plan identifying short- and medium-term priorities in EU-Moldova relations and related policies,
- (5) Moldova faces substantial financing needs arising from a significant deterioration of Moldova's external environment,
- (6) The Moldovan authorities have requested financial assistance on a concessional basis from the International Financial Institutions, the Community and other bilateral

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<sup>2</sup> OJ C , , p. .

<sup>3</sup> OJ C , , p. .

donors. Over and above the financing from the IMF and the World Bank, a substantial residual financing gap remains to be covered to comfort the country's balance of payments, strengthen the country's reserves position and support the policy objectives attached to the authorities' reform efforts,

- (7) Moldova is eligible to highly concessional loans and grants from the World Bank and the IMF,
- (8) In these circumstances, the Community macro-financial assistance to Moldova should be made available in the form of a grant, as an appropriate measure to help the beneficiary country at this critical juncture,
- (9) In order to ensure efficient protection of the Community's financial interests linked to the present macro-financial assistance, it is necessary to provide for appropriate measures by Moldova related to the prevention of and to the fight against fraud, corruption and any other irregularities linked to this assistance, as well as for controls by the Commission and audits by the Court of Auditors.
- (10) The release of this grant assistance is without prejudice to the powers of the budgetary authority.
- (11) The macro-financial assistance should be managed by the Commission in consultation with the Economic and Financial Committee.
- (12) The Treaty does not provide for the adoption of this Decision powers other than those of Article 308,

HAS DECIDED AS FOLLOWS:

#### *Article 1*

1. The Community shall make available to Moldova macro-financial assistance in the form of a grant of up to EUR 45 million with a view to supporting Moldova's balance of payments and, in this way, alleviating the financial constraints on the implementation of the government's economic programme.
2. This Community financial assistance shall be managed by the Commission in consultation with the Economic and Financial Committee and in a manner consistent with the agreements or understandings reached between the International Monetary Fund (IMF) and Moldova.
3. The Community financial assistance shall be made available for two years starting from the first day after the entry into force of this decision. However, if circumstances so require, the Commission, after consultation of the Economic and Financial Committee, may decide to extend the availability period by a maximum of one year.



## *Article 2*

1. The Commission is empowered to agree with the authorities of Moldova, after consultation with the Economic and Financial Committee, the economic policy and financial conditions attached to this assistance, to be laid down in a Memorandum of Understanding and a Grant Agreement. These conditions shall be consistent with the agreements or understandings referred to in Article 1(2).
2. During the implementation of the Community assistance, the Commission shall monitor the soundness of Moldova's financial circuits, administrative procedures, internal and external control mechanisms which are relevant to this Community macro-financial assistance.
3. The Commission shall verify at regular intervals, in collaboration with the Economic and Financial Committee and in coordination with the IMF, that economic policies in Moldova are in accordance with the objectives of this assistance and that the agreed economic policy and financial conditions are being satisfactorily fulfilled.

## *Article 3*

1. This assistance shall be made available by the Commission to Moldova in three instalments.
2. The first instalment shall be released on the basis of a satisfactory implementation of the economic programme supported by the IMF under the Poverty Reduction and Growth Facility and of the EU-Moldova European Neighbourhood Policy Action Plan.
3. The second and any further instalments shall be released on the basis of a satisfactory implementation of the economic programme supported by the IMF under the Poverty Reduction and Growth Facility and of the EU-Moldova European Neighbourhood Policy Action Plan, and any other measures agreed with the Commission as set out in Article 2(1), and not before one quarter after the release of the previous instalment.
4. The funds shall be paid to the National Bank of Moldova. The final recipient of the funds will be the Ministry of Finances of Moldova.

## *Article 4*

The implementation of this assistance shall take place in accordance with the provisions of the Financial Regulation applicable to the General Budget of the European Communities and its implementing rules. In particular, the Memorandum of Understanding and the Grant Agreement to be agreed with the authorities of Moldova shall provide for appropriate measures by Moldova related to the prevention of and the fight against fraud, corruption and other irregularities linked to this assistance. It shall also provide for controls by the Commission, including the European Anti-Fraud Office (OLAF), with the right to perform on-the-spot checks and inspections, and for audits by the Court of Auditors, where appropriate, to be carried out on the spot.

*Article 5*

By 31 August of each year the Commission shall submit to the European Parliament and to the Council a report, including an evaluation on the implementation of this Decision in the previous year.

*Article 6*

This Decision shall take effect on the day of its publication in the *Official Journal of the European Union*.

Done at Brussels,

*For the Council  
The President*

## LEGISLATIVE FINANCIAL STATEMENT

**Policy area: Title 01 – Economic and Financial Affairs**

**Activity: 03 – International economic and financial affairs**

**TITLE OF ACTION: MACRO-FINANCIAL ASSISTANCE TO MOLDOVA**

### 1. BUDGET LINE(S) + HEADING(S)

Article 01 03 02 — Macroeconomic assistance

### 2. OVERALL FIGURES

#### 2.1. Total allocation for action (Part B): EUR 45 million for commitment

Budget available for 2007 (preliminary draft budget): EUR 79.591 million in Commitment Appropriations and EUR 100.814 million in Payment Appropriations for the budget line 01 03 02, subject to approval of the budget 2007.

