

# **Regulatory and Procedural Barriers to Trade in the Republic of Moldova**

Needs Assessment



UNITED NATIONS ECONOMIC COMMISSION FOR EUROPE

# **Regulatory and Procedural Barriers to Trade in the Republic of Moldova**

## **Needs Assessment**



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## Foreword

A small landlocked country, the Republic of Moldova remains one of the poorest countries in South East Europe, with the economy showing continued dependence on low value-added manufacturing and agriculture along with remittances from workers abroad for income generation. The country is yet to reap the benefits of the intensive reform efforts, which have been consistently geared towards consolidating a market-based economy driven by trade and investment.

This study sheds light on the factors influencing the country's development prospects and the role of trade therein by bringing forward growth bottlenecks stemming from regulatory and procedural trade measures. Using the UNECE evaluation methodology, the study also traces the manner in which these bottlenecks combine to act as trade barriers and provides action-oriented recommendations that address immediate and long-term capacity building needs for removing the identified barriers. The recommendations were discussed during a stakeholder meeting in Chişinău, which was organized on 24 February 2017 by the Ministry of Economy of the Republic of Moldova with the participation of public and private stakeholders, including economic operators from the region of Transnistria.

The study integrates the outcome of the stakeholder meeting as well as the written comments, which were submitted by the Government in March 2017. The emphasis is on scaling up and substantiating the recommendations in a manner that ensures building on achievements to date, complementing the Government's development strategies and informing technical assistance activities by United Nations agencies and development partners.

The Government launched a concerted effort to address the business environment and foreign trade conditions using the evidence based analysis of the study, which creates a factual solid background for measures to be undertaken. As such, it has integrated the recommendation into the National Action Plan for implementing the country's commitments under the World Trade Organization Agreement on Trade Facilitation, which was launched on 16 June 2017, and into the United Nations-Republic of Moldova Partnership Framework for the period 2018–2022.

ECE considers this study as a reference framework for guiding its support of the Republic of Moldova's trade development efforts. The ECE secretariat is working closely with the Government of Moldova to mobilise the required resources and partnerships to ensure successful implementation of the recommendations.

**Tudor Ulianoschi**  
Ambassador Permanent Representative  
of the Republic of Moldova  
to the United Nations Office in Geneva

**Olga Algayerova**  
Under-Secretary-General of the United Nations  
Executive Secretary of the  
United Nations Economic Commission for Europe

## Acknowledgments

This study is the sixth in a series of national assessments of regulatory and procedural barriers to trade in the UNECE region. It was prepared by Ms. Hana Daoudi under the guidance of Mr. Mika Vepsäläinen.

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The UNECE would also like to thank the international polling institution, SATISCAN Sàrl, that designed the electronic database for compiling the results of the face-to-face interviews with traders; provided on the job training to the national team of experts who conducted the interviews; and, conducted the data validation and reconciliation of the results generated from the interviews.

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# Contents

<b>Foreword .....</b>	<b>3</b>
<b>Acknowledgments .....</b>	<b>4</b>
<b>Abbreviations .....</b>	<b>11</b>
<b>Chapter One .....</b>	<b>15</b>
Introduction .....	15
1.1 Country background .....	15
1.2 Methodology .....	15
1.3 Scope of the assessment .....	18
1.4 Study outline .....	19
<b>Chapter Two.....</b>	<b>21</b>
Trade dynamics in Moldova.....	21
2.1 Introduction .....	21
2.2 Economic and trade performance.....	22
2.3 Traders' profile.....	25
2.4 Trade facilitation conditions .....	31
2.5 Regulatory and standardization policies .....	53
2.5.6 Metrology .....	66
<b>Chapter Three.....</b>	<b>67</b>
The region of Transnistria .....	67
3.1 Introduction .....	67
3.2 Economic and trade performance.....	67
3.3 Traders' profile.....	68
3.4 Trade facilitation conditions .....	72
<b>Chapter Four.....</b>	<b>81</b>
Future prospects.....	81
4.1 Introduction.....	81
4.2 Shifting trade patterns.....	81
4.3 Welfare effects of existing regional cooperation arrangements .....	83
4.4 Welfare effects of alternative regional cooperation arrangements .....	96
4.5 Policy implications .....	97

<b>Chapter Five.....</b>	<b>101</b>
Conclusion and recommendations .....	101
<b>Annexes.....</b>	<b>111</b>
Annex I. The Republic of Moldova's bilateral agreements on border cooperation .....	112
Annex II. The Republic of Moldova's quality control and quality assurance system .....	115
Appendix A Supporting the Export Competitiveness of the Moldovan Wine Industry .....	129
Appendix B Supporting the Export Competitiveness of Fresh Fruits and Vegetables.....	161

## Tables

Table 2.1	Surveyed enterprises export-import mix.....	26
Table 2.2	Breakdown of the surveyed enterprises' exports by target market.....	28
Table 2.3	Transport modes used by traders by reported country of destination.....	30
Table 2.4	Moldova's participation in UNECE Transport Agreements and Conventions .....	32
Table 2.5	Trade information sources reported by the surveyed enterprises.....	34
Table 2.6	CoOs issued by authorities in the Republic of Moldova .....	36
Table 2.7	Documentary requirements for exports by level of difficulty (Moldova).....	40
Table 2.8	Border control agencies and their responsibilities.....	44
Table 2.9	Land BCPs used by traders: Advantages and disadvantages.....	48
Table 2.10	Moldova's participation in regional and inter-regional transport development initiatives.....	53
Table 2.11	Approximation of national laws and adoption of European harmonized standards .....	58
Table 2.12	List of CABs accredited by MOLDAC .....	63
Table 3.1	Breakdown of the region of Transnistria's main exports.....	67
Table 3.2	Breakdown of the region of Transnistria's exports.....	68
Table 3.3	Trade performance indicators between the two banks of River Nistru .....	68
Table 3.4	Surveyed enterprises export-import mix.....	69
Table 3.5	Breakdown of the surveyed enterprises' exports and imports by partner country .....	70
Table 3.6	Trade information sources reported by the surveyed enterprises.....	74
Table 3.7	Documentary requirements, region of Transnistria .....	75
Table 3.8	Documentary requirements for exports by level of difficulty .....	76

Table 4.1	Moldova's top 20 exports to the EU (2015).....	84
Table 4.2	Moldova's top 20 exports to the EAEU (2015) .....	86
Table 4.3	RMA for Moldova's top 20 exports to the EU and EAEU (2015).....	89
Table 4.4	Moldova's top 20 imports from the EU (2015).....	91
Table 4.5	Moldova's top 20 imports from EAEU countries (2015) .....	92
Table 4.6	Trade creation and diversion within Moldova's existing FTAs with EU and EAEU.....	95
Table 4.7	Comparison between Moldova's bound tariff rates and EAEU CET.....	97
Table 4.8	Challenges to business activities: Areas described by traders as creating difficulties .....	99
Table 5.1	Priority needs and recommendations by area .....	102
Table A2.1	The legal framework underpinning the Republic of Moldova's SQAM system .....	115
Table A2.2	NSI's participation in regional and international standard-setting organizations .....	116
Table A2.3	MOLDAC's participation in regional and international accreditation bodies .....	118
Table A3.1	Notifications logged with the RASFF relating to products originating in the Republic of Moldova (2008-2016) .....	119
Table A3.2	Non-tariff measures (NTMs) applied by the EU by chapter .....	122
Table A3.3	NTMs applied by the EU on the Republic of Moldova's top exports by NTM Chapter and product group .....	123
Table A1.1	Use case and activity diagram notations .....	129
Table A3.1	Core business processes and stakeholders involved in wine exports .....	136
Table A4.1	List of main and supporting document required for exports .....	155
Table A5.1	Sequencing of business processes for exporting wine from the Republic of Moldova.....	157
Table A6.1	Capacity needs and recommendations for strengthening the export competitiveness of Moldovan wineries .....	158
Table B3.1	Core business processes and stakeholders involved in wine exports .....	164
Table B4.1	List of main and supporting document required for exports (Republic of Moldova) .....	190
Table B4.2	List of main and supporting document required for exports (Region of Transnistria)....	192
Table A5.1	Sequencing of business processes for exporting fruits and vegetables from the region of Transnistria .....	193



# Figures

Figure 1.1	UNECE international supply chain Buy-Ship-Pay reference model .....	16
Figure 1.2	Product life cycle and regulatory system processes .....	17
Figure 1.3	Breakdown of the surveyed enterprises by location .....	18
Figure 1.4	Breakdown of the surveyed enterprises by sector .....	18
Figure 2.1	Moldova's GDP by sector (Share in total GDP ) .....	22
Figure 2.2	Breakdown of Moldova's labor force by sector .....	22
Figure 2.3	Breakdown of Moldova's exports by sector, 2001-2015 .....	23
Figure 2.5	Moldova's exports and imports, 2005-2015 .....	24
Figure 2.4	Moldova's main export markets .....	24
Figure 2.6	Moldova's chronic trade deficit 2000-2015 .....	24
Figure 2.7	Moldova's expanding GNI-GDP gap.....	25
Figure 2.8	Breakdown of interviewed traders by location.....	26
Figure 2.9	Breakdown of the enterprises involved in production by sector .....	26
Figure 2.10	Surveyed enterprises target markets.....	28
Figure 2.11	Surveyed enterprises sources of supply.....	30
Figure 2.12	The Republic of Moldova's national registry of standards .....	60
Figure 3.1	Breakdown of interviewed traders by location.....	69
Figure 3.2	Breakdown of surveyed enterprises by sector .....	69
Figure 3.3	Surveyed enterprises target markets.....	71
Figure 3.4	Enterprises sources of supply.....	71
Figure 4.2	Moldova's exports to CIS and the Russian Federation.....	82
Figure 4.3	Moldova's exports to Romania and the EU.....	82
Figure 4.1	Moldova's exports to the EU and CIS , 2000-2014.....	82
Figure 4.4	Moldova's imports from CIS and the EU (Percentage share).....	83
Figure 4.5	EU MFN rates on top 20 Moldovan exports to the EU.....	85
Figure 4.6	MFN tariffs on Moldova's top 20 exports to the EAEU.....	87
Figure 4.7	Moldova's export concentration index .....	88
Figure 4.8	Finger-Kreinin product similarity index for Moldova's exports to EU and EAEU .....	88
Figure 4.9	Moldova's import concentration index .....	90
Figure 4.10	Finger-Kreinin product similarity index for Moldova's imports from EU and EAEU.....	94
Figure 4.11	Moldova's MFN tariffs on top 20 imports from the EU .....	94

Figure 4.12	Moldova's MFN tariffs on top 20 imports from EAEU.....	95
Figure A2.2	The Republic of Moldova's wine exports to the Russian Federation in USD.....	132
Figure A2.3	The Republic of Moldova's total wine exports in USD.....	132
Figure A2.1	Major export market's Moldova's wine (USD) .....	132
Figure A2.4	Moldovan wine export markets, 2005 .....	133
Figure A2.5	Wine markets, 2015.....	133
Figure A2.6	Moldova's wine industry new export markets .....	134
Figure A3.1	Core business processes associated with exporting wine from the Republic of Moldova .....	136
Figure A3.2	Negotiate and conclude the sales contract use case diagram.....	137
Figure A3.3	Negotiate and conclude the sales contract activity diagram .....	138
Figure A3.3	Negotiate and conclude the sales contract activity diagram .....	140
Figure A3.5	Obtain the certificate of conformity use case diagram.....	140
Figure A3.6	Obtain the Certificate of Conformity activity diagram.....	141
Figure 3.7	Obtain the certificate of origin use case diagram.....	144
Figure A3.8	Obtain the certificate of origin activity diagram.....	145
Figure 3.9	Arrange transport use case diagram .....	147
Figure A3.10	maps the activities associated with arranging transport.....	148
Figure 3.10	Arrange transport activity diagram.....	149
Figure 3.11	Customs Clearance use case diagram .....	150
Figure 3.12	Customs clearance activity diagram.....	151
Figure 3.13	Use case diagram for pay process area .....	153
Figure 3.14	Claim payment activity diagram .....	153
Figure A5.1	Time-process chart for exporting wine from the Republic of Moldova.....	157
Figure B3.1	Core business processes associated with exporting fresh fruits and vegetables from the region of Transnistria .....	165
Figure B3.2	Negotiate and conclude the sales contract use case diagram.....	165
Figure B3.3	Negotiate and conclude the sales contract activity diagram .....	167
Figure B3.4	Ship use case diagram .....	169
Figure B3.5	Arrange transport use case diagram .....	169
Figure B3.6	maps the activities carried out by the trader. ....	170
Figure B3.6	Arrange transport activity diagram .....	171
Figure B3.7	Obtain Certificate of Origin from local authorities , region of Transnistria use case diagram .....	172
Figure B3.8	Obtain the Certificate of Origin from local authorities (region of Transnistria) activity diagram .....	173
Figure B3.9	Use case diagram for obtaining the appraisal act from the Republic of Moldova.....	174

Figure B3.10	Obtain the Appraisal Act activity diagram .....	175
Figure B3.11	Obtain phytosanitary certificate use case diagram.....	176
Figure B3.12	Obtain the phytosanitary certificate activity diagram .....	177
Figure B.13	Obtain the Moldovan Certificate of Origin use case diagram .....	179
Figure B.14	Obtain the Certificate of Origin activity diagram.....	180
Figure B.15	Customs Clearance, the region of Transnistria use case diagram .....	182
Figure B.16	Pass Customs Clearance, region of Transnistria " activity diagram .....	183
Figure B.17	Moldovan customs clearance use case diagram.....	185
Figure B.18	Moldovan customs clearance activity diagram .....	186
Figure B.19	Claim payment use case diagram.....	188
Figure B.20	Claim payment for goods activity diagram .....	189
Figure B5.1	Time-process chart for exporting and vegetables export from the region of Transnistria.....	193

## Boxes

Box 2.1	National Standards Technical Committees as at October 2016.....	57
Box 3.1	Legal framework governing export-import activities in the Republic of Moldova .....	72
Box 3.2	Documentary requirements, region of Transnistria: legal framework.....	76
Box 3.3	Clearance procedure for goods originating from/destined to the region of Transnistria .....	78

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# Abbreviations

<b>AA</b>	Association Agreement
<b>ABW</b>	Automated Broker Workplace
<b>ADB</b>	Asian Development Bank
<b>AEO</b>	Authorized Economic Operator
<b>ATA</b>	Admission Temporaire - Temporary Admission
<b>ATP</b>	Autonomous Trade Preferences
<b>BCP</b>	Border Crossing Point
<b>BIPM</b>	International Bureau of Weights and Measures
<b>BPA</b>	Business Process Analysis
<b>BPR</b>	Business Process Reengineering
<b>BSEC</b>	Organization of the Economic Cooperation of the Black Sea region
<b>CAB</b>	Conformity assessment body
<b>CAREC</b>	Central Asia Regional Economic Cooperation
<b>CEFTA</b>	Central European Free Trade Area
<b>CEI</b>	Central European Initiative
<b>CET</b>	Common External Tariff
<b>CIS</b>	Commonwealth of Independent States
<b>CISFTA</b>	Commonwealth of Independent States Free Trade Area
<b>COOMET</b>	Cooperation of National Metrological Institutions
<b>CPA</b>	Consumer Protection Agency
<b>CU</b>	Customs Union
<b>DCFTA</b>	Deep and Comprehensive Free Trade Area
<b>EAEU</b>	Eurasian Economic Union
<b>EASC</b>	Euro-Asian Interstate Council for Standardization, Metrology and Certification
<b>EIA</b>	enzyme immunoassay testing method
<b>EU</b>	European Union
<b>EURAMET</b>	European Association of National Metrology
<b>FDI</b>	Foreign direct investment
<b>GATT</b>	Agreement on Tariffs and Trade
<b>GDP</b>	Gross domestic product
<b>GNI</b>	Gross national income
<b>GOST</b>	CIS interstate regional standards
<b>GPS</b>	Global Positioning System
<b>GSP</b>	Generalised System of Preferences

<b>HACCP</b>	Hazard Analysis and Critical Control Point
<b>IAF</b>	International Accreditation Forum
<b>ICT</b>	Information and communication technology
<b>IEC</b>	International Electrotechnical Commission
<b>ILAC</b>	International Laboratory Accreditation Cooperation
<b>IMF</b>	International Monetary Fund
<b>IRSA</b>	Interregional Association for Standardization
<b>ISO</b>	International Organization for Standardization
<b>IT</b>	Information technology
<b>KCDB</b>	Key Comparison Database
<b>MAFI</b>	Ministry of Agriculture and Food Industry
<b>MDL</b>	Moldovan Lei
<b>MDGs</b>	Millennium Development Goals
<b>MFN</b>	Most Favoured Nation
<b>MoAFI</b>	Ministry of Agriculture and Food Industry
<b>MoH</b>	Ministry of Health
<b>MOLDAC</b>	National Accreditation Centre
<b>MoTRI</b>	Ministry of Transport and Roads Infrastructure
<b>MRA</b>	Mutual Recognition Arrangement
<b>NMI</b>	National Metrology Institute
<b>NSI</b>	National Standardization Institute
<b>NTMs</b>	Non-tariff measures
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OIML</b>	International Organization of Legal Metrology
<b>OSCE</b>	Organization for Security and Co-operation in Europe
<b>PCR</b>	Polymerase chain reaction testing method
<b>PRC</b>	People's Republic of China
<b>RASFF</b>	Rapid Alert System for Food and Feed of the EU
<b>RCA</b>	Revealed Comparative Advantage
<b>RCC</b>	Regional Cooperation Council
<b>RIA</b>	Regulatory impact assessment
<b>SAD</b>	Single Administrative Document
<b>SBS</b>	State Border Service
<b>SCS</b>	State Customs Service
<b>SCO</b>	Shanghai Cooperation Organization
<b>SECI</b>	South-East European Cooperative Initiative

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<b>SEEC</b>	South-East European Cooperation Process
<b>SITC</b>	Standard International Trade Classification
<b>SMEs</b>	Small- and medium-sized enterprises
<b>SPS</b>	Sanitary and Phytosanitary
<b>SQAM</b>	Standardization, quality assurance, accreditation and metrology
<b>SW</b>	Single Window
<b>SWIS</b>	Single Window Information System
<b>TBT</b>	Technical Barriers to Trade
<b>TIN</b>	Trader Identification Number
<b>TIR</b>	Transports Internationaux Routiers
<b>TRACECA</b>	Transport Corridor Europe Caucasus Asia
<b>UAIS</b>	Unified Automated Information System
<b>UML</b>	Unified Modelling Language
<b>UN/CEFACT</b>	United Nations Centre for Trade Facilitation and Electronic Business
<b>UNECE</b>	United Nations Economic Commission for Europe
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>USA</b>	United States of America
<b>USD</b>	United States Dollar
<b>VAT</b>	Value Added Tax
<b>WCO</b>	World Customs Organisation
<b>WELMEC</b>	European Legal Metrology
<b>WTO</b>	World Trade Organization

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# Chapter One

## Introduction

### 1.1 Country background

Situated between Ukraine and Romania, the Republic of Moldova is a small landlocked country<sup>1</sup> with deep-seated structural weaknesses, which manifest themselves in the lack of economic diversification and continued reliance on low value-added manufacturing activities and agriculture for income generation along with remittances from workers abroad. It is one of the poorest countries in South East Europe, held back by a frozen conflict that has been accentuating its landlocked-ness and creating economic disincentives.

This study seeks to contribute to trade development efforts in the Republic of Moldova by providing an assessment of regulatory and procedural trade measures. Using the UNECE evaluation methodology, these measures are analysed on their own right and in terms of their impact on transaction costs and the country's development prospects.

### 1.2 Methodology

The UNECE evaluation methodology features actor-oriented questionnaires, geared to ascertaining behind and at-the-border regulatory and procedural trade barriers. The questionnaires focus on: (i) trade facilitation measures; (ii) quality control systems embodied in standardization policies, technical regulations, quality assurance, accreditation and metrology (SQAM); and, (iii) trade-related infrastructure, including transport and logistics.<sup>2</sup> Below is a brief discussion of the concepts and analytical parameters underpinning the methodology.

#### 1.2.1 Analytical parameters

The analysis of trade facilitation conditions draws on the UNECE Buy-Ship-Pay (BSP) reference model, which provides a system-based conceptualization of international trade transactions. These transactions are seen as proceeding along **a single continuous process**, which spreads across the three main operations carried out by traders:

- BUY – the conclusion of trade terms and the establishment of sales contract.
- SHIP –physical transfer of the goods, including regulatory procedures related to official controls;
- PAY –payment transactions (the claim for the payment in the case of exports, and the payment for the purchased goods in the case of imports).

