



MACRO-FINANCIAL ASSISTANCE FOR THE REPUBLIC OF MOLDOVA

MFA GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF MOLDOVA

AND THE EUROPEAN UNION

MFA GRANT AGREEMENT
between
THE REPUBLIC OF MOLDOVA and
the EUROPEAN UNION

Article 1: The MFA Grant

a. The European Union shall make available to the Republic of Moldova (hereafter referred to as the "Country"), subject to the terms and conditions defined in the Decision (EU) 2017/1565 of the European Parliament and of the Council of 13 September 2017 providing further macro-financial assistance to the Republic of Moldova [1] (hereafter referred to as the "Decision") and in the Memorandum of Understanding signed on 23 November 2017 (hereafter referred to as the "Memorandum of Understanding"), a MFA Grant element (hereafter referred to as the "MFA Grant") amounting to up to EUR 40 million, with a view to alleviating the external financing constraints of the Country, supporting a sustainable balance-of-payment situation and securing the Republic of Moldova's foreign exchange reserve position. The first instalment will amount to EUR 10 million, the second instalment will amount to up to EUR 10 million and the third instalment will amount to EUR 20 million.

b. All MFA Grant instalments of the assistance shall be subject to the terms and conditions provided by the present MFA Grant Agreement, in conformity with the relating Memorandum of Understanding and the Decision. These disbursements will be conditional upon a satisfactory track record in the implementation of the Stand-By Arrangement between the Country and the International Monetary Fund (IMF), as well as upon a positive assessment by the European Commission on behalf of the European Union, of progress made with respect to economic stabilization and structural reforms. Moreover, all MFA Grant instalments will be subject to Commission's positive evaluation, in co-operation with the Country's authorities, of the accomplishment of the structural reform criteria agreed in the Memorandum of Understanding. In determining the amounts to be disbursed under this assistance, due account will be taken of the effective mobilization of financial assistance to the Country by other donors and of the development of financial needs.

c. The MFA Grant shall be subject to the decision of the budgetary authority of the EU to make available the necessary annual appropriations.

Article 2: Use of the Grant

The MFA Grant shall be used by the Country exclusively for the purposes and under the conditions established in the present MFA Grant Agreement and in the Memorandum of Understanding which is annexed to the MFA Grant Agreement.

[1] OJ L 242, 20 September 2017, p. 14

Article 3: Payment Procedure

a. The Commission shall transfer the MFA Grant amount to the Treasury Single Account no. 33114001 of the Ministry of Finance of the Republic of Moldova held at the National Bank of the Republic of Moldova, acting as the Agent of the Republic of Moldova (hereafter the "Agent") via the euro account of the correspondence bank De Nederlandsche Bank NV, Amsterdam (SWIFT BIC: FLORNL2A, IBAN: NL90FLOR0600126226, Ref.: "EU Macro-Financial Assistance to Moldova"). The Ministry of Finance of the Republic of Moldova shall provide the Commission with an official statement on the transfer of the local currency equivalent of the MFA Grant to this account held at the National Bank of the Republic of Moldova (see Annex 1 of this agreement).

b. Subject to Points 6 and 14 of the Memorandum of Understanding, payment by the Commission of the MFA instalments foreseen in Article 1 (a) and (b) shall be made within thirty 30 days of the approval of the track record as laid down in Article 1 (b) and of the Commission's review of progress made with respect to the agreed structural reform criteria set out in the Memorandum of Understanding. Payment shall be deemed to have been made on the date on which it is debited from the Commission's account.

c. On expiry of the period for payment specified in paragraphs b) of this Article, the Country may, within two months following the date of receipt of late payment, request payment of interest on the late payment at the interest rate applied by the European Central Bank to its main financing operations in Euros, as published in the C series of the Official Journal of the European Union (hereafter referred to as the "ECB Refinancing Rate") plus three and a half points. The ECB Refinancing Rate to be used to calculate the sum due as interest for late payment shall be the rate in force on the first day of the month of the final date for payment, as published in the C series of the Official Journal of the European Union. Interest on late payment shall cover the period from the final date for payment, exclusive, up to the date of payment as defined in the previous sub-paragraph, inclusive. Withholding the disbursement in accordance with Point 5 of the Memorandum of Understanding may not be considered as late payment.

d. The Country undertakes to pay all costs and expenses incurred in relation to the financial transactions of the MFA Grant.

e. The Country declares that all payments and transfers from the European Commission to the Country under this MFA Grant Agreement, as well as the MFA Grant Agreement itself, are not subject to any tax or any other impost in the Country and shall not be so subject for the entire duration of this MFA Grant Agreement.

