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Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on establishing the Reform and Growth Facility for the Republic of Moldova**

## EXPLANATORY MEMORANDUM

The European Union's (EU) enlargement policy remains of central importance to safeguard and promote a peaceful, stable, strong and united Europe. Russia's war of aggression against Ukraine confirms the need for a determined geostrategic investment. The Republic of Moldova's (hereafter "Moldova") EU membership is in the Union's political, economic and security interest. It is a direct response to the European aspirations of Moldovan people, improving their economic and social livelihood, and contributing to a safer, peaceful and more prosperous future.

Moldova started its socio-economic convergence with the EU in 2014, with the provisional entry into force of the EU-Moldova Association Agreement and a Deep and Comprehensive Free Trade Area (DCFTA). Through the Economic and Investment Plan (EIP) for the Eastern Partnership, the EU, in cooperation with international financial institutions, has already mobilised EUR 1.6 billion of public and private investments in flagship projects for Moldova. The EIP has prompted investments in critical sectors such as connectivity, energy efficiency, business development, and competitiveness sectors. In 2022, the EU accession perspective provided Moldova an impetus to undertake structural reforms and accelerate alignment with the EU *acquis* in particular in the area of the fundamentals including rule of law, in order to gain early access to the single market. However, the country's ability to reinvigorate its economic growth, and to advance with the necessary socio-economic reforms was heavily impacted by the COVID-19 pandemic and the economic and social burden as a consequence of Russia's war of aggression against Ukraine, and its attempts to destabilise the country through disinformation campaigns, as well as energy and economic coercion. One of the poorest countries in the region, the Moldovan Gross Domestic Product (GDP) per capita remains at 29% of the EU average, indicating a significant convergence gap with the EU. At the current rate of economic growth and the slow rate of convergence, the country will be held back from rapid progress on its EU path without further decisive political and economic support.

The EU has recognised the importance of supporting Western Balkan partners with the new Growth Plan for the Western Balkans that was put forward in 2023. With the dedicated Facility for Ukraine, the EU demonstrated its unwavering support to the country. The Western Balkans Growth Plan was put in place to assist those countries in tackling the challenges of convergence with the EU and to help accelerate their accession process. The proposed financial assistance came in addition to the existing financial support. In order to provide a new and comparable impetus to Moldova's economy and society, the Commission is putting forward the Moldova Growth Plan (laid out in detail in an accompanying Commission Communication). It will incentivise the reforms and investments needed to accelerate the accession process and boost the growth of Moldova's economy to the benefit of its people.

The **Moldova Growth Plan** is based on three pillars:

- Accelerating socio-economic and fundamental reforms;
- Enhancing access to the European Union's Single Market;
- Increasing financial assistance through a dedicated Reform and Growth Facility for Moldova (here after "Facility").

Mutually reinforcing and building on the results of the reform process in line with the Association Agreement/DCFTA and the EIP, these three pillars address the underlying structural causes of low economic growth, in order to deliver socio-economic benefits of

integration ahead of EU accession. This regulation focuses on the third pillar of the Moldova Growth Plan.

The proposed Facility is closely modelled on the Reform and Growth Facility for the Western Balkans<sup>1</sup>.

Serving as the centrepiece of the Growth Plan, the Facility will introduce strong conditionality as **disbursements of EU funding will be conditional upon progress achieved in the implementation of reforms**, in particular enhancing socio-economic convergence and competitiveness, as well as in the area of the fundamentals.

The Facility will be financed from the EUR 420 million of bilateral allocations foreseen for Moldova in the Neighbourhood, Development and International Cooperation Instrument – Global Europe (NDICI-GE) budget covering the period 2025-2027.

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), one of the regional investment platforms referred to in Article 32 of Regulation (EU) 2021/947, 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. Similarly to the Western Balkans Investment Framework, the NIP will be the main vehicle in implementing investments. The **Economic and Investment Plan** (EIP) for the Eastern Partnership prompted the core investments which will be further pursued under the Growth Plan. These investments will be channelled to sectors that are key multipliers for socio-economic development: connectivity, including sustainable transport, energy, green and digital transitions, education and skills development. Implementation will be carried out in cooperation with international financial institutions and EU Member States development banks and attract additional investments, including from the private sector.

To fully benefit from the opportunities set out in the Growth Plan, Moldova will be expected to prepare a Reform Agenda, setting out the key setting out the **key socio-economic and fundamental reforms** that the country intends to undertake in 2025-2027 to accelerate its convergence with the EU. The Commission will assess and endorse the Agenda.

The Reform Agenda, will be consistent with the country's growth strategy and address structural deficiencies in the country's sustainable and inclusive growth trajectory.<sup>2</sup>

As a minimum, 25% of the amount made available through highly concessional loans to Moldova's budget will be gradually allocated to the NIP to ensure implementation of the core investments. This will come in addition to the NIP's non-repayable support, as part of the bilateral allocation.

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<sup>1</sup> Regulation (EU) 2024/1449 of the European Parliament and of the Council of 14 May 2024 on establishing the Reform and Growth Facility for the Western Balkans

<sup>2</sup>

Similarly to the Western Balkans Growth Plan, the new Facility will be implemented through delivery mechanisms that have been selected to maximise fast achievement of reforms and related investments, while maintaining necessary controls and minimising the administrative burden for the European Commission, Moldova and other implementing partners. Channelling funds for investments through the NIP will provide additional reassurance against fiduciary risks, given that the NIP has well established financial control systems relying also on the pillar-assessed control standards of the implementing financial institutions. The NIP provides a single cooperation framework among the Commission, EU Member States' bilateral donors and financial institutions. All investments will be based on the 'do no significant harm' and 'leave no one behind' principles and will contribute to the broader objective of helping the region transition towards a green, climate-neutral, climate-resilient, digital and inclusive economy aligned with EU rules and standards.

Direct disbursements to the national budget and making funds available for investment proposals will depend on the progress made in the implementation of reforms and by meeting the payment conditions set out in the Reform Agenda. Payment conditions shall include a set of qualitative and quantitative steps and timeframe for disbursements.

Macrofinancial stability, sound public financial management, transparency and oversight of the budget are general conditions that need to be met for payments to be released.

**Payments will occur according to a fixed semi-annual schedule**, based on duly justified requests submitted by Moldova, and following verification by the Commission that the relevant payment conditions have been met. If the payment conditions have not been met, the Commission will suspend or deduct a corresponding amount from the payment.

The disbursement of the corresponding suspended funds may take place during the 12 months following the original deadline set out in the Reform Agenda, provided that the payment conditions have been fulfilled in the meantime.

The implementation of the three pillars set out in the Growth Plan will strongly support the accession process by accelerating Moldova's alignment with EU values, standards and laws.

- **Consistency with existing policy provisions in the policy area**

Support under this Facility will be consistent with and will complement other forms of bilateral support for Moldova, as well as regional support, provided through other EU instruments, in particular NDICI-GE . It will build on the reforms on the EU accession track and in line with the Association Agenda. It will also strengthen current support and allow the country to accelerate the implementation of the Economic and Investment Plan for the Eastern Partnership in Moldova. To achieve its objectives and goals, special emphasis should be placed on sectors that are likely to be key multipliers for the sustainable social and economic development such as connectivity, transport, energy, digital transitions, innovation, education at all levels and skills development sectors.

- **Consistency with other Union policies**

The implementation of the regulation will be consistent with other areas of external action and external policies (e.g. enlargement policy, neighbourhood policy, Common Foreign and Security Policy). The Facility will complement those efforts by accelerating Moldova's sustainable socio-economic convergence with the EU in preparation for EU membership.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

This proposal is based on Article 212 of the Treaty on the Functioning of the European Union (TFEU). It is presented by the Commission in line with the procedure laid down in Article 294 TFEU.

- **Subsidiarity (for non-exclusive competence)**

The proposed Facility will support Moldova in converging with the EU in the context of the enlargement policy. Therefore the EU is best placed to provide such assistance. Preparing Moldova for EU membership is best carried out at EU level.

Given the scale of the assistance needed, the EU is in a unique position to deliver external assistance to Moldova in the long term in a timely, coordinated and consistent manner. The EU can leverage its borrowing capacity and offer loans to Moldova on advantageous terms, as well as provide non-repayable support and guarantees over a multiannual perspective.

The EU Delegation in Moldova can ensure comprehensive access to information on developments affecting Moldova. This allows the EU to be constantly aware of new needs and circumstances and adapt its support according to the evolving needs coordinating closely with other bilateral or multilateral donors.

- **Proportionality**

The proposal complies with the proportionality principle since it does not go beyond the minimum required to achieve the stated objectives at the European level and which is necessary for that purpose.

The Facility is proposed as a targeted action to support accelerated reforms in a country that needs to catch up with the EU to ensure a smooth and mutually beneficial enlargement of the EU. Its structure relies to the extent possible on the existing support structure (NDICI-Global Europe), and the same funding models (e.g. NIP), based on existing, but simplified, instruments (performance-based instruments).

- **Choice of the instrument**

In line with Article 212 TFEU, which sets out the ordinary legislative procedure to be used to adopt measures implementing cooperation with non-EU countries, the proposal is a regulation in order to ensure its uniform application, binding nature in its entirety, and direct applicability.

## **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Ex-post evaluations/fitness checks of existing legislation**

Not applicable.

- **Stakeholder consultations**

A formal stakeholder consultation could not be carried out due to the urgency of preparing the proposal, so that it can be adopted in a timely manner by the European Parliament and the Council to render it operational in 2025.

The EU will ensure appropriate communication and visibility around the objectives and the actions delivered within the scope of the Facility, in Moldova, in the EU, and beyond.

- **Collection and use of expertise**

Not applicable

- **Impact assessment**

An assessment in the form of a Commission staff working document supporting the proposal will be prepared within 3 months of the regulation's adoption.

- **Regulatory fitness and simplification**

Not applicable

- **Fundamental rights**

A precondition for granting support under the instrument is that Moldova and its institutions continue to respect effective democratic mechanisms, including a multi-party parliamentary system, the rule of law, and guarantees the respect for human rights, including the rights of persons belonging to minorities. Moldova's commitment to reforms and the strong political will expressed by the authorities are positive signs, which were confirmed in the Commission's assessment as outlined in its 2023 Communication on the Enlargement Package .

#### **4. BUDGETARY IMPLICATIONS**

The maximum resources to be provided through the Facility will be EUR 1 920 million for 2025 to 2027 for all types of support, of which EUR 420 million is in non-repayable support, including provisioning, funded by the bilateral allocation for Moldova for 2025-2027 under NDICI-GE and EUR 1 500 million in concessional loans provided by the EU.

The loans will be provisioned in the Common Provisioning Fund at the provisioning rate of 9%. The provisioning will come from the non-repayable support, which will be sourced from the bilateral allocation for Moldova for 2025 to 2027 under NDICI-GE.

1% of the non-repayable support component (EUR 4.2 million) will be allocated to technical and administrative assistance expenditure related to the management of the Facility, including monitoring, communication, audit and evaluation.

#### **5. OTHER ELEMENTS**

- **Implementation plans and monitoring, evaluation and reporting arrangements**

The regulation sets out detailed provisions relating to implementation, monitoring, reporting and evaluation.

The Commission will closely monitor the implementation of the Facility. In full compliance with the Treaties, the Commission will work with the European External Action Service (EEAS) to implement the Facility and ensure consistency of the EU's external action.

Moldova should put in place a monitoring system, based on criteria set out by the Commission, and will be expected to report to the Commission annually on the implementation of its Reform agenda. This will include reporting on the progress made

towards achieving the Reform agenda's stated objectives, on the improvements of its internal control system, on its budget implementation, and on any amounts unduly paid or misused, and eventually recovered by the EU.

The Commission will provide the European Parliament, the Council and the Committee referred to in Article 27 of the Regulation with an annual assessment of the implementation of fundings provided under the Facility.

The Commission will also carry out an ex-post evaluation of the regulation.

- **Explanatory documents (for directives)**

Not applicable

- **Detailed explanation of the specific provisions of the proposal**

The regulation sets out detailed provisions on implementation, monitoring, reporting and evaluation.

Implementation under the instrument shall take place under the forms and the implementing methods set out in the Financial Regulation.

The Commission will closely monitor the implementation of the Facility. In full compliance with the Treaties, the Commission will work with the European External Action Service (EEAS) to implement the Facility and ensure consistency of the EU's external action.

Moldova should put in place a monitoring system based on criteria set out by the Commission, and will be expected to report to the Commission annually on the implementation of its Reform Agenda. This will include reporting on the progress made towards achieving the Agenda's stated objectives, on the improvements of its internal control system, on its budget implementation, and on any amounts unduly paid or misused, and eventually recovered by the EU.

The Commission will provide the European Parliament, the Council and the Committee referred to in Article 27 of the Regulation with an annual assessment of the implementation of fundings provided under the Facility.

The Commission will also carry out an ex-post evaluation of the regulation.

- **Detailed explanation of the specific provisions of the proposal**

The regulation establishes the Reform and Growth Facility for Moldova.

Chapter I (General provisions) covers the subject matter of the Facility (Article 1), the definitions (Article 2), the general and specific objectives of the Facility (Article 3), the general principles (Article 4) and the preconditions for support (Article 5).

Chapter II sets out the financing and implementation modalities of the Facility. Article 6 sets out the Implementation of the Facility in the form of non-repayable financial support (funded by the bilateral allocation for Moldova for 2025-2027 under NDICI-GE) and the support in the form of loans. Article 7 describes the eligibility of persons and entities. Article 8 covers the Facility agreement to be concluded between the Commission and Moldova laying down in particular the audit and control provisions, as well as the obligations and conditions for the disbursement of payments.

Chapter III (Reform agenda) details the requirements and basis for the formulation of the Reform agenda (Article 9) and the principles for financing, including the payment conditions for disbursements (Article 10). Article 11 details the content of the Reform agenda to be submitted by Moldova, the procedure for doing so, and the elements that the Reform agenda should contain, including 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.

The Commission will assess the Reform agenda according to the criteria laid out in Article 12. It will adopt an implementing decision as described in Article 13 setting out the indicative amount of the loan support to be disbursed if the payment conditions and timeframe have been met, as well as the pre-financing for which Moldova will be eligible. Article 14 allows Moldova to propose an amended Reform agenda and request the Commission to amend its implementing decision.