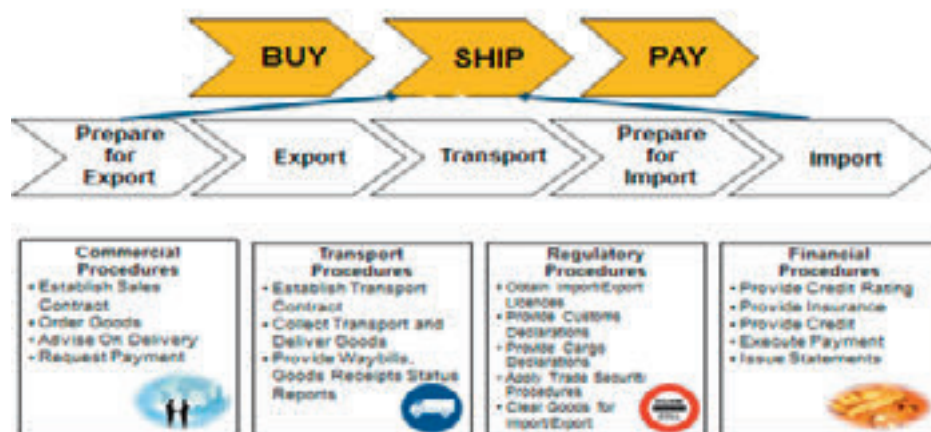
As shown in Figure 1.1, the business processes are seen as a chain of logically sequenced activities to establish commercial contracts (commercial procedures); arrange for the inland and cross-border transportation of goods (transport procedures); complete export and import formalities (regulatory procedures); and secure payments (financial procedures).

<sup>1</sup> The Republic of Moldova covers 33,851 square kilometres of land area and is separated by 50 kilometres (km) from the Black Sea. The Republic of Moldova's distance from the seacoast is relatively short compared to the remaining landlocked countries. Kazakhstan has the longest distance from the nearest seacoast (3,750 km), followed by Afghanistan, Chad, Niger, Zambia and Zimbabwe, where the distance from the nearest seacoast is in excess of 2,000 km. A brief overview of landlocked countries and their profiles is available at the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States website /<http://unohrrls.org/about-lllcs/country-profiles/>.

<sup>2</sup> The UNECE evaluation methodology is available online at: <https://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>



Figure 1.1 UNECE international supply chain Buy-Ship-Pay reference model



The questionnaires target supply chain actors, including, traders, State officials, transport operators, logistical service providers and market support institutions,<sup>3</sup> with a view to identifying capacity shortfalls undermining overall end-to-end value chain operations. Actors are assessed in terms of their contribution to increasing the efficiency, transparency and predictability of trade, as opposed to their functional performance.<sup>4</sup> Attention is also given to trade documents and procedures, which are measured against UNECE key principles on trade facilitation, including transparency, communications, consultations and cooperation; simplification, practicability and efficiency; non-discrimination, consistency, predictability and due process; harmonization, standardization and recognition; and the use of modern information and communication technology (ICT) systems.<sup>5</sup>

The insights emerging from the actor-oriented questionnaires are complemented by a sector-focused assessment of regulatory and procedural barriers to trade, using the UNECE/ESCAP Business Process Analysis (BPA) methodology.<sup>6</sup> The methodology applies the Unified Modelling Language, which uses internationally recognized standard graphical notations for mapping the day-to-day activities carried out under the BSP categories. The aim is to capture:

- Quantitative (time/money) and qualitative impacts of regulatory and procedural barriers.
- Shortfalls in transport and logistical services.
- Shortcomings in the country's SQAM system
- Shortfalls in public-private sector consultative mechanisms;
- Key policy issues with direct bearing on the traders' performance;
- Alternative options for addressing the identified regulatory and procedural barriers
- Capacity-building needs of State agencies, traders, transport sector, logistics service providers.

The results of the BPA could serve as a basis for the:

- Analysis of data requirements and data flow

<sup>3</sup> Only transport operators and logistical service providers with extensive services and broad geographic coverage are interviewed.

<sup>4</sup> For a detailed discussion of this Model, see UNECE Recommendation 18 (UNECE, 2001).

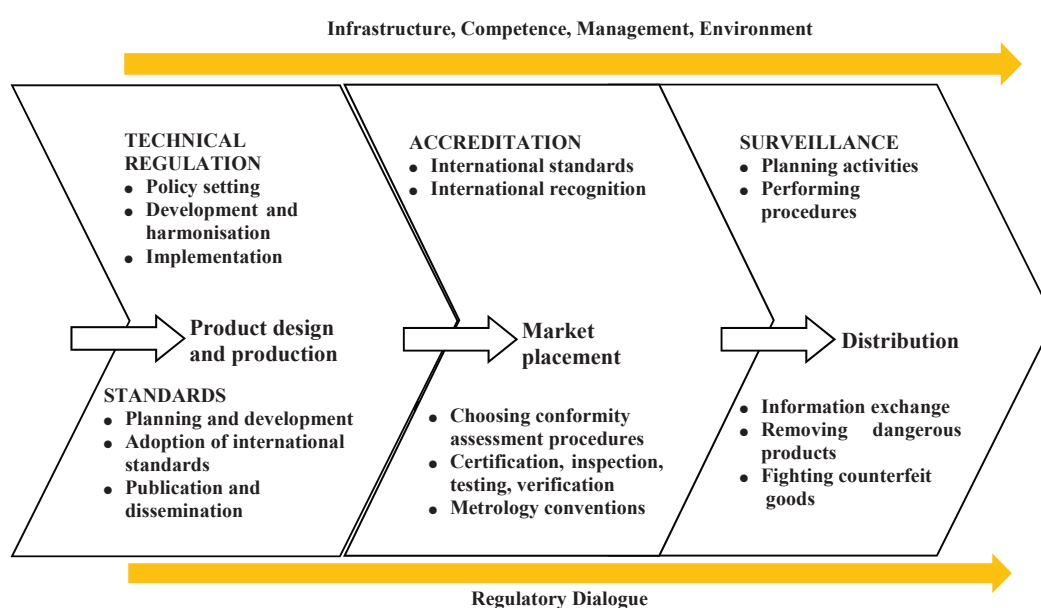
<sup>5</sup> UNECE (2006). Towards an Integrated Strategy for UN/CEFACT, Geneva, Switzerland.

<sup>6</sup> The latest version of the joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: [www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

- Development of standardized data
- Design of improved export processes
- Design of a prototype single window entry form
- Design of a prototype single window entry system
- Decisions on infrastructure and logistics services development
- Design of appropriate laws and market support institutions

To take the analysis a step further, the study uses the product life cycle approach to ascertain capacity shortfalls within the SQAM system. As shown in Figure 1.2, regulations and institutions are assessed in terms of their impact on product design, its placement on the market and eventual distribution.

**Figure 1.2 Product life cycle and regulatory system processes**



### 1.2.2 Concepts and terminologies

The concept of “trade facilitation” and the terms covered under “SQAM” are to be understood as follows:

- **Trade facilitation** refers to the extent to which import/export procedures, information and documentation requirements are rationalized, harmonized, simplified, streamlined and automated to reduce transaction costs and increase overall efficiency and transparency.
- **Standardization policies** refer to policies and regulations concerned with the specific characteristics of products, such as its size, shape, design, functions and performance, or the way they are labelled or packaged before being placed on the market. A **Standard** refers to a technical specification approved by a recognized national, regional or international standardization body and made available to the public for repeated or continuous application.
- **Technical regulations** are to be understood pursuant to the Agreement on Technical Barriers to Trade (TBT) as a “document which lays down product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. These may also include or deal exclusively with terminology, symbols, packaging, marking or labelling requirements as they apply to a product, process or production method”.

- **Conformity assessment** is to be understood pursuant to the Agreement on TBT, as involving procedures used, directly or indirectly, to determine that relevant requirements under technical regulations are fulfilled.
- Related to conformity assessment is accreditation, which refers to independent evaluation of testing and calibration laboratories, management systems, inspection bodies and so on, to confirm compliance with internationally recognized standards and requirements for risk reduction purposes.
- **Metrology**, traditionally known as “weights and measures”, is the science of measurement. Together with standardisation, accreditation and conformity assessment, it is one of the essential pillars of national quality infrastructure. Scientific and industrial metrology are crucial for establishing and disseminating measurement units and providing the necessary tools to support the measurements needed by industry. Legal metrology ensures the credibility of measurements and measuring instruments in regulated areas of trade, health, safety and environment. It is essential, not only for consumer protection, but also for protecting export revenues and official measurements.

### 1.3 Scope of the assessment

This report focuses on strategic non-resource based sectors, which were selected based on their contribution to income generation. Listed using the Standard International Trade Classification (SITC) Revision 3 (top level), these sectors include:

- Food and live animals
- Beverages
- Chemicals and related products
- Manufactured goods classified chiefly by material
- Machinery and transport equipment

The regulatory and procedural barriers to trade were identified using actor-oriented questionnaires targeting supply chain members, including, traders, State officials, transport operators, logistics service providers and market support institutions.<sup>7</sup> These were approached in late 2015 and early 2016 by UNECE national and international consultants during face-to-face interviews.

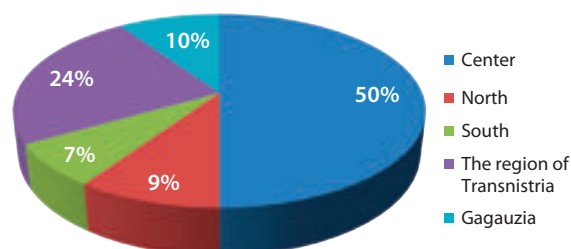
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<sup>7</sup> Only transport operators and logistical service providers with extensive services and broad geographic coverage were interviewed.

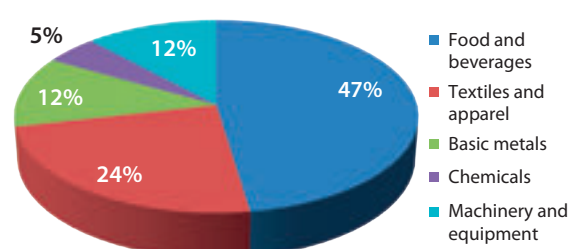
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The interviews with traders<sup>8</sup> involved a sample of 41 enterprises engaged in the strategic sectors. The traders represented small and medium enterprises (SMEs) from across the country, and belonged to leading sectors with major contribution to GDP, employment and exports (Figures 1.3 and 1.4).<sup>9</sup> The focus on SMEs was meant to allow for gaining insights into the country's growth dynamics, given the important role that these enterprises play in generating job opportunities.

**Figure 1.3 Breakdown of the surveyed enterprises by location**



**Figure 1.4 Breakdown of the surveyed enterprises by sector**



## 1.4 Study outline

This study is divided into five chapters. The introduction is followed by a discussion of regulatory and procedural trade barriers in the west bank of Nistru River, thereafter Moldova<sup>10</sup> and the east bank of the river, thereafter the region of Transnistria (Chapters 2 and 3).<sup>11</sup> This is done to bring forward the growth dynamics as they unfold themselves in the day-to-day export and import activities, and set the context for a discussion of the country's development prospects and recommendations (Chapters 4 and 5). An assessment of the export competitiveness of the Republic of Moldova's agricultural sector is provided in the Appendix. The assessment, which is based on the BPA methodology, focuses on the export of wine and fresh fruits and vegetables.

<sup>8</sup> The trader's questionnaire was adapted to incorporate additional analytical parameters identified by the Swiss Federal Department of Foreign Affairs (FDFA) to capture the economic impact of political conditions in the country.

<sup>9</sup> Enterprises from the west bank of Nistru River (Moldova) comprised 31, of which 14 ranked among Moldova's top 100 exporters. Enterprises from the east bank of the Nistru River (the region of Transnistria) comprised 11 companies; of which 4 ranked among the region's top 10 exporters.

<sup>10</sup> Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender

<sup>11</sup> The designation employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers of boundaries.



# Chapter Two

## Trade dynamics in Moldova

### 2.1 Introduction

A lower-middle income country<sup>12</sup> with a gross national income (GNI) per capita of USD 2,560 in 2014,<sup>13</sup> the Republic of Moldova has historically pursued a trade-led development strategy, evidenced from its consistent efforts to harmonize its trade regime with the requirements of the multilateral trading system<sup>14</sup> and expand the scope and coverage of its bilateral and regional cooperation agreements.

Moldova has 14 regional trade agreements (RTAs) with 45 partners, including: Albania, Armenia, Azerbaijan (Republic of), Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyz Republic, Montenegro, the Russian Federation, Serbia, the Former Yugoslav Republic of Macedonia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. Moldova is also a signatory to the Central European Free Trade Area (CEFTA), which consolidates a free trade area between South Eastern Europe and the EU<sup>15</sup> as well as the Commonwealth of Independent States Free Trade Area (CISFTA) according to which it enjoys duty and quota-free access to CIS markets.<sup>16</sup>

These agreements are complemented by preferential market access conditions to Canada, Japan, Norway, Switzerland, Turkey and the United States of America (USA), as established under the Generalised System of Preferences (GSP) schemes. Moldova also enjoys preferential market access conditions to the European Union (EU), which were further expanded with the signing of the Association Agreement (AA). The AA, which was signed in June 2014, includes the Deep and Comprehensive Free Trade Area (DCFTA) that replaced the Autonomous Trade Preferences (ATP) scheme on 1 September 2014.<sup>17</sup>

The above agreements come in addition to the country's active participation in regional organizations. Moldova is a full-fledged member of the Organization of the Economic Cooperation of the Black Sea region (BSEC);<sup>18</sup> all the structures of the Danubian Cooperation Process and the Organisation for Democracy and Economic Development, commonly referred to as GUAM (Georgia, Ukraine, Azerbaijan and the Republic of Moldova); and, the Council of Europe and the Organization for Security and Co-operation in Europe (OSCE). The Republic of Moldova is also a member of the Central European Initiative (CEI); the Regional Cooperation Council (RCC); the South-East European Cooperation Process (SEECP); the South-East European Cooperative Initiative (SECI); and, the South-East European Energy Treaty.

<sup>12</sup> World Bank GNI Atlas Method, 2017.

<sup>13</sup> World Bank Database.

<sup>14</sup> The Republic of Moldova joined World Trade Organization on 26 July 2001. Further details on the country's bilateral and regional cooperation arrangements are provided in section 2.4.

<sup>15</sup> CEFTA brings together Albania, Bosnia and Herzegovina, Macedonia, Montenegro, the Republic of Moldova, Serbia and the United Nations Interim Administration Mission in Kosovo (UNMIK) on behalf of Kosovo.

<sup>16</sup> The CISFTA is a free trade area between the Russian Federation, Ukraine, Belarus, Uzbekistan, Moldova, Armenia, Kyrgyzstan and Kazakhstan. The Agreement, which was signed by the said countries on 18 October 2011, replaced existing bilateral and multilateral free trade agreements between the countries. The agreement was ratified by the Moldovan parliament on 27 September 2012 and entered into force in 2013. It was subsequently signed and ratified by Uzbekistan (2013) and Kyrgyzstan. The later ratified the treaty with effect from 12 January 2014, and Tajikistan is close to completing the ratification process.

<sup>17</sup> In 2006, the EU granted preferential treatment for Moldovan exports through the Generalized System of Preferences (GSP), which was extended in 2007 under the GSP "plus" before being replaced by the more comprehensive Autonomous Trade Preferences (ATP) in 2008. The ATP was replaced by the DCFTA on 1 September 2014, but was extended in the region of Transnistria until the end of 2015. The AA was signed on 27 June 2014, and entered into full force on 1 July 2016.

<sup>18</sup> The BSEC brings together Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova (Republic of), Romania, the Russian Federation, Turkey and Ukraine. The BSEC Declaration was signed on 25 June 1992.

However, Moldova is yet to achieve the expected benefits from its trade-led development efforts. The economy remains dominated by labour-intensive activities with low value-added, with the trickle-down effect of reforms undermined by, among others, political instability, the lack of adequate market support institutions and transport infrastructure.

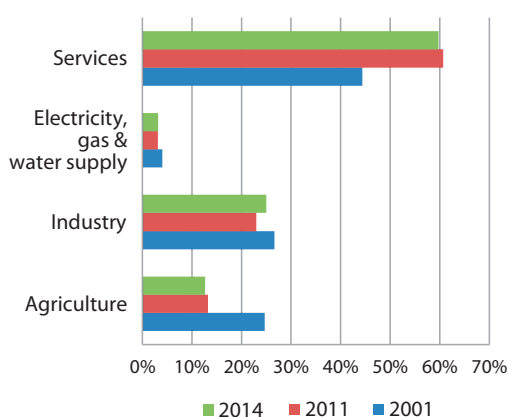
Drawing on the results of the face-to-face interviews with traders and State officials, this chapter shows how the impact of the above-mentioned factors is compounded by regulatory and procedural trade barriers. The chapter starts by providing an overview of Moldova's economic and trade performance record and the profile of the interviewed traders (Sections 2.2 and 2.3). This is done with a view to setting the context for a detailed discussion of regulatory and procedural barriers stemming from capacity shortfalls in the areas of trade facilitation (Section 2.4) and quality assurance (Section 2.5).

## 2.2 Economic and trade performance

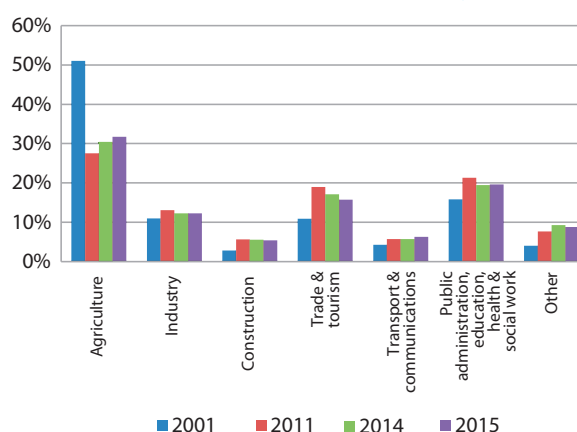
The Moldovan economy has and continues to be predominantly service based. As shown in figures 2.1 and 2.2, services absorbed more than 50 percent of the country's labour force in 2015 and its contribution to gross domestic product (GDP) increased from 44 percent in 2001 to 60 percent in 2014 driven by public administration along with health, education and social work and a move away from agriculture.

However, this structural transformation has been underscored by dwindling productivity, with the share of agriculture in employment increasing from 27 percent in 2011 to 32 percent in 2015.<sup>19</sup> The industrial sector's contribution to GDP stagnated between 20 and 27 percent over the period 2001-2014, reflecting weak technological capabilities (understood as the accumulated knowledge and skills to identify, appraise, utilise and develop technologies and techniques to modernize production processes).

**Figure 2.1** Moldova's GDP by sector  
(Share in total GDP)



**Figure 2.2** Breakdown of Moldova's labor force by sector  
(Share in total employment)



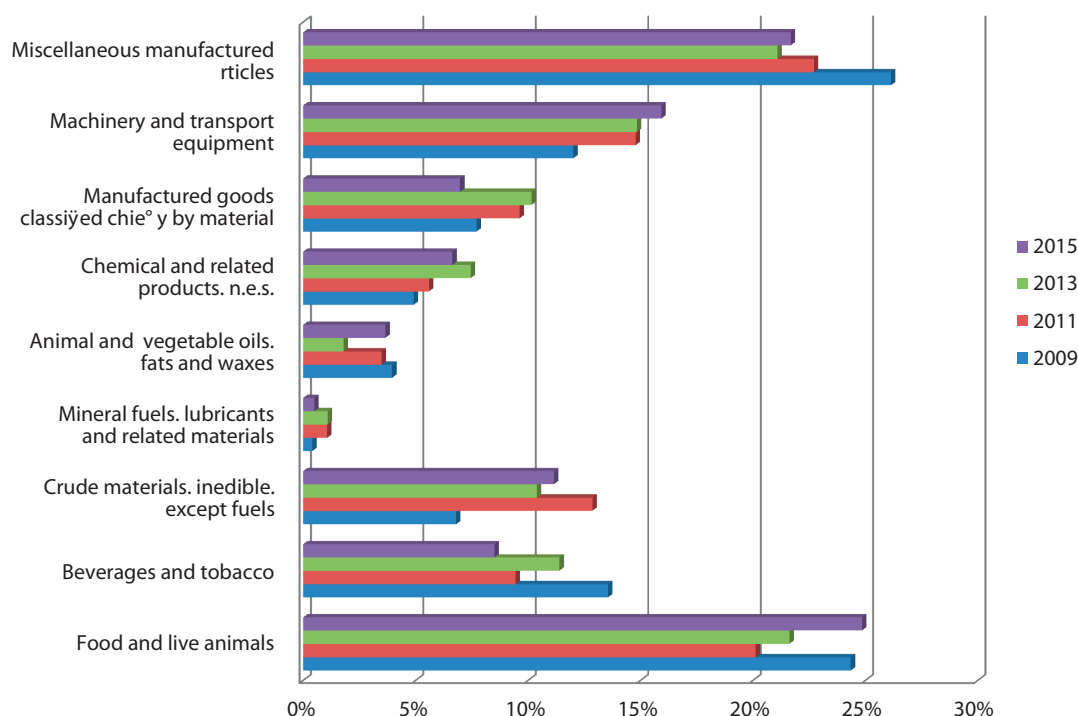
Source: National Bureau of Statistics of the Republic of Moldova<sup>20</sup>

<sup>19</sup> For an informative analysis of the Republic of Moldova's agricultural sector, see, for example, Cimpoeș, R., A. Muravschii and A. Racul (2008) "Structural changes in Moldovan agriculture: problems and perspectives", available at: [http://projects.iamo.de/uploads/media/2b.3\\_Cimpoeș\\_CD.pdf](http://projects.iamo.de/uploads/media/2b.3_Cimpoeș_CD.pdf).

