

The European Commission's proposed Reform and Growth Facility for the Republic of Moldova

On 9 October 2024, the European Commission published a Communication on the Moldova Growth Plan,¹ along with a proposal for a Regulation on a new Reform and Growth Facility, comprising EUR 1.785 billion for 2025-2027.² Of this, up to EUR 285 million will be in non-repayable grant support and EUR 1.5 billion in concessional loans. The Facility is modelled on the Western Balkans Reform and Growth Facility approved earlier this year.

Regrettably, **no public consultation is taking place** on the planned Regulation – **hardly the example that the EU should be setting**. This is said in the proposal to be ‘*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*’ (p.4-5).

This is all the more unacceptable because the public consultation on the Reform and Growth Facility for the Western Balkans was completely unsatisfactory – in fact, more than six months after the Regulation text was agreed on between the Parliament and Council, it has still not finished.³ It keeps being extended until the text is available in all EU languages. This makes it impossible for the inputs to be duly taken into account.

In addition, **no impact assessment** has been carried out on the planned Moldova Facility, with the Commission stating in its explanatory memorandum that ‘*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.*’

This is becoming a habit: no impact assessment was carried out for the Western Balkans Facility either. It is particularly unacceptable considering that a new model is being introduced, which needs to be carefully calibrated with Moldova’s

¹ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Communication on the Moldova Growth Plan](#), European Commission, 9 October 2024.

² European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the Reform and Growth Facility for the Republic of Moldova](#), European Commission, 9 October 2024.

³ European Commission, [Have your say - Public Consultations and Feedback: Reform and Growth Facility for the Western Balkans](#), 9 November 2023 to 19 January 2025.

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administrative capacity in order to ensure that it results in meaningful reforms. An assessment prepared after the adoption of the Regulation is meaningless.

The European Court of Auditors has previously found that EU funding via the Instrument for Pre-accession has had ‘*little overall impact on fundamental rule of law reforms*’ in the Western Balkans, despite rule of law being a priority sector.⁴ This on one hand supports the need for a new approach, but also serves as a warning that particular caution, analysis and wide consultation is needed in the design of new funds for accession countries.

Excessively wide objectives and investment parameters

Article 3 of the draft Regulation lists four general objectives of the Facility, and no fewer than 12 specific ones, many of which have several sub-points each. Although Moldova will be able to choose priorities, it seems unrealistic to cover anywhere near this many points with EUR 285 million in grants and EUR 1.5 billion in loans. We therefore suggest narrowing down the list.

The list of potential investments via the Facility is also very wide. Recital 8 of the proposed Regulation states that:

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.

Further details on transport and digitalisation are also given in points 10 and 11. But these areas are extremely wide for the amount of money offered, and one or two large investments could eat up the entire grant component. The support needs to be further focused on avoiding spending on traditional large infrastructure projects such as motorways, where costs tend to be underestimated and socio-economic benefits overestimated,⁵ and which divert limited resources from more sustainable investments. Overall, narrower goals are needed for the Facility, to ensure its effectiveness.

Public participation and the partnership principle are key to success

One lesson that must be learnt from the Western Balkan Reform and Growth Facility is the **need for clear rules on public consultations** of Reform Agendas and civil society involvement in the monitoring of funds. The wording in the draft for the Moldova Facility (Article 9.6) – almost the same as in the Regulation on the Western Balkans Reform and Growth Facility⁶ – is insufficient:

⁴ European Court of Auditors, [Special Report 01/2022: EU support for the rule of law in the Western Balkans: despite efforts, fundamental problems persist](#), European Court of Auditors, 10 January 2022.

⁵ Bent Flyvbjerg, [Survival of the unfittest: why the worst infrastructure gets built—and what we can do about it](#), *Oxford Review of Economic Policy*, Volume 25, Issue 3, 344–367, 2009.

⁶ [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](#), OJ L, 2024/1449, 24 May 2024.