Article 4: Protection of the Union's financial interests, checks, audits, prevention of fraud and other irregularities, recovery of funds

a. During the implementation of the Union's macro-financial assistance the Country shall regularly inform the Commission on the execution of this Agreement in accordance with the Union's legislation on the protection of the EU's financial inter-

est. To that effect, the Country will within one month after the disbursement of each instalment send the completed template in Annex 1 of this Agreement to the Commission. The Commission shall be entitled to withhold the release of an instalment in case the Country has not made the declaration of Annex 1 with regard to a previous instalment.

b. Throughout the duration of the Memorandum of Understanding and for five years after the disbursement of the last instalment of the MFA Grant, the Commission shall have the right to monitor the soundness of the Republic of Moldova's financial arrangements, the administrative procedures and the internal and external control mechanisms which are relevant to the assistance. The Country shall regularly supply all information and documents that are relevant to such monitoring.

c. In conformity with its regulations on the protection of the EU's financial interests, the Commission, including the European Anti-Fraud Office, and the European Court of Auditors shall have the right to send their own agents or duly authorized representatives to carry out any technical or financial controls (including on-the-spot checks and inspections) or audits (including document audits and on-the-spot audits such as operational assessments) that they consider necessary in relation to the management of this assistance throughout the duration of the Memorandum of Understanding and for five years after the disbursement of the last instalment of the MFA Grant in order to protect the Union's financial interests.

d. The Country and the Agent shall supply all information and documents which may be requested for the purpose of such assessments, controls or audits, and take all suitable measures to facilitate the work of persons instructed to carry them out. The Country and the Agent undertake to give to the persons referred to in paragraph (c) access to sites and premises where the relevant information and documents are kept.

e. The Country and the Agent shall ensure regular checks that financing provided from the EU macro-financial assistance has been properly used. The Country and the Agent shall also implement appropriate measures to prevent irregularities and fraud and shall ensure investigation and satisfactory treatment of any suspected and actual cases of fraud, corruption or any other illegal activity in relation to the management of the EU macro-financial assistance, detrimental to the EU's financial interests. All such cases as well as measures related thereto taken by national competent authorities shall be reported to the Commission without delay and, if necessary, legal action shall be taken to recover any funds provided from the EU macro-financial assistance that have been misappropriated.

Article 5: Termination and Recovery

In case that it has been established that in relation with this assistance, the Country or the Agent has engaged in any act of fraud or corruption or any other irregularities detrimental to the EU's financial interests, or in case the Country or the Agent breached their obligations under the present MFA Grant Agreement, the Commission shall be entitled to terminate this agreement and/or to proceed to the full or partial recovery of the Grant by the Country in proportion to the gravity of the failings in question, and after allowing the Country to submit its observations and on whatever terms and by whatever date the Commission may specify. The amount to be repaid shall contain the principal due and the interest earned calculated using

the ECB Refinancing Rate in force on the first calendar day of the month in which the Grant was paid by the Commission. The default interest rate for amounts receivable not repaid on the due date shall be the ECB Refinancing Rate in force on the first calendar day of the month in which the due date falls, increased by three and a half percentage points. All payments due shall be in Euro.

Article 6: Applicable law and dispute settlement

a. This macro-financial assistance shall be governed by the terms of the MFA Grant Agreement, by EU rules applicable, and on a secondary basis, by the Law of Belgium applicable to this kind of actions.

b. The Republic of Moldova and the European Union (hereafter referred to as the "Parties") shall do everything possible to settle amicably any dispute arising between them during implementation of this MFA Grant Agreement. To that end, they shall communicate their positions and any solution that they consider possible in writing, and meet each other at either's request. A party must reply to a request for a negotiation and consultation within 30 days. Once this period has expired, or if the attempt to reach amicable settlement has not produced agreement within 120 days of the first request, each Party has to notify the other that it considers the procedure to have failed.

c. In the event of failure to reach an amicable agreement, the dispute shall be brought before the Court of Justice of the European Union for the purpose of arbitration.