Article 15 covers the loan agreements to be concluded between the Commission and Moldova, and the rules governing the borrowing by the Commission on the markets. Article 16 sets out the dispositions taken concerning provisioning. The rules for the payment of pre-financing to Moldova, which is dependent on Moldova meeting the preconditions described in Article 5, are laid out in Article 17. Article 18 describes projects under Neighbourhood Investment Platform. Article 19 details the procedure for the disbursements once both general conditions on macro-financial stability, sound public financial management, transparency and budgetary oversight and payment conditions set out in the Reform Agenda have been met.

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. Article 19 also sets out that no amount will be paid for qualitative or quantitative steps that have not been met 31 December 2028 while it authorises the Commission to reduce amounts if the EU's financial interests are affected or if Moldova is in serious breach of an obligation in the agreements concluded under the Facility. Article 20 sets out the rules governing transparency for persons and entities receiving funding to implement the Reform agenda.

Chapter IV (Protection of the EU's financial interests) lays down the provisions to be followed by the Commission and Moldova to ensure effective controls over the implementation of the Facility. Article 21 sets out the obligations to be reflected in the Facility agreement. These include appropriate measures to prevent, detect and correct fraud, corruption, conflicts of interests and irregularities affecting the EU's financial interests ; avoid double funding; take legal action to recover funds that have been misappropriated; collect adequate data on the recipients of funds under the Facility; and set out the rights to be granted to the Commission, the European Anti-Fraud Office (OLAF), and the European Public Prosecutor's Office (EPPO). Article 21 grants the Commission the power to reduce or recover amounts if the EU's financial interests are affected, in case of a reversal of qualitative or quantitative steps, or if Moldova is in a serious breach of an obligation stemming from the agreements concluded under the Facility. Article 22 sets out the provisions for internal control systems of Moldova.



Chapter VI (Monitoring, reporting and evaluation) sets out the indicators and results to be used in monitoring and evaluation (Article 23), the establishment of a scoreboard (article 24,, the ex-post evaluation of the Facility (Article 25) and the reporting by Moldova in the context of the Economic and Financial Dialogue (Article 26).

Chapter VII (Final provisions) lays down the comitology procedure (Article 27), the provisions on information, communication and publicity (Article 28) and on entry into force (Article 29).

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on establishing the Reform and Growth Facility for the Republic of Moldova**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 212 thereof,

Having regard to the proposal from the European Commission,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Union is founded on the values referred to in Article 2 of the Treaty on the European Union (TEU), which include democracy, the rule of law and respect for human rights. Those values form part of the accession criteria established at the Copenhagen European Council in June 1993 ('Copenhagen criteria'), which constitute the conditions of eligibility for the Union membership,
- (2) The enlargement process is built on established criteria, fair and rigorous conditionality and the principle of own merits. A firm commitment to 'fundamentals first' approach, which requires a strong focus on the rule of law, fundamental rights, the functioning of democratic institutions and public administration reform, as well as on economic criteria, remains essential. Progress depends on implementation by the Republic of Moldova (hereinafter referred to as 'Moldova') of the necessary reforms to align with the Union acquis,
- (3) Russia's war of aggression against Ukraine further showed that enlargement is a geo-strategic investment in peace, security and stability. The Union is fully and unequivocally committed to the Union membership perspective of Moldova. Moldova's orientation and commitment towards the Union is a strong expression of its strategic choice and place in a community of values. Moldova's EU path needs to be firmly anchored in tangible and concrete progress on reforms,
- (4) 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 and to support its accession process. The prospect of Union membership has a powerful transformative effect, embedding positive democratic, political, economic and societal change,
- (5) It is necessary 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,

- (6) As accession negotiations with Moldova opened in June 2024, it is important that support to Moldova's accession track is brought to levels that are comparable with other candidate countries engaged in accession negotiations and to ensure commensurate resources.
- (7) 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.
- (8) 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.
- (9) The Facility should build on the Association Agenda with Moldova as well as the work of the Economic and Investment Plan for the Eastern Partnership in Moldova which spearheaded investments in critical sectors such as connectivity, energy efficiency, business development, and competitiveness.
- (10) Sustainable transport infrastructure is essential to improve connectivity between Moldova and the Union. It should contribute to the integration of Moldova in the Union's transport network. In the revised trans-European transport network (TEN-T), the Commission extended the Baltic Sea – Black Sea – Aegean Sea European Transport Corridor to Moldova. The TEN-T network is the reference for funding sustainable transport infrastructure, including for environmentally friendly means of transport, such as railways as well as digitalisation of transport.
- (11) The Facility should support investments and reforms that promote Moldova's path to the digital transformation of the economy and society in line with the Union vision for 2030 presented in the Commission communication, entitled '2030 Digital Compass: the European way for the Digital Decade', fostering an inclusive digital economy that benefits all citizens. The Facility should strive to facilitate Moldova's achievement of the general objectives and digital targets with regard to the Union. As outlined by the Commission in its communication of 15 June 2023, entitled 'Implementation of the 5G cybersecurity Toolbox', the 5G cybersecurity Toolbox should be the reference for Union funding to ensure security, resilience and the protection of integrity of digital infrastructure projects in the region.
- (12) The support under the Facility should be provided to meet general and specific objectives, based on established criteria and with clear payment conditions. Those general and specific objectives should be pursued in a mutually reinforcing manner. The Facility should support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') with a view to Union membership, accelerate progressive integration of Moldova in the Union single market, and accelerate its socio-economic convergence with the Union. The Facility should also foster good neighbourly relations.
- (13) In addition to boosting socio-economic convergence, the Facility should also help accelerate reforms related to the fundamentals of the enlargement process including rule of law, fundamental rights, inter alia, the rights of refugees, of persons belonging to minorities, including national minorities and Roma, as well as the rights of lesbian, gay, bisexual, transgender and intersex (LGBTI) persons. It should also improve the

functioning of democratic institutions and public administrations; public procurement, state aid control and public finance management; the fight against all forms of corruption and organised crime; quality education and training as well as employment policies; the country's green transition, climate and environmental objectives.

- (14) This Facility should help Moldova in its preparation for Union Membership and in line with the existing enlargement methodology<sup>3</sup>.
- (15) The Facility should complement the existing Economic and Financial Dialogue without compromising its scope, thereby enhancing economic integration and preparation for the Union's multilateral surveillance of economic policies.
- (16) The Facility should promote the development of effectiveness principles, respecting additionality to and complementarity with the support provided under other Union programmes and instruments and striving to avoid duplication and ensure synergies between assistance under this Regulation and other assistance, including integrated financial packages composed of both export and development financing provided by the Union, the Member States, third countries, multilateral and regional organisations and entities.
- (17) In line with the principle of inclusive partnerships, the Commission should strive to ensure that relevant stakeholders in Moldova, including social partners and civil society organisations are duly consulted and have timely access to relevant information to allow them to play a meaningful role during the design and implementation of programmes and the related monitoring processes.
- (18) Technical assistance, as well as cross-border cooperation assistance, should be provided in support of the objectives of this Facility and in order to strengthen the relevant capacities of Moldova to implement the Reform Agenda.
- (19) The Facility should ensure consistency with, and support for the general objectives of Union external action as laid down in Article 21 of the TEU, including the respect for fundamental rights as enshrined in the Charter of Fundamental Rights of the European Union. It should in particular ensure the protection and promotion of human rights, and the rule of law.
- (20) The Facility should boost innovation, research, and cooperation between academic institutions and industry in support of the green and digital transitions, promoting local industries with a particular emphasis on locally based micro, small and medium-sized enterprises and start-ups;
- (21) Moldova should demonstrate a credible commitment to European values, including through its alignment with the Union's Common Foreign and Security Policy, including Union restrictive measures.
- (22) In the implementation of the Facility, account should be taken of the Union's strategic autonomy as well as of the Union and its Member States' strategic interests and the values on which the Union is founded.
- (23) Activities under the Facility should support progress towards Union social, climate and environmental standards, and support progress towards the United Nations Sustainable Development Goals, the Paris Agreement adopted under the United Nations Framework Convention on Climate Change, the United Nations Convention on Biological Diversity and the United Nations Convention to Combat Desertification

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<sup>3</sup> COM(2020) 57 final

and should not contribute to environmental degradation or cause harm to the environment or climate. Measures funded under the Facility should be in line with Moldova's Energy and Climate Plans, their Nationally Determined Contribution and ambition to reach climate neutrality by 2050. The Facility should contribute to the mitigation of climate change and to the ability to adapt to its adverse effects, and foster climate resilience. In particular, funding under the Facility should promote the transition towards a decarbonised, climate-neutral, climate-resilient and circular economy.

- (24) The implementation of this Regulation should be guided by the principles of equality and non-discrimination, as elaborated in the Union of Equality strategies. It should promote and advance gender equality and mainstreaming, ensure meaningful participation of women in decision-making processes, and the empowerment of women and girls, and seek to protect and promote women's and girls' rights, as well as prevent and combat violence against women and domestic violence, taking into consideration relevant EU Gender Action Plans and relevant Council conclusions and international conventions. Furthermore, this Regulation should be implemented in full respect of the European Pillar of Social Rights, including on child protection and labour rights. The implementation of the Facility should be in line with the United Nations Convention on the Rights of Persons with Disabilities and its protocol and ensure accessibility in its investments and technical assistance, in line with Directive (EU) 2019/882 of the European Parliament and of the Council.
- (25) Reflecting the European Green Deal as Europe's sustainable growth strategy and the importance of tackling climate and biodiversity objectives in line with the commitments of the Interinstitutional Agreement, the Facility should contribute to the achievement of an overall target of 30 % of Union budget expenditure supporting climate objectives and 7,5 % in 2024 and 10 % in 2026 and 2027 to biodiversity objectives. At least 37 % of the non-repayable financial support, including provisioning, provided to investment projects approved under the Neighbourhood Investment Platform (NIP), one of the regional investment platforms referred to in Article 32 of Regulation (EU) 2021/947<sup>4</sup>, should account to climate objectives. That amount should be calculated using the Rio markers following the obligation to report the EU's international climate finance to the OECD, as well as other international agreements or frameworks. As early as June 2025, the EU climate coefficients, applicable across all programmes under the 2021-2027 Multi-annual Financing Framework (MFF) and set out in the Commission Staff Working Document entitled 'Climate Mainstreaming Architecture in the 2021-2027 Multiannual Financial Framework' (SWD(2022) 225), will also be applied to climate expenditure under the MFF's Heading 6 ('Neighbourhood and the world'). The Facility will align with the approach of other Heading 6 instruments, in order to ensure consistent climate reporting in the region. The Facility should support activities that fully respect the climate and environmental standards and priorities of the Union and the principle of 'do no significant harm' within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council (6).
- (26) Projects are approved under the NIP after assessment by the Commission and subject to a positive opinion by the Member States in the NIP Board.

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<sup>4</sup> Regulation (EU, Euratom) 2024/2509 of the European Parliament and of the Council of 23 September 2024 on the financial rules applicable to the general budget of the Union, OJ L 239, 26.9.2024, ELI: <http://data.europa.eu/eli/reg/2024/2509/oj>.

- (27) The Commission, in cooperation with the Member States and Moldova, should ensure the compliance, coherence, consistency and complementarity, increased transparency and accountability in the delivery of assistance, including by implementing appropriate internal control systems and anti-fraud policies. The support under the Facility should be made available under the preconditions that Moldova upholds and respects effective democratic mechanisms, including a multi-party parliamentary system, free and fair elections, pluralistic media, an independent judiciary and the rule of law, and to guarantee respect for all human rights obligations, including the rights of persons belonging to minorities.
- (28) The Facility should be supported with resources from the Neighbourhood, Development and International Cooperation Instrument – Global Europe amounting to EUR 420 million and a maximum amount of EUR 1 500 million in loans for the period from 2025-2027. The amount should cover the 9% provisioning required for the loans corresponding to EUR 135 million, support provided by the Union for projects approved under the NIP, as referred to in Article 18(2), and complementary support, including support to civil society organisations and technical assistance. The non-repayable support should be financed from the envelope allocated to the Neighbourhood geographic programme under Article 6(2), point (a), of Regulation (EU) 2021/947. All provisions under Regulation (EU) 2021/947 should apply unless otherwise mentioned in this Regulation. The proposed Facility is closely modelled on the Reform and Growth Facility for the Western Balkans.
- (29) Decisions on the release referred to in Article 19(3) for the support in the form of loans should be adopted in the period from 1 January 2025 to 30 June 2029. This final date includes the time necessary for the Commission to evaluate the successful fulfilment of the payment conditions concerned and to adopt the subsequent release decision.
- (30) In order to maximise the leverage of Union financial support to attract additional investment, and to ensure Union control over the expenditure, the investments supporting the Reform Agenda should be implemented through the NIP. At least 25% of the loan amount released to Moldova should be made available by Moldova to investment projects approved under the NIP. This is in addition to the non-repayable support provided by the Union for these projects.
- (31) The financial liability from loans under the Facility should not constitute part of the amount of the External Action Guarantee within the meaning of Article 31(4) of Regulation (EU) 2021/947 of the European Parliament and of the Council.
- (32) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union (TFEU) should apply to this Regulation. Those rules are laid down in Regulation (EU, Euratom) 2024/2509 and determine in particular the procedure for establishing and implementing the budget in direct and indirect management through grants, procurement, financial assistance, blending operations and the reimbursement of external experts, and provide for checks on the responsibility of financial actors.
- (33) Restrictions on eligibility in award procedures under the Facility should be provided for, where appropriate, given the specific nature of the activity or when the activity affects security or public order.
- (34) In order to ensure the efficient implementation of the Facility, including the facilitation of Moldova' integration in European value chains, all supplies and

materials financed and procured under this Facility should originate from Member States, Moldova, candidate countries and contracting parties to the Agreement on the European Economic Area and countries which provide a level of support to Moldova comparable to the one provided by the Union, taking into account the size of their economy, and for which reciprocal access to external assistance in Moldova is established by the Commission, unless the supplies and materials cannot be sourced under reasonable conditions in any of those countries.