<sup>20</sup> The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender. Unless otherwise mentioned, data on the Republic of Moldova published by the National Bureau of Statistics does not cover enterprises and organizations on the east bank of the river and the municipality of Bender.

The above-mentioned indicators suggest that the industrial sector remains incapable of capitalizing on the preferential market access conditions offered by the different trade agreements. This is further evidenced by the country's narrow export mix, which continues to be dominated by agricultural and miscellaneous manufactured products, particularly, wearing apparel and furniture, which accounted for 54 percent and 23 percent of total exports, respectively, in 2015 (Figure 2.3).

**Figure 2.3 Breakdown of Moldova's exports by sector, 2001-2015 (Share in total exports-SITC Rev.4)**



Source: National Bureau of Statistics of the Republic of Moldova

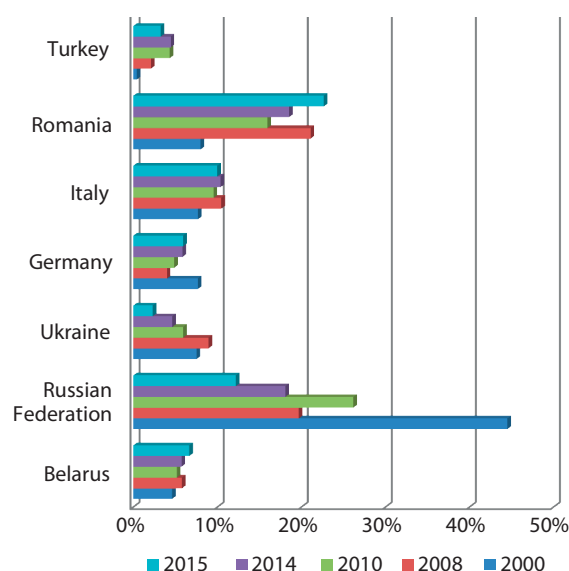
The enterprises' inability to capitalize on emerging opportunities is further highlighted by Moldova's reliance on a handful of export partners, which continue to account for the bulk of total exports. These countries include Romania, which accounts for the largest share of the country's total exports, followed by the Russian Federation, albeit with a significant gap and a declining share, Italy, Belarus, Germany, Ukraine and Turkey (Figure 2.4). Romania and the Russian Federation also constitute Moldova's main sources of supply, accounting for the largest shares of imports (14 percent and 13 percent of total imports in 2015, respectively), followed by Ukraine, albeit with a declining share (9 percent in 2015, down from 21 percent in 2005).



With exports showing a heavy geographic and product concentration, the economy has been suffering from a chronic trade deficit, which is difficult to reverse under the current conditions of underdeveloped transport infrastructure, political instability and reliance on external sources for energy supply. Development efforts are also complicated by the widespread economic crisis under the weight of recessionary pressures in the Russian Federation and the EU and, since end 2013, the lack of political stability in the neighbouring transit country of Ukraine.

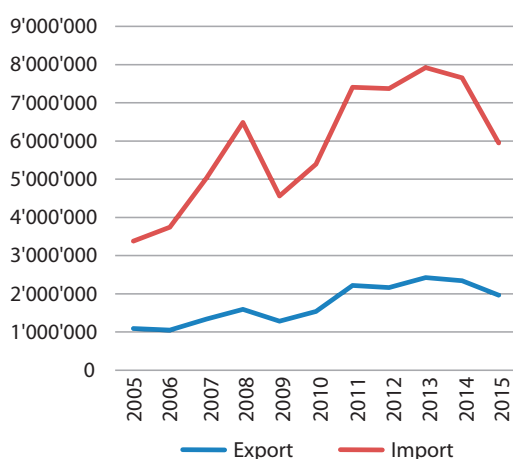
The economic crisis has taken its toll on the enterprise sector. Over 50 percent of the surveyed enterprises were scaling down their production activities due to the dwindling demand from abroad, and several were planning to close down their operations altogether. This has set both exports and imports on a declining trend, with imports plummeting at a faster rate than exports suggesting weakened purchasing power (Figure 2.5). The trade deficit, which fell by 32 percent in 2015 in relation to 2014, remains significant, estimated at USD 2 billion (Figure 2.6).

**Figure 2.4** Moldova's main export markets (Share of total exports)



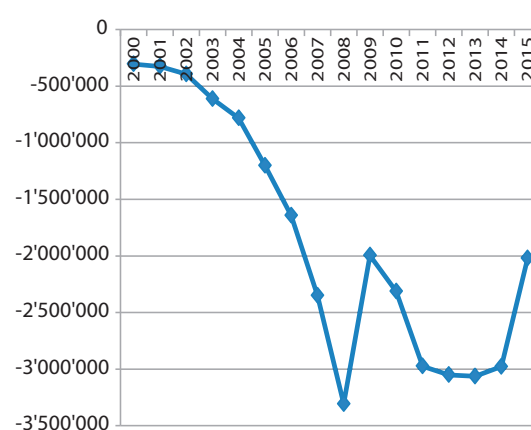
Source: National Bureau of Statistics of the Republic of Moldova

**Figure 2.5** Moldova's exports and imports, 2005-2015 (USD thousand)



Source: National Bureau of Statistics of the Republic of Moldova

**Figure 2.6** Moldova's chronic trade deficit 2000-2015 (USD)



The need to expand and diversify exports is evident. Otherwise, Moldova will continue to rely on remittances from labour abroad and official development assistance for income generation, evidenced by the chronic gap between GDP and GNI (Figure 2.7).

Efforts should accord priority treatment to the development of both the industrial and agricultural sectors. With 57 percent of the population living in rural areas in 2016, the agricultural sector's importance for poverty alleviation cannot be over-emphasized and is further highlighted by the dominant role that households play in driving output growth. Households accounted for around 43 percent of the sector's total output in 2015, followed by agro industries (around 39 percent) and farmers (18 percent).

**Figure 2.7** Moldova's expanding GNI-GDP gap (MDL million)



Source: National Bureau of Statistics of the Republic of Moldova

## 2.3 Traders' profile

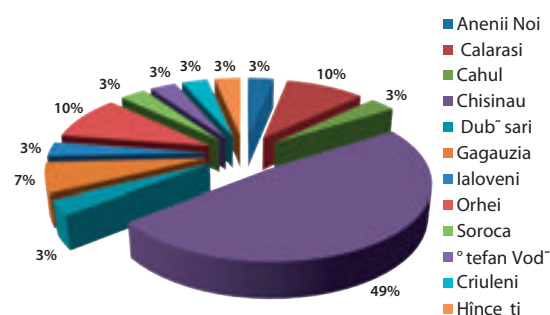
In-depth interviews were carried out with 31 traders, who represented private SMEs (with the exception of one enterprise that belonged to the public sector), engaged in strategic sectors with major contribution to GDP and employment. As shown throughout this section, the enterprises shared the salient features of the industrial sector. The majority was involved in manufacturing low-value added goods, and those engaged in trade had a limited number of partners and a narrow range of exports. Thus, their views gain much importance for a better understanding of trade sector's development prospects.

### 2.3.1 Location, size and activities

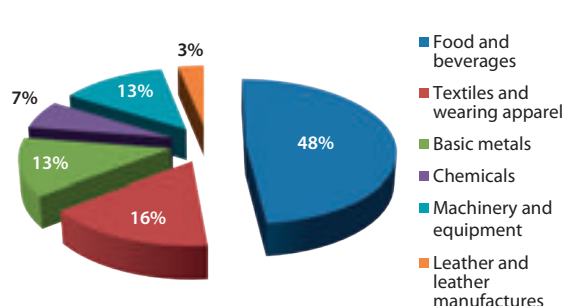
The surveyed enterprises represented 11 of Moldova's 32 districts (*raions*) and the autonomous region of Gagauzia (Figure 2.8). They were dominated by large enterprises (employing 250 persons and above), which represented the largest segment (36 percent). The remaining enterprises were split between small enterprises employing less than 50 employees (32 percent), and medium enterprises employing 250 persons and above (32 percent).<sup>21</sup> The majority of the enterprises were also involved in production activities, with food processing industries representing the largest segment (48 percent) followed by textiles and wearing apparel (Figure 2.9).

<sup>21</sup> Based on the EU Commission recommendation on the classification of enterprises by size, dated 6 May 2003, document [C (2003) 1422].

**Figure 2.8 Breakdown of interviewed traders by location (Percentage share)**



**Figure 2.9 Breakdown of the enterprises involved in production by sector (Percentage share)**



Source: National Bureau of Statistics of the Republic of Moldova

### 2.3.2 Export-import mix and trading partners

The enterprises exported over 60 products and around 50 percent, especially those involved in the production of wine, machinery equipment and some of the food, reported that exports represented 100 percent of total sales (Table 2.1). However, the enterprises showed limited backward linkages, with the majority relying on external supply sources. Exceptions to these trends were exporters of canned food, wine, honey, sausages, uniforms and electrical machinery and equipment; all of which relied on domestic supply sources.

**Table 2.1 Surveyed enterprises export-import mix**

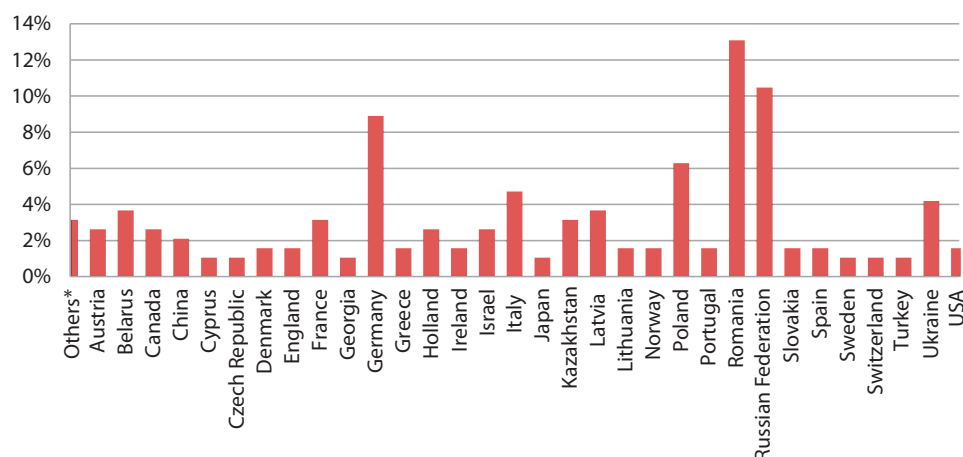
Exports	Exports share of total sales	Imports
Uniforms (doctors, cooks, firefighters)	100	Fabrics, threads and sewing machines
Table grapes	90	
Dried plums	8	
Dried Quince	2	
Fresh fruits (Apples, cherry, plums, apricots, peach, pears)	34	Wood for packaging
Canned fruits and vegetables	35	Preserving jars
Fresh vegetables (tomatoes, cucumbers, sweet peppers, carrots, zucchini)	6	Wood for packaging
Vegetable seeds	18	Fertilizers and chemicals for plant protection
Fruit juice	7	Agricultural machinery and equipment
Frozen pork	68	Live baby pigs
Frozen meat	18	Frozen meat (beef)
Salami and sausage	100	Frozen meat (chicken and beef)
Metal parts for equipment	100	Metal bars and tools
Electrical machinery equipment spare parts	100	Metal ingots (Iron and non-alloy steel, copper-zinc alloys) and machinery equipment
Bottled wine	100	Corks, glass bottles, wine barrels, labels, concentrated grape juice and aluminum caps
Parts of fuel injection systems for cars	33	Special ferrous and non-ferrous metal
Hydraulic components	12	Steel and copper pipes, cables

Exports	Exports share of total sales	Imports
Special welded constructions, including complex constructions requiring verification under pressure	25	Steel and copper pipes, cables
Components for gear transmissions ( gear wheels, pinions and gear blocks)	24	
Wind water pumps	6	
Electric wire harnesses for automobiles	100	Cables for automobile harnesses
Electrical machinery equipment	100	Electric cables, pumps, electric components
Clothes pajamas for women and children	95	Fabrics and textile accessories
Fresh apples	85	Wood for packaging (boxes and containers for fruits)
No export		Medicine, cosmetics and food supplements
No export		Flat-rolled products of iron and non-alloy steel
Knitted clothes (dresses, vests)	10	Fabrics
Apparel (trousers, coats, blouses, dresses and vests)	90	Fabrics and threads
Honey	100	Barrels, centrifuges, homogenizers, extracts, laboratory equipment and sandwich panels
Perfumes	20	Plastic packaging, perfumes concentrate, chemicals
Shampoos and soap	50	Perfumes concentrate
Cosmetics	30	chemical ingredients
Fire alarm systems	100	
Pretzels	56	
Gingerbreads and biscuits	30	
Wafers	14	
Garments	100	knitted fabrics
Dried plums	10	
Walnuts kernels	90	
Agriculture machinery and equipment	70	Metal, spare parts and tools
Brandy	10	Labels and glass bottles
Fresh fruits	100	Fresh oranges, peaches and apricots
Sugar beet	89	Sugar beet seeds
Dried granulated sugar beet pulp	11	Sugar beet seeds
Trunks and suitcases	60	Metal and plastic components
Handbags	30	Artificial leather, fabrics impregnated with PVC, etc. for bags production

In terms of export partners, the enterprises traded with 40 countries. However, the bulk of exports were destined to Germany, Romania and the Russian Federation, with Romania accounting for the largest share (Figure 2.10).<sup>22</sup>

The above trend masks significant differences at the sectoral level. As shown in table 2.2, wine producers and those involved in the export of walnut kernels, confectionary, dried plums and wearing apparel exhibit a more diversified list of export partners, which includes Europe, Central Asia and the USA.

<sup>22</sup> Other export countries reported by the traders include: Australia, Hungary, Republic of Korea, Kyrgyzstan, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland

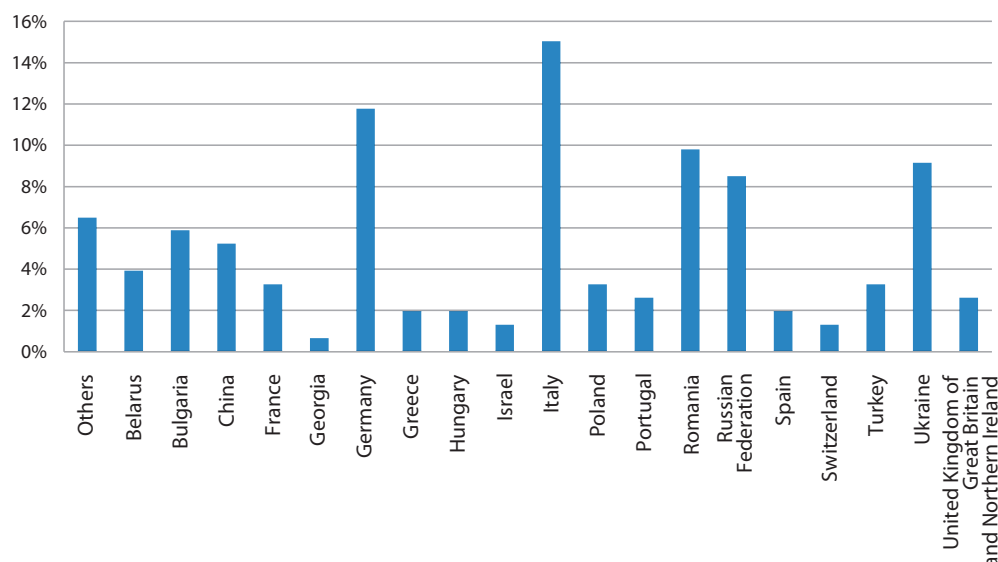
**Figure 2.10** Surveyped enterprises target markets (*share in reported countries of destination*)**Table 2.2** Breakdown of the surveyed enterprises' exports by target market

Product	Target countries
Confectionary (pretzels, biscuits, gingerbread, wafers)	Austria, Canada, France, Germany, Greece, Italy, Israel, Norway, Portugal, Romania, Spain, United Kingdom and Northern Ireland (UK), United States of America (USA)
Walnut kernels	Austria, Belarus, China, Cyprus, Denmark, France, Germany, Latvia, Lithuania, Netherlands, Poland, Romania, Slovenia, Sweden, Switzerland, UK
Dried plums	Austria, Belarus, China, Cyprus, Denmark, France, Germany, Latvia, Lithuania, Netherlands, Poland, Romania, Slovenia, Sweden, Switzerland, UK
Dried quince	Poland
Fresh fruits and vegetables	Belarus, Kazakhstan, Romania, Russian Federation, Ukraine
Wine	Czech Republic, Canada, China, Germany, Korea, Kazakhstan, Kyrgyzstan, Latvia, Netherlands, Poland, Romania, Russian Federation, Turkey, Ukraine, UK
Canned fruits and vegetables	Canada, Germany, Israel
Uniforms	Germany, Poland and Netherlands
Wind water pumps	Germany
Hydraulic components	Germany and the Russian Federation
Wind water pumps	Germany
Containers	Germany
Honey	Germany, France, Japan, Russian Federation
Spare parts for electrical machinery	Italy, Germany and Netherlands
Trunks, suitcases and handbags	Italy, Germany

Product	Target countries
Clothes	Austria, Germany, Italy, Romania, Russian Federation, UK, USA
Brandy	Kyrgyzstan, Kazakhstan, Lithuania, Latvia, UK
Shampoos and soap	Latvia, Romania, Russian Federation
Perfumes	Latvia, Romania, Russian Federation
Plums, Quince	Poland
Table grapes	Belarus, Poland, Romania
Beet sugar	Poland, Kazakhstan, Georgia and Romania
Components for special purpose industrial machines	Romania
Wire harnesses	Romania
Dried sugar beet pulp	Romania
Fresh and frozen meat	Russian Federation, Turkey, United Arab Emirates.
Components for fuel injection systems	Russian Federation
Components for gear transmissions (gear wheels, pinions, gear blocks)	Russian Federation
Special welded constructions, including complex constructions requiring verification under pressure	Russian Federation
Fire alarm systems	Russian Federation
Electric machinery and equipment	Georgia, Romania, Russian Federation, Ukraine
Cosmetics	Russian Federation, Romania, Latvia
Vegetable Seeds	Ukraine
Salami and sausages	Ukraine

On the import side, the enterprises had a less diversified list of suppliers, with Germany and Italy accounting for 27 percent of total imports, followed by the Romania, the Russian Federation and Ukraine (Figure 2.11 ).<sup>23</sup>

<sup>23</sup> Other sources of supply include Austria, Belgium, Brazil, Croatia, Czech Republic, Egypt, Estonia, Georgia, India, Kazakhstan and the USA.

**Figure 2.11** Surveyed enterprises sources of supply (*share in reported countries of supply*)

### 2.3.3 Transport modes of choice

Around 87 percent of the reported exports were transported by road, often in combination with rail and maritime. Rail was used for transporting exports to Belarus, Kazakhstan, Kyrgyzstan and the Russian Federation, while maritime transport, namely through the port of Odessa in Ukraine, was used for shipping cargo to distant countries like Canada and the USA.

The assessment shows that traders have been assuming additional costs since 2013, owing to the lack of political stability in Ukraine. As shown in table 2.3, several traders transported goods destined to Ukraine via Romania, with the consequence of assuming additional costs in the form of delays and increased transport fees. Similarly, cargo destined to Estonia, Lithuania, Norway, Poland and Sweden was transported via Romania and not through Ukraine.