‘The Reform Agenda shall be prepared in an inclusive and transparent manner, in consultation with social partners and civil society organisations.’

This leaves too much space for national governments to cherry-pick civil society organisations and social partners to consult, and fails to specify that the full text must be available for comments. In reality, only Albania appears to have held a public consultation on the text of the Reform Agenda. The other countries that submitted Reform Agendas all claimed to have consulted civil society, but e.g. cherry-picked groups to consult (Serbia), or held an event without making the text available (Montenegro).

Moreover, when warned about the lack of consultations in a letter by Climate Action Network Europe and CEE Bankwatch Network in July 2024, DG NEAR failed to provide a timely response and did not take any action to rectify the situation. Instead, it waited until the Reform Agendas were approved and invited us to check its country assessments,⁷ which merely repeated the information provided by the countries, and did not give any indication of the Commission verifying their claims.

At the very least, the Reform Agenda for Moldova must be *publicly* consulted for at least 30 days before submission to the Commission, and this must be a condition for its approval. If it may entail significant impacts on the environment, a Strategic Environmental Assessment must be carried out. Article 9.6 needs to be amended to specify this.

In addition, Article 9.7 must be amended to allow more than three months for the submission of the Reform Agenda to the Commission, as at least 30 days will be needed for the public consultation alone.

The Partnership Principle⁸ must also be extended to all EU funds, including in Moldova, in order to ensure appropriate monitoring, including by civil society. Article 4.9 of the draft Regulation has some provisions to this effect, but is too vague:

‘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.’

This is important, but refers to the phase after Reform Agendas are approved, when more specific choices are being made about funding activities. This cannot replace a public consultation at a stage when all options are still open. It also does not represent a clear requirement to set up an inclusive committee for steering and monitoring, which needs to be added to Article 8 as part of the Facility Agreement.

⁷ Gert Jan Koopman, Letter to Climate Action Network Europe and CEE Bankwatch Network, 4 November 2024.

⁸ See for example the [Commission Delegated Regulation \(EU\) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds](#).

Do no significant harm and leave no-one behind – but how will this be ensured?

The Recitals of the draft Regulation, as well as Article 4, make it clear that the investments under the Facility shall, among others, mainstream climate change mitigation and adaptation, biodiversity and environmental protection, human rights, democracy, avoid stranded assets, and be guided by the principles of ‘do no harm’ and of ‘leaving no one behind’. This is welcome, however, the text of the Regulation contains no provisions on how these will be regulated, carried out, publicly consulted and checked. This needs to be specified in Article 9, as the Reform Agenda will contain an indicative list of such investments, so DNSH assessments already have to be carried out at this stage.

The experience from the EU Recovery and Resilience Facility shows that the DNSH assessment has often been done as an ineffective tick-box exercise behind closed doors, with no public input. Moreover it has often taken place before the exact nature of the measures has been established, making it hard to assess their impacts.

The experience from the Western Balkan Reform Agendas is even worse. Each Reform Agenda has a section where the countries have to explain how DNSH is ensured, but these are extremely general and show that they do not understand the concept at all. Some of the countries have clearly nominated projects for investment which are not in line with the EU taxonomy, and some which are not in line with the Facility’s fossil fuel exclusion.

In the case of the Moldova Reform and Growth Facility, the Commission must give clearer guidance and the public must have an opportunity to have a say on DNSH assessments.

Exclusion of fossil fuels highly welcome and must be retained

Article 4 of the draft Regulation states that the Facility shall not support activities or measures which are incompatible with Moldova’s National Energy and Climate Plan (NECP), Nationally Determined Contribution (NDC) 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 or the climate. This is very welcome. It is crucial that fossil fuels and investments with significant adverse effects on the environment/climate are specifically excluded, as it cannot be taken for granted that NECPs and NDCs will not include such projects.