- (35) A Facility Agreement should be concluded with Moldova to set up the principles of the financial cooperation between the Union and Moldova, and to specify the necessary mechanisms related to the control, supervision, monitoring, evaluation, reporting and audit of Union funding under the Facility, rules on taxes, duties and charges and measures to prevent, detect, investigate and correct irregularities, fraud, corruption and conflicts of interest. Consequently, a loan agreement should also be concluded with Moldova setting out specific provisions for the management and implementation of funding provided in the forms of loans. Both the Facility Agreement and the loan agreement should be transmitted to the European Parliament and to the Council, upon request.
- (36) The Facility Agreement should provide the obligation for Moldova to ensure the collection of, and access to data in compliance with Union data protection principles and with applicable data protection rules, adequate data on persons and entities receiving funding, including beneficial ownership information, for the implementation of Reform Agenda.
- (37) The implementation of the Facility should be underpinned by a coherent and prioritised set of targeted reforms and investment-related priorities in Moldova (the 'Reform Agenda'), providing a framework for boosting inclusive sustainable socio-economic growth, clearly articulated and aligned with Union accession requirements and the fundamentals of the enlargement process. The Reform Agenda will serve as an overarching framework to achieve the objectives of the Facility. The Reform Agenda should be prepared in close consultation with relevant stakeholders, including social partners and civil society organisations and their input should be reflected. Disbursement of Union support should be conditional on compliance with the payment conditions and on measurable progress in the implementation of reforms set out in the Reform Agenda assessed and formally approved by the Commission. The release of funds should be structured accordingly, reflecting the objectives of the Facility.
- (38) The Reform Agenda should include targeted reform measures and priority investment areas, along with payment conditions in the form of measurable qualitative and quantitative steps that indicate satisfactory progress or completion of those measures, and a timetable for the implementation of those measures. The Reform Agenda should also include a preliminary list of planned investment projects intended for implementation under NIP. Those steps should be planned to be implemented for no later than 31 December 2027, although it should be possible for the overall completion of the measures, to which such steps refer, to extend beyond 2027 but not later than 31 December 2028. The Reform Agenda should include an explanation of Moldova's system to effectively prevent, detect and correct irregularities, corruption, including high-level corruption, fraud and conflicts of interest, when using the funds provided under the Facility, and the arrangements to avoid double funding from the Facility and other Union programmes as well as other donors.

- (39) The Reform Agenda should include an explanation on how the measures are expected to contribute to the climate and environmental objectives and the principle of ‘do no significant harm’, and the digital transformation.
- (40) Measures under the Reform Agenda should contribute to improving an efficient public financial management and control system, money laundering, tax avoidance, tax evasion, fraud and organised crime and to an effective system of State aid control, with the aim of ensuring fair conditions for all undertakings.
- (41) The Reform Agenda should contain a description of such systems as well as specific steps related to Chapter 32 in order to support Moldova in bringing its audit and controls requirements in line with Union standards. In the event that a request for the release of funds includes a step related to Chapter 32, referred to in Article 19(2), the Commission may not adopt a decision authorizing the release of funds unless it assesses such step positively.
- (42) The Facility Agreement should also include indicators for assessing progress towards the achievement of general and specific objectives of the Facility set out in this Regulation. Those indicators should be based on internationally agreed indicators. Indicators should also, to the extent possible, be coherent with the key performance indicators included in Commission Implementing Decision approving the Reform Agendas for the Western Balkans under Regulation (EU) 2024/1449 and in the EFSD+ Results Measurement Framework. The indicators should be relevant, accepted, credible, easy, and robust.
- (43) The Commission should assess the Reform Agenda based on the list of criteria set out in this Regulation. In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission to approve the Reform Agenda. The Commission will duly take into account Council decision 2010/427/EU (11) and the role of the European External Action Service (EEAS), where appropriate.
- (44) The work programme within the meaning of Article 110(2) of Regulation (EU, Euratom) 2024/2509 adopted in accordance with the relevant provisions of Regulation (EU) 2021/947 should cover the amounts funded from the envelope allocated to the Neighbourhood geographic programme under Article 6(2), point (a), of Regulation (EU) 2021/947.
- (45) Given the need for flexibility in the implementation of the Facility, it should be possible for Moldova to make a reasoned request to the Commission to amend the implementing decision, where the Reform Agenda, including relevant payment conditions, is no longer achievable, either partially or totally, because of objective circumstances. Moldova should be able to make a reasoned request to amend the Reform Agenda, including by proposing addenda, where relevant. The Commission should be able to amend the implementing decision.
- (46) The Facility Agreement should provide the obligation for Moldova to ensure the collection of, and access to data in compliance with Union data protection principles and with applicable data protection rules, adequate data on persons and entities receiving funding, including beneficial ownership information, for the implementation of the Reform Agenda. Financial support for the Reform Agenda should be possible in the form of a loan. In the context of Moldova’s financing needs, it is appropriate to organise the financial assistance under the diversified funding strategy provided for in Article 224 of Regulation (EU, Euratom) 2024/2509 and established as a single



funding method therein, which is expected to enhance the liquidity of Union bonds and the attractiveness and cost-effectiveness of Union issuance.

- (47) It is appropriate to provide loans to Moldova on highly concessional terms with a maximum duration of 40 years and to not start the repayment of the principal before 2034.
- (48) Considering that the financial risks associated with the support to Moldova in the form of loans under the Facility is comparable to the financial risks associated with lending operations under Regulation (EU) 2021/947, provisioning for the financial liability from loans under this Regulation should be constituted at the rate of 9 %, in line with Article 214 of Regulation (EU, Euratom) 2024/2509 and the funding of the provisioning should be sourced from the envelope allocated to the Neighbourhood geographic programme under Article 6(2)(a) of Regulation (EU) 2021/947.
- (49) In order to ensure that Moldova disposes of start-up funding for the implementation of the first reforms, it should have access to up to 7 % of the total amount provided for in this Facility, after deduction of complementary support, including support to civil society organisations and technical assistance, and provisioning for loans, in the form of a pre-financing, subject to availability of funding and to the respect of the preconditions for support under the Facility.
- (50) It is important to guarantee both flexibility and programmability in providing Union support to Moldova. Moldova should submit on a six-monthly basis a duly justified request for the release of funds at the latest two months after the timeline for the planned fulfilment of steps, set in the Commission Implementing Decision approving the Reform Agenda. For that purpose, funds under the Facility should be released according to a fixed semi-annual schedule, subject to availability of funding, on the basis of a request for the release of funds submitted by Moldova and following verification by the Commission of the satisfactory fulfilment of both the general conditions related to macro-financial stability, sound public financial management, transparency and oversight of the budget and the relevant payment conditions. Where a payment condition is not fulfilled as per the indicative timeline set in the decision approving the Reform Agenda, the Commission could withhold in whole or in part the release of funds corresponding to that condition, following a methodology on partial payments. The release of the corresponding withheld funds could take place during the next window for the release of funds and up to twelve months after the original deadline set out in the indicative timeline, provided that the payment conditions have been fulfilled. In the first year of implementation, that deadline should be extended to 24 months from the initial negative assessment.
- (51) By way of derogation from Article 116(2) and (5) of the Financial Regulation, it is appropriate to set the payment deadline for contributions to state budgets starting from the date of the communication of the decision authorising the disbursement to Moldova and to exclude the payment of default interest by the Commission to Moldova.
- (52) The Commission should provide, upon request of the European Parliament in the framework of the discharge procedure, detailed information about the implementation of the Union budget under the Facility, in particular as regards audits carried out, including weaknesses identified and corrective measures taken, and as regards projects approved under NIP, including where applicable the amount of Moldova's co-financing as well as other sources of contributions including from other Union financing instruments.

- (53) In the framework of the Union's restrictive measures, adopted on the basis of Article 29 TEU and Article 215 TFEU, no funds or economic resources may be made available, directly or indirectly, to or for the benefit of designated legal persons, entities or bodies. Such designated entities, and entities owned or controlled by them, therefore should not be supported by the Facility.
- (54) In the interest of transparency and accountability, Moldova should publish data on final recipients receiving amounts of funding exceeding the equivalent of EUR 50 000 cumulatively during the implementation of reforms and investments under this Facility.
- (55) In accordance with Regulation (EU, Euratom) 2024/2509, Regulation (EU, Euratom) 883/2013 of the European Parliament and of the Council (13) and Council Regulations (EC, Euratom) No 2988/95 (14), (Euratom, EC) No 2185/96 (15) and (EU) 2017/1939 (16), the financial interests of the Union are to be protected by means of proportionate measures, including measures relating to the prevention, detection, correction and investigation of irregularities, fraud, corruption, conflicts of interest, double funding, to the recovery of funds lost, wrongly paid or incorrectly used.
- (56) In particular, in accordance with regulations (Euratom, EC) No 2185/96 and (EU, Euratom) 883/2013, the European Anti-Fraud Office (OLAF) should be in a position to carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union.
- (57) In accordance with Article 129 of Regulation (EU, Euratom) 2024/2509, the necessary rights and access should be granted to the Commission, OLAF, the Court of Auditors and, where applicable the European Public Prosecutor's Office (EPPO), including by third parties involved in the implementation of Union funds.
- (58) The Commission should ensure that the financial interests of the Union are effectively protected under the Facility. Considering the long track record of financial assistance provided to Moldova also under indirect management and taking into account its gradual alignment with the Unions internal control standards and practices, the Commission should rely to a great extent on the operation of Moldova's internal control and fraud prevention systems. In particular, the Commission and OLAF and, where applicable, the EPPO should be informed of all suspected cases of irregularities, fraud, corruption and conflicts of interest affecting the implementation of funds under the Facility without delay.
- (59) Furthermore, Moldova should report the irregularities including fraud which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and keep it informed of the progress of administrative and legal proceedings. With the objective of alignment to good practices in Member States, this reporting should be done by electronic means, using the Irregularity Management System, established by the Commission.
- (60) Moldova should establish a monitoring system feeding into a semi-annual report on the fulfilment of its Reform Agenda's payment conditions accompanying the semi-annual request for the release of funds. Moldova should collect and provide access to data and information allowing the prevention, detection and correction of irregularities, fraud, corruption and conflicts of interest, in relation to the measures supported by the Facility.

- (61) The Commission should ensure that clear monitoring and independent evaluation mechanisms are in place in order to provide effective accountability and transparency in implementing the Union budget, and to ensure effective assessment of progress towards the achievement of the objectives of this Regulation.
- (62) The Commission should provide an annual report to the European Parliament and the Council on progress towards the achievement of the objectives of this Regulation.
- (63) The Commission should carry out an evaluation of the Facility upon its completion.
- (64) Moldova should support free pluralistic media that enhance and promote the understanding of Union values and the benefits and obligations of potential Union membership, while undertaking decisive actions in terms of tackling Foreign Information Manipulation and Interference. They should also ensure pro-active, clear and consistent public communication, including on the Union support. The recipients of Union funding should actively acknowledge the origin and ensure visibility of the Union funding, in line with the Communication and Visibility Manual for EU External Actions.
- (65) Implementation of the Facility should also be accompanied by enhanced strategic communication and public diplomacy to promote the values of the Union and highlight the added value of the Union's support.
- (66) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but can rather be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary to achieve those objectives.
- (67) In order to provide funding for Moldova in due time without further delay, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

## **CHAPTER I**

### **General Provisions**

#### *Article 1*

#### *Subject matter*

1. This Regulation establishes the Reform and Growth Facility for Moldova for the period 2025-2027 (the 'Facility').
2. The Regulation shall provide assistance to Moldova for the delivery of EU-related reforms, in particular inclusive and sustainable socio-economic reforms and reforms concerning fundamentals of the enlargement process, aligned with Union values, as well as investments to implement Moldova's Reform Agenda.
3. The rules set out in Regulation (EU) 2021/947 shall apply to the implementation of the Facility, unless specified otherwise in this Regulation.

## Article 2

### Definitions

For the purposes of this Regulation, the following definitions apply:

- (1) ‘Moldova’ means the Republic of Moldova.
- (2) ‘Facility Agreement’ means an arrangement concluded between the Commission and Moldova laying down the principles for the financial cooperation between Moldova and the Commission under this Regulation; this arrangement constitutes a financing agreement within the meaning of Article 114(2) of Regulation (EU, Euratom) 2024/2509 ;
- (3) ‘enlargement policy framework’ means the overall policy framework for the implementation of this Regulation as defined by the European Council and the Council, and includes the revised enlargement methodology, agreements that establish a legally binding relationship with Moldova, the negotiating frameworks governing accession negotiations with candidates, where applicable, as well as resolutions of the European Parliament, relevant communications from the Commission, including, where applicable, on the rule of law, and joint communications from the Commission and the High Representative of the Union for Foreign Affairs and Security Policy
- (4) ‘loan agreement’ means an agreement concluded between the Union and Moldova laying down the terms of the loan support under the Facility;
- (5) ‘Reform Agenda’ means a comprehensive, coherent and prioritised set of targeted reforms and priority investment areas in Moldova, including payment conditions that indicate satisfactory progress or completion of related measures, and an indicative timetable for their implementation;
- (6) ‘measures’ means reforms and investments as set out in the Reform Agenda under Chapter III;
- (7) ‘payment conditions’ means conditions for the release of funds that take the form of observable and measurable qualitative or quantitative steps to be implemented by Moldova, as set out in the Reform Agenda under Chapter III;
- (8) ‘blending operation’ means an operation supported by the Union budget that combines non-repayable forms of support from the Union budget with repayable forms of support from development or other public financial institutions, including export credit agencies, or from commercial finance institutions and investors;
- (9) ‘final recipient’ means a person or entity receiving funding under the Facility; for the part of the funding that is made available as financial assistance, final recipient will be the treasury of Moldova; for the part of the funding that is made available through the Neighbourhood Investment Platform, final recipient will be the contractor or sub-contractor implementing the investment project;
- (10) ‘do no significant harm’ means not supporting or carrying out economic activities that do significant harm to any environmental objective, where relevant, within the meaning of Article 17 of Regulation (EU) 2020/852;
- (11) ‘the Neighbourhood Investment Platform’ is one of the regional investment platforms referred to under Article 32 of Regulation (EU) 2021/947.

### *Article 3*

#### *Objectives of the Facility*

1. The general objectives of the Facility shall be to:

- (a) support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership;
- (b) support progressive integration of Moldova into the Union single market;
- (c) accelerate the socio-economic convergence of Moldova's economy with the Union;
- (d) foster good neighbourly relations, as well as people-to-people contact.