**Table 2.3** Transport modes used by traders by reported country of destination

Export mode	Reported country of destination	Transit countries
<b>Maritime</b>	Canada, China, Israel, Japan, United Arab Emirates and USA	Ukraine
<b>Rail</b>	Kazakhstan, Kyrgyzstan	Ukraine and Russian Federation
<b>Rail</b>	Belarus, Russian Federation	Ukraine
<b>Trucks</b>	Germany	Poland, Ukraine
<b>Trucks</b>	Belarus, Poland, Romania	Ukraine
<b>Trucks</b>	Poland	Ukraine
<b>Trucks</b>	Germany	Austria, Hungary, Romania
<b>Trucks</b>	Turkey	Romania, Bulgaria

Export mode	Reported country of destination	Transit countries
<b>Trucks</b>	Russian Federation	Ukraine, Belarus
<b>Trucks</b>	Romania	-
<b>Trucks</b>	Belarus, Russian Federation	Ukraine
<b>Trucks</b>	Germany	Austria, Hungary, Romania
<b>Trucks</b>	Georgia and Romania	Ukraine, Turkey
<b>Trucks</b>	Italy, France, Germany, Netherlands	Austria, Hungary, Romania
<b>Trucks</b>	Russian Federation	Romania, Hungary, Austria
<b>Trucks</b>	Latvia, Estonia, Lithuania, Sweden, Norway	Ukraine, Belarus
<b>Trucks</b>	Austria, Cyprus, Denmark, France, Germany, Latvia, Lithuania, Netherlands, Poland, Slovenia, Sweden, Switzerland, UK	Romania
<b>Trucks</b>	Lithuania, Latvia	Ukraine, Belarus
<b>Trucks</b>	Czech Republic, Ukraine	Hungary
<b>Trucks</b>	Poland, Turkey	Ukraine, Romania, Hungary, Bulgaria
<b>Trucks</b>	Czech Republic	Bulgaria, Romania, Ukraine
<b>Trucks</b>	Hungary	Romania
<b>Trucks</b>	Czech Republic, Poland	Ukraine
<b>Trucks</b>	Poland, Czech Republic	Romania, Hungary, Austria
<b>Trucks</b>	Ukraine	Romania

## 2.4 Trade facilitation conditions

The analysis of trade facilitation conditions is organized under four clusters, which correspond to the activities undertaken by traders to fulfil the regulatory requirements outlined in the BSP Model. The activities are conceptualized as commencing with gaining an understanding of the regulatory and procedural requirements, followed by an effort to obtain the necessary trade documents and ending with passing customs clearance. Each business process is examined on its own right and in terms of its impact on transaction costs. Transport and logistical constraints reported by traders are also highlighted, and the analysis is preceded by a brief overview of major trade facilitation reforms.

### 2.4.1 Major reforms

Moldova has registered significant progress in harmonizing its legislative framework with international and regional requirements. Moldova has ratified 20 of UNECE's transport conventions and agreements (Table 2.4), and the period since signing the AA agreement with the EU has seen the country actively seeking to harmonize national legislation with the EU directives in the fields of customs administration, transit trade, food safety, plant protection and quarantine, veterinary measures, technical standards, accreditation, and conformity assessment.<sup>24</sup>

<sup>24</sup> See the National Action Plan for the Implementation of the Association Agreement (PNA AA) for 2014-2016 (approved by Governmental Decision No.808 of 7 October 2014 and amended by Decision No.713 of 12 October 2015), and the Legislative Programme on implementing commitments under the AA (approved under Parliament Decision No.146 of 9 July 2015). In late 2016, the Government was preparing a new action plan on implementing Association Agreement for the period 2017-2019.



**Table 2.4** Moldova's participation in UNECE Transport Agreements and Conventions

Area	UNECE Transport Agreements and Conventions
<b>Infrastructure networks</b>	<ul style="list-style-type: none"> <li>European Agreement on Main International Traffic Arteries (AGR), 1975</li> <li>European Agreement on Main International Railway Lines (AGC), 1985</li> <li>European Agreement on Important International Combined Transport Lines and Related Installations (AGTC), 1991</li> <li>European Agreement on Main Inland Waterways of International Importance (AGN), 1996</li> </ul>
<b>Road traffic and road safety</b>	<ul style="list-style-type: none"> <li>Convention on Road Traffic, 1949</li> <li>European Agreement supplementing the 1968 Convention on Road Traffic, 1971</li> <li>Convention on Road Signs and Signals, 1968</li> <li>European Agreement supplementing the Convention on road signs and signals, 1971</li> <li>Protocol on Road Markings, Additional to the European Agreement supplementing the Convention on Road Signs and Signals, 1973</li> </ul>
<b>Vehicles</b>	<ul style="list-style-type: none"> <li>Agreement concerning the Adoption of Uniform Conditions for Periodical Technical Inspections of Wheeled Vehicles and the Reciprocal Recognition of Such Inspections, 1997</li> <li>Agreement concerning the Establishing of Global Technical Regulations for Wheeled Vehicles, Equipment and Parts which can be fitted and / or be used on Wheeled Vehicles, 1998</li> </ul>
<b>Other Legal Instruments Related to Road Transport</b>	<ul style="list-style-type: none"> <li>European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR), 1970</li> <li>Convention on the Taxation of Road Vehicles engaged in International Passenger Transport, 1956</li> <li>Convention on the Contract for the International Carriage of Goods by Road (CMR), 1956</li> <li>Protocol to the Convention on the Contract for the International Carriage of Goods by Road (CMR), 1978</li> <li>Convention on the Contract for the International Carriage of Passengers and Luggage by Road (CVR), 1973</li> </ul>
<b>Inland navigation</b>	<ul style="list-style-type: none"> <li>Convention on the Measurement of Inland Navigation Vessels, 1966</li> </ul>
<b>Border crossing facilitation</b>	<ul style="list-style-type: none"> <li>Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention), 1975</li> <li>International Convention on the Harmonization of Frontier Controls of Goods, 1982</li> </ul>
<b>Dangerous goods and special cargo</b>	<ul style="list-style-type: none"> <li>European Agreement concerning the International Carriage of Dangerous Goods by Road (ADR), of 30 September 1957</li> <li>Protocol amending article 1 (a), article 14 (1) and article 14 (3) (b) of the European Agreement of 30 September 1957 concerning the International Carriage of Dangerous Goods by Road (ADR), 1993</li> <li>Agreement on the International Carriage of Perishable Foodstuffs and on the Special Equipment to be Used for such Carriage (ATP), 1970</li> <li>European Agreement Concerning the International Carriage of Dangerous Goods by Inland Waterway (ADN), 2000</li> </ul>

Regulatory harmonization has been paralleled by targeted efforts to cut back red tape through improving management practices and migrating to paperless systems. Efforts to date have seen the introduction of ISO 9001:2008 quality management system standard at the customs headquarters and 7 regional offices (Bălți, Bender, Briceni, Cahul, Chişinău, Leuşeni and Ungheni). As of 2017, MCS has been operating under a new organizational structure, with optimized customs houses. The number of customs houses has been reduced from 7 to 3 Customs houses, covering the North, Centre and Southern parts of the country.

Customs has also introduced an Authorized Economic Operator (AEO) scheme, which, drawing on the EU model, certifies AEOs (subject to certain criteria) for: (i) customs simplification (Incomplete Declaration Procedure, Simplified Declaration Procedure, Local Clearance Procedure); (ii) security and safety; or, (iii) for simplification, security and safety.<sup>25</sup>

Moldovan Customs has also integrated the United Nations Conference on Trade and Development (UNCTAD) web-based Automated System for Customs Data (ASYCUDA) *World*<sup>26</sup> to serve as the backbone for the Customs Integrated Information System (CIIS).<sup>27</sup> ASYCUDA *World*, which is operational throughout the country at the Customs headquarters and regional offices, supports risk-based control through profiling and selectivity and accords the required flexibility for upgrades and connectivity with the ICT systems of partner countries.

Steps towards migrating to paperless trade have also involved launching an electronic submittal system for permits and licenses. The system, known as the “multi-agency module”, was maintained by the Chişinău-based Licensing Agency and served as an electronic “one stop shop”.<sup>28</sup> It allowed enterprises to submit applications on-line, upload the support documents, and receive the permits/licenses via e-mail.

These efforts, which come amidst preparations for establishing a Single Window (SW) facility for exports, imports and transit trade following UN/CEFACT Recommendation No. 33,<sup>29</sup> have yielded tangible improvements in trade facilitation conditions. Traders and their representatives can submit customs declarations for exports and imports (structured on the basis the Single Administrative Document-SAD) online (via ASYCUDA *World*) and upload all the support documents issued in hard copies<sup>30</sup> while inputting the identification number and issuing date of the electronic permits/licenses. Customs officials noted that by 2016 around 98 percent of export customs declarations as well as 20 percent of import declarations were submitted electronically.

The results of the traders’ survey suggest that reaping the expected reform benefits is undermined by implementation gaps. This is recognised by the Government’s National Development Strategy “Moldova 2020”, which stipulates, among other measures, improving the institutional capacity within State agencies, developing the country’s transport system and addressing instances of inconsistent, bureaucratic, non-transparent,<sup>31</sup> and non-compliant trade measures.

These gaps should be measured against the complex challenges facing the different agencies, whereby reforms are proceeding against a background of financial constraints, recurrent Government restructuring and decreased demand from main export markets. The results of the interviews with traders bring forward these complex challenges, and highlight a number of areas that need to be accorded priority treatment as the Government forges ahead in its reform efforts.

#### 2.4.2 Transparency

As shown in table 2.5, the surveyed traders rely on three information sources to keep abreast of regulatory and procedural requirements, including: the customs authorities (reported by 87 percent of the respondents); the

<sup>25</sup> As stipulated in Law No.281 of 16 December 2016 on amending and supplementing certain acts, the AEO concept is fully in line with the authorization procedure established under the UCC of the EU.

<sup>26</sup> ASYCUDA *World* supports full automation of customs clearance procedures (including data entry and direct registration, risk analysis, calculation of duties and taxes, and payment and accounting) using international standards. Detailed information on ASYCUDA *World* is available at <http://www.asycuda.org/asyworld/>.

<sup>27</sup> Moldovan Customs adopted ASYCUDA on 2003.

<sup>28</sup> See Government Decision No. 904 of 13 November 2013 on electronic customs clearance of goods.

<sup>29</sup> A SW is “a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once”: UN/CEFACT Recommendation No. 33, 2005.

<sup>30</sup> Documents issued in hard copies could be uploaded in jpg or in pdf format

<sup>31</sup> As defined under the Sustainable Development Goals (SDGs), transparency constitutes a basic principle for achieving inclusiveness. The process through which policy decisions are made must be transparent, open and participatory, recognising access to information and decision-making as the foundation of good governance.

Moldovan Customs Service (MCS); (CCI) the national Chamber of Commerce and Industry of the Republic of Moldova (also reported by 87 percent); and, suppliers/buyers in partner countries (55 percent).

The traders follow the institutional websites of these agencies and receive regular updates and information upon request on changes in technical regulations, certification requirements, customs procedures and rules of origin. Traders also reported receiving information from the National Food Safety Agency (NFSA), business associations and customs brokers upon request.

**Table 2.5 Trade information sources reported by the surveyed enterprises**

Information sources	Regularity (% of respondents)	Reliability (% of respondents)	Specific information	Clarity of responses (% of respondents)	Level of detail (% of respondents)
<b>CCI</b>	Monthly (24%); quarterly (60%); bi-annually (16%)	Very Good (40%); Good (60%)	changes in local and partner countries legislation, credit lines, export opportunities, technical regulations, customs regimes, rules of origin, DCFTA regulatory requirements, product certification.	Clear (35%); Rather clear (65%)	Detailed (18%); Rather detailed (29%); Rather brief (53%)
<b>MCS</b>	Monthly (68%); Quarterly (20%); Bi-annually (12%)	Very Good (45%); Good (55%)	Customs regulation, changes in import/export procedures and documentary requirements, customs regimes, rules of origin, customs clearance, changes in tariffs and taxes.	Clear (45%); Rather clear (55%)	Detailed (48%); Rather detailed (16%); Brief (36%)
<b>Buyer or source of supply in partner country</b>	Monthly (60%); Bi-annually (40%)	Very Good (58%); Good (42%)	Changes in legislation, safety and quality requirements, price levels, documentary requirements, tariff classification, product certification.	Clear (60%); Rather clear (40%)	Detailed (60%); Rather Detailed (20%); Brief (20%)

In addition, traders identified training and awareness raising events as an important information source. Around 74 percent of the traders reported participating in such events, which are organized on a regular basis by customs (every three months or ad hoc); CCI (once a year); and, business association (on a less regular basis). Traders said that they found such events useful, since they obtain first-hand updates on trade related rules and procedures.

Moreover, around 54 percent of the traders said that they participate in public-private sector consultations. These are organized by the Ministry of Economy, often in cooperation with the CCI and MCS (on an annual basis); the Association of Light Industries (also on an annual basis); the CCI, mostly in cooperation with the Ministry of Economy, Ministry of Agriculture and MCS (on a bi-annual basis); the Ministry of Agriculture (on a bi-annual basis); and the National Office for Vine and Wine of Moldova under the Ministry of Agriculture (on a bi-annual basis).

Nonetheless, traders said that they remain unsure of the applicable trade rules and procedures, particularly those associated with customs clearance. While MCS provides detailed updates and is always quick to provide further information beyond what is published on its website, its internal orders are not published. Traders as well as brokers, freight forwarders and transport operators said that they are unable to find these orders, have no advance notice if a new internal order will change existing requirements and have no way of knowing whether the requirements are based on internal orders or other legislation.

Traders also noted that while consultations with Government agencies allow them to obtain first-hand information about existing procedures and voice their concerns, the discussions could benefit from an increased focus on planned reforms and their possible consequences for export/import processes. To this end, they lamented the lack of clarity on the terms and requirements of the DCFTA; associated changes to legislation, regulations, procedures, fees, forms and other administrative aspects; and, the timing and consequences of these changes. Such information is not readily available to traders,<sup>32</sup> which not only undermines their ability to reap benefits from the DCFTA but also participate as full partners in shaping its processes. Traders also highlighted the need for further developing the institutional websites of the different State agencies, to ensure proper dissemination of up-to-date information. The information, they noted, should be detailed, and spell out the implications of new procedures and regulations for the different sectors.

These concerns reflect the increasing pressures that the Government is labouring under, whereby intensive reforms are proceeding against a background of lack of political stability and recurrent restructurings. They also point to the necessity of improving existing institutional mechanisms for supporting public private sector consultations. In 2016, a number of agencies supported these consultations. Most notable is the State Commission Working Group for Regulation of Entrepreneurial Activity under the Ministry of Economy, which is responsible for evaluating proposed legislation in terms of their impact on the private sector. The State Commission brings together representatives from line Ministries, chambers of commerce and industry as well as business associations and convenes in ordinary sessions that are open to the public at least once a week to review regulatory impact assessments and draft legislation.<sup>33</sup>

Another consultative mechanism is the Economic Council under the Prime Minister's office, which brings representatives from line Ministries and private sector together with donor agencies to discuss avenues for supporting private sector development. Issues that form the focus of discussions include cutting back red tape, consolidating a non-discriminatory and transparent regulation framework and improving the quality of public services.<sup>34</sup>

The need for consolidating public-private sector consultative mechanisms cannot be over-emphasized. As a starting point, the Government may wish to consider establishing a reference framework for guiding discussions on the removal of non-tariff barriers and assigning the responsibility for coordinating public private consultations to a single agency. This would allow for marshalling the discussions under the different fora

<sup>32</sup> The Government publishes detailed up-to-date information on progress in fulfilling its legal approximation and harmonization commitments with the under the AA (<https://monitorizare.gov.md/reports/Raport%20PNAAA.html>). None of the traders reported this online source. In early 2016, the Government launched official website ([www.dcfta.md](http://www.dcfta.md)), which provides practical information on the implementation of the DCFTA and potential growth opportunities. The necessity to familiarise the traders with public information sources is evident. As the information is highly technical and does not spell out the implications of these reforms, there is also need for targeted awareness rising campaigns. These could take the form of sector-focused campaigns, with a special emphasis on the implications for industrial and export/import activities. In early 2016, the Government launched official website [www.dcfta.md](http://www.dcfta.md), which provides practical information on the implementation of the DCFTA and potential growth opportunities

<sup>33</sup> The agendas and outcomes of the State Commission Working Group's meetings are published online at: <http://mec.gov.md/ro/content/anunturi-de-proiecte-si-consultari-publice>. The methodology for conducting RIA is set out in Government Decision No.1230 of 24 October 2006 (available at: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=318208>). It is complemented by a Methodological Guide on ex ante assessment on the impact of public policies. Published by the Government in 2009, the Guide seeks to apply to Moldova the extensive and detailed work on impact assessment published by the EU and OECD.

<sup>34</sup> The Economic Council was created in 2012. An overview of its composition and areas of work is available at: <http://www.gov.md/en/content/economic-council-prime-minister-moldova-has-new-composition>

around common objectives. This is also consistent with the multi-lateral trading system requirements under the Agreement on Trade Facilitation, which advances national trade facilitation bodies as a way for supporting nation-wide coordination on decisions and activities associated with implementation.<sup>35</sup>

The challenge is, therefore, how best to consolidate the outcome of national consultations under the difference institutional mechanisms with a coherent reference framework, which addresses not only at-the-border procedures laid out in the Agreement but also behind the border procedures, particularly those associated with quality control and quality assurance. As shown later, these measures are often the source of significant non-tariff barriers that require going beyond cutting down red tape.

The consolidation of consultative mechanisms should be complemented by awareness raising efforts, and a bolstering of the information dissemination function. Even as traders lament the lack of clarity over applied regulations and administrative procedures, their participation in public-private sector consultations is modest and sporadic. The traders seem to be a hesitant partner and their limited participation was raised by the State Commission Working Group and other State agencies as will be shown later.<sup>36</sup>

### 2.4.3 Documentary requirements and use of electronic documents

Documentary requirements for customs clearance are limited to the customs declaration, commercial invoice, the sale-purchase contract agreement and transport documents. Additional documents are required for products that pose unacceptable risks to consumer safety, the environment and animal health. For such products, traders are expected to provide one, or several, of the following documents: Export/import permits and licenses; quality certificate; phytosanitary certificate (for plant and products of plant origin); veterinary certificates (for livestock and products of animal origin); and certificate of conformity for exports, also referred to as the certificate of inoffensivity, if requested by the importer.<sup>37</sup> Traders are also required to submit the certificate of origin (CoO), if required by the export country (Table 2.6).

**Table 2.6 CoOs issued by authorities in the Republic of Moldova**

Certificate	Description
<b>Preferential certificates issued by MSC<sup>38</sup></b>	
Movement certificate EUR.1 (in English)	Products destined to the European Union member states within the Autonomous Trade Preferences (ATP) Traders can submit an invoice declaration (by filling out the required form) for consignments valued at €6000 or less.
Transport certificate EUR.1 (in English)	Products destined signatories of the Central European Free Trade Agreement (CEFTA).
Form A (in English)	Products destined to no-EU countries. Form A grants the Generalized System of Preferences (GSP)
Form CT – 1 (in Russian)	Products destined to the Agreement on the Creation of a Free-Trade Area in the Commonwealth of Independent States.
<b>Non-preferential CoOs issued by the Chamber of Commerce and Industry</b>	
General Form C	Non-preferential rules of origin issued by the Chamber of Trade and Industry

<sup>35</sup> Article 23.2 of the Agreement on Trade Facilitation mandates Member States to establish or maintain national trade facilitation bodies to “facilitate both domestic coordination and implementation of the provisions of th[e] Agreement”.

<sup>36</sup> See section 2.5.1

<sup>37</sup> The term inoffensivity is to be understood as inferring that the product does not contradict safety requirements as established under national, regional and international standards.

<sup>38</sup> See Government Decision No. 761 of 17 September 2014 “on approving the regulation on completion, authentication, release and subsequent verification of certificates of origin preferential goods”. Preferential certificates for products destined to the EU are issued pursuant to Regulation (EC) No. 55/2008 of 21 January 2008 introducing ATP in Moldova and amending Regulation (EC) No.980 / 2005 and Decision 2005/924 / EC of goods corresponding to the rules of origin set out in Regulation (EEC) of the Commission No.2454 / 1993 of 2 July 1993 implementing regulation (EEC) No.2913 / 92 laying down the Community Customs Code.



The assessment shows that obtaining trade documents is often complicated by cumbersome procedures and information requirements. Traders highlighted a number of difficult to obtain documents, with the level of difficulty measured in terms of the number of required support documents, the ease with which administrative procedures can be complied with and the time required for obtaining the trade document in question.

By and large, traders seem to measure the level of difficulty against the ease with which they were able to comply with the administrative procedures and the number of required support documents. The time spent on obtaining the trade documents is accorded secondary importance, with traders ranking several documents as easy to obtain even as the waiting time ranged between 4 to 5 days.

A detailed overview of the traders' ranking of export documents is provided in table 2.7, which shows the EUR.1 movement certificate among the most difficult to obtain. Traders complained about the numerous support documents that they have to submit, including: copies of the contracts with buyers; commercial invoice; the invoices and customs declarations for imported raw materials used in the production process; and a technical report detailing the production process and the use of raw material (to establish the level of processing).

