COUNCIL DECISION
of 10 July 2000
providing supplementary macrofinancial assistance to Moldova

(2000/452/EC)

THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the proposal from the Commission [1],

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

Whereas:

(1) The Commission consulted the Economic and Financial Committee before submitting its proposal.

(2) Moldova is undertaking fundamental political and economic reforms and is making substantial efforts to establish a market economy.

(3) Moldova, on the one hand, and the European Communities and their Member States on the other hand, have signed a Partnership and Cooperation Agreement, which entered into force on 1 July 1998.

(4) The authorities of Moldova have agreed with the IMF on a macroeconomic programme supported by a three-year extended fund facility, approved in May 1996 and have expressed their intention to continue this programme subsequently in the context of a new fund facility.

(5) The Moldovan authorities have requested financial assistance from the international financial institutions, the Community and other bilateral donors. Over and above the extended financing by the IMF and the World Bank, a substantial residual financing gap remains to be covered in the coming months to strengthen the country's reserve position and support the policy objectives attached to the authorities' reform efforts.

(6) Moldova has been particularly affected by the Russian financial crisis and is presently facing particularly difficult economic and social circumstances.

(7) Financial assistance from the Community in the form of a long-term loan with a substantial grace period is an appropriate measure to support the balance of payments and help ease the country's external financial constraints in the current exceptionally difficult circumstances.

(8) This assistance should be managed by the Commission.

(9) The Treaty does not provide, for the adoption of this Decision, powers other than those of Article 308,

HAS DECIDED AS FOLLOWS:

Article 1

1. The Community shall make available to Moldova a long-term loan facility of a maximum amount of EUR 15 million with a grace period of five years and a maximum maturity of 10 years, with a view to ensuring a sustainable balance of payments situation.

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

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

Article 2

1. The Commission is empowered to agree with the Moldovan authorities, after consulting the Economic and Financial Committee, the economic policy conditions attached to the loan. These conditions shall be consistent with the agreement referred to in Article 1(3).

2. The Commission shall verify at regular intervals, in collaboration with the Economic and Financial Committee, and in coordination with the IMF, that 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, the first instalment is to be released on the basis of a satisfactory track record on the implementation of an upper credit tranche arrangement agreed with the IMF.

2. Subject to Article 2, the second instalment shall be released on the basis of a satisfactory continuation of Moldova's adjustment and implementation of the macroeconomic programme and not before three months after the release of the first instalment.

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

[1] OJ C 376 E, 28.12.1999, p. 38.
[2] Opinion delivered on 4 May 2000 (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 any other commercial risk.

2. The Commission shall take the necessary steps, if Moldova so requests, to ensure that an early repayment clause is included in the loan terms and conditions.

3. At the request of Moldova, and when circumstances permit an improvement in the interest rate of 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 maturity 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 shall be borne by Moldova.

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

Article 5

At least once a year, in principle not later than 15 September, the Commission shall address a report to the European Parliament and to the Council which will include an evaluation of the implementation of this Decision.

Done at Brussels, 10 July 2000.

For the Council

The President

H. VÉDRINE