2. The specific objectives of the Facility shall be to:

- (a) further strengthen the fundamentals of the enlargement process, including the rule of law and fundamental rights, the functioning of democratic institutions, including depolarisation, public administration and fulfil the economic criteria; this includes promoting an independent judiciary, reinforcing security and stability, strengthening the fight against fraud and all forms of corruption, including high-level corruption and nepotism, organised crime, cross-border crime and money laundering as well as terrorism financing, tax evasion and tax fraud, tax avoidance; increasing compliance with international law; strengthening freedom and independence of media and academic freedom; combating hate speech; enabling an environment for civil society, fostering social dialogue; promoting gender equality, gender mainstreaming and the empowerment of women and girls, non-discrimination and tolerance, to ensure and strengthen respect for the rights of refugees and persons belonging to minorities, including national minorities and Roma, as well as rights of lesbian, gay, bisexual, transgender and intersex persons;
- (b) move towards full alignment of Moldova with the Union Common Foreign and Security Policy (CFSP), including Union restrictive measures;
- (c) fight disinformation and Foreign Information Manipulation and Interference against the Union and its values;
- (d) move towards harmonisation of visa policies with the Union;
- (e) reinforce the effectiveness of public administration, build capacities and invest in administrative staff in Moldova; ensure access to information, public scrutiny and the involvement of civil society in decision-making processes; support transparency, accountability, structural reforms and good governance at all levels, including as regards their powers of oversight and inquiry over the distribution of and access to public funds as well as in the areas of public financial management and public procurement and State aid control; support initiatives and bodies involved in supporting and enforcing international justice in Moldova;
- (f) accelerate the transition of Moldova to sustainable, climate-neutral and inclusive economy, that is capable of withstanding competitive market pressures of the Union single market, and to a stable investment environment and reduce its strategic dependency;
- (g) foster economic integration of Moldova with the Union single market, in particular through increased trade and investment flows, and resilient value chains;

- (h) support enhanced integration with the Union single market through improved and sustainable connectivity in line with trans-European networks to reinforce good neighbourly relations, as well as people-to-people contact;
- (i) accelerate the inclusive and sustainable green transition to climate neutrality by 2050, in accordance with the Paris Agreement and the Green Deal and covering all economic sectors, particularly energy, including the transition towards a decarbonised, climate-neutral, climate-resilient and circular economy, while ensuring that investments respect the ‘do no significant harm’ principle;
- (j) promote the digital transformation and digital skills as an enabler of sustainable development and inclusive growth;
- (k) boost innovation, research, and cooperation between academic institutions and industry in support of the green and digital transitions, promoting local industries with a particular emphasis on locally based micro, small and medium-sized enterprises and start-ups;
- (l) boost quality education, training, reskilling and upskilling at all levels, with a particular focus on youth, including tackling youth unemployment, preventing brain drain and supporting vulnerable communities, including refugees, and support employment policies, including labour rights, in line with the European Pillar of Social Rights, and fighting poverty.

#### *Article 4*

##### *General principles*

1. Support from the Facility shall be managed by the Commission in a manner consistent with the key principles and objectives of economic reforms set out in the EU-Moldova Association Agreement and the EU enlargement policy.
2. Cooperation under the Facility shall be needs-based and shall promote the development effectiveness principles, namely ownership of development priorities by Moldova a focus on clear conditionality and tangible results, inclusive partnerships, transparency and mutual accountability. That cooperation shall be based on an effective and efficient allocation and use of resources.
3. The provision of macro-financial assistance shall not fall within the scope of this Facility.
4. Support from the Facility shall be additional and complementary to the support provided under other Union programmes and instruments. Activities eligible for funding under this Regulation may receive support from other Union programmes and instruments provided that such support does not cover the same cost and that appropriate oversight and budget control is ensured. The Commission shall ensure complementarities and synergies between the Facility and other Union programmes, with a view to avoiding the duplication of assistance and double funding.
5. In order to promote the complementarity, coherence and efficiency of their actions, the Commission and the Member States shall cooperate and shall strive to avoid duplication and ensure synergies between assistance under this Regulation and other forms of assistance, including integrated financial packages composed of both export and development financing provided by the Union, Member States, third countries,

multilateral and regional organisations and entities, such as international organisations and the relevant international financial institutions, agencies and non-Union donors, in line with the established principles for strengthening operational coordination in the field of external assistance, including through enhanced coordination with Member States at local level. Such coordination at local level shall involve regular and timely consultations and frequent exchanges of information throughout the implementation of the Facility.

6. Activities under the Facility shall mainstream and promote democracy, human rights and gender equality, progressively align with the social, climate and environmental standards of the Union, mainstream climate change mitigation and adaptation, where relevant, disaster risk reduction, environmental protection and biodiversity conservation, including through, where appropriate, environmental impact assessments, and shall support progress towards the Sustainable Development Goals, promoting integrated actions that can create co-benefits and meet multiple objectives in a coherent way. Those activities shall avoid stranded assets, and shall be guided by the principles of ‘do no significant harm’ and of ‘leaving no one behind’, as well as by the sustainability mainstreaming approach underpinning the European Green Deal. At least 37 % of the non-repayable financial support, including provisioning, provided to investment projects approved under the Neighbourhood Investment Platform (NIP) should account to climate objectives.
7. Moldova and the Commission shall ensure that gender equality, gender mainstreaming and the integration of a gender perspective are taken into account and promoted throughout the preparation of the Reform Agenda and the implementation of the Facility. Moldova and the Commission shall take appropriate steps to prevent any discrimination based upon gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The Commission shall report on these measures in the context of its regular reporting under the Gender Action Plans.
8. The Facility shall not support activities or measures which are incompatible with Moldova’s Energy and Climate Plans, their Nationally Determined Contribution under the Paris Agreement, and ambition to reach climate-neutrality by 2050 at the latest or that promote investments in fossil fuels, or that cause significant adverse effects on the environment, the climate or biodiversity.
9. In line with the principle of inclusive partnership, the Commission shall strive to ensure, as appropriate, democratic scrutiny in the form of consultation by Moldova’s government of its parliament as well as of relevant stakeholders, including local and regional authorities, social partners and civil society, including vulnerable groups, refugees, and all minorities and communities, as relevant, so as to allow them to participate in shaping the design and the implementation of activities eligible for funding under the Facility and in the related monitoring, scrutiny and evaluation processes, as relevant. That consultation shall seek to represent the pluralism of Moldova’s society.
10. The Commission, in close cooperation with the Member States and Moldova, shall ensure the implementation of Union commitments to increased transparency and accountability in the delivery of support, including by promoting the implementation and reinforcement of internal control systems and anti-fraud policies. The Commission shall make information on the volume and allocation of support publicly available through the Scoreboard referred to in Article 24. Moldova shall publish up-to-date data on final recipients receiving Union funds for the

implementation of reforms and investments under this Facility, as described in Article 20.

#### *Article 5*

##### *Preconditions for Union support*

1. Preconditions for the support under the Facility shall be that Moldova upholds and respects effective democratic mechanisms, including a multi-party parliamentary system, free and fair elections, pluralistic media, an independent judiciary and the rule of law, and guarantee respect for all human rights obligations, including the rights of persons belonging to minorities.
2. The Commission shall monitor the fulfilment of the preconditions set out in paragraph 1 before funds, including pre-financing, are released to Moldova under the Facility and throughout the period of the support provided under the Facility taking duly into account the enlargement policy framework. The Commission shall also take into account the relevant recommendations of international bodies, such as the Council of Europe and its Venice Commission, or the Office for Democratic Institutions and Human Rights of the Organization for Security and Co-operation in Europe (OSCE) in the monitoring process.
3. The Commission may adopt a decision concluding that some of the preconditions set out in paragraph 1 of this Article are not met, and in particular, withhold the release of funds referred to in Article 19, irrespective of whether the payment conditions referred to in Article 10 are fulfilled.

## **CHAPTER II**

### **Financing and implementation**

#### *Article 6*

##### *Implementation*

1. The Facility shall be supported with resources from the Neighbourhood, Development and International Cooperation Instrument – Global Europe amounting to EUR 420 million and a maximum amount of EUR 1 500 million in loans. The amount for loans shall not constitute part of the amount of the External Action Guarantee within the meaning of Article 31(4) of Regulation (EU) 2021/947.
2. The non-repayable financial support shall be financed for the period from 1 January 2025 to 31 December 2027 from the envelope allocated to the Neighbourhood geographic programme under Article 6(2), point (a) of Regulation (EU) 2021/947. It shall cover provisioning for loans amounting to EUR 135 million, support provided by the Union for projects approved under the NIP, as referred to in Article 18(2) and complementary support, including support to civil society organisations and technical assistance. That funding shall be implemented in accordance with Regulation (EU) 2021/947.

Decisions on the release referred to in Article 19(3) for the support in the form of loans shall be adopted in the period from 1 January 2025 to 30 June 2029.



3. The release of the Union's assistance shall be managed by the Commission in a manner consistent with the key principles and objectives of reforms set out in the Reform Agenda. All funds, with the exception of complementary support referred to in paragraph 2, and resources referred to in paragraph 5, shall be provided in twice-yearly instalments based on the completion of the necessary reforms in the specified timelines as agreed in the reform agenda and agreed in the Commission Implementing Decision.
4. At least 25% part of the loan component released to Moldova shall be made available by Moldova to investment projects approved under the NIP, one of the regional investment platforms referred to in Article 32 of Regulation (EU) 2021/947. The Facility Agreement, referred to in Article 8, shall detail this obligation, as well as the detailed rules and principles for implementation. Failure to comply with this obligation shall trigger suspension of further operations under this Facility and recovery of said amounts from Moldova, as referred to in Article 19.
5. An amount of up to 1% of the non-repayable support referred to in paragraph 2 may be used for technical and administrative assistance for the implementation of the Facility, such as preparatory actions, monitoring, control, audit and evaluation activities, which are required for the management of the Facility and the achievement of its objectives, in particular studies, meetings of experts, training consultations with Moldova's authorities, conferences, consultation of stakeholders, including local and regional authorities and civil society organisations, information and communication activities, including inclusive outreach actions, and the corporate communication of the political priorities of the Union, insofar as they are related to the objectives of this Regulation, expenses linked to IT networks focusing on information processing and exchange, corporate information technology tools, as well as all other expenditure at headquarters and Union delegation for the administrative and coordination support required for the Facility. Expenses may also cover the costs of activities supporting transparency and of other activities such as quality control and monitoring of projects or programmes on the ground and the costs of peer counselling and experts for the assessment and implementation of reforms and investments.

#### *Article 7*

##### *Rules on the eligibility of persons and entities, on the origin of supply and materials and on restrictions under the Facility*

1. By way of derogation from Article 28 of Regulation (EU) 2021/947, participation in procurement and in grant award procedures for activities financed under the Facility shall be open to international and regional organisations and to all natural persons who are nationals of, or legal persons effectively established in:
  - (a) Member States, Moldova, candidate countries and contracting parties to the Agreement on the European Economic Area;
  - (b) countries which provide a level of support to Moldova comparable to that provided by the Union, taking into account the size of their economy, and for which reciprocal access to external assistance in Moldova is established by the Commission.

2. The reciprocal access referred to in paragraph 1, point (b), may be granted for a limited period of at least one year where a country grants eligibility on equal terms to entities from the Union and from countries eligible under the Facility.

The Commission shall decide on the reciprocal access after consulting Moldova.

3. All supplies and materials financed and procured under this Facility shall originate from any country referred to in paragraph 1, points (a) and (b), unless those supplies and materials cannot be sourced under reasonable conditions in any of those countries. In addition, the rules on restrictions laid down in paragraph 6 shall apply.
4. The eligibility rules under this Article shall not apply to, and shall not create nationality restrictions for, natural persons employed or otherwise legally contracted by an eligible contractor or, where applicable, subcontractor except where the nationality restrictions are based on the rules provided for in paragraph 6.
5. For activities jointly co-financed by an entity or implemented under direct management or indirect management with entities referred to in Article 62(1), first subparagraph, point (c) of Regulation (EU, Euratom) 2024/2509, the rules applicable to those entities shall also apply in addition to the rules established under this Article, including, where applicable, the restrictions provided for under paragraph 6 of this Article and duly reflected in the financing agreements and contractual documents signed with those entities.
6. The eligibility rules and rules on the origin of supplies and materials set out in paragraphs 1 and 3 and rules on the nationality of the natural persons as set out in paragraph 4 may be restricted with regard to the nationality, geographical location or nature of the legal entities participating in award procedures, as well as with regard to the geographical origin of supplies and materials where:
  - (a) such restrictions are required on account of the specific nature or objectives of the activity or specific award procedure or where those restrictions are necessary for the effective implementation of the activity;
  - (b) the activity or specific award procedures affect security or public order, in particular concerning strategic assets and interests of the Union, of Member States, or of Moldova, including the security, resilience and protection of integrity of digital infrastructure, including 5G network infrastructure, communication and information systems, and related supply chains.
7. Tender applicants and candidates from non-eligible countries may be accepted as eligible in cases of urgency or where services are unavailable in the markets of the countries or territories concerned, or in other duly substantiated cases where the application of the eligibility rules would make the realisation of an activity impossible or exceedingly difficult.
8. In the framework of the Union's restrictive measures, adopted on the basis of Article 29 TEU and Article 215 TFEU, no funds or economic resources may be made available, directly or indirectly, to or for the benefit of legal persons, entities or bodies subject to Union restrictive measures. Such persons and entities, and entities owned or controlled by them, shall not be supported by the Facility either directly or indirectly, including as indirect owners, sub-contractors in the supply chain or ultimate beneficiaries.