The above documents form the basis for obtaining the production inspection act, which should accompany each lot. The act, issued by MCS following onsite inspections of the exporters' production facilities, is submitted along with a copy of the "certificate of appraisal" attesting to the enterprises' production capacity. The certificate, which is valid for one year, is issued by the CCI of the Republic of Moldova based on the results of on-site audits of the enterprises' premises and, in the case of food processing enterprises, lands and storage facilities.

Another difficult to obtain document is the conformity certificate. Existing legislation sets the limits to the list of products that are subject to mandatory requirements, and integrates the harmonized conformity assessment procedures established under the EU New Approach.<sup>39</sup> Thus, traders can prove conformity through self-declaration (i.e., Supplier's Declaration of Conformity) based on the results of laboratory tests organized by the manufacturer undertakes using own testing laboratories or an accredited laboratory. For high-risk products, an additional step is required, which involves the intervention of a third-party certification body recognized by the EU.<sup>40</sup>

However, reaping the expected benefits from these simplified procedures is complicated by the lack of accredited testing laboratories, especially for food products and agricultural machinery and equipment. Even where accredited laboratories exist, conformity assessment results are only recognized by CIS countries (within the context of bilateral mutual recognition agreements). Moldova is yet to sign mutual recognition agreements with the EU and other partner countries.

Traders who do not have own accredited laboratories often see their consignments rejected by the customs authorities in importing countries. Cases in point are exporters of fruits and nuts, who lamented that their shipments are consistently rejected at the borders with Turkey, which constitutes the main outlet for Moldova's agricultural products. Traders also accrue significant costs in the form of expensive laboratory fees, which for wine producers amount to 1000 MDL per lot. Traders also noted that it takes up to 7 days to obtain the test results (certificate of analysis), which causes significant delays, as it takes up to 5 days to obtain the conformity certificate (from the moment of submitting all the necessary support documents).

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<sup>39</sup> See Law No. 235 of 1 December 2011 on conformity accreditation and assessment activities.

<sup>40</sup> The EU harmonized conformity assessment procedures are established under EC Decision No. 768/2008/EC. The said decision divides these procedures into eight modules (named with the letters from A to H), with each specifying the responsibilities of the manufacturer (and his authorised representative) and the degree of involvement of the in-house accredited or notified conformity assessment body. EC Decision No. 768/2008/EC has been transposed into Law No. 235 of 1 December 2011 on conformity accreditation and assessment activities.

These difficulties are posing a disincentive to business investment, with several traders reporting scaling down production or shutting down certain lines altogether.

Yet another difficult to obtain document is the veterinary-sanitary export permit (AVIZ) that should be submitted before the dispatch of live animals and processed food of animal origin.<sup>41</sup> Exporters of processed food said that it takes up to 5 days to obtain this permit, which involves submitting, among others, the commercial invoice, sales contract, the CoO, certificate of analysis (CoA). For exporters of fresh fruits and vegetables, the difficulties stem from the cumbersome procedures associated with obtaining the phytosanitary certificate and the hygiene (sanitary) certificate for products of plant origin destined to the Russian Federation. These procedures involve cumbersome documentary requirements and long waiting periods of up to 10 days.<sup>42</sup>

The lack of accredited testing facilities aside, the difficulties reported by traders could be addressed by eliminating incidents of repetitive submission of information. For example, and as shown in table 2.7, obtaining the AVIZ permit requires submitting: (i) the purchase-sales contract, even though this document is presented at an earlier stage for obtaining the veterinary-sanitary activity authorization; (ii) the invoice, even though this document does not provide pertinent information for establishing the product's compliance with health safety requirements; and, (iii) the CoO, which is submitted again at a later stage for customs clearance and does not provide pertinent information for establishing compliance with health and safety requirements.<sup>43</sup>

Similarly, traders have to present the contract, invoice, CoO along with the transport documents to obtain the phytosanitary certificate. Given that these documents are submitted for each shipment for customs clearance purposes, and since they do not provide pertinent information for establishing compliance with health requirements, it would be useful to remove them from the list of documentary requirements.

The support documents for obtaining the EUR.1 certificate could also be streamlined. Traders have to present the certificate of enterprise registration, packing list, CoA, conformity certificates and transport documents. These documents do not provide any pertinent information for establishing the origin of raw materials, and some of the documents (packing list, contract and transport documents) are submitted at a later stage during customs clearance. It would be useful to remove these information requirements, especially if the trader submits the import declarations.

On the import side, and as shown in table 2.7, at issue is the lack of clarity over the administrative procedures and documentary requirements. All of the interviewed traders said that they are in constant search for grasping the exact procedures and mandatory support documents, which are not clearly articulated. This leaves much room for discretion. Border control agencies could demand additional support documents as they see fit.

Importers also highlighted a number of difficult to obtain documents. Most notable are the veterinary-sanitary import permit (AVIZ), which should be submitted prior to the dispatch of goods from the exporting country.<sup>44</sup> At issue is not only the extensive list of support documents, but also the lengthy testing procedures. Traders have to obtain samples prior to the dispatch of goods, which causes significant delays as it takes up to 5 days to obtain the test results.

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<sup>41</sup> During the course of the field work, it was established that there are no clear procedures for issuing AVIZ. There was a lack of clarity among traders as to the rules, procedures and conditions that enterprises should comply with as well in relation to the documentary requirements. Long queues were seen in front of the NFSA, consisting of traders seeking to submit their applications or receive the AVIZ.

<sup>42</sup> Officials noted, as part of their written comments on the draft study, that according to Law No. 221-XVI of 19 October 2007 "About veterinary and sanitary activities" (article 33/1), the hygiene certificate should be issued in one day. They also noted that the phytosanitary certificate is issued within 48 hours.

<sup>43</sup> Officials noted, as part of their written comments on the draft study, that the support documents (for obtaining AVIZ) reported by traders are "outdated and do not comply with current legislation". They also reported that AVIZ is issued within 24 hours and that it is will be waved in the near future.

<sup>44</sup> Officials noted, as part of their written comments, that phytosanitary import permit was no longer a requirement as of August 2016, and that sanitary - veterinary authorization (AVIZ) for imports is issued within 24 hours. They also noted that the AVIZ for imports was in the process of being phased out, with plans to have it effectively waved by the end of summer 2017.

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Similar concerns were raised in relation to obtaining phytosanitary import permits. Importers of food and medicine lamented the time consuming testing procedures, which take more than an entire month to complete. For importers of fertilizers and plant protection products, at issue is the restrictive nature of import permits. Several said that they were unable to obtain these permits, which harms their ability to improve their harvest.

Yet another difficult to obtain document is the permission for temporary admission. Traders lamented the long wait period, which ranges between 3 days (as noted by textiles importers) and 10 days (for of basic metals and electric machinery) and reported submitting extensive documentary requirements for each lot, including: the purchase-sales contract, the commercial invoice, and, for equipment, photos and technical reports establishing the technical specification and use of the equipment in question. In addition, MCS request bank guarantees equivalent to the amount of the VAT value, which creates serious liquidity shortages for traders with heavy reliance on international supply sources. A case in point is an importer of fabrics and threads, who imports 400 consignments on an annual basis.<sup>45</sup>

Beyond the above-mentioned concerns, the assessment suggests that more could be done to promote the use of electronic customs declarations among traders. Although traders are allowed to make their own customs declarations, the majority elect to use brokers. Traders seem to lack the required knowledge and/or capacity to use electronic documents. Some said that using customs brokers helps avoid errors, while others said that they do not have the IT system for ensuring connectivity with the CIIS.

Traders also noted that more needs to be done to improve the electronic submission system for import declarations. Several said that there is no possibility for online submission of customs declaration for imports. Others noted that where electronic submission is possible, efficiency gains are undermined by the requirement of submitting the original copies of the invoice and CoO, including those issued by EU. For importers of textile and wearing apparel, at issue are the existing procedures that do not allow online submission of customs declaration for less than full container load (LCL) consignments and for goods imported under the inward processing regime. This creates additional red tape, with the clearance of grupaj (grouped) loads taking up to 3 days to complete.

Officials from the Chamber of Commerce added that traders cannot benefit from the Incomplete Declaration Procedure and the Simplified Declaration Procedures, because the ASYCUDA *World* System is yet to be upgraded to accommodate the two procedures. They also noted that the “multi-agency module” is not operational, since the MCS has yet to link its system with public institutions.<sup>46</sup>

The MCS reported that it has developed a new procedure for simplifying the administrative procedures associated with issuing preferential CoO for exports. The new procedure, which was advanced in a draft Governmental Decision in early 2017, involves issuing preferential CoO during the export clearance and not separately, as is the case under the existing procedure. This means that the certificates will be submitted simultaneously with the export customs declaration and the support documents confirming the origin of goods. The control of the preferential CoOs will be based on the automated risk selectivity system. This new procedure, which is slated for implementation over the course of 2017, will reduce transaction costs facing (the number of controls and respectively of documents that are requested for non-risky transactions will be reduced significantly), and contribute to combating fraud.

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<sup>45</sup> The Customs Service drew attention that the Customs Code is harmonized with the EU legislation. Thus, the existing procedure provides for total or partial relief off customs debt. At the same time, Moldova applies the Istanbul Convention on temporary admission, so that Customs does not request additional guarantees.

<sup>46</sup> The Chamber of Commerce has an online search facility (<http://licentiere.gov.md/licenta.php?l=ro>), which allows for finding out the type of licenses granted to enterprises.



Table 2.7 Documentary requirements for exports by level of difficulty (Moldova)

Trade document	Product	Level of difficulty	Wait time	Support documents
<b>Exports</b>				
Phytosanitary Certificate	Fresh fruits (Apples, cherry, plums, apricots, peach, pears); vegetable seeds	Rather difficult	4-5 days (several reported that the waiting period may go up to 10 days)	Request for obtaining the phytosanitary certificate Copy of the contract Copy of the commercial invoice Transport documents Certificate on use of fertilizers and other plant protection products, obtained from the regional phytosanitary inspector. CoO Certificate of Analysis (CoA) on the basis of which the exporter obtains quarantine certificate. Act of sanitary control of transport unit Certificate that the product is not genetically modified (requested by buyer) Exporters of seeds have to also submit a copy of the license for production and/or sale
Hygiene (sanitary) certificate to prove compliance with pesticides residue levels.	Fresh fruits and vegetables, food and beverages destined to the Russian Federation	Rather difficult	10 days	CoA Certificate on use of fertilizers and other plant protection products Act of phytosanitary control of transport unit
Phytosanitary Certificate	Wood Packaging Material	Rather easy	2	Act of phytosanitary control of warehouse facilities <sup>47</sup> CoA of packaging material obtained from an accredited laboratory
Conformity certificate	Livestock and processed food of animal origin	Rather easy	1	CoA

<sup>47</sup> It is worth noting that the act of phytosanitary control of warehouse facilities was waived pursuant to law No. 181 of 22 July 2016, which amended law No. 228 of 23 September 2010 on plant protection and phytosanitary quarantine. Law No. 181 reduced the number of documentary requirements for obtaining the phytosanitary certificates to the following: application form for issuing phytosanitary certificate; plant protection usage certificate; phytosanitary certificate of the country of origin (in case of reexported goods); copy of invoice. Officials also noted, as part of their written comments, that the warehouse control act is not required for issuing phytosanitary certificates.

Trade document	Product	Level of difficulty	Wait time	Support documents
Veterinary-sanitary activity authorization with a validity period of one year	Livestock and processed food of animal origin	Easy	3 days	Issued following the inspection of the traders' storage facilities. Application for obtaining the authorization Certificate of enterprise registration Document establishing ownership of storage facilities , or lease contract Sales-purchase contract
Veterinary-sanitary export permit (AVIZ) with a validity period of up to 20 days	Livestock	Difficult	3 days	Application Veterinary-sanitary authorization for export Contract Transport documents Quarantine certificate
Veterinary-sanitary export permit (AVIZ) with a validity period of up to 20 days	Processed food of animal origin	Rather difficult	1-3 days	Application Sales-purchase contract Conformity Certificate or quality certificate CoA CoO Certificate of enterprise registration for export of biological preparations and veterinary preparation in Republic of Moldova; and Activity License for export of biological preparations and veterinary preparation in Republic of Moldova Veterinary-sanitary authorization for export Act of sanitary control of transport unit Veterinary Certificate
Veterinary certificate	Chemicals	Rather difficult	3-5 days	AVIZ Laboratory test results
Sanitary authorization for the transport unit		Easy	10 minutes	Transport document
Conformity Certificate		Rather difficult	4	CoA (own lab) Sanitary Avis by Ministry of Health Toxicological analysis results by Ministry of Health (Only for new products)

Trade document	Product	Level of difficulty	Wait time	Support documents
Conformity certificate	Wine (upon the buyer's request)	Easy	4-5 days	CoA Internal registers showing the movement of wines Veterinary-sanitary export permit (AVIZ)
Certificate of Origin (EUR.1)	Products destined to the EU	Rather difficult	3-5 days	<ul style="list-style-type: none"> <li>• Application</li> <li>• Contract</li> <li>• Certificate of Appraisal issued by the CCI (valid for one year)</li> <li>• Act of production inspection issued by customs</li> <li>• Extract from the national commercial register</li> <li>• Import declaration for the imported raw materials used in the production of the goods</li> <li>• Commercial invoices for imported raw materials</li> <li>• Conformity certificate</li> <li>• CoA</li> <li>• Packing list</li> <li>• Transport documents</li> <li>• Producer's declaration of origin for consignments that do not exceed the value of 6000 Euros</li> </ul>

Trade document	Product	Level of difficulty	Wait time	Support documents
<b>Imports</b>				
Phytosanitary import permit <sup>48</sup>	Fertilizers and chemicals for plant protection	Difficult	3-4 days	<ul style="list-style-type: none"> <li>• Application request</li> <li>• Act of phytosanitary control of warehouse facilities</li> <li>• Contract</li> <li>• Invoice</li> <li>• Certificate of quality</li> <li>• Certificate of origin</li> <li>• Phytosanitary certificate issued by the relevant authority in the country of exportation.</li> </ul>
Veterinary-Sanitary Import Permit (AVIZ)	Livestock and meat	Difficult	3-5 days	<ul style="list-style-type: none"> <li>• Application request</li> <li>• Veterinary-sanitary activity authorization (valid for one year)</li> <li>• Veterinary-sanitary certificate by relevant authorities in export countries</li> <li>• Contract</li> <li>• Certificate of conformity</li> <li>• CoO</li> <li>• CoA</li> <li>• Act of sanitary control of transport unit</li> <li>• Invoice</li> </ul>
Authorization for temporary admission	Basic metals; electric machinery and equipment	Rather difficult	3-10 days	<ul style="list-style-type: none"> <li>• Invoice</li> <li>• Contract</li> <li>• A technical report detailing the production process and the use of raw material</li> <li>• For machinery equipment, a report describing the technical specifications and use of the product along with detailed photographs</li> </ul>
Phytosanitary import authorisation	Medicine (food supplements)	Rather difficult	7-10 days	<ul style="list-style-type: none"> <li>• Invoice</li> <li>• Packing list</li> <li>• Contract</li> <li>• Certificate of Analysis</li> <li>• Certificate of enterprise registration</li> </ul>

<sup>48</sup> Officials noted, as part of their written comments, that the law does not require this document. Indeed, this document was waived in mid-2016 pursuant to Law No. 181 on amending and supplementing certain legislative acts in the field of regulation of entrepreneurial activity through authorization of 22 July 2016. As of May 2017, the information published at NFSA website (<http://www.ansa.gov.md/uploads/files/Proceduri%20la%20frontiera/Proceduri%20ftosanitare%20la%20frontier%C4%83.pdf>) was yet to be updated, as it still referred to this permit.

#### 2.4.4 At the border control

Control functions are carried out at the traders' warehouse facilities (only upon the request of traders),<sup>49</sup> at designated farms and storage facilities (for livestock and animal products) or at border crossing points (BCPs), including air, rail and road, by three agencies. As shown in table 2.8, these include: MCS, the Border Guard Service (BGS) and the National Food Safety Agency (NFSA) that commenced operations in 2013 as a way for consolidating phytosanitary and veterinary control functions throughout the agricultural supply chain (from farm to fork).<sup>50</sup>

The NFSA, which is commonly referred to by its Romanian acronym ANSA (Agenția Națională pentru Siguranța Alimentelor), has regulatory and control competences on food safety and veterinary standards, animal husbandry, plant protection and phytosanitary quarantine, control of seeds, quality primary products, food products and animal feed. In 2016, the NFSA, which is headquartered in the capital city of Chișinău, operated at main BCPs and managed inland quarantine facilities.

In general, border agencies carry out control functions in a logical and consistent sequence (for inward traffic: passport control → documentary checks → goods/ vehicle examination → release upon submission of payment confirmation and the reverse for outward traffic). Where several agencies decide to inspect goods, control functions are carried out simultaneously. The same principles apply to control functions at inland facilities (commonly referred to as cargo depots, warehouses, or inland control points- ICPs), which are carried out under the internal transit regime that applies to: (i) inbound consignments following their entry to Moldova and arrival at the designated customs office for final customs processing; and, (ii) outbound consignments processed by internal customs (covering the period following their dispatch to, i.e., from the point of loading to, the designated BCP).<sup>51</sup>

**Table 2.8 Border control agencies and their responsibilities**

Agency	Role and Responsibilities
<b>Customs Service</b>	Customs clearance and collection of duties and taxes. Anti-smuggling controls. Supply chain security. Control of Intellectual Property Rights. Control of vehicle weight and dimensions. CITES-related controls. Cooperation with other border agencies, and counterparts in neighbouring countries.
<b>Border Guard Service</b>	Guarding and protecting the border and its territorial integrity; maintaining public order in border zones. Attending to immigration controls at designated border crossing points: passport and visa checks. Security controls over persons, goods and vehicles (mainly to prevent smuggling of narcotics, firearms, ammunition, and WMD). Combating cross-border crime including trafficking in human beings, organization of illegal migration and illegal crossing of the state border, smuggling (outside state border crossing points), forgery and fraudulent use of documents. Attending to cooperation with other border agencies and counterparts in neighbouring countries.
<b>NFSA</b>	Veterinary, sanitary and phytosanitary controls; plant and animal quarantine.

<sup>49</sup> Only a small percentage of goods are cleared at the traders' warehouse facilities.

<sup>50</sup> See Government Decision No.51 of 16 January 2013 "On the organization and operation of the National Food Safety Agency". Initially under the Ministry of Agriculture and Food industry, the NFSA became directly accountable to the Government of the Republic of Moldova in 2013 pursuant to Law No. 249 of 24 October 2013.

<sup>51</sup> Goods are placed in temporary warehouses under customs supervision for a maximum of 20 days unless otherwise provided by law pending the completion of customs clearance procedures

The assessment shows that clearance is complicated by disagreements over customs valuation; cumbersome procedures, particularly those governing the clearance of agricultural products; and, vehicle weighing. Interviews with customs officials, brokers and freight forwarders show that these concerns can be partly explained by shortfalls in the existing risk management system and the lack of adequate facilities at the main BCPs. There is also a need to further improve brokerage services and consolidate the rule of law. Below is a detailed discussion of the capacity shortfalls that should receive priority treatment.

## Weighing of vehicles

Since October 2014, Moldova has been using the International Vehicle Weight Certificate (IVWC), accepted by all signatories to UNECE International Convention on the Harmonization of Frontier Controls of Goods. Designed to avoid repetitive weighing of road vehicles *en route*, IVWCs: (a) provide that weight measurements take place only in the country of origin of international transport operations, and (b) establish that no further weight measurements are carried out apart from random checks and controls in case of irregularities. However, according to interviewed transport operators and customs brokers, all vehicles, including those in transit and empty vehicles, are routinely weighed on entry and exit from the Republic of Moldova at a cost of 40 MDL per vehicle.

MCS officials noted that the weighing procedure, the responsibility for which has been delegated from the Ministry of Transport to MCS, is based on the fiscal code.<sup>52</sup> The existing legislation should be amended to enable the Ministry of Transport to use portable weigh scale systems, as a pre-condition for institutionalizing a risk based procedure for vehicle weighing at BCP that is geared towards combating fraud.

