COUNCIL DECISION

of 13 June 1994

providing macro-financial assistance for Moldova

(94/346/EC)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission [1], submitted following consultation with the Monetary Committee,

Having regard to the opinion of the European Parliament [2],

Whereas Moldova is undertaking fundamental political and economic reforms and has decided to adopt a market economy model;

Whereas Moldova and the Community have expressed their readiness to enter into negotiations for the conclusion of a partnership and cooperation agreement;

Whereas the financial support of the reforms from the Community will strengthen mutual confidence and will bring Moldova closer to the Community;

Whereas Moldova has agreed with the International Monetary Fund (IMF) on a stand-by arrangement in support of the country's economic programme; whereas this arrangement was approved by the IMF Board on 17 December 1993;

Whereas the authorities of Moldova have requested financial assistance from the international financial institutions, the Community and other bilateral donors; whereas, over and above the estimated financing which could be provided by the IMF and the World Bank, a residual financing gap of some US $ 155 million remains to be covered in 1994, in order to strengthen Moldova's reserve position and avoid an additional degree of import compression which could seriously jeopardize the achievement of the policy objectives underlying the Government's reform effort;

Whereas the grant by the Community of a long-term loan to Moldova is an appropriate measure to support the balance of payments and to strengthen the country's reserve position;

Whereas the Community loan should be managed by the Commission;

Whereas the Treaty does not provide, for the adoption of this Decision, powers other than those of Article 235,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall grant to Moldova a long-term loan facility of a maximum amount of ECU 45 million in principle with a maximum duration of 10 years, with a view to ensuring a sustainable balance-of-payments situation and strengthening the reserve position.

2. To this end the Commission is empowered to borrow, on behalf of the Community, the necessary resources that will be placed at the disposal of Moldova in the form of a loan.

3. The loan will be managed by the Commission in close consultation with the Monetary Committee and in a manner consistent with any agreement reached between the IMF and Moldova.

Article 2

1. The Commission is empowered to negotiate with the Moldovan authorities, after consultation with the Monetary Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with the agreements referred to in Article 1 (3).

2. The Commission shall verify at regular intervals, in collaboration with the Monetary Committee and in close coordination with the IMF, that the economic policy in Moldova is in accordance with the objectives of this loan and that its conditions are being fulfilled.

Article 3

1. The loan shall be made available to Moldova in two instalments. Subject to Article 2 (1), the first instalment shall be released on the basis of a successful first programme review under the 'stand-by arrangement' with the IMF.

2. The second instalment shall be released not before the fourth quarter of 1994, subject to Article 2 (2) and subject to satisfactory progress being recorded in Moldova's application of the 'stand-by arrangement'.

3. The funds shall be paid to the National Bank of Moldova.

[1] OJ No C 111, 21. 4. 1994, p. 8.
[2] Opinion delivered on 6 May 1994 (not yet published in the Official Journal).

Article 4

1. The borrowing and lending operations referred to in Article 1 shall be carried out using the same value date and must not involve the Community in the transformation of maturities, in any exchange or interest rate risk, or in any other commercial risk.

2. The Commission shall take the necessary steps, if Moldova so decides, to include in the loan conditions, and also to exercise an early repayment clause.

3. At the request of Moldova, and where circumstances permit an improvement in the interest rate on the loans, the Commission may refinance all or part of its initial borrowings or restructure the corresponding financial conditions. Refinancing or restructuring operations shall be carried out in accordance with the conditions set out in paragraph 1 and shall not have the effect of extending the average duration of the borrowing concerned or increasing the amount, expressed at the current exchange rate, of capital outstanding at the date of the refinancing or restructuring.

4. All related costs incurred by the Community in concluding and carrying out the operation under this Decision shall be borne by Moldova.

5. The Monetary Committee shall be kept informed of developments in the operations referred to in paragraphs 2 and 3 at least once a year.

Article 5

At least once a year the Commission shall address to the European Parliament and to the Council a report, which will include an evaluation, on the implementation of this Decision.

Done at Luxembourg, 13 June 1994.

For the Council

The President

Th. PANGALOS