## Article 8

### *Facility Agreement*

1. The Commission shall conclude a Facility Agreement with Moldova for the implementation of this Regulation setting out the obligations and payment conditions for the disbursement of funding.
2. The Facility Agreement shall be complemented by a loan agreement in accordance with Article 15, setting out specific provisions for the management and implementation of funding provided in the form of a loan. The Facility Agreement, including any related documentation, shall be made available, upon request, to the European Parliament and the Council simultaneously and without delay.
3. Funding shall be granted to Moldova only after the Facility Agreement and the loan agreement have entered into force.
4. The Facility Agreement and the loan agreement concluded with Moldova shall ensure that the obligations set out in Article 129 of Regulation (EU, Euratom) 2024/2509 are fulfilled.
5. The Facility Agreement shall lay down the necessary detailed provisions concerning:
  - (a) the commitment of Moldova to make decisive progress towards a robust legal framework to fight fraud, and establish more efficient and effective control systems, including appropriate mechanisms for the protection of whistleblowers as well as appropriate mechanisms and measures to effectively prevent, detect and correct irregularities, fraud, corruption and conflicts of interest as well as to strengthen the fight against money laundering, organised crime, misuse of public funds, terrorism financing, tax avoidance, tax fraud or tax evasion, and other illegal activities affecting the funds provided under the Facility;
  - (b) the rules on the release, withholding and reduction of funds in accordance with Article 19;
  - (c) the detailed rules on and the obligation of Moldova to provide part of total loan amount for projects approved under the NIP, pursuant to Art. 6(4).
  - (d) the activities related to management, control, supervision, monitoring, evaluation, reporting and audit, as well as system reviews, investigations, anti-fraud measures and cooperation;
  - (e) the rules on reporting to the Commission on whether and how the payment conditions referred to in Article 10 are fulfilled;
  - (f) the rules on taxes, duties and charges in accordance with Article 27(9) and (10) of Regulation (EU) 2021/947;
  - (g) the measures to effectively prevent, detect and correct irregularities, fraud, corruption and conflicts of interest, and the obligation for persons or entities implementing Union funds under the Regulation to notify the Commission, OLAF and, where applicable, EPPO, without delay, of suspected or actual cases of irregularities, fraud, corruption and conflicts of interest and other illegal activities affecting the funds provided under the Facility and their follow-up;

- (h) the obligations referred to in Articles 21 and 22, including the precise rules and a timeframe on collection of data by Moldova and access to it for the Commission, OLAF, the Court of Auditors and, where applicable, EPPO;
- (i) a procedure to ensure that disbursement requests for loan support fall within the available loan amount, in accordance with Article 6(1);
- (j) the right of the Commission to reduce proportionately the support provided under the Regulation and to recover any amount referred to in Article 6(1) spent to achieve the objectives of the Regulation, or to ask for early repayment of the loan, in cases of irregularities, fraud, corruption and conflicts of interest affecting the financial interests of the Union that have not been corrected by Moldova, of a reversal of qualitative or quantitative steps, or of a serious breach of an obligation provided for in the Facility Agreement;
- (k) rules and modalities for Moldova to report for the purpose of monitoring the implementation of the Facility and assessing the achievement of the objectives set out in Article 3.
- (l) the obligation for Moldova to transmit electronically to the Commission the data referred to in Article 20.

## **CHAPTER III**

### **Reform Agenda**

#### *Article 9*

##### *Submission of Reform Agenda*

1. In order to receive any support under this Regulation, Moldova shall submit to the Commission a Reform Agenda for 2025-2027 based on the key principles and objectives of socio-economic and fundamental reforms set out in the EU-Moldova Association Agreement, agreed under the European Neighbourhood Policy, and the enlargement policy framework.
2. The Reform Agenda shall provide an overarching framework to achieve the general and specific objectives set out in Article 3, setting out the reforms to be undertaken by Moldova, as well as investment areas. The Reform Agenda shall comprise measures for the implementation of reforms through a comprehensive and coherent package. In the areas of the fundamentals of the enlargement process, including the rule of law, the fight against corruption, including high-level corruption, fundamental rights and the freedom of expression, the Reform Agendas shall reflect the assessments in the enlargement policy framework.
3. The Reform Agendas shall be consistent with the latest macroeconomic and fiscal policy framework submitted to the Commission in the context of the Economic and Financial Dialogue with the Union.
4. The Reform Agenda shall be consistent with and support the reform priorities identified in the context of Moldova's accession path, and in other relevant documents, the Nationally Determined Contribution under the Paris Agreement and the ambition to reach climate neutrality by 2050 at the latest.

5. The Reform Agenda shall respect the general principles set out in Article 4.
6. The Reform Agenda shall be prepared in an inclusive and transparent manner, in consultation with social partners and civil society organisations.
7. The Commission shall invite Moldova to submit its Reform Agenda within three months of the entry into force of this Regulation. The Commission shall transmit Moldova's Reform Agenda to the European Parliament and the Council as soon as it is received.

## *Article 10*

### *Principles for financing under the Reform Agenda*

8. The Regulation shall provide incentives for the implementation of the Reform Agenda by setting payment conditions on the release of funds. Those payment conditions shall apply to funds under Article 6(1), with the exception of complementary support including support to civil society organisations and technical assistance. Those payment conditions shall take the form of measurable qualitative or quantitative steps. Such steps shall reflect progress on specific socio-economic reforms and on the fundamentals of the enlargement process linked to the achievement of the objectives of the Facility set out in Article 3, consistent with the enlargement policy framework.
9. The fulfilment of those payment conditions shall trigger full or partial release of funds, depending on the degree of their completion.
10. Macro financial stability, sound public financial management, transparency and oversight of the budget are general conditions for payments that shall be fulfilled for any release of funds.

Funds under the Facility shall not support activities or measures which undermine peace agreements in the region.

## *Article 11*

### *Content of the Reform Agenda*

1. The Reform Agenda shall in particular set out the following elements, which shall be reasoned and substantiated:
  - (a) measures constituting a coherent, comprehensive and adequately balanced response to the objectives set out in Article 3, including structural reforms, investments, and measures to ensure compliance with preconditions referred to in Article 5, where appropriate;
  - (b) an explanation of how the measures are consistent with the general principles referred to in Article 4, as well as the requirements, strategies, plans and programmes referred to in Articles 4 and 10;
  - (c) an explanation of how the measures are expected to further strengthen the fundamentals of the enlargement process as referred to in Article 3(2), point (n), including the rule of law, fundamental rights and the fight against corruption;

- (d) an indicative list of investment projects and programmes intended for discussion and approval under the NIP,, including respective overall investment volumes and envisaged timelines for implementation;
- (e) an explanation of the extent to which the measures are expected to contribute to climate and environmental objectives and their compatibility with the principle ‘do no significant harm’;
- (f) an explanation of the extent to which the measures are expected to contribute to digital transformation;
- (g) an explanation of the extent to which the measures are expected to contribute to education, training and employment and social objectives;
- (h) an explanation of the extent to which the measures are expected to contribute to gender equality and the empowerment of women and girls, and the promotion of women and girls’ rights;
- (i) for the reforms and investments, an indicative timetable, and the envisaged payment conditions for the release of funds in the form of measurable qualitative and quantitative steps planned to be implemented by 31 December 2027 at the latest;
- (j) an explanation of how the measures are expected to contribute to a progressive and continuous alignment with the CFSP, including Union restrictive measures;
- (k) the arrangements for the effective monitoring, reporting and evaluation of the Reform Agenda by Moldova, including the proposed measurable qualitative and quantitative steps and relevant indicators set out in paragraph 2;
- (l) an explanation of Moldova’s system to effectively prevent, detect and correct irregularities, fraud, corruption, including high-level corruption, and conflicts of interest and to enforce State aid control rules, and the proposed measures to address existing deficiencies in the first years of the implementation of the Reform Agenda;
- (m) for the preparation and, where available, for the implementation of the Reform Agenda, a summary of the consultation process, conducted in accordance with Moldova’s legal framework, of relevant stakeholders, including Moldova’s parliament, local and regional representative bodies and authorities, social partners and civil society organisations, and how the input of those stakeholders is reflected in the Reform Agenda;
- (n) a communication and visibility plan on the Reform Agenda for the local audiences of Moldova;
- (o) any other relevant information.

2. The Reform Agenda shall be results-based and include indicators for assessing progress towards the achievement of the general and specific objectives set out in Article 3. Those indicators shall be based, where appropriate and relevant, on internationally agreed indicators and those already available related to the Moldova’s policies. Indicators shall also be coherent, to the extent possible, with the key performance indicators included in Commission Implementing Decision approving the Reform Agendas for the Western Balkans under Regulation (EU) 2024/1449 and in the EFSD+ Results Measurement Framework.

## Article 12

### *Commission assessment of the Reform Agenda*

1. The Commission shall assess the relevance, comprehensiveness and appropriateness of Moldova's Reform Agenda or, where applicable, any amendment to that Agenda, without undue delay. When carrying out its assessment, the Commission shall act in close cooperation with Moldova, and may make observations, seek additional information or require Moldova to review or modify its Reform Agenda.
2. As regards the objective set out in Article 11(1)(j) of this Regulation, the Commission, in accordance with Decision 2010/427/EU, shall duly take into account the role and the contribution of the EEAS.
3. When assessing the Reform Agenda, the Commission shall take into account relevant available analytical information about Moldova, including its macroeconomic situation and debt sustainability, the justification and the elements provided by Moldova as referred to in Article 13, as well as any other relevant information such as the information listed in Article 11.
4. In its assessment, the Commission shall consider in particular the following criteria:
  - (a) whether the Reform Agenda represents a relevant, comprehensive, coherent and adequately balanced response to the objectives set out in Article 3 and elements set out in Article 11;
  - (b) whether the Reform Agenda and its measures are consistent with the principles, strategies, plans and programmes referred to in Articles 4 and 11;
  - (c) whether the Reform Agenda can be expected to accelerate progress towards bridging the socio-economic gap between Moldova and the Union, and thereby enhances their economic, social and environmental development and supports the convergence towards the Union's standards, reduces inequalities and reinforces social cohesion;
  - (d) whether the Reform Agenda can be expected to further strengthen the fundamentals of the enlargement process as referred to in Article 3(2), point (a);
  - (e) whether the Reform Agenda can be expected to accelerate the transition of Moldova towards sustainable, climate-neutral and climate resilient and inclusive economy by improving connectivity, making progress on the twin transition of green and digital, including biodiversity, reducing strategic dependencies and boosting research and innovation, education, training, employment and skills and the wider labour market, with particular attention on youth;
  - (f) whether the measures included in the Reform Agenda are compatible with the principles of 'do no significant harm' and of 'leaving no one behind';
  - (g) whether the Reform Agenda appropriately addresses potential risks in compliance with preconditions and payment conditions;
  - (h) whether the payment conditions proposed by Moldova are appropriate and ambitious, consistent with the enlargement policy framework, as well as sufficiently meaningful and clear to allow for the corresponding release of funds in case of their fulfilment and whether the proposed reporting indicators

are appropriate and sufficient to monitor and report on the progress made towards the overall objectives;

- (i) whether the arrangements proposed by Moldova are expected to effectively prevent, detect and correct irregularities, fraud, corruption and conflicts of interest, organised crime and money laundering as well as to effectively investigate and prosecute criminal offences affecting the funds under the Facility,;
  - (j) whether the Reform Agenda effectively reflects the input of relevant stakeholders, including Moldova's parliament, local and regional representative bodies and authorities, social partners and civil society organisations.
5. For the purpose of the assessment of the Reform Agenda submitted by Moldova, the Commission may be assisted by independent experts.

### *Article 13*

#### *Commission Implementing Decision*

1. In case of positive assessment, the Commission shall approve by means of an implementing decision the Reform Agenda submitted by Moldova, in accordance with Article 12 or, where applicable, of the amended Agenda submitted in accordance with Article 14. The provisions of Article 25(2) shall apply to the adoption of that implementing decision.
2. The Commission implementing decision, referred to in paragraph 1, shall set out the reforms to be implemented by Moldova concerned, the investment areas to be supported and the payment conditions stemming from the Reform Agenda, including the timetable.
3. The Commission implementing decision, referred to in paragraph 1, shall also lay down:
  - (a) the indicative amount of overall funds available to Moldova against fulfilment of payment conditions, as referred in Article 10(1), and the scheduled instalments to be released, including pre-financing, structured in accordance with Article 11, once Moldova has achieved satisfactory fulfilment of the relevant payment conditions in the form of qualitative and quantitative steps identified in relation to the implementation of the Reform Agenda;
  - (b) the breakdown by instalment of financing between loan support and non-repayable support;
  - (c) the time limit by which the final payment conditions for the reforms must be completed;
  - (d) the arrangements and timetable for the monitoring, reporting and implementation of the Reform Agenda, including, where appropriate, through democratic scrutiny as referred to in Article 4 as well as, where relevant, measures necessary for complying with Article 23.
  - (e) the indicators referred to in Article 11(2) for assessing progress towards the achievement of the general and specific objectives set out in Article 3.



## *Article 14*

### *Amendments to the Reform Agenda*

1. Where the Reform Agenda, including relevant payment conditions, is no longer achievable by Moldova, either partially or totally, because of objective circumstances, Moldova may propose an amended Reform Agenda. In that case, Moldova may make a reasoned request to the Commission to amend its implementing decision referred to in Article 13(1).
2. The Commission may amend the implementing decision, in particular to take into account a change of the amounts available in line with the principles under Article 19.
3. Where the Commission considers that the reasons put forward by Moldova justify an amendment to its Reform Agenda, the Commission shall assess the amended Agenda in accordance with Article 12 and may amend the implementing decision referred to in Article 13(1) without undue delay.
4. In an amendment, the Commission may accept timelines for payment conditions extending until 31 December 2028.

## *Article 15*

### *Loan agreement, borrowing and lending operations*

1. In order to finance the support under the Facility in the form of loans, the Commission shall be empowered on behalf of the Union to borrow the necessary funds on the capital markets or from financial institutions in accordance with Article 224 of Regulation (EU, Euratom) 2024/2509.
2. The Commission shall enter into a loan agreement with Moldova. The loan agreement shall lay down the maximum loan amount, the availability period and the detailed terms and conditions of the support under the Facility in the form of loans. The loans shall have maximum duration of 40 years from the date of the signature of the loan agreement. The loan agreement shall contain the amount of pre-financing and rules on clearing of pre-financing.  

In addition to and by way of derogation from Article 220(5) of the Financial Regulation, the loan agreement shall contain the amount of pre-financing and rules on clearing of pre-financing.
3. The loan agreement shall be made available, upon request, to the European Parliament and the Council.