## Clearance procedures for agricultural products

The assessment highlights the need for simplifying the current administrative, sampling and handling procedures associated with clearing agricultural products. As described by traders, in cases where phytosanitary control is deemed necessary, a specialist is dispatched to the BCP to take samples for testing in Chişinău and the consignment is held at the border pending the release of laboratory test results. Once the results are released, the consignments are dispatched to the ICP for final clearance, thereby extending the waiting time to an entire day with significant losses in the form of damaged goods owing to the lack of storage facilities at the main BCP.<sup>53</sup>

It is worth noting that efforts to address these concerns have involved the installation of three mini-laboratories at BCPs, with plans to install a forth min-laboratory by the end of May 2017. To reap the expected benefits, there is a need to institutionalize selective, risk based approach to physical inspection. Traders lamented the lack of clarity as to the conditions that generate the need for testing. The majority reported that all their outbound consignments (100 percent) are subject to physical inspection, with samples sent to two or three testing laboratories. The same applies to inbound consignments, particularly those containing seeds, planting and propagation material, potted and cut plants. The lack of proper procedures and instructions for settling disputes over laboratory results is yet another issue raised by traders, who noted that clearance is often delayed by the contradictory advice received from the Ministry of Agriculture and the NFSA. Experts from the two institutions tend to have different interpretations of the existing regulations.<sup>54</sup>

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<sup>52</sup> See Chapter 9 on road tax, Tax Code of the Republic of Moldova No. 1163 of April 24, 1997 (as amended up to Law of the Republic of Moldova No. 230 of September 23, 2016, on Amendments and Additions to Certain Legislative Acts)

<sup>53</sup> Officials noted, as part of their written comments on the draft study, that the practice of withholding consignment at the BCP pending the release of the test results have never existed. They explained that vehicles released upon the collection of necessary samples.

<sup>54</sup> Officials noted that consignments are controlled based on a risk-management system, and that samples are only taken if consignments are suspected of being infested with harmful organisms. They also noted that the share of sampled consignments is low, ranging between 3-5 percent in 2017.

## Customs valuation and classification

Although customs provides advance ruling, only 16 percent of the traders reported using this service. Traders as well as customs brokers, freight forwarders and transport operators said that the rulings are provided with much delay and are limited to tariff classification and origin of goods.<sup>55</sup>

The general view conveyed by these stakeholders is that customs regards itself as primarily a revenue collection and anti-fraud enforcement agency. The MCS tend to proceed from the assumption that imports are undervalued and that support documents, in particular the invoice, cannot be relied upon. Officials frequently demand additional documentary evidence (e.g., contracts, orders, receipts and bank statements) and impose higher values. This leaves enterprises with a significant financial burden, particularly those importing under the inward processing regime. Traders explained that customs duties eat away at their profit margin, which is limited to begin with by virtue of the labour-intensive nature of their production activities. These concerns were also voiced by importers of used equipment, raw materials, and goods from cheaper supply sources, especially from the People's Republic of China.

The disagreements over custom valuation stem from shortfalls in the country's tariff classification of goods. According to the International Convention on the Harmonised Commodity Description and Coding System, to which Moldova is a signatory, tariff classification should be determined based on the General Rules of Interpretation and the Legal Notes to the Harmonized System Nomenclature. However, customs brokers and freight forwarders said that it is often the case that Customs officials use lists of general descriptions of goods and comparative duty rates, rather than the HS classification. Traders and customs brokers also noted that while the customs tariff system (TARif vamal Integrat al republicii Moldova- TARIM) allows traders and their agents to identify export and import requirement, including the applicable duties, taxes, fees, and the technical and non-tariff measures, the information is not updated on a regular basis.

The above shortfalls are compounded by weaknesses in the customs valuation system. Although existing legislation integrates the principles of the WTO Valuation Agreement<sup>56</sup> and provides for uniform and transparent rules for determining customs value,<sup>57</sup> Customs authorities tend to use their own reference price list as the main default method,<sup>58</sup> and the list invariably indicates higher prices. Thereafter, the importer could either accept the MCS assessment or appeal. However, since consignments cannot be moved whilst disputes are ongoing, importers invariably choose the former option.<sup>59</sup>

Such practices put MCS in breach of its WTO obligations. The difficulty is that the MCS has good reason, based on previous cases, to believe that at least some imports are, in fact, deliberately under-valued and has no means, beyond the presented support documents, of checking its assumptions and arriving at more sensible judgements.

## Risk Management

Part of the solution for the customs valuation disputes lies in refining the risk profiles built into ASYCUA *World* risk management module. The module, which is integrated into the CIIS, automatically assigns clearance/control channels (green for clearance without examination; yellow for documentary examination required; red for documentary and physical examination), and generates on-screen alerts and instructions for examining officers based on pre-determined risk parameters tailored to judgements about the national control environment. MCS officials can also manually re-route cargo from one CIIS-assigned channel to another.

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<sup>55</sup> A detailed discussion of customs valuation is provided in section 2.4.3.

<sup>56</sup> See Customs Code of the Republic of Moldova.

<sup>57</sup> See Government Decision No. 974 of 15 August 2016 approving the Regulation on the Declaration of Customs Value of Goods, which establishes uniform and transparent rules for determining customs value that are consistent with the EU legislation.

<sup>58</sup> This is not published, and the means by which it is composed is completely opaque.

<sup>59</sup> Customs noted that according to Law on customs tariff and Governmental Decision No. 974 of 15.08.2016, in cases where there is a need to postpone the decision over customs valuation, goods are released against a guarantee from the trader.



The MCS noted that it has achieved significant progress in refining the risk parameters and profiles, in order to reduce the percentage of cargo currently assigned by the CIIS to the green channel. In 2016, the share of inbound consignments assigned to the green channel was 68 percent (up from 41 percent in 2014 and 51 percent in 2015), while the share of outbound consignments assigned to this channel was 90 percent (up from 78 percent in 2014).

Yet, the daily reality, according to the interviewed traders and customs brokers, is that a significant percentage of inbound consignments is routinely subjected to some kind of customs examination (documentary and/or physical examination). This suggests that there remains room for further measures for ensuring proper capturing of high-risk consignments.

Priority should be given to developing the MCS post-clearance audit (PCA) function. This will enable customs to undertake systems-based audits and, thereof, undertake considered examination of the commercial processes and systems (loss leaders, quantity discounting, and stock clearance, for example) and adjust the risk parameters accordingly. This is a more holistic approach than the existing one, which relies mainly on the checking of individual import entries.

Above all is the over-arching concern to strike a balance between anti-smuggling and enforcement concerns and trade facilitation principles. One way to ensure this is to link MCS risk management to the AEO scheme, which has the greatest potential for reducing frontier and inland customs controls.

## Customs brokerage

The assessment shows that more could be done to consolidate the country's customs brokerage sector. There are around 70 registered customs brokerage businesses in Moldova, represented by International Association of Road Hauliers of Moldova, known by its Romanian acronym AITA (Asociația Internațională a Transportatorilor Auto), the Chamber of Commerce and the Customs Brokers Association of Moldova (the largest representative body).

Each association has its own membership requirements and standards, and both the MCS and brokers were of the view that the brokerage profession is not properly regulated. Customs brokers can establish a business by meeting criteria relating to their premises, number of employees and connectivity to the CIIS. They must also arrange for a financial guarantee adjusted to their annual turnover. This qualifies them for a certificate, which is valid for 5 years. Beyond that, there are no requirements, in terms of qualifications, and no mandatory operating standards. Training is voluntary, as is staying abreast of legislative and procedural developments (where it is possible to do so).

As such, performance standards tend to vary, so that errors are common. The introduction of a proper system for training, licensing, accrediting and monitoring customs brokers, supported by both the MCS and the brokers associations is, therefore, needed to minimize processing errors and improve the quality of advice provided to traders. It would also professionalise the industry and give it a more credible voice when exercising its advocacy role in different policy-making fora.

## Facilities at main BCPs

Traders reported experiencing significant delays at land BCPs with Ukraine, particularly those operating in the absence of joint border control mechanisms.<sup>60</sup> The delays become more acute during periods of border tensions as was the case in 2014, during which traders had to wait for a minimum of 3 hours to cross the borders. Several had to re-route their trade via Romania during periods of heightened political instability in Ukraine, with the consequence of inflating their transaction costs. Traders also highlighted the need to introduce expedited clearance procedures for perishable goods (Table 2.9)

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<sup>60</sup> The EU Border Assistance Mission to the Republic of Moldova and Ukraine (EUBAM) supports the establishment of joint border control operations with Ukraine. For further details, see section 2.4.4



**Table 2.9 Land BCPs used by traders: Advantages and disadvantages**

Crossing point	Neighbouring territory	Transport mode	Disadvantages	Advantages
Leuceni / Albita	Romania	Road	Advantages	Quick border clearance; dedicated lane for trucks carrying perishable products.
Giurgiulesti/ Galați	Romania	Road/Rail	No problems were reported, though traders mentioned that the BCP could benefit from introducing expedited clearance procedures for perishable goods.	
Tudora / Starokozache	Ukraine	Road	No problems were reported, though traders mentioned that the BCP could benefit from introducing expedited clearance procedures for perishable goods.	
Criva/Mamalyha	Ukraine	Road/Rail		Quick border clearance; dedicated lane for trucks carrying perishable products; joint control with Ukraine
Otaci/Mohyliv-Podilskyi	Ukraine	Road	Extended waiting time and long queue lines. Traders often make a detour to other crossing points (mainly Criva), which increases financial costs.	
Palanka/ Maiaky-Udobne	Ukraine	Road	Very long waiting; informal payments	

The concerns raised by traders were echoed by freight forwarders and customs brokers, who noted that delays at land BCPs stem from:

- Poor infrastructure: narrow approach roads, single entry gates, and lack of parking and waiting areas for trucks and other vehicles; inadequate space and facilities for vehicle and goods inspection.
- Poor traffic management: non-segregation of commercial and private traffic; non-segregation of transit consignments; segregation of 'fast track' consignments only after an initial non-segregated queue to enter the customs control zone.
- Lack of non-intrusive inspection equipment (x-ray and gamma-ray scanners) which, if used judiciously, reduces the requirement for physical inspection.

## Weaknesses in the rule of law

Traders as well as freight forwarders and customs brokers reported that informal payments are provided at virtually every stage of the import and export processes, and carry negative implications for fair competition.. Such payments are made at the initiative of the traders to speed up clearance or officials in return for waiving certain documentation; issuing certificates and permits more quickly; or, clearing cargo without physical inspection. Customs brokers and traders also reported that MCS officials are prepared to revise their assessment upon the provision of informal payments.

Development experience shows that such practices are common in situations where there is a lack of information about regulatory and procedural trade requirements, a lack of clarity about the rights and obligations of agencies and a lack of service standards. These practices are also common in situations where the public sector's salary scales are low.

### 2.4.5 Transit trade and regional at border cooperation arrangements

At the border cooperation with trade partners is facilitated by a series of bilateral cooperation arrangements (Annex 1). The most extensive are those signed with Moldova's immediate neighbouring countries of Romania and Ukraine.<sup>61</sup> Agreements with Romania include the free trade agreement (1994); agreement on international road transport (1996); agreement on cooperation on customs issues (2003); agreements on the exchange of information (2005 and 2011);<sup>62</sup> and agreements on border cooperation (2009 and 2011).<sup>63</sup>

Cooperation with Ukraine, which started with the Treaty of Good-neighbourly Relations, Friendship and Cooperation of 1992, involves 21 agreements (Annex 1) and, since 2005, has been supported by the EU Border Assistance Mission to Moldova and Ukraine (EUBAM).<sup>64</sup> Operating from its headquarters in Odessa and six field offices in Ukraine and the Republic of Moldova, EUBAM has been actively involved in supporting the establishment of joint border crossing points along the border between the Republic of Moldova and Ukraine.

To date, the mission has seen the establishment of three joint border crossing points (at Criva-Mamalyh a, Briceni-Rososhany and Giurgiulesti-Reni, amid preparations to extend joint control at the Pervomaisc-Kuchurhan and the Udobnoye-Palanca-Mayaky) based on the principle of integrated border management (Map 2).<sup>65</sup> The establishment of the joint BCPs involved the consolidation of a common ICT system, known as

<sup>61</sup> Bilateral agreements with Romania and Ukraine come in addition to the trilateral agreement between Moldova, Romania and Ukraine on establishment of the Euro-regions "Upper Prut" (September 2000) and the "Lower Danube" (August 1998).

<sup>62</sup> Protocol between the Border Guard Service of the Republic of Moldova and the General Inspectorate of the Romanian Border Police within the Ministry of Administration and Interior of Romania on information exchange in the view of carrying out specific missions, 22 November 2005; Agreement between the Government of the Republic of Moldova and the Government of Romania on establishment and functioning of the Galati Joint Contact Centre (31 May 2011).

<sup>63</sup> Agreement between the Government of the Republic of Moldova and the Government of Romania on state border crossing points (13 November 2009); and, the Protocol between the Border Guard Service of the Republic of Moldova and the Ministry of Administration and Interior of Romania through the General Inspectorate of Border Police on strengthening cooperation at central and territorial levels ( 29 November 2011).

<sup>64</sup> See Memorandum of Understanding between the Government of the Republic of Moldova, the European Commission and the Government of Ukraine on European Union Border Assistance Mission to Moldova and Ukraine as of 7 October 2005. EUBAM was launched on 30 November 2005 at the joint request of the Presidents of the Republic Moldova and Ukraine. It is an advisory, technical body with no executive powers. EUBAM's area of activities covers the border between the Republic of Moldova and Ukraine, which runs 1,222 kilometres (km) in total length with 470 km located on the region of Transnistria (Map 2).

<sup>65</sup> The joint border crossing points are being established as per the Agreement the Republic of Moldova and the Republic of Ukraine on organization of joint control in border crossing points at Moldova-Ukraine state border (11 March 1997).The agreement stipulates the establishment of seven joint border crossing points, namely: Criva-Mamalyha; Briceni-Rososhany; Medveja-Zelena; Larga-Kelmentsy; Giurgiulesti-Reni; Pervomaisc-Kuchurhan; and, Udobnoye-Palanca-Mayaky.

the Pre-Arrival Information Exchange System (PAIES), and the establishment of the Trade Facilitation Working Group (TFWG) to serve as a platform for exchanging views and pooling efforts as the Republic of Moldova and Ukraine ahead in fulfilling the AA/DCFTAs customs-related regulatory and procedural requirements.<sup>66</sup>

## Map 2 EUBAM area of operations



Source: EUBAM (2015) Annual Report, 1 December 2014-30 November 2015.

These arrangements set the context for transit trade, which is governed by the TIR Carnet and ATA Carnet (Admission Temporaire - Temporary Admission). In 2016, the MCS was working toward connecting its transit system with that of the EU as part of a broader process to fulfil the requirements of acceding the EU Common Transit Convention (which governs movement of goods between the EU 28 Member States, EFTA countries and Turkey) and the Union Community Transit procedure (used for customs transit operations within the EU (28 Member States) and Andorra and San Marino). In practice, this means creating a link between the EU's New Computerised Transit System (NCTS)<sup>67</sup> and *ASYCUDA World*, training all the system users, and consolidating the required capacity for maintaining and updating the system.

<sup>66</sup> The TFWG brings together representatives of Moldovan and Ukrainian customs together with EC/DG-TAXUD and customs professionals from EU Member States and international organisations, including the USAID, the American Chamber of Commerce and the European Business Association.

<sup>67</sup> Regulation (EC) No 837/2005 and Decision No 4/2005 of the EC/EFTA Joint Committee on Common Transit make the use of the NCTS compulsory for all EU/ common transit declarations.

The assessment highlights a number of capacity shortfalls. Traders and freight forwarders said that MCS staff at BCPs routinely control transit traffic, whether it is passing through the country or destined for an ICP under the internal transit procedure. Transit documents are examined in 100 percent of cases, often by more than one official, and consignment seals are regularly broken and re-sealed. This puts Moldova in clear breach of several international conventions, notably the GATT agreement on transit; the International Convention on Harmonization of Frontier Controls of Goods; and the TIR Convention.

Traders and freight forwards also reported that Customs tend to impose strict transit times, calculated on the basis of an average speed of 25 kilometres per hour.<sup>68</sup> The time limits are rigorously enforced, and fines are imposed on drivers and transport operators exceeding the transit time with little consideration to legitimate breaks in the journey. The MCS perceives exceeding the set journey duration as an indication of fraudulent practices, and, therefore, cannot ensure that the seals were not tampered with. The strict transit times not only impedes trade, but also create road safety hazards as drivers feel compelled to cross the border without having taken their mandatory rest breaks.

MCS controls over transit traffic should be risk-based. The introduction of NCTS in due course, and eventually a facility which permits advance declaration of cargo, are important steps in this direction.<sup>69</sup> Yet, these steps would remain insufficient unless complemented by immediate measures to ensure consistent application of the TIR Convention and support selective control targeting high-risk transit cargo, with the remaining cargo channeled through separate “fast track” lanes. A similar risk-based, selective approach to the control of traffic under the internal transit procedure should be adopted along with the used of sealed “safe packages” for the accompanying transit documents.<sup>70</sup>

The assessment also shows that more needs to be done to improve the overall management of customs warehouse facilities.<sup>71</sup> Freight forwarders and customs brokers complained that goods kept in these facilities are often subjected to physical control, which creates additional costs as traders are charged for the loading and unloading of consignments and for changing the seal.

Other problems reported by traders relate to transiting through the territories of neighbouring countries. Traders noted that the Russian Federation accepts the TIR Carnet only at certain designated BCPs, which do not necessarily form part of the traders’ routes. This inflates transaction costs as transport operators have to use other forms of transit guarantees (accepted by the Russian Federation) at a cost ranging between USD 100 to USD 200 per shipment.

Traders also reported incidents of border rejections. These concerned processed food and agricultural products destined to the Russian Federation, which are routinely retested, thereby causing delays and additional financial costs in the form of fees for laboratory tests that could go up to USD 6000 per consignment. In addition, fruits and vegetables were consistently rejected throughout 2014 (for failing to meet phytosanitary requirements) as well as canned goods (for failing to meet the Russian Federation labelling requirements).

Traders were also of the opinion that trade with the Russian Federation is impeded because the authorities doubt the validity of preferential CoOs issued by MCS. Forwarders are consistently requested to present CoO issued by the Chamber of Commerce and failure to do so results delays and additional costs, since Russian customs do not treat the goods in question as originating from Moldova and proceed to impose customs duties. Several traders said they were able to resolve the issue and obtain the full amount of the customs duties, albeit after several months.

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<sup>68</sup> Existing legislation provides for a maximum period of 8 days from loading to export, and from the border to destination. See Customs Code of the Republic of Moldova of 2000

<sup>69</sup> The customs-to-customs PAIES already in operation at the Ukraine border may present opportunities in this respect.

<sup>70</sup> The customs documents are sealed in a tamper-proof plastic envelope, the purpose of which is to eliminate unauthorised access to those documents, reduce interference with cargoes in transit.

<sup>71</sup> MCS warehouse facilities are managed by the State Enterprise (SE) “Vamservinform” that was created as a result of a reorganization through merger of SE “Moldvama Group” and SE “Vamtehinform”, pursuant to the Government Decision No. 178 178 of 23 March 2011 and MCS Order No. 102-O of 5 April 2011 “On the creation of the State Enterprise Vamservinform”. The organisation, which operates on a cost recovery basis, is also responsible for the administration, maintenance and operation of the CIIS and the mobile x-ray scanning equipment at customs posts.

Traders also reported experiencing difficulties in arranging transport through Ukraine, noting that this route was effectively blocked during the second half of 2015 by a shortage in the CIS transit “dozvol” permits available to Moldova.<sup>72</sup> Exporters of wine and low alcohol drinks drew attention that they assume additional costs, since Ukrainian Customs charges a special tariff for these products in contradiction with the TIR Convention. Concerns were also raised in relation to shipping through Odessa port. Delays are common, with long waiting period that could go up to 90 days, and several reported that they routinely provide informal payments to speed up customs clearance.

The “dozvol” permits also complicate transiting through Kazakhstan. Transport operators said that the permits are issued with significant delays and involve the submission of extensive support documents for consignments of raw material, including, among others, invoice, origin certificate, and quality certificate. Traders usually commence the paper work well in advance of the manufacturing process in order to meet the delivery deadlines set in the purchase-sales contracts with buyers.

Transport by road through Europe is also challenging in view of the broader EU effort to stamp out non-compliance with the European Agreement concerning the Work of Crews of Vehicles engaged in International Road Transport (AETR). Transport operators cited, as examples, the recent laws introduced by Belgian and French authorities prohibiting drivers from sleeping in their vehicles. Transport operators lamented assuming additional costs, since they have to park their vehicles in secure depots during designated daily rest periods.

#### 2.4.6 Transport and logistical services

Despite representing the traders’ transport mode of choice, the country’s road networks are in a state of decay with the lack of political stability driving away the much needed investments. The same applies to the rail network. For exporters of agricultural products, shipping by rail is further complicated by the lack of freight wagons, especially four-axle goods wagons with a capacity of 60 tonnes, and thermal wagons.