#### 2.2. Period of application:

Start year: 2007, expiry year: 2008

#### 2.3. Overall multi-annual estimate of expenditure:

- (a) Indicative schedule of commitment appropriations/payment appropriations (financial intervention) *(see point 6.1.1)*

€ Million *(to three decimal places)*

	2007	2008	2009			Total
Commitments	45.000					45.000
Payments	30.000	15.000				45.000

- (b) Technical and administrative assistance and support expenditure *(see point 6.1.2)*

Commitments	0.030	0.030				0.060
Payments	0.030	0.030				0.060

Subtotal a+b						
Commitments	45.030	0.030				45.060
Payments	30.030	15.030				45.060

- (c) Overall financial impact of human resources and other administrative expenditure  
(see points 7.2 and 7.3)

Commitments/ payments	0.165	0.165				0.330
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TOTAL a+b+c						
Commitments	45.195	0.195				45.390
Payments	30.195	15.195				45.390

#### 2.4. Compatibility with financial programming and financial perspective

The proposal is compatible with existing financial programming

#### 2.5. Financial impact on revenue

The proposal has no financial implications on revenues

### 3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
Non-compulsory	Differentiated	NO	NO	NO	No 4

### 4. LEGAL BASIS

Article 308 of the Treaty

### 5. DESCRIPTION AND GROUNDS

#### 5.1. Need for Community intervention <sup>4</sup>

##### 5.1.1. Objectives pursued

The proposed assistance consists of a Community grant of up to EUR 45 million to Moldova (to be financed from the General Budget) with a view to supporting Moldova's balance of payments and the reserve build-up in the context of a substantial deterioration of the trade and current account balances in the short run. In this way, the proposed assistance will help Moldova alleviate the financial constraints on the implementation of the PRGF programme, of the EU-Moldova European Neighbourhood Policy (ENP) Action Plan and the government's Economic Growth and Poverty Reduction Strategy.

<sup>4</sup> For further information, see separate explanatory note.

This assistance is complementary to the resources provided to Moldova, in support of the authorities' economic stabilisation and structural reform programme, by the IMF, the World Bank and bilateral donors and the EU, under the budget support component of the Food Security Programme, and to debt relief granted by the official creditors.

#### *5.1.2. Measures taken in connection with ex ante evaluation*

An ex ante evaluation was carried out by Commission services in July-August 2006 (by Unit D3 of the Economic and Financial Affairs Directorate-General).

#### *5.1.3. Measures taken following ex post evaluation*

No ex-post evaluation of past Community macro-financial assistance provided to Moldova has been carried out yet.

### **5.2. Action envisaged and budget intervention arrangements**

This assistance will take the form of a straight grant which would be released in three or, if appropriate, four instalments. The first instalment is to be released on the basis of a Memorandum of Understanding to be agreed between the authorities of Moldova and the Community. The subsequent instalments shall be released on the basis of a satisfactory completion of the economic policy conditions and not before one quarter after the release of the previous instalment.

The quantitative performance criteria attached to this assistance would be those stipulated under the macro-economic framework for the present PRGF arrangement agreed between Moldova and the IMF. Accordingly, before the release of each instalment of this assistance, the Commission services, in co-operation with the national authorities and the IMF staff, shall verify that the quantitative performance criteria have been respected or new understandings have been reached.

In addition, the Commission shall agree with the authorities a number of specific policy conditions which have to be met before the second and possible further grant instalments are released. These policy conditions shall be consistent with agreements or understandings reached by Moldova with the IMF and the World Bank. It is envisaged at this stage that these conditions would have a particular focus on public finance management reform and administration. The Commission may also consider targeting specific sectoral policies of particular importance, identified as such in the EU-Moldova ENP Action Plan.

### **5.3. Methods of implementation**

This assistance will be implemented in the form of centralised direct management by the Commission using regular staff.

## 6. FINANCIAL IMPACT

### 6.1. Total financial impact on Part B - (over the entire programming period)

The payments of the assistance from budget line 01 03 02 will be subject to compliance by Moldova with the conditions attached to the assistance as described under 5.2.