## *Article 16*

### *Provisioning*

1. Provisioning for the loans shall be constituted at the rate of 9 % from the envelope allocated to the Neighbourhood geographic programme under Article 6(2), point (a) of Regulation (EU) 2021/947 and shall be used as part of provisions supporting similar risks.
2. By way of derogation from Article 211 (2), last sentence, of the Financial Regulation, the provisioning shall be paid progressively and fully constituted at the latest when the loans are fully disbursed.

3. The provisioning rate shall be reviewed at least every three years from the date of application of this Regulation in line with the procedure foreseen under Article 31(5), fourth subparagraph, of the Regulation (EU) 2021/947.

#### *Article 17*

##### *Pre-financing*

1. Following the submission of the Reform Agenda to the Commission, Moldova may request the release of a pre-financing of up to 7 % of the total amount foreseen under this Facility in accordance with Article 6(1), after deduction of complementary support, including support to civil society organisations and technical assistance, and provisioning for loans.
2. The Commission may release the requested pre-financing after the adoption of its implementing decision referred to in Article 13 and the entry into force of the Facility Agreement and of the loan agreement referred to in Articles 8 and 15 respectively. The funds shall be released in accordance with Article 19(3), first sentence, and subject to the respect of the preconditions set out in Article 5.
3. The Commission shall decide on the timeframe for the disbursement of the pre-financing, which may be disbursed in one or more tranches.

#### *Article 18*

##### *Implementation of investment projects under the Neighbourhood Investment Platform*

1. In order to benefit from the leverage of Union financial support to attract additional investment, investments supporting the Reform Agenda shall be implemented in cooperation with international financial institutions in the form of investment projects approved under the Neighbourhood Investment Platform.
2. Following satisfactory fulfilment of payment conditions, the Commission will adopt a decision authorising a release of funds, as referred to in Article 19(3). This decision shall, in accordance with Article 6(1), set the amount of funds to be made available in the form of non-repayable support provided by the Union for projects approved under the NIP, and the amount of financial assistance in the form of loan support to be released to Moldova. This decision shall also set out, in accordance with the ratio set in the Facility Agreement as referred to in Article 8(5)(c), the share of this loan support to be made available by Moldova as co-financing for projects approved under the NIP.

#### *Article 19*

##### *Assessment of the fulfilment of payment conditions, withholding and reduction of funds, rules on payments*

1. Twice per year, Moldova shall submit a duly justified request for the release of funds at the latest two months after the timeline set in the Commission Implementing Decision in respect of fulfilled payment conditions related to the quantitative and qualitative steps as set out in the Reform Agenda.

2. The Commission shall assess without undue delay whether Moldova has met the preconditions set out in Article 5 and the principles for financing set out in Article 10(3) and achieved satisfactory fulfilment of the payment conditions set out in the Commission implementing decision referred to in Article 13. In case the Commission finds that payment conditions for which it had previously paid have been reversed by Moldova, the Commission will reduce future disbursements by an equivalent amount. The Commission may be assisted by experts, including experts from Member States. In the event that a request for the release of funds or a request for payment includes a step related to Chapter 32, referred to in Article 19(2), the Commission may not adopt a decision authorizing the release of funds unless it assesses such step positively.
3. Where the Commission makes a positive assessment of the satisfactory fulfilment of all applicable conditions, it shall adopt without undue delay a decision authorising the release of funds corresponding to those conditions. In respect of those amounts, the decision shall constitute the condition referred to in Article 10.
4. Where the Commission makes a negative assessment of the fulfilment of any conditions as per the timetable, the release of funds corresponding to such conditions shall be withheld. The withheld amounts shall be released only when Moldova has duly justified, as part of the subsequent request for release of funds, that it has taken the necessary measures to ensure satisfactory fulfilment of the corresponding conditions.
5. Where the Commission concludes that Moldova has not taken the necessary measures within a period of 12 months from the initial negative assessment referred to in paragraph 4, the Commission shall reduce the amount of the non-repayable financial support and of the loan proportionately to the part corresponding to the relevant payment conditions. During the first year of implementation, a deadline of 24 months shall apply, calculated from the initial negative assessment referred to in paragraph 4. Moldova may present its observations within two months from the communication to them of the Commission's conclusions.
6. Any amount corresponding to payment conditions that have not been fulfilled by 31 December 2028 shall not be due to Moldova and shall be decommitted, or cancelled from the available amount of loan support, as appropriate.
7. The Commission may reduce the amount of the non-repayable financial support and recover from Moldova, including by offsetting, any amount spent to achieve the objectives of the Facility, or to reduce the amount of the loan to be disbursed to Moldova or request early repayment of the loan in accordance with the loan agreement, in the event of funds unduly paid, identified cases of, or serious concerns in relation to, irregularities, fraud, corruption and conflicts of interest affecting the financial interests of the Union that have not been corrected by Moldova, or of a reversal of qualitative or quantitative steps or in cases it is found, after the payment has taken place, that steps were not satisfactorily fulfilled, or of a serious breach of an obligation resulting from the Facility Agreements or from the loan agreements-, including on the basis of information provided by OLAF or of the Court of Auditors' reports. The Commission shall inform the European Parliament and the Council prior to taking any decision of such reductions.
8. By way of derogation from Article 116(2) of the Financial Regulation, the payment deadline as referred to in Article 116(1), point (a), of the Financial Regulation shall

start running from the date of the communication of the decision authorising the disbursement to Moldova pursuant to paragraph 3 of this Article.

9. Article 116(5) of the Financial Regulation shall not apply to payments made as financial assistance, channelled directly to Moldova's treasury pursuant to this Article and to Article 23 of this Regulation.
10. Payments of the non-repayable financial support and of the loans under this Article shall be made in accordance with the budget appropriations, as set in the annual budgetary procedure, and subject to the available funding, respectively. Funds shall be paid in instalments. An instalment may be paid in one or more tranches.
11. The amounts shall be paid following the decision referred to in paragraph 3 in accordance with the loan agreement.
12. Payment of any amount of the support in the form of loans shall be subject to the submission by Moldova of a request for payment in the form set out in the loan agreement, , and in accordance with the provisions set out in the Facility Agreement. This shall not apply to payment of pre-financing.

#### *Article 20*

##### *Transparency with regard to persons and entities receiving funding for the implementation of the Reform Agenda*

1. Moldova shall publish up-to-date data on final recipients receiving amounts of funding exceeding the equivalent of EUR 50 000 cumulatively over the period of three years for the implementation of reforms and investments under this Facility.
2. For final recipients referred to in paragraph 1, the following information shall be published in a machine- readable format on a webpage, in order of total funds received, having due regard to the requirements of confidentiality and security, in particular the protection of personal data:
  - (a) in the case of a legal person, the recipient's full legal name and VAT identification number or tax identification number, where available, or another unique identifier established by the legislation applicable to the legal person;
  - (b) in the case of a natural person, the first and last name or names of the recipient;
  - (c) the amount received by the recipient and the reforms and investments under the Moldova Facility that this amount contributes to implementing.
3. The information referred to in paragraph 2 shall not be published where disclosure risks threatening the rights and freedoms of the final recipients concerned or seriously harming their commercial interests. Such information shall be made available to the Commission.
4. Moldova shall transmit electronically to the Commission at least once a year the data on the final recipients referred to in paragraph 1 of this Article, in a machine-readable format to be defined in the Facility Agreement, as referred to in Article 8(5)(1).

## **CHAPTER IV**

## Protection of financial interests of the Union

### Article 21

#### *Protection of the financial interests of the Union*

1. In implementing the Facility, the Commission and Moldova shall take all the appropriate measures to protect the financial interests of the Union, taking into account the principle of proportionality and the specific conditions under which the Facility will operate, the preconditions set out in Article 5(1) and conditions set out in the specific Facility Agreements, in particular regarding the prevention, detection and correction of fraud, corruption, conflicts of interest and irregularities as well as the investigation and prosecution of offences affecting the funds provided under the Facility. Moldova shall commit to progressing towards effective and efficient management and control systems and ensure that amounts wrongly paid or incorrectly used can be recovered.
2. The Facility Agreement shall provide for the following obligations of Moldova:
  - (a) to regularly check that the financing provided has been used in accordance with the applicable rules, in particular regarding the prevention, detection and correction of fraud, corruption, conflicts of interest and irregularities;
  - (b) to protect whistleblowers;
  - (c) to take appropriate measures to prevent, detect and correct fraud, corruption, conflicts of interest and irregularities as well as to investigate and prosecute criminal offences affecting the financial interests of the Union, to detect and avoid double funding and to take legal actions to recover funds that have been misappropriated, including in relation to any measure for the implementation of reforms and investment projects or programmes under the Reform Agenda and to take appropriate measures to treat mutual legal assistance requests by EPPO and Member States' competent authorities concerning criminal offences affecting the funds under the Facility, where applicable and without delay;
  - (d) for the purpose of paragraph 1, in particular for checks on the use of funds in relation to the implementation of reforms in the Reform Agenda, to ensure the collection of, and access to, in compliance with Union data protection principles and with applicable data protection rules, adequate data on persons and entities receiving funding, including beneficial ownership information, for the implementation of measures of the Reform Agenda under Chapter III;
  - (e) to expressly authorise the Commission, OLAF, the Court of Auditors and, where applicable, EPPO to exert their rights as provided for in Article 129 of Regulation (EU, Euratom) 2024/2509.
3. The Facility Agreement shall also provide for the right of the Commission to reduce proportionately the amount of the non-repayable financial support provided under the Facility and to recover from Moldova, including by offsetting, any amount spent to achieve the objectives of the Facility and to reduce the amount of the loan to be disbursed to the Beneficiary or request early repayment of the loan in accordance with the loan agreement, in the event of funds unduly paid, identified cases of, or serious concerns in relation to, irregularities, fraud, corruption and conflicts of interest affecting the financial interests of the Union that have not been corrected by

Moldova, or in cases it is found, after the payment has taken place, that steps were not satisfactorily fulfilled, or of a serious breach of an obligation resulting from the Facility Agreement or from the loan agreement. When deciding on the amount of the recovery and reduction, or the amount to be repaid early, the Commission shall respect the principle of proportionality and shall take into account the seriousness of the irregularity, fraud, corruption or conflict of interest affecting the financial interests of the Union, or of a breach of an obligation. Moldova shall be given the opportunity to present its observations before the reduction is made or early repayment is requested.

4. Persons and entities implementing funds under the Facility shall report any suspected cases of fraud, corruption, conflicts of interest and irregularities affecting financial interests of the Union without delay, to the Commission and to OLAF.

## *Article 22*

### *Role of Moldova's internal systems and audit authority*

1. For the part of the Facility funding made available as financial assistance, the Commission can rely on the audit authorities established by Moldova for the purpose of controlling public expenditure. As appropriate, the Commission shall also rely on further democratic scrutiny as referred to in Article 4(9).
2. The Reform Agenda shall prioritise in the first years of their implementation reforms related to negotiation Chapter 32, particularly on public financial management and internal control, as well as on the fight against fraud, together with Chapters 23 and 24, particularly when it comes to justice, corruption and organised crime and Chapter 8, particularly on State aid control.
3. Moldova shall report any irregularities, including fraud, which have been the subject of a primary administrative or judicial finding, without delay, to the Commission and shall keep the Commission informed of the progress of any administrative and legal proceedings in relation to such irregularities. Such reporting shall be done by electronic means, using the Irregularity Management System, established by the Commission.
4. The entities referred to in paragraph 1 shall maintain regular dialogue with the Court of Auditors, OLAF and, where appropriate, EPPO.
5. The Commission may carry out detailed systems reviews of Moldova's budget implementation based on a risk-assessment and dialogue with audit authorities, and issue recommendations for improvements in the systems.
6. The Commission may adopt recommendations to Moldova on all cases where in its views competent authorities have not taken the necessary steps to prevent, detect and correct fraud, corruption, conflicts of interest and irregularities that have affected or seriously risk affecting the sound financial management of the expenditure financed under the Facility and in all cases where it identifies weaknesses affecting the design and functioning of the control system put in place by the those authorities. Moldova concerned shall implement such recommendations or provide a justification on why it has not done so.

## **CHAPTER V**

### **MONITORING, REPORTING AND EVALUATION**

#### *Article 23*

##### *Monitoring and reporting*

1. The Commission shall monitor the implementation of the Facility and assess the achievement of the objectives set out in Article 3. The monitoring of implementation shall be targeted and proportionate to the activities carried out under the Facility Agreement, and shall be without prejudice to the reporting requirements set out under Regulation (EU) 2021/947. The indicators referred to in Article 11(2) shall be expected to contribute to the Commission's monitoring of the Facility.
2. The Facility Agreement referred to in Article 8 shall set out rules and modalities for Moldova to report to the Commission for the purpose of paragraph 1 of this Article.
3. The Commission shall provide an annual report to the European Parliament and the Council on progress towards the achievement of the objectives of this Regulation. The annual report shall be complemented by presentations on the state of play of the implementation of the Facility twice per year.
4. The Commission shall provide the annual report referred to in paragraph 3 to the Committee referred to in Article 27(1).
5. The Commission shall report on the progress of the implementation of the Reform Agenda of Moldova in the context of the scoreboard established under Regulation (EU) 2024/1449.

#### *Article 24*

##### *Facility scoreboard*

6. The Commission shall establish display the progress of the implementation of the Reform Agenda in the Facility scoreboard, established under Regulation (EU) 2024/1449.

#### *Article 25*

##### *Evaluation of the Facility*

1. After 31 December 2027 and by 31 December 2031 at the latest, the Commission shall carry out an independent ex-post evaluation of the Regulation. That ex-post evaluation shall assess the Union contribution to the achievement of the objectives of this Regulation.
2. The ex-post evaluation shall make use of the good practice principles of the OECD Development Assistance Committee, seeking to ascertain whether the objectives have been met and to formulate recommendations with a view to improving future actions.

3. The Commission shall communicate the findings and conclusions of the ex-post evaluation accompanied by its observations and follow-up, to the European Parliament, the Council and the Member States. That ex-post evaluation may be discussed at the request of the European Parliament, the Council or the Member States. The results shall feed into the preparation of future programmes and actions and resource allocation. That ex-post evaluation and follow-up shall be made publicly available.
4. The Commission shall, to an appropriate extent, associate all relevant stakeholders, including Moldova, social partners, civil society organisations, in the evaluation process of the Union's funding provided under this Regulation, and may, where appropriate, seek to undertake joint evaluations with the Member States and other partners with close involvement of Moldova.