The weaknesses in the country’s rail and road networks not only perpetuate territorial fragmentation, but also undermine its ability to benefit from regional transport development initiatives. A case in point is the difference in rail gauge between Moldova and Romania, with negative consequences for customs clearance. Customs and other border formalities are conducted in parallel for every import and export consignment in what constitutes a lengthy process. Traders also lamented the lack of freight wagons.

Transport operators also noted that the freight forwarding industry is not properly regulated and, as such, remains prone to varying standards of competence. This shortfall manifests itself in poor advice to traders in relation to transport, transit and customs requirements, with consequential delays and penalties for infringements. Moreover, the International Motor Insurance Certificate (Green Card),<sup>73</sup> which is essential in many of the countries to which Moldovan trucks travel, is said to be unreasonably expensive owing to the lack of competition.<sup>74</sup>

Much emphasis is attached to regional transport development initiatives as a critical element for addressing the above-mentioned weaknesses. Moldova is an active participant in regional and inter-regional transport development initiatives, including the EU Trans-European Transport Network (TEN-T) transport corridors; the Transport Corridor Europe-Caucasus-Asia (TRACECA) routes; and the Organization for Cooperation between

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<sup>72</sup> These permits form the basis for governing transit trade through the territories of the Commonwealth of Independent States (CIS). The permits are distributed among CIS members within the context of an exchange system, whereby each country is provided a certain number of dozvol permits. Thus Moldova, like the remaining member countries, obtains a certain number of permits in exchange for Moldovan dozvol permits. The CIS permits are then distributed by the Moldovan authorities among the Moldovan carriers in return for a fee.

<sup>73</sup> The Green Card itself does not provide insurance cover but does certify that you have at least the minimum compulsory third party insurance cover required by law in participating countries, including Belarus, Bosnia-Herzegovina, Iran, Israel, Montenegro, Morocco, the Former Yugoslav Republic of Macedonia, the Republic of Albania, the Republic of Moldova, Serbia, Tunisia, Turkey and Ukraine.

<sup>74</sup> There is only one provider of International Motor Insurance Certificates in the country.

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Railways (OSJD) inter-regional two rail network (Table 2.10).<sup>75</sup> However, these initiatives are proceeding in a slow pace due to the lack of funding, thereby setting the limits to the prospects of developing the country's multi-modal systems.

**Table 2.10 Moldova's participation in regional and inter-regional transport development initiatives**

Initiatives	Corridors passing through Moldova
<b>TEN-T</b>	<ul style="list-style-type: none"> <li>Corridor VII: Rein Main to Danube)</li> <li>Corridor IX: Helsinki - Vyborg - Saint Petersburg - Moscow - Kiev - Chişinău - Bucharest - Ruse - Dimitrovgrad – Alexandroupolis)</li> </ul>
<b>TRACECA</b>	<ul style="list-style-type: none"> <li>Giurgiulesti– Chişinău</li> <li>Ilyichevsk–Odessa–Tiraspol (main city of Transdnistria)– Chişinău –Ungeny (across the border from Iassy, Romania)</li> <li>Klimentovo (Ukraine)–Rybnitsa–Ungeny</li> </ul>
<b>OSJD</b>	<ul style="list-style-type: none"> <li>Corridor 5 that passes through Hungary, Slovakia, Ukraine, Russia, Kazakhstan, Georgia, Azerbaijan, the Republic of Moldova, China and Kyrgyzstan</li> <li>Corridor 12 that passes through the Republic of Moldova, Romania and Bulgaria</li> </ul>

## 2.5 Regulatory and standardization policies

Moldova's trade reforms have historically featured an emphasis on regulatory harmonization through applying international standards, including Codex Alimentarius, the International Plant Protection Convention (IPPC) standards and the Office International des Epizooties (OIE) standards, along with best practices in the area of trade facilitation. In addition, the Government is following ambitious plans<sup>76</sup> to approximate the entire set of EU horizontal Directives<sup>77</sup> along with 80 sectoral Directives.<sup>78</sup>

In 2017, Moldova's system of quality control and quality assurance comprised the National Standardization Institute (NSI), the National Accreditation Centre (MOLDAC), the Consumer Protection Agency (CPA) and the National Metrology Institute (NMI). These agencies worked independently under the guidance of the Ministry of Economy,<sup>79</sup> and operated alongside the NFSA and a number of independent conformity assessment bodies (CABs).

<sup>75</sup> A detailed description of TEN-T, TRACECA and OSJD are available at: [http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/maps\\_en.htm](http://ec.europa.eu/transport/themes/infrastructure/ten-t-guidelines/maps_en.htm); <http://www.traceca-org.org/en/traceca/>; and, [http://en.osjd.org/statico/public/en?STRUCTURE\\_ID=5050](http://en.osjd.org/statico/public/en?STRUCTURE_ID=5050), respectively.

<sup>76</sup> See the National Action Plan for the Implementation of the Association Agreement (PNA AA) for 2014-2016 (approved by Governmental Decision No.808 of 7 October 2014 and amended by Decision No.713 of 12 October 2015) which spells out legislative and procedural reforms covering TBT provisions, and the Legislative Programme on implementing the commitments under the AA (Parliament Decision No.146 of 9 July 2015). In late 2016, the Government was preparing a new action plan on implementing Association Agreement for the period 2017-2019.

<sup>77</sup> EU horizontal directives are established under the EU New Legislative Framework (NFL) for technical harmonization and standardization and the EU Directive 2001/95/EC on general product safety. The NFL principles and rules are set out under EC Regulation 765/2008 (for accreditation and market surveillance) and Decision 768/2008/EC (on a common framework for the marketing of products). EC Regulation 765/2008 and Decision 768/2008/EC are available at: [http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index\\_en.htm](http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index_en.htm)

<sup>78</sup> The EU sectoral directives define for each product group the essential health and safety requirements and the specific conformity assessment procedures to be followed).

<sup>79</sup> The Ministry of Economy is the lead State agency responsible for horizontal coordination of legislative reforms as per Government Decision 996 of 27.12.2012 on measures to reform the quality infrastructure and Government Decision No. 77 of 25.01.2013 on the reorganization of the State Enterprise "Centre of Accreditation in the Field of Products Conformity Assessment. The Ministry of Economy works closely with the Ministry of Foreign Affairs and European Integration, which supports overall coordination of legislative harmonization with the EU in its capacity as the secretariat to Government Commission for European Integration.

The system has benefited from successive reforms, which, since 2006, have featured a special emphasis on reflecting the EU *acquis communautaire* in national legislation as well in institutional arrangements pertaining to standards, technical regulations, metrology, market surveillance, accreditation and conformity assessment systems. As shown in Annex 2 (Table A2.1), Moldova has registered significant progress in bringing national legislation up to the EU requirements. However, capitalizing on achievements to date is challenged by capacity shortfalls at both the planning and implementation levels.

### 2.5.1 Technical regulations

Technical regulations are developed by line ministries based on preliminary regulatory impact assessments (RIAs);<sup>80</sup> the results of which are scrutinized by the State Commission Working Group for Regulation of Entrepreneurial Activity that meets in ordinary sessions at least once a week. Once proposed legislation is approved, and if the State Commission does not request more detailed RIA,<sup>81</sup> the Ministry (ies) in question proceed to draft the technical regulation.<sup>82</sup>

Interviewed officials lamented the lack of experienced staff in conducting RIAs, which comes despite the concerted training and capacity building efforts extended by the Ministry of Economy and development partners, including, among others, the Chişinău-based American Chamber of Commerce and Association of European Business. At issue noted the officials is the high turnover rates, so that the number of staff who are likely to acquire advanced skills through learning-by-doing is inherently limited. Qualified staff is overstretched, especially since RIA should be applied to both existing and proposed regulations, and are, thus, unable to attend to the time consuming task of training newcomers.

Indeed, a cursory examination of RIAs by different State agencies show room for improvement. In general, RIAs feature a quantification of the costs accrued by the business community under the existing legislation along with an informative list of expected benefits, including economic, social and/or financial, from the proposed reforms. There is no evidence of rigorous impact assessments, which quantify, for example, the financial consequences of the proposed regulatory reforms (i.e., investment costs and internal rates of return on investments), and the compliance costs that are likely to be accrued by the affected State agencies and businesses. Moreover, all of the interviewed officials lamented the modest and sporadic participation of traders and enterprise representatives at the State Commission Working Group Regulation of Entrepreneurial Activity sessions, noting that this deprives the process from the much needed feedback for ensuring policy responsiveness and successful implementation.

Another common theme emerging from discussions with officials and traders relates to equipping regulators and policy makers with additional tools to better target micro enterprises and SMEs.<sup>83</sup> This is an inherently challenging undertaking, since measuring the impact of regulatory change(s) requires a clear understanding of these enterprises' vulnerabilities, which should be properly captured and analysed in their own right and in relation to the regulatory change. In this respect, the national Bureau of Statistics has already a wealth of

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<sup>80</sup> See Government Decision No.1230 of 24 October 2006, which sets out the methodology for conducting RIA (available at: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=318208>) and Manual on Regulatory Impact assessment in Moldova (available at: [http://regulatoryreform.com/wp-content/uploads/2015/02/Moldova-RIA\\_Manual\\_ENG-2006.pdf](http://regulatoryreform.com/wp-content/uploads/2015/02/Moldova-RIA_Manual_ENG-2006.pdf)). The methodology builds on best practices contained in OECD (2008) Building an Institutional Framework for Regulatory Impact Analysis (RIA): Guidance for Policy Makers.

<sup>81</sup> Ministries prepare a preliminary impact assessment of proposed reforms. A more detailed impact assessment is carried out only if the results of the preliminary assessment suggest the need for a comprehensive analysis.

<sup>82</sup> Officials noted that it also possible to present the RIA and associated draft legislation in a single undertaking. As explained by interviewed officials, the drafting process usually takes the form of transposing the relevant EU Directives into national laws,

<sup>83</sup> The RIA methodology attaches great importance to capturing the potential impact of regulatory reforms on the activities of these enterprises. See Government Decision No.1230 of 24 October 2006, which sets out the methodology for conducting RIA. The Decision is available at: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=318208>

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information on these enterprises' main economic performance indicators, which could be used to develop reference frameworks for guiding RIAs.

High turnover rates have also been undermining the different agencies' ability to build the required level of expertise skills in the area of technical regulation development. The number of staff with working experience in identifying the essential requirements and in transposing EU Directives into national laws is limited, and this constraint is aggravated by the division of labour within line Ministries. The task of drafting technical regulations is assigned to the legal departments to the exclusion of policy officials in the remaining departments, particularly those involved in RIAs. Officials also emphasized that more needs to be done to strengthen the strategic linkages between the legislative processes and awareness raising, policy development and capacity building efforts.

These capacity shortfalls are most pronounced in the Ministry of Environment (which is responsible for transposing 25 EU regulations into national laws by 2023),<sup>84</sup> and the Ministry of Agriculture and Food Industry (MoAFI). MoAFI officials said that the ministry is responsible for transposing 239 SPS regulations into national law, and another 10 acts in collaboration with other ministries by 2020 as established under the AA. Transposing these regulations involve not only the introduction of revisions to existing laws, but also the development of new regulations where none exist (e.g., fresh and canned fish).

Similarly, the Ministry of Transport and Roads Infrastructure (MoTRI) seems to be ill-equipped to transpose the 80 legislative acts associated with the EU Common Aviation Area. Officials also noted the limited progress in reforming maritime and inland waterways transport legislation, which undermine the Republic of Moldova's efforts to exit the black list of the Paris Memorandum of Understanding on Port State Control.<sup>85</sup> They drew attention that priority should be given to approving normative acts to allow for exercising Flag State duties; completing the elaboration and approval of the internal regulations of the Naval Agency; and, elaborating normative acts for monitoring Moldovan-flagged vessels.<sup>86</sup>

The above shortfalls have meant that technical regulation development lagged behind action plans for transposing EU Directives, with the recurrent government shuffles undermining the continuity of the drafting process. Draft legislations are difficult to table on the agenda, and delays in the enactment of legislation following the initiation process are common. By 2016, the Republic of Moldova had transposed five of the six horizontal EU laws, including: Directive 85/347/EEC concerning liability for defective products; Directive 2009/3/EC relating to units of measurement; Regulation (EC) 765/2008 on requirements for accreditation and market surveillance; Decision 768/2008/EC on a common framework for the marketing of products; and, Regulation (EU) 1025/2012 on European standardisation. The remaining horizontal EU legislation (Directive 2001/95/EC on general product safety) was yet to be approved by the Parliament.<sup>87</sup> The transposition of the sectoral EU legislation showed modest results, with less than 20 directives entirely or partially implemented.

Hence, a situation whereby line ministries are struggling with an increasing workload, with unimplemented reforms carried over to the next reform cycle at a time when staff have to attend to rigorous reporting systems that combine periodic reporting with coordination meetings that, in some cases, are held on a weekly basis.

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<sup>84</sup> See Government Decision No. 301 of 24 April 2014 "On the approval of the Environmental Strategy for the years 2014-2023 and of the Action Plan for its implementation".

<sup>85</sup> According to the World Shipping Register (<http://www.world-ships.com/>), as of September 2016, the number of ships registered under the Moldovan flag was 189. The flag performance list by the Paris Memorandum of Understanding on Port State Control is available at: <https://www.parismou.org/publications-category/performance-list>.

<sup>86</sup> As indicated in the Government's progress report on the implementation of the Republic of Moldova-European Union Association Agenda for the period September 2014-March 2015, these reforms are to be implemented during 2016-2017.

<sup>87</sup> Annex XVI of the AA stipulated approximating all the horizontal directives by 2015 the latest



### 2.5.2 Standardization

Consistent with the Republic of Moldova's commitments under the AA,<sup>88</sup> standard-setting work is mainly geared towards aligning national legislation with the requirements of the EU *acquis communautaire*. This process, which gained new impetus in March 2016 following the adoption of the new law on standardization,<sup>89</sup> involves adopting the entire registry of European standards, including the harmonised standards (3,400 standards in total as of 31 December 2016), the European standards developed by CEN, CENELEC and ETSI (more than 25,000 in total).<sup>90</sup>

This complex task has been proceeding within the context of a two-pronged approach. The first relates to transposing the European harmonized standards (EN) into national standards (SM), while the second is centred on the cancellation of national standards found as conflicting with the EU standards and legislation.

In 2016, the Republic of Moldova had 18 national Standards Technical Committees (NSCTs), which were established on a voluntary basis, i.e., upon the request of stakeholders (Box 2.1). Consistent with international best practices,<sup>91</sup> the NSCTs were structured to ensure the broadest possible participation and create synergy with technical regulation development. Each NSTC brought together 15-20 representatives from producers, traders, business and professional associations, research institutions, consumer associations, market surveillance authorities, testing laboratories, certification bodies and line Ministries, who worked under the guidance of an elected chair. The NSCTs work as expert groups under the NSI, which: acts as the secretariat to each committee; provides training courses on standard setting to members of the NSCTs; supports the Standardization Council.<sup>92</sup>

In developing national Moldovan standards, the NSCTs follow a rigorous standard-setting process, which commences with the preparation of the preliminary draft by the NSCT. The preliminary draft is then reviewed before dissemination to the public during the "public inquiry" stage. Consumers and businesses are accorded 60 days to present their comments, which are taken into account during the drafting stage.<sup>93</sup> If the concerns raised by the public require significant changes, the project technical committee may launch another round of public inquiry.

As regards the withdrawal of old standards ( CIS interstate regional standards -GOST), the process commences with the identification and cancellation, through consultation with stakeholders and technical committees. Cancellation is based on the NSI preliminary assessments. The findings of the assessments, which find old standards as lagging behind state of the art practices and/or irrelevant to the country's market, are published following the public inquiry procedure and revised in light of comments received.

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<sup>88</sup> See Article 173 (5.A) of the Association Agreement between the Republic of Moldova and the EU.

<sup>89</sup> The new law transposes EU Regulation 1025/2012. It is worth mentioning that reforms in the area of standardization commenced in 1995 with the adoption of Law No. 590-XIII on standardization, which stipulated a transitioning from a mandatory to a voluntary (market-led) system of standards.

<sup>90</sup> The AA does not provide a timeline for transposing the EU standards.

<sup>91</sup> See NSI Code of Best Practice (CBP 1-2) of 17 June 2014 on the "Principles and methodology of standardization. The structure and organization of technical standardization committees", which is based on international best practices as established under the provisions of the WTO Code of Good Practice (Annex 3 of the TBT Agreement), ISO/IEC Guide 59:1994 Code of Good Practice for Standardization and the CEN-CENELEC the Guide 20.

<sup>92</sup> The Standardization Council, which brings together public and private sector representatives, works under the NSI as an advisory body on strategic issues to ensure overall policy coherence. The NSI acts as the secretariat to the Council. See, Decision No. 116 of the Ministry of Economy, dated 7 February 2013.

<sup>93</sup> See NSI CBP 1-3 "Principles and methodology of standardization: how to draft Moldovan standards".

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**Box 2.1 National Standards Technical Committees as at October 2016**

- Library information
- Tobacco and tobacco products
- Products of vines and wine, other alcoholic products supply
- Fresh fruits
- Bread, bakery, pastry, confectionery, pasta, flour and grain
- Solid biofuels
- Medical devices
- Special vehicle identification
- Competence assessment (attestation) of testing
- Conformity assessment
- Fuel gas and gas infrastructure
- Power engineering
- Meat and meat products
- Milk and milk products
- Information technology and electronic communications
- Energy efficiency (buildings)
- Products raw material processing plant
- Construction and construction material

The NSI is also responsible for keeping the enterprises abreast of new standards and their implications for industrial development and trade expansion. The institute has an assortment of online publications, including the catalogue of national standards, “e-standard” and <sup>94</sup> the Bulletin of Standards,<sup>95</sup> policy briefs and training material. <sup>96</sup>The NSI also publishes regular updates, including on relevant topical issues, in the form of newsletters to relevant State agencies and market support institutions.

In delivering its mandate, NSI draws on the expertise knowledge and advice of international and regional standard-setting organizations, including: the International Organization for Standardization (ISO), International Electrotechnical Commission (IEC), European Committee for Standardization (CEN), European Committee for Electrotechnical Standardization (CENELEC), European Institute for Telecommunications Standards (ETSI) and Euro-Asian Council for Standardization, Metrology and Certification (EASC). NSI is a correspondent member of ISO; and associate member of the IEC and an affiliate member of CEN and CENELEC; and, has an observer status with ETSI. It is also a full member of the EASC and collaborates closely with the American Society for Testing and Materials (within the context of a Memorandum of Understanding) and the Standards Association of Romania (within the context of a partnership agreement).

As shown in Annex 2 (Table A2.2), NSI benefits from the training activities provided by all these organizations and participates in the standard-setting work of ISO, CEN, CENELEC, IEC and EASC. NSI has achieved significant progress in implementing CEN - CENELEC full membership criteria as established, in CEN - CENELEC Guide 20 on “membership criteria of CEN and CENELEC”. However, as NSI does not meet “Existence of ‘Europe Agreement’ or equivalent” membership condition, it remains unable to obtain full membership.

<sup>94</sup> The “e-Standard” ([www.estandard.md](http://www.estandard.md)) is an online version of the country’s national registry of standards, which is maintained by the National Standards Fund under the NSI.

<sup>95</sup> The Bulletin features the national standardization programme, which is drafted with an eye to fulfilling the country’s commitments with the EU.

<sup>96</sup> <http://www.standard.md/?l=en>

By April 2016, and as shown in table 2.11, the share of transposed international and European standards in the country's registry of standards had reached 51 percent, or 13,279 out of 26,099, including 10,608 European standards (CEN/CENELEC) and 2671 international standards (ISO/IEC).

**Table 2.11 Approximation of national laws and adoption of European harmonized standards**

Field	New Approach Directive	Subject of regulation	No. of ENs	No. of Moldovan harmonized Standards	% of transposed ENs	Comments
<b>Chemicals</b>	93/15/EEC	Explosives for civil uses	57	57	100	-
	2007/23/EC	Pyrotechnic articles	24	24	100	Approximation completed, as per Law No. 143 of 17 July 2014 on the regime of pyrotechnic articles, which entered into force on 28 May 2015
	(EC) 1907/2006	Chemical substances	3	3	100	Draft law prepared, pending Government's approval
<b>Conformity assessment and management systems</b>	765/2008/EC 768/2008/EC (EC) 1221/2009	New legislative framework; Eco-management and audit scheme	33	33	100	Law of the Republic of Moldova No. 09 of 26 February 2016 amending and completion of legislative documents
<b>Construction</b>	89/106/EEC	Construction products	442	442	100	-
<b>Consumers and workers protection</b>	89/686/EEC	Personal protective equipment	280	280	100	-
	2009/48/EC, 88/378/EEC	Toys safety	11	11	100	Government Decision No. 808 of 29 October 2009 approving the Technical Regulation on safety of toys
	2001/95/EC	General product safety	65	65	100	-
<b>Electric and electronic engineering</b>	(EC) 1223/2009	Cosmetics	1	1	100	Draft law prepared, pending Government's approval
	94/9/EC	Equipment for explosive atmospheres	93	93	100	-
	2006/95/EC	Low voltage equipment	737	737	100	Government Decision No. 745 of 26 October 2015 approving the Technical Regulation "Provision the market of electrical equipment designed for use within certain voltage limits".