Biodiversity spending target must be separate to climate target

It is welcome that, according to Article 4.6, at least 37 per cent of the non-repayable financial support, including provisioning, provided to investment projects approved under the Neighbourhood Investment Platform (NIP) should serve climate objectives. However, the experience from the Recovery and Resilience Facility in central and eastern EU Member States shows that biodiversity funding needs to have a separate allocation percentage, otherwise it is crowded out by other sectors’ climate action funding.

Excessively concessional terms may encourage irresponsibility

According to Article 15, the loans are foreseen to have a maximum duration of 40 years, and Recital 47 states that it is appropriate not to start repaying the principal before 2034. This seems designed to encourage irresponsible borrowing that will burden future generations.

EU financial interests not adequately protected

Chapter IV relies excessively on Moldova to self-report fraud and corruption. It needs to state more clearly what the Commission 'shall' do (not 'may do') to prevent such occurrences, for example in Article 22.5 and 22.6.

In particular, according to Article 22, for the portion of funds paid as direct budget support to the governments, it sounds like the Commission will *only* rely on Moldova's control systems. Even with improvements, it is not realistic that the change within 2-3 years will be sufficient to properly manage and control EU funds.

Also of concern is that under Article 22.3, Moldova is only obliged to report irregularities, including fraud, to the Commission if they have been the subject of a primary administrative or judicial finding. Although it is understandable to want to limit fraud reporting to cases where it appears to be well-founded, leaving it until it is subject to a primary administrative or judicial finding can take many, many years, and is much too late.

Key recommendations

Since it is not the first time we have seen a lack of impact assessment and (meaningful) public consultation for such a Facility, the Parliament should consider suspending the adoption of the Regulation in Parliament until these have been carried out.

When the Regulation does enter the Parliament, we invite its Members to propose amendments as follows, in order of appearance:

- In **Recital 8**, narrow down the potential investment areas to at least specify that only public transport should be supported.
- In **Recital 10**, narrow down the investment areas to stipulate that only public transport should be supported.
- **Recital 47** needs to reduce the loan period and bring the start of loan repayments closer than 2034, to encourage more responsible borrowing.
- In **Article 3**, narrow down the lists of **general** and **specific objectives** to prioritise those which the Facility can most clearly impact, such as fundamentals of the enlargement process and building a sustainable, climate-neutral and inclusive economy.



- **Article 4.6** needs to specify a target for biodiversity spending. This may be based on the EU's target of 10 per cent for 2026 and 2027,⁹ or set at a different level appropriate for Moldova.
- **Article 4.9** needs to be strengthened to include a specific reference to the Partnership Principle¹⁰, in order to ensure appropriate monitoring, including by civil society.
- **Article 8.5** needs to be amended to include a new point (*dd*) requiring such project selection and monitoring committees to be included in the Facility Agreement.
- **Article 9.5** needs to be amended to clarify how to comply with the DNSH principle, stipulate that the Commission will provide guidance and that such assessments must be publicly available.
- **Article 9.6** needs to be amended to make the public consultation rules more specific, specifically allowing a period of at least 30 days for written comments and requiring a Strategic Environmental Assessment if the contents of the Reform Agenda (e.g. the investment projects) may have significant environmental impacts.
- **Article 9.7** must be amended to allow more than three months for the submission of the Reform Agenda to the Commission, as at least 30 days will be needed for the public consultation alone, plus the time needed to take the results into account.
- **Article 15.2** needs to be amended to significantly reduce the maximum loan duration.
- In **Article 22**, several provisions need to be strengthened so that although Moldova's audit authorities play the primary role, action by the Commission is mandatory, not optional. Moldova should also be obliged to report suspected fraud, not only that which has been subject of a primary administrative or judicial finding.

⁹ European Commission, [The 2021-2027 EU budget – What's new?](#), European Commission, accessed 22 November 2024.

¹⁰ See for example the [Commission Delegated Regulation \(EU\) No 240/2014 of 7 January 2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds](#).