#### *Article 26*

##### *Reporting by Moldova in the context of the Economic and Financial Dialogue*

1. The beneficiary shall report once a year in the context of the Economic and Financial Dialogue on the progress made in the achievement of the reform-related part of its Reform Agenda.

## **CHAPTER VI FINAL PROVISIONS**

#### *Article 27*

##### *Committee procedure*

1. The Commission shall be assisted by the Committee, established by the Regulation (EU) 2021/947.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
3. For implementing acts referred to in Articles 13(1) and 14(2), where the committee delivers no opinion, the Commission shall not adopt the draft implementing act and Article 5(4), third subparagraph, of Regulation (EU) No 182/2011 shall apply.

#### *Article 28*

##### *Information, communication and publicity*

1. Without prejudice to the requirements set out under Regulation (EU) 2021/947, the Commission shall engage in communication activities to ensure the visibility of the Union funding for the financial support envisaged in the Reform Agenda, including through joint communication activities with Moldova. The Commission shall ensure that support under the Facility is communicated and acknowledged through a funding statement. Actions financed under the Facility shall be carried out in accordance with



communication and visibility requirements in Union-financed external actions and in other relevant guidelines.

2. The recipient of Union funding shall actively acknowledge the origin and ensure the visibility of the Union funding, including, where applicable, by displaying the emblem of the Union and an appropriate funding statement that reads ‘funded by the European Union’, in particular when promoting the actions and their results, by providing coherent, effective and proportionate targeted information to multiple audiences, including the media and the public.
3. Information, communication and publicity shall be provided in accessible format.

*Article 29*

*Entry into force*

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## **LEGISLATIVE FINANCIAL AND DIGITAL STATEMENT**

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# 1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

## 1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for Moldova.

## 1.2. Policy area(s) concerned

EU relations with the rest of the world

## 1.3. Objective(s)

### 1.3.1. General objective(s)

The strategic objectives of the Reform and Growth Facility (hereafter Facility) are to (a) support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership; (b) support progressive integration of Moldova into the Union single market; and (c) accelerate the socio-economic convergence of Moldova's economy with the Union. This will help Moldova get a comparable level of support as other candidates, especially as Moldova is not covered by the Instrument for Pre-Accession Assistance.

### 1.3.2. Specific objective(s)

#### Specific objective

The specific objectives of the Facility shall be to:

- a) further strengthen the fundamentals of the enlargement process, including the rule of law and fundamental rights, the functioning of democratic institutions, including de-polarisation, public administration and fulfil the economic criteria; this includes promoting an independent judiciary, reinforcing security and stability, strengthening the fight against fraud and all forms of corruption, including high-level corruption and nepotism, organised crime, cross-border crime and money laundering as well as terrorism financing, tax evasion and tax fraud, tax avoidance; increasing compliance with international law; strengthening freedom and independence of media and academic freedom; combating hate speech; enabling an environment for civil society, fostering social dialogue; promoting gender equality, gender mainstreaming and the empowerment of women and girls, non-discrimination and tolerance, to ensure and strengthen respect for the rights of refugees and persons belonging to minorities, including national minorities and Roma, as well as rights of lesbian, gay, bisexual, transgender and intersex persons;
- b) move towards full alignment of Moldova with the Union Common Foreign and Security Policy (CFSP), including Union restrictive measures;
- c) fight disinformation and Foreign Information Manipulation and Interference against the Union and its values;
- d) move towards harmonisation of visa policies with the Union;
- e) reinforce the effectiveness of public administration, build capacities and invest in administrative staff in Moldova; ensure access to information, public scrutiny and the involvement of civil society in decision-making processes; support transparency, accountability, structural reforms and good governance at all levels, including as

regards their powers of oversight and inquiry over the distribution of and access to public funds as well as in the areas of public financial management and public procurement and State aid control; support initiatives and bodies involved in supporting and enforcing international justice in Moldova;

f) accelerate the transition of Moldova to sustainable, climate-neutral and inclusive economy, that is capable of withstanding competitive market pressures of the Union single market, and to a stable investment environment and reduce its strategic dependency;

g) foster economic integration of Moldova with the Union single market, in particular through increased trade and investment flows, and resilient value chains;

h) support enhanced integration with the Union single market through improved and sustainable connectivity in line with trans-European networks to reinforce good neighbourly relations, as well as people-to-people contact;

i) accelerate the inclusive and sustainable green transition to climate neutrality by 2050, in accordance with the Paris Agreement and the Green Deal and covering all economic sectors, particularly energy, including the transition towards a decarbonised, climate-neutral, climate-resilient and circular economy, while ensuring that investments respect the ‘do no significant harm’ principle;

j) promote the digital transformation and digital skills as an enabler of sustainable development and inclusive growth;

k) boost innovation, research, and cooperation between academic institutions and industry in support of the green and digital transitions, promoting local industries with a particular emphasis on locally based micro, small and medium-sized enterprises and start-ups;

l) boost quality education, training, reskilling and upskilling at all levels, with a particular focus on youth, including tackling youth unemployment, preventing brain drain and supporting vulnerable communities, including refugees, and support employment policies, including labour rights, in line with the European Pillar of Social Rights, and fighting poverty.

### 1.3.3. *Expected result(s) and impact*

*Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.*

Support under the Facility is expected to enable Moldova to implement reforms and investments needed to make its economy more competitive and increasing its convergence with the Union. The implementation of the Facility should also reinforce internal control and public finance management systems in Moldova, as well as the implementation of fundamentals of the enlargement process, in particular related to rule of law and fight against corruption, fraud and organised crime. It is expected to support Moldova in accessing earlier on the benefits of the EU’s single market and facilitate its integration into the EU.

### 1.3.4. *Indicators of performance*

*Specify the indicators for monitoring progress and achievements.*

Specific indicators will be defined in Reform Agenda. Those indicators should be based on internationally agreed indicators. The indicators should be relevant, accepted, credible, easy, and robust.

**1.4. The proposal/initiative relates to:**

- a new action
- a new action following a pilot project / preparatory action<sup>5</sup>
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

**1.5. Grounds for the proposal/initiative**

*1.5.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative*

Moldova's economic output and competitiveness lags behind that of the EU average despite its progress on the EU accession path. There is an urgent need to ensure that it receives comparable support as other accession countries negotiating with the EU to support both the socioeconomic convergence as well as the implementation of the broader enlargement agenda.

In order to fully benefit from the opportunities of the Growth Plan, Moldova will prepare a Reform Agenda, which will set out the key measures the country intends to undertake during the period 2025-2027 to accelerate socio-economic and convergence with the EU. The Reform Agenda will be consulted with, assessed and also approved by the Commission.

The Reform Agenda will be consistent with the country's growth strategy and aligned with its enlargement path. It will bring forward key fundamental reforms identified in the accession process as well as a central socio-economic reforms addressing structural deficiencies in the country's growth trajectory, which will be integrated in the Reform Agenda.

Serving as the centrepiece of the Growth Plan, the Facility will then introduce strong conditionality as disbursements of EU funding will be conditioned to the progress achieved, in particular in relation to enhancing socio-economic convergence and competitiveness as well as in the area of the fundamentals.

As for the Western Balkans Growth Plan, the new Facility will be implemented through delivery mechanisms that have been selected to maximise fast achievement of reforms and related investments, while maintaining necessary controls and minimising the administrative burden for the Commission, Moldova and other implementing partners. The support will be provided through three delivery mechanisms: 1) Direct support to the national budgets of the Moldova 2) Support to investments through the Neighbourhood Investment Platform (NIP) and 3) remaining non-repayable support.

Direct disbursements to the national budgets and making funds available for the submission of investment proposals will be subject to progress and fulfilment of payment conditions specified in the Reform Agenda. Payment conditions will take the form of a set of qualitative and quantitative steps and a related timeline for disbursements linked to specific socio-economic reforms to stimulate growth, put the

<sup>5</sup> As referred to in Article 58(2), point (a) or (b) of the Financial Regulation.

country on a sustainable convergence path and orientate it towards specific reforms related to fundamentals of the enlargement process including rule of law, fight against corruption and organised crime. Following the decision on the approval of the Reform Agendas by the Commission (via a Commission Implementing Decision) and the conclusion of a Facility and a Loan Agreements, Moldova will be eligible to receive prefinancing.

Macro financial stability, sound public financial management, transparency and oversight of the budget are general conditions for payments that have to be fulfilled for a release of funds. Payments will occur according to a fixed semi-annual schedule, based on duly justified requests for the release of funds submitted by Moldova and following verification by the Commission of the achievement of the relevant payment conditions. In case the payment conditions are not met, the Commission will suspend or deduct a corresponding amount from the payment.

The disbursement of the corresponding suspended funds may take place during the 12 months after the original deadline set out in the Reform Agenda, provided the payment conditions have been fulfilled.

The investments foreseen in the Reform Agendas will be supported via the NIP. Related projects or programmes will only be submitted to NIP Board for opinion following the Commission assessment of fulfilment of the relevant payment conditions.

- 1.5.2. *Added value of EU involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this section 'added value of EU involvement' is the value resulting from EU action, that is additional to the value that would have been otherwise created by Member States alone.*

Action at Union level is necessary to achieve accelerated economic convergence of Moldova with the EU on its way to potential Union membership. The size of the necessary assistance is such that Moldova continues to require sustained external support that no Member State, or single donor, could provide alone. The Union is in a unique position to deliver multi-annual external assistance to Moldova in a timely, coordinated and predictable manner. The Union can also leverage its borrowing capacity to lend to Moldova on advantageous terms as well as providing grants in a multi-annual perspective.

- 1.5.3. *Lessons learned from similar experiences in the past*

The Facility will build on the lessons learned from the Recovery and Resilience Facility, which was established in 2020, as well as from a more recently proposed Ukraine Facility which was adopted in February 2024. Most importantly, the Facility mirrors upon the Reform and Growth Facility for the Western Balkans, proposed in November 2023 and adopted in May 2024. In order to treat all candidates equally, it reflects, as closely as possible, the Regulation establishing the Reform and Growth Facility for the Western Balkans in its final form, in order to already take into account all possible comments and additions from the co-legislators as well as other Commission services. The Facility is using existing mechanisms, namely direct financial assistance similar to budget support and the NIP for investments. Both of these instruments have proved that EU funding can offer considerable leverage when used together with funding from other donors in blending contexts.

*1.5.4. Compatibility with the multiannual financial framework and possible synergies with other appropriate instruments*

The proposed Facility aims at equipping the Union with a legal instrument which will allow it to support greater socio-economic convergence of Moldova on its route towards Union membership. The overall amount of the Facility is to be provided through loans and non-repayable support. The non-repayable support should be financed from the envelope allocated to the Neighbourhood geographic programme under Article 6(2)(a) of Regulation (EU) 2021/947. All provisions under NDICI-GE continue to apply, unless otherwise mentioned in this Regulation. Support in the form of loans shall be available for an amount of up to EUR 1 500 million for the period from 1 January 2025 to 30 June 2029. That amount shall not constitute part of the amount of the External Action Guarantee within the meaning of Article 31(4) of Regulation (EU) 2021/947. The loans will be guaranteed through the Common Provisioning Fund at the provisioning rate of 9%.

*1.5.5. Assessment of the different available financing options, including scope for redeployment*

The Union budget is already providing support to the preparation for possible EU accession to other candidate countries through the Instrument of Pre-Accession Assistance (IPA III), which covers the Western Balkans and Türkiye, and is based on grants, blending and budgetary guarantees. In parallel, the Reform and Growth Facility for the Western Balkans targets accelerated socio-economic convergence of Western Balkans only, and is based on a different approach, establishing a strong link between fulfilment of reform commitments and access to funding.

Moldova is currently engaged in accession negotiations, yet still covered by the NDICI-GE without a dedicated instrument addressing the particular additional needs stemming from the pre-accession assistance. With the new momentum for enlargement, it is important for Moldova to be provided a comparable level of support to prepare it for its possible future accession. Due to the advanced stage of implementation of the IPA III instrument, it is not possible to reopen the instrument for other candidates, notwithstanding the fact that provision of loans is not possible under the instrument. That is why a new instrument is needed to provide a similar level of support in terms of funding and modalities as for the Western Balkans and Ukraine.

To ensure smooth and transparent implementation of any investments identified under the Reform Agenda, the Commission intends to use the tested methodology of the Neighbourhood Investment Platform, while maintaining the conditionalities mentioned above.



## 1.6. Duration of the proposal/initiative and of its financial impact

### limited duration

- in effect from [DD/MM]YYYY to [DD/MM]YYYY
- financial impact from 2025 to 2027 for commitment appropriations and from 2025 for payment appropriations.

### unlimited duration

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

## 1.7. Method(s) of budget implementation planned<sup>6</sup>

### Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

### Shared management with the Member States

### Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated
- international organisations and their agencies (to be specified)
- the European Investment Bank and the European Investment Fund
- bodies referred to in Articles 70 and 71 of the Financial Regulation
- public law bodies
- bodies governed by private law with a public service mission to the extent that they are provided with adequate financial guarantees
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that are provided with adequate financial guarantees
- bodies or persons entrusted with the implementation of specific actions in the common foreign and security policy pursuant to Title V of the Treaty on European Union, and identified in the relevant basic act
- bodies established in a Member State, governed by the private law of a Member State or Union law and eligible to be entrusted, in accordance with sector-specific rules, with the implementation of Union funds or budgetary guarantees, to the extent that such bodies are controlled by public law bodies or by bodies governed by private law with a public service mission, and are provided with adequate financial guarantees in the form of joint and several liability by the controlling bodies or equivalent financial guarantees and which may be, for each action, limited to the maximum amount of the Union support.

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<sup>6</sup> Details of budget implementation methods and references to the Financial Regulation may be found on the BUDGpedia site: <https://myintracomm.ec.europa.eu/corp/budget/financial-rules/budget-implementation/Pages/implementation-methods.aspx>.