Article 7: Entry into force and expiry date

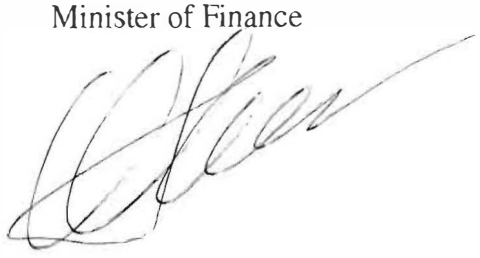
Following its signature by all Parties, the present agreement shall enter into force on the date the Republic of Moldova notifies the European Union that all constitutional and legal requirements for the entry into force of this Agreement have been fulfilled, and not earlier than the first day after entry into force of the Memorandum of Understanding.

Done in Brussels on 23 November 2017 in four originals in the English language.

The Republic of Moldova	EUROPEAN UNION
Represented by	Represented by the
MINISTRY OF FINANCE	EUROPEAN COMMISSION
OF THE REPUBLIC OF MOLDOVA	

Octavian Armaşu

Minister of Finance



Elena Flores

Director



NATIONAL BANK OF
THE REPUBLIC OF MOLDOVA



Sergiu Cioclea

Governor of the National Bank

ANNEX 1

DECLARATION WITH REGARD TO THE PROTECTION OF THE EU's FINANCIAL INTERESTS

[*on letterhead of the Country and the Agent of the Country*]

By fax followed by registered mail:

European Commission
[*Insert address*]
Fax: [•]

Copy to the National Bank of Moldova
[*Insert address*]
Fax: [•]

Subject: **European Union macro financial assistance**
Declaration with regard to the protection of the EU's financial interests

Dear Madam/Sir,

I refer to the Grant Agreement (hereinafter "the Agreement") between the European Union (hereinafter "the EU") and the Republic of Moldova providing macro-financial assistance (hereinafter "the assistance") of EUR 100 million to the Republic of Moldova, of which EUR 40 million in grants.

Subject to the foregoing and with regard to all MFA instalments (first instalment of EUR 10 million in grants disbursed on ***[insert date]***, second instalment of EUR 10 million in grants disbursed on ***[insert date]***, third instalment of EUR 20 million in grants disbursed on ***[insert date], [please only fill in relevant dates as applicable]***, I hereby confirm that:

1. The Republic of Moldova effectively implemented specific measures in relation to the prevention of and the fight against fraud, corruption and any other irregularities potentially affecting the assistance in accordance with Council Regulation (EC, Euratom) No 2988/95[2].

2. The Republic of Moldova has implemented the necessary measures in order to ensure that regular checks are done and that any suspected case of fraud, corruption or any other illegal activity in relation to the management of the assistance is duly investigated.

3. No case of fraud, corruption or any other illegal activity in relation to the management of the assistance and no legal action to recover any funds under this Agreement can be reported.

4. Regarding the first/second/third ***[delete as appropriate]*** grant instalment disbursed on ***[insert date]***, based on the EUR/MDL exchange rate of ***[insert applicable FX rate]***, the MDL equivalent of the net disbursement amount being MDL ***[insert amount]*** was trans-

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[2] Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

ferred to the Treasury Single Account Number 33114001 at the National Bank of the Republic of Moldova. The relevant accounting documents of the National Bank of Moldova are enclosed.

5. The first/second/third grant instalment ***[delete as appropriate]*** was booked as "External Financing" in the annual public accounts for the year ***[insert year]***. I hereby enclose the relevant bookkeeping document of the Ministry of Finance of the Republic of Moldova.

6. In conclusion, the assistance received under the Agreement was used by the Republic of Moldova in compliance with the EU's legislation on the protection of the EU's financial interests and in particular with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council [3] and Commission Delegated Regulation (EU) No 1268/2012[4].

Minister of Finance

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[3] Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298, 26.10.2012, p. 1).

[4] Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 1).