#### 6.1.1. Financial intervention

Commitments (in € million to three decimal places)

Breakdown	2007	2008	2009				Total
Grant instalments to Moldova	45.000	-					45.000
<b>TOTAL</b>	45.000						45.000

#### 6.1.2. Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)

	2007	2008	2009				Total
1) Technical and administrative assistance							
a) Technical assistance offices							
b) Other technical and administrative assistance: - intra muros: - extra muros: <i>of which for construction and maintenance of computerised management systems</i>							
Subtotal 1							
2) Support expenditure							
a) Studies (Operational Assessments)	0.030	0.030					0.060
b) Meetings of experts							
c) Information and publications							
Subtotal 2							
<b>TOTAL</b>	0.030	0.030					0.060

## 6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)<sup>5</sup>

Commitments (in € million to three decimal places)

Breakdown	Type of outputs (projects, files )	Number of outputs (total for years 1...n)	Average unit cost	Total cost (total for years 1...n)
	1	2	3	4=(2X3)
<u>Action 1</u>				
- Measure 1				
- Measure 2				
<u>Action 2</u>				
- Measure 1-				
- Measure 2				
- Measure 3				
etc.				
TOTAL COST				

## 7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

### 7.1. Impact on human resources

The tasks related to the management of the assistance will be carried out through staff redeployment, where necessary, and will not involve an increase in the number of Commission staff.

Types of post		Staff to be assigned to management of the action using existing and/or additional resources		Total	Description of tasks deriving from the action
		Number of permanent posts	Number of temporary posts		
Officials or temporary staff	A	1/3		1/3	E.g. prepare memoranda of understanding and grant agreements, liaise with the authorities and the IFIs, liaise with external experts for the operational assessments, conduct review missions and prepare Commission staff reports, prepare Commission procedures related to the management of the assistance
	B				
	C				
Other human resources					
Total		1/3		1/3	

<sup>5</sup> For further information, see separate explanatory note.

## 7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials	30,500	1/3 x average annual expenditure for an A*5 – A*12 grade official
Temporary staff		
Other human resources (specify budget line)		
Total	30,500	

The amounts are total expenditure for twelve months.

## 7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
<b>Overall allocation (Title A7)</b>		
A0701 – Missions	10,000	Two missions per year for two persons
A07030 – Meetings		
A07031 – Compulsory committees <sup>1</sup>		
A07032 – Non-compulsory committees <sup>1</sup>		
A07040 – Conferences		
A0705 – Studies and consultations		
Other expenditure (specify) - An ex-post evaluation -	125,000	Estimated total expenditure of €250,000 for the service contract
<b>Information systems (A-5001/A-4300)</b>		
<b>Other expenditure - Part A (specify)</b>		
Total	135,000	

The amounts are total expenditure for twelve months.

<sup>1</sup> Specify the type of committee and the group to which it belongs.

I.	Annual total (7.2 + 7.3)	€ 165,500
II.	Duration of action	2 years
III.	Total cost of action (I x II)	€ 331,000

## 8. FOLLOW-UP AND EVALUATION

This assistance is of macro-economic nature and its monitoring and evaluation will be undertaken in line with the standard Commission procedures.



## **8.1. Follow-up arrangements**

The monitoring of the action by the Commission services will take place on the basis of macro-economic and structural policy indicators to be agreed with the authorities in a Memorandum of Understanding. The authorities will be required to report on those indicators to the Commission services on a regular basis. The Delegation of the European Commission in Chisinau will also provide regular reporting on issues relevant for the monitoring of the assistance. The Commission services will remain in close contact with the IMF and the World Bank to benefit from their expertise and activities in Moldova.

## **8.2. Arrangements and schedule for the planned evaluation**

An annual report to the European Parliament and to the Council is foreseen in the proposed Council decision, comprising an assessment of the implementation of this assistance operation. Furthermore, an independent ex-post evaluation of the assistance is planned to be carried out by the Commission or its duly authorised representatives one to two years after the expiry of the implementation period.

## **9. ANTI-FRAUD MEASURES**

Commission services have put in place an on-going programme of Operational Assessments of the financial circuits and administrative procedures in all third countries benefiting from the Community macro-financial assistance in order to fulfil requirements of the Financial Regulation applicable to the General Budget of the European Communities.

Also, in the context of the multi-donor coordination in the area of public finance management, the Commission has co-funded a Fiduciary Risk Assessment of Moldova. The final report will be available shortly.

In Moldova, the Commission services will assess the reliability of financial circuits and administrative procedures that are relevant to this type of assistance and will determine whether the framework for sound financial management of macro-financial assistance is sufficiently effective. The findings of the Fiduciary Risk Assessment and all available conclusions of relevant reports of the IMF or the World Bank will be taken into consideration in this assessment. In this context, the Commission services may decide to carry out, with the support of duly mandated external experts, an Operational Assessment of the financial circuits and administrative procedures of the beneficiary authorities. The results of the Fiduciary Risk Assessment and possibly of the Operational Assessment will be used for the definition of appropriate conditionality in the area of public finance management.

The proposed legal basis for macro-financial assistance to Moldova includes a provision on fraud prevention measures. These measures will be elaborated further in a Memorandum of Understanding and a grant agreement. It is envisaged that a number of specific policy conditions will be attached to the assistance, mainly in the area of public finance management, with a view to strengthening efficiency, transparency and accountability.

The macro-financial assistance will be liable to verification, control and auditing procedures under the responsibility of the Commission, including the European Antifraud Office (OLAF), and by the European Court of Auditors.