## **2. MANAGEMENT MEASURES**

### **2.1. Monitoring and reporting rules**

Specific quantitative and qualitative steps will be defined in the Reform Agenda (approved by the Commission in an implementing decision), so that the fulfilment of the payment conditions can be monitored. Moldova will submit a semi-annual duly justified request for the release of the non-repayable financial support and of the loan, setting out how the satisfactory fulfilment of those conditions has been achieved, based on quantitative and qualitative steps identified in the implementing decision. In addition, the Facility Agreement concluded with Moldova will set out reporting and monitoring indicators that should allow monitoring and reporting progress on the general and specific objectives of the Facility more widely. The Commission will report annually to the European Parliament, the Council, and the Committee referred to in Article 27 on the implementation of funds provided under the Facility as well as the progress towards objectives. The Commission will also carry out an ex-post evaluation of the Regulation.

### **2.2. Management and control system(s)**

#### *2.2.1. Justification of the budget implementation method(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The Facility will be implemented under direct and indirect management. Part will be direct management with direct transfer of funds to the state budget of Moldova, while a specific part will be made available by Moldova to investment projects approved under the NIP.

The control strategy will be adapted to the implementation under each of these pillars with use of monitoring, evaluation and audits. Special attention will be paid to implementation of the funds made available to Moldova as direct financial assistance and to monitoring of the obligation of Moldova to provide a pre-defined percentage to projects approved under NIP. Release of Funds will occur according to a fixed semi-annual schedule, based on requests submitted by Moldova and following verification by the Commission of the fulfilment of the relevant payment conditions. The multilayer structure of the control mechanisms in place provides an integrated framework to ensure that all the appropriate measures to protect the financial interests of the Union are in place. It will guarantee that the principle of proportionality is taken into account and the specific conditions under which the Facility will operate. Moreover, measures under the Reform Agenda should contribute to improving an efficient public financial management and control system, money laundering, tax avoidance, tax evasion, fraud and organised crime and to an effective system of State aid control, with the aim of ensuring fair conditions for all undertakings. The Reform Agenda will contain a description of such systems as well as specific steps related to Chapter 32 in order to support Moldova in bringing its audit and controls requirements in line with Union standards. In the event that a request for the release of funds includes a step related to Chapter 32, the Commission will not adopt a decision authorising the release of funds unless it assesses such step positively.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The main risk identified in relation to the financing relates to the non-achievement of payment conditions associated to the disbursement of funding. The measures that will be put in place to mitigate this risk are the following:

-assessment by the Commission of the fulfilment of the relevant payment conditions before the disbursement of funds, with possibility of withholding the funds;

-reduction or withholding of support provided, or recovery of any amount spent to achieve the objectives of the Facility, in cases of irregularities, fraud, corruption and conflicts of interests affecting the financial interests of the Union that have not been corrected by Moldova, or of a serious breach of an obligation resulting from the agreements concluded with Moldova;

-suspension of funding in the event that Moldova fails to fulfil the preconditions set out in Article 5.

- in the event that a request for the release of funds includes a step related to Chapter 32, the Commission will not adopt a decision authorizing the release of funds unless it assesses such step positively.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio between the control costs and the value of the related funds managed), and assessment of the expected levels of risk of error (at payment & at closure)*

Financial contribution will be provided to Moldova in the form of financing not linked to cost referred to in point (a) of Article 125(1) of the Financial Regulation.

**2.3. Measures to prevent fraud and irregularities**

The proposal contains specific provisions for the protection of the financial interests of the Union. The Facility will be equipped with a strong system of audit and controls set out in a multilayer mechanism: the reform of the audit and control systems of Moldova will be included as part of the reforms under the Reform Agendas; in addition, the Commission may carry out detailed systems reviews of the national budget implementation based on a risk-assessment and dialogue with National Audit Authorities, and issue recommendations for improvements in the systems. Moreover, in accordance with Regulation (EU, Euratom) 2024/2509, OLAF, the Court of Auditors and the European Public Prosecutor's Office (EPPO), shall have the necessary rights and access to perform their respective roles. The investment part of the Facility will be implemented with international financial institutions based on the pillar assessments and framework agreements with them.

### 3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

#### 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

*In order of multiannual financial framework headings and budget lines.*

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number	Diff./Non-diff. <sup>3</sup>	from EFTA countries <sup>4</sup>	from candidate countries and potential candidates <sup>5</sup>	from other third countries	other assigned revenue
6	14.01.01.01 Support expenditure for the Neighbourhood, Development and International Cooperation Instrument — Global Europe	Non-diff. Diff	NO	NO	NO	NO
6	14.02.01.11 Eastern Neighbourhood		NO	NO	NO	NO
6	14.02.01.70 NDICI — Global Europe — Provisioning of the common provisioning fund		NO	NO	NO	NO

### 3.2. Estimated financial impact of the proposal on appropriations

#### 3.2.1. Summary of estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below

##### 3.2.1.1. Appropriations from voted budget

EUR million (to three decimal places)

<b>Heading of multiannual financial framework</b>	6	Neighbourhood and the World
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DG: NEAR			Year 2025 <sup>7</sup>	Year 2026	Year 2027	TOTAL
○ Operational appropriations						
14.02.01.11 <sup>8</sup>	Commitments	(1a)	93.600	93.600	93.600	<b>280.800</b>
	Payments	(2a)	p. m.	p. m.	p. m.	p. m.
14.02.01.70	Commitments	(1b)	45.000	45.000	45.000	<b>135.000</b>
	Payments	(2b)	p. m.	p. m.	p. m.	p. m.
Appropriations of an administrative nature financed from the envelope of specific programmes <sup>9</sup>						
14.01.01.01		(3)	1.400	1.400	1.400	<b>4.200</b>
<b>TOTAL appropriations for DG NEAR</b>	Commitments	=1a+1b +3	140.000	140.000	140.000	<b>420.000</b>
	Payments	=2a+2b +3	p. m.	p. m.	p. m.	p. m.

<sup>7</sup> Year N is the year in which implementation of the proposal/initiative starts. Please replace "N" by the expected first year of implementation (for instance: 2021). The same for the following years.

<sup>8</sup> According to the official budget nomenclature.

<sup>9</sup> Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

○ TOTAL operational appropriations	Commitments	(4)	138.600	138.600	138.600	<b>415.800</b>
	Payments	(5)	p. m.	p. m.	p. m.	
○ TOTAL appropriations of an administrative nature financed from the envelope for specific programmes		(6)	1.400	1.400	1.400	<b>4.200</b>
<b>TOTAL appropriations under HEADING 6</b> of the multiannual financial framework	Commitments	=4+ 6	140.000	140.000	140.000	<b>420.000</b>
	Payments	=5+ 6	p. m.	p. m.	p. m.	p. m.

Heading of multiannual financial framework	7	'Administrative expenditure' <sup>10</sup>				
DG NEAR		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
• Human resources		0.000	0.356	0.356	0.356	<b>1.068</b>
• Other administrative expenditure		0.000	0.000	0.000	0.000	<b>0.000</b>
<b>TOTAL DG NEAR</b>	Appropriations	<b>0.000</b>	0.356	0.356	0.356	<b>1.068</b>

<b>TOTAL appropriations under HEADING 7 of the multiannual financial framework</b>	(Total commitments = Total payments)	<b>0.000</b>	0.356	0.356	0.356	<b>1.068</b>
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EUR million (to three decimal places)

		Year 2024	Year 2025	Year 2026	Year 2027	TOTAL MFF 2021-2027
<b>TOTAL appropriations under HEADINGS 1 to 7</b>	Commitments	<b>0.000</b>	<b>140.356</b>	<b>140.356</b>	<b>140.356</b>	<b>421.068</b>

<sup>10</sup> The necessary appropriations should be determined using the annual average cost figures available on the appropriate BUDGpedia webpage.

of the multiannual financial framework	Payments	<b>0.000</b>	<b>140.356</b>	<b>140.356</b>	<b>140.356</b>	<b>421.068</b>
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3.2.2. *Estimated output funded from operational appropriations (not to be completed for decentralised agencies)*

Commitment appropriations in EUR million (to three decimal places)

<b>General objectives</b>	<b>Year 2025</b>	<b>Year 2026</b>	<b>Year 2027</b>	<b>TOTAL</b>
(a) Support the enlargement process by accelerating the alignment with Union values, laws, rules, standards, policies and practices ('acquis') through the adoption and implementation of reforms with a view to future Union membership	138.600	138.600	138.600	<b>415.800</b>
(b) Support progressive integration of Moldova into the Union single market				
(c) Accelerate the socio-economic convergence of Moldova's economy with the Union				
<b>TOTAL appropriations</b>	138.600	138.600	138.600	<b>415.800</b>

### 3.2.3. Summary of estimated impact on administrative appropriations

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below

#### 3.2.3.1. Appropriations from voted budget

VOTED APPROPRIATIONS	Year	Year	Year	Year	TOTAL 2021 - 2027
	2024	2025	2026	2027	
<b>HEADING 7</b>					
Human resources	0.000	0.356	0.356	0.356	<b>1.068</b>
Other administrative expenditure	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Subtotal HEADING 7</b>	<b>0.000</b>	<b>0.356</b>	<b>0.356</b>	<b>0.356</b>	<b>1.068</b>
<b>Outside HEADING 7</b>					
Human resources	0.000	0.661	0.661	0.661	<b>1.983</b>
Other expenditure of an administrative nature	0.000	0.739	0.739	0.739	<b>2.217</b>
<b>Subtotal outside HEADING 7</b>	<b>0.000</b>	<b>1.400</b>	<b>1.400</b>	<b>1.400</b>	<b>4.200</b>
<b>TOTAL</b>	<b>0.000</b>	<b>1.756</b>	<b>1.756</b>	<b>1.756</b>	<b>5.268</b>

The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together, if necessary, with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints. The figures above represent additional needs of DG NEAR.

Description of tasks to be carried out:

Officials and temporary staff	The FTEs will work on the policy development, legal issues, with particular focus on procurement matters, financial management, contract management, audit, monitoring, reporting and evaluation. 2 AD
External staff	3 in HQ and 2 in Delegation Moldova. The FTEs sought will work on the policy development, legal issues, with particular focus on procurement matters, financial management, contract management, audit, monitoring, reporting and evaluation.

### 3.2.4. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below

#### 3.2.4.1. Financed from voted budget

*Estimate to be expressed in full-time equivalent units (FTEs)<sup>11</sup>*

<sup>11</sup> Please specify below the table how many FTEs within the number indicated are already assigned to the management of the action and/or can be redeployed within your DG and what are your net needs.



VOTED APPROPRIATIONS		Year 2024	Year 2025	Year 2026	Year 2027
<b>• Establishment plan posts (officials and temporary staff)</b>					
20 01 02 01 (Headquarters and Commission's Representation Offices)		0	0	0	0
20 01 02 03 (EU Delegations)		0	0	0	0
01 01 01 01 (Indirect research)		0	0	0	0
01 01 01 11 (Direct research)		0	0	0	0
Other budget lines (specify)		0	0	0	0
<b>• External staff (in FTEs)</b>					
20 02 01 (AC, END from the 'global envelope')		0	0	0	0
20 02 03 (AC, AL, END and JPD in the EU Delegations)		0	0	0	0
Admin. Support line [14.01.01.01]	- at Headquarters	0	0	0	0
	- in EU Delegations	0	0	0	0
01 01 01 02 (AC, END - Indirect research)		0	0	0	0
01 01 01 12 (AC, END - Direct research)		0	0	0	0
Other budget lines (specify) - Heading 7		0	0	0	0
Other budget lines (specify) - Outside Heading 7		0	0	0	0
<b>TOTAL</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The staff required to implement the proposal (in FTEs):

	To be covered by current staff available in the Commission services	Exceptional additional staff*		
		To be financed under Heading 7	To be financed from BA line	To be financed from fees
Establishment plan posts	N/A	N/A	2	N/A
External staff (CA, SNEs, INT)	N/A	N/A	5	N/A

Description of tasks to be carried out by:

Officials and temporary staff	The FTEs will work on the policy development, legal issues, with particular focus on procurement matters, financial management, contract management, audit, monitoring, reporting and evaluation. 2 AD
External staff	3 in HQ and 2 in Delegation Moldova. The FTEs sought will work on the policy development, legal issues, with particular focus on procurement matters, financial management, contract management, audit, monitoring, reporting and evaluation.

### 3.2.5. Overview of estimated impact on digital technology-related investments

Compulsory: the best estimate of the digital technology-related investments entailed by the proposal/initiative should be included in the table below.

Exceptionally, when required for the implementation of the proposal/initiative, the appropriations under Heading 7 should be presented in the designated line.

The appropriations under Headings 1-6 should be reflected as “Policy IT expenditure on operational programmes”. This expenditure refers to the operational budget to be used to re-use/ buy/ develop IT platforms/ tools directly linked to the implementation of the initiative and their associated investments (e.g. licences, studies, data storage etc). The information provided in this table should be consistent with details presented under Section 4 “Digital dimensions”.

TOTAL Digital and IT appropriations	Year	Year	Year	Year	TOTAL MFF 2021 - 2027
	2024	2025	2026	2027	
<b>HEADING 7</b>					
IT expenditure (corporate)	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Subtotal HEADING 7</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Outside HEADING 7</b>					
Policy IT expenditure on operational programmes	0.000	0.000	0.000	0.000	<b>0.000</b>
<b>Subtotal outside HEADING 7</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>TOTAL</b>					
	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### 3.2.6. Compatibility with the current multiannual financial framework

The proposal/initiative:

- can be fully financed through redeployment within the relevant heading of the multiannual financial framework (MFF)
- requires use of the unallocated margin under the relevant heading of the MFF and/or use of the special instruments as defined in the MFF Regulation
- requires a revision of the MFF

### 3.2.7. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

	Year 2024	Year 2025	Year 2026	Year 2027	Total
Specify the co-financing body					
TOTAL appropriations co-financed					

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
  - on own resources
  - on other revenue
  - please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative <sup>12</sup>			
		Year 2024	Year 2025	Year 2026	Year 2027
Article .....					

For assigned revenue, specify the budget expenditure line(s) affected.

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

**4. DIGITAL DIMENSIONS**

**4.1. Requirements of digital relevance**

**4.2. Data**

**4.3. Digital solutions**

**4.4. Interoperability assessment**

**4.5. Measures to support digital implementation**

<sup>12</sup> As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20% for collection costs.