Field	New Approach Directive	Subject of regulation	No. of ENs	No. of Moldovan harmonized Standards	% of transposed ENs	Comments
	2004/108/EC	Electromagnetic compatibility	136	136	100	Government Decisions No. 807 of 29 October 2015 approving the Technical Regulation Electromagnetic Compatibility equipment
	1999/5/EC	Radio and telecommunications terminal equipment	26	26	100	-
	2011/65/EU	Restriction of the use of certain hazardous substances	1	1	100	Draft law prepared, pending Government's approval
<b>Healthcare engineering</b>	90/385/EEC	Active implantable medical devices	45	45	100	-
	93/42/EEC	Medical Devices	242	242		
	98/79/EC	In vitro diagnostic medical devices	39	39		
<b>Measuring technology</b>	2004/22/EC	Measuring instruments	19	19	100	
	2009/23/EC	Non-automatic weighing instruments	1	1	100	The law has been adopted (Government Decision No. 267 of 8 April 2014 approving the Technical Regulation on devices with non-automatic operation to weigh)
<b>Mechanical engineering and means of transportation</b>	2009/142/EC	Gas appliances	92	92	100	-
	97/23/EC	Pressure equipment	187	187	100	Government Decision No. 1333 of 14 December 2016 approving the Technical Regulation on putting available on the market of pressure equipment
	2000/9/EC	Cableway installations	23	23	100	Draft law prepared, pending Government's approval
	95/16/EC	Lifts	16	16	100	Government Decision No. 8 of 20 January 2016 on the Approval of the Technical Regulation on lifts and safety components for lifts

Field	New Approach Directive	Subject of regulation	No. of ENs	No. of Moldovan harmonized Standards	% of transposed ENs	Comments
	2006/42/EC	Machinery	768	768	100	Government Decision No. 130 of 21 February 2014 on the Approval of the Technical Regulation "Industrial Machinery"
	2008/57/EC	Interoperability of the rail system	145	145		Government Decision for approving the draft Law amending and supplementing certain acts (which will transpose the directive in question) is being re-examined.
	94/25/EC	Recreational craft	56	56	100	-
<b>Services</b>	97/67/EC	Postal services	8	8	100	Draft law prepared, pending Government's approval
<b>Sustainability</b>	94/62/EC	Packaging and packaging waste	6	6	100	Draft law prepared, pending Government's approval

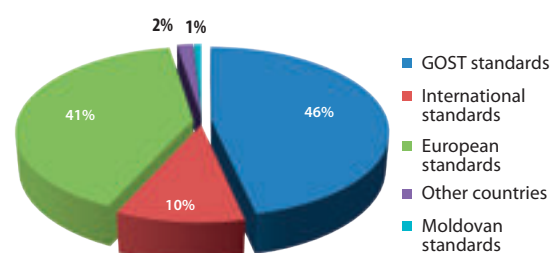
Source: NSI

The number of cancelled GOST standards was on the rise, totalling 11,453 over the past three years, covering eight major areas: Low Voltage Directive (LVD); industrial machinery (Machinery); personal protective equipment (PPE); toys (Toys), medical devices (MDD); active implantable medical devices (AIMD); medical devices for in-vitro diagnostic (IVMD); and, general product safety (GSPD). Yet, the road ahead remained challenging, with GOST standards accounting for 46 percent of the national registry, or 12,155 standards (Figure 2.12).

At issue are the difficulties experienced in interpreting the standards, something that is complex and technical. Officials also noted that the implementation of ENs is undermined by the enterprises' reluctance to change existing production processes even as the ENs provide improved, if not unfettered market access, through the presumption of conformity. The majority of the enterprises also lack the resources to invest in modern equipment and human resource development. Without such investments, the enterprises will not be able to implement ENs. Even where such investments were carried out, benefits will materialise only gradually as enterprises modernise their production processes.

Nonetheless, NSI seemed optimistic, and drew attention to the emergence, over the past four years, of modern, market –oriented enterprises that are progressively implementing ENs. These positive trends noted the officials reflect NSI's awareness raising efforts, be it through its publications or through the provision of targeted training courses to familiarize the enterprises with ENs. The institute also organizes seminars and roundtable discussions with the enterprises to solicit their views on proposed EN standards; advise them on the implementation of adopted ENs and on the ongoing efforts to cancel conflicting national standards.

**Figure 2.12 The Republic of Moldova's national registry of standards (April 2016)**



Source: NSI

Beyond the above-mentioned challenges, NSI, as a public non-for-profit institution, has limited resources. The institute relies mainly on public budget, which provides 90 percent the institution's income.<sup>97</sup> With the Republic of Moldova committing itself to adopt 100 percent of ENs as national standards by the end of 2019, the challenges ahead are significant and requires the intensification of NSI's efforts to withdraw outdated standards, promote compliance with ENs, involve national stakeholders in the work of the NSCTs and its participation in the work of CEN-CENLEC.

### 2.5.3 Conformity assessment

The Republic of Moldova's conformity assessment system has, and continues to be, the subject of targeted reforms. Over the past few years, reforms have been geared towards institutionalizing the basic principles and rules established under the EU New Legislative Framework (NLF) for technical harmonization and standardization,<sup>98</sup> including: the presumption of conformity; demarcation economic operators' responsibilities; protection of CE marking; designated procedures for conformity assessment; and, the separation of accreditation from other quality control and quality assurance functions.

The aim, as emphasized by interviewed officials, is to ensure adherence to safety and quality requirements throughout the product life cycle without creating unnecessary non-tariff barriers. The commitment to strike a balance between these objectives finds its best expression in the basic principles underpinning the structure and functioning of the conformity assessment system, including:<sup>99</sup>

- Use of unique assessment procedures harmonized with European rules and international accrediting conformity assessment bodies
- Competence and impartiality
- Transparency, credibility and commitment to information dissemination
- Representation of public interests
- Free and non-discriminatory access to accreditation processes
- Independence from the dominance of any specific interests
- Confidentiality
- Impartial examination of appeals and complaints

However, conformity assessment results issued by Moldovan CABs are not recognized in the EU, as MOLDAC is yet to join the European Cooperation for Accreditation (EA) Multilateral Recognition Arrangement (MLA) and International Laboratory Accreditation Cooperation (ILAC) mutual recognition agreement (MRA). As shown below, the signing of such agreements requires targeted efforts to strengthen MOLDAC; address capacity shortfalls within CABs; and, consolidate the country's market surveillance system.

### Accreditation

Accreditation falls under the responsibility of MOLDAC,<sup>100</sup> which operates according to the general requirements for accreditation bodies assessing and accrediting conformity assessment bodies and the EU common

<sup>97</sup> NSI services and publication fees are guided by Government Decision No. 1066 of 26 December 2013.

<sup>98</sup> The NLF principles and rules are set out under EC Regulation 765/2008 (for accreditation and market surveillance) and Decision 768/2008/EC (on a common framework for the marketing of products). EC Regulation 765/2008 and Decision 768/2008/EC are available at: [http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index\\_en.htm](http://ec.europa.eu/growth/single-market/goods/new-legislative-framework/index_en.htm)

<sup>99</sup> See Law No. 235 of 1 December 2011 on accreditation and conformity assessment activities.

<sup>100</sup> MOLDAC was established pursuant to Law No. 235 of 1 December 2011 on accreditation and conformity assessment activities to take over the tasks and responsibilities of the Centre of Accreditation in the Field of Conformity Assessment of Products (CAEP). The law stipulated the establishment of MOLDAC as a way for transforming CAEP into a public, not for profit, institution. The terms of this transformation are set in Government Decision No. 77 of 25 January 2013 on the reorganization of the State Enterprise "Centre of Accreditation Body Product Conformity".

framework for accreditation (EC Regulation 765/2008) and draw on its active participation in international and regional accreditation bodies to provide guidance in the areas of accreditation and certification (without including them in consultation services for obtaining/ maintenance of accreditation and technical competence certification).

As shown in annex 2 (Table A2.3), MOLDAC is an associate member of the European Cooperation for Accreditation (EA); an affiliate member the International Laboratory Accreditation Cooperation (ILAC), a member of the Interregional Association for Standardization (IRSA); and a member of the Euro-Asian Interstate Council for Standardization, Metrology and Certification (EASC) of the Commonwealth of Independence States. In addition, MOLDAC has established cooperation agreements with its counterparts in Belarus, Bosnia and Herzegovina, Cyprus, Czech Republic, Estonia, Kazakhstan, Kyrgyzstan, Macedonia, Poland, Romania, Slovakia, Turkey and Ukraine.

MOLDAC also benefits from the advice of a consultative body, the Accreditation Council, the decisions of which are not binding.<sup>101</sup> The Council brings together 15 public and public stakeholders (representing accredited conformity assessment bodies, beneficiaries of conformity assessment activities, consumers and regulatory authorities interested in accreditation development and conformity assessment) to ensure impartiality, compliance with principles and operation policies and balanced participation of all directly or indirectly interested parties. The Council's competences include, among others, examination and promotion of proposals on: policies and accreditation rules, regulations of Appeal Commission and of Technical Committees, the List of reference standards, and the European and International documents of specialized organizations.

In 2016, MOLDAC areas of competence covered: testing laboratories, calibration laboratories, metrological verification laboratories, medical laboratories, inspection bodies as well as product certification bodies (including ecological ones), management system certification bodies, certification bodies of product safety management systems; all of which were based on well-defined rules and international practices with clearly defined appeal procedures.<sup>102</sup>

Officials lamented that achievements to date remain insufficient for achieving membership in EA and ILAC. To begin with, MOLDAC should develop competence in new areas, including certification of persons and verification bodies and further improve existing competences as follows:

- Proficiency testing according to the general requirements for the competence of providers of proficiency testing schemes and for the development and operation of proficiency testing schemes (ISO/IEC 17043).
- Verification bodies according to the principles and requirements for bodies that undertake verification of greenhouse gas (GHG) assertions (EN ISO 14065:2013)
- Inspection according to the requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities (ISO/IEC 17020:2012)
- Product certification according to the requirements for bodies certifying products, processes and services (EN ISO/IEC 17065:2012).

The point was also made that MOLDAC's accreditation schemes for product certification bodies are limited, so that they do not cover all the products under the EA MLA (see Table 2.12). Developing new schemes is difficult not only due to capacity shortfalls within MOLDAC, but also because regulatory authorities do not accord this task sufficient attention. The development of these schemes do not rank high on the agenda of these authorities. Moreover, mutual recognition of conformity assessment procedures and certificates is impossible in the absence of reliable and accepted measurements and analyses to demonstrate compliance (Section 2.5.6).

<sup>101</sup> The Council's decisions take the form of recommendations.

<sup>102</sup> MOLDAC's accreditation rules are available at: [http://www.acreditare.md/public/files/documente\\_informative/eng/4\\_RA\\_Accreditation\\_Rules\\_edition\\_5.pdf](http://www.acreditare.md/public/files/documente_informative/eng/4_RA_Accreditation_Rules_edition_5.pdf). The general criteria for accreditation is available online at: [http://www.acreditare.md/public/files/documente\\_informative/eng/3\\_CA\\_Accreditation\\_Criteria\\_edition\\_6.pdf](http://www.acreditare.md/public/files/documente_informative/eng/3_CA_Accreditation_Criteria_edition_6.pdf). An up-to-date list of the accredited CABs is available at: <http://www.acreditare.md/pageview.php?l=ro&idc=175&t=Registre-OEC-acreditate>



There is also a need to further improve existing accreditation procedures and processes. MOLDAC officials noted that line Ministries accredit their own testing laboratories, and it is often the case that accreditation schemes are not in line with international standards and best practices. For example, some schemes do not contain clauses for withdrawing the accreditation certificates in cases of non-compliance and for ensuring the independence of the accreditation processes. A case in point is the National Assessment and Accreditation Council (CNEAS) under the Ministry of Health, which is governed by a presidium that brings together representatives of the insurance industry, patient associations, associations of medical professionals, the Ministry of Health and CNEAS under the chairmanship of the Deputy Minister of Health. Moreover, as the ministry approves both the standards and the recruitment of assessors, accreditation is not an independent process.<sup>103</sup>

### Conformity assessment bodies

As shown in table 2.12, the number of CABs accredited by MOLDAC stood at 134 in March 2016, including laboratories, certification bodies and inspection bodies that covered EA MLA fields, barring the certification of persons and verification and some products. These operated alongside central and regional testing laboratories under the NFSA, the Ministry of Health and Customs.

**Table 2.12 List of CABs accredited by MOLDAC<sup>104</sup>**

CAB	Scope	No. of accredited CABs	Standard
Laboratories	Testing	95	SM SR EN ISO/IEC 17025
	Calibration	2	SM SR EN ISO/IEC 17025
	Metrological verification	13	SM SR EN ISO/IEC 17020
	Medical examination	2	SM SR EN ISO 15189
Certification bodies	Product certification	15	SM SR EN ISO/IEC 17065
	Ecological products	1	SM SR EN ISO/IEC 17065
	Quality management systems	2	SM SR EN ISO/IEC 17021
	Food safety management systems	1	SM SR EN ISO/IEC 17021 SM SR ISO/TS 22003
Inspection bodies	Inspection	3	SM SR EN ISO/IEC 17020

The assessment shows that the majority of the laboratories under government agencies lack the required equipment for ensuring compliance with European standards. This is especially the case of food testing laboratories under the NFSA and the Ministry of Health, which in 2016 comprised 17 laboratories, of which six were are accredited to issue testing reports for goods exported to the Russian Federation and eight for issuing phytosanitary certificates for goods destined to the EU.<sup>105</sup>

These laboratories also lacked financial resources to attract qualified staff and cover maintenance costs and other running expenditures. As explained by officials from the Republican Veterinary Diagnostic Centre (RVDC) under the NFSA, the salary scales for laboratory staff are barely above minimum wage, and the centre lacks the required funds for obtaining the much-needed supplies. Staff from the Standardization and Quality Experimentation Centre for Canned Production under the MAFI drew attention that the requirement of transferring 50 percent of internal revenues to the public purse aggravates the centre's financial constraints.

<sup>103</sup> It is worth mentioning that CNEAS has submitted a draft modification of the law on assessment and accreditation of medical institutions, including procedures for withdrawal of the accreditation certificate. The draft has been approved by the government and in 2016 awaited parliamentary ratification.

<sup>104</sup> The registry of accredited CABs is available at: [www.acreditare.md](http://www.acreditare.md)

<sup>105</sup> A complete list of State-owned food testing laboratories is available at: <http://www.ansa.gov.md/ro/laborator/activitati-de-laborator.html>



Stakeholders from public laboratories also noted that long-term planning is rendered difficult under the existing institutional arrangements, whereby the management has to report to several line ministries. For example, laboratories under the MAFI also report to the Ministry of Finance and the Ministry of Economy (as they are responsible for coordinating the conformity assessment function), which complicates work and makes it difficult to pursue reforms, especially in view of the recurrent governmental restructuring.

Similar concerns were raised by interviewed stakeholders from the recently established “State Enterprise (SE) National Centre for Verification and Certification of Vegetable Products and Soils”, which was created in late 2015 by merging the “SE Centre for Certification of Seed Materials” and the “SE Centre of Standardization and Establishing of Quality of Fodder and Cereal Products” with the much advanced “SE Centre of Quarantine, Identification, Arbitration Expertise and Production Disinfection”.

Interviewed stakeholders lamented that donor-funded capacity building initiatives tend to be mainly focused on expanding the premises of the newly established centre. Limited emphasis is accorded to modernizing existing laboratories, particularly those inherited from the SE Centre for Certification of Seed Materials and the SE Centre of Standardization and Establishing of Quality of Fodder and Cereal Products.<sup>106</sup> Staff reported that 80 percent of the inherited equipment is in poor condition. There is also the urgent need to build the required expertise knowledge of EN standards, and furnish the Centre with technical regulations and certified reference materials.

Privately owned laboratories, including those with modern equipment and impressive record of mutual recognition agreements and bilateral inter-comparisons with CIS and EU, singled out recurrent governmental restructuring as a major bottleneck. Interviewed stakeholders explained that the development of the country’s quality control and quality assurance system tends to proceed in a discontinuous manner under the weight of the shifting governmental priorities. This creates a high degree of uncertainty and, thereof, discourages investments in new equipment.

Private testing laboratories, particularly those engaged in testing goods against GOST standard, also drew attention that they operate in the lack of certified reference materials. The point has been made that national manufacturers are not capable of producing reference materials, and purchasing such materials from CIS producers is not always possible since their laboratories do not comply with ILAC policy on traceability.<sup>107</sup>

### *Market surveillance*

Market surveillance, which falls under the responsibility of CPA and NFSA, is an evolving function, with efforts underway to ensure full and complete harmonization with the EU requirements for accreditation and market surveillance (EC Regulation 765/2008); the marketing of products (Decision 768/2008/EC); and, general product safety (Directive 2001/95/EC).<sup>108</sup>

Almost all of the interviewed officials saw the slow legislative process as a major impediment to the effective functioning of the system.<sup>109</sup> Examples cited by interviewed stakeholders included EU Regulation 765/2008

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<sup>106</sup> Officials noted that all testing laboratories for the determination of pesticide residues and phytosanitary field are accredited by the Romanian Accreditation Association (RENAR).

<sup>107</sup> Several noted that they purchase European Reference Materials from members of the European Reference Materials consortium.

<sup>108</sup> A detailed account of the EU legislation in the area of market surveillance is available at: [https://ec.europa.eu/growth/single-market/goods/building-blocks/market-surveillance\\_en](https://ec.europa.eu/growth/single-market/goods/building-blocks/market-surveillance_en)

<sup>109</sup> In 2016, efforts were focused on implementing the consumer protection strategy for 2013-2020 as established under Government Decision No. 560 of 24 July 2013.

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and EU Decision 768/2008, which were only adopted in early 2016,<sup>110</sup> and the much delayed amendments to the existing legislation on food safety.<sup>111</sup>

Other restricting factors include the lack of adequate institutional capacity and resources within State agencies. CPA is under-funded, understaffed and could benefit from advanced training on the different aspects of EU requirements, so that its ability to contribute to decisions on legislative reforms and launch its own awareness raising campaigns for the benefit of traders is limited.

Similar concerns were raised by the NFSA staff, who drew attention to the lack of expertise skills for ensuring compliance with the EU food safety requirements, particularly those established under the hygiene package<sup>112</sup> and the general requirement of putting in place a liability system for defective products.<sup>113</sup> They added that the establishment of the Quick Alert System for Food and Feed (SRAAF) in line with Regulation (EC) 178/2002 is proceeding in a slow pace, despite its importance for ensuring prompt notifications to consumers as well as to the EU Commission and the Rapid Alert System for dangerous non-food products (RAPEX).

While the draft law for establishing SRAAF was approved by the Government,<sup>114</sup> the different agencies involved (including the Ministries of Agriculture and Food Industry Ministry, Health, Interior Ministry, Customs Service, CPA and the NFSA) lack both the ICT capacity and expertise knowledge on the EU safety rules and requirements.

The assessment also shows that consolidating the country's market surveillance system will not automatically translate into increased compliance with the applicable EU requirements at the enterprise level. Only a limited segment of the enterprises implements quality management systems. For food producers, the requirements are even more demanding as they have to introduce safety management systems throughout the supply chain (at farm level, slaughterhouses, factories and processing plants) based on the Hazard Analysis and Critical Control Points (HACCP)<sup>115</sup> and the Good Manufacturing Practices (GMP) principles.<sup>116</sup> Just like their counterparts in other South East Europe<sup>117</sup>, the majority lack the capacity to operate according to HACCP, which became mandatory in 2010.<sup>118</sup>

The capacity shortfalls at the enterprise level have meant that Moldovan enterprises have been authorised to export only three products of animal origin to the EU, namely: honey, caviar and egg flour. The SPS legislation for the period 2016–17 includes measures to make Moldovan companies eligible for exporting class B eggs and poultry.

<sup>110</sup> See Law No.7/2016 on market surveillance and Law No. 9/2016 on accreditation and conformity Assessment.

<sup>111</sup> See Law No. 231/2015 on general product safety (transposing EU Directive 2001/95/EC). The said law supplements Law No. 422 of 22.12.2006 on general product safety and was adopted in December 2015. The drafting of the law commenced early 2014.

<sup>112</sup> The package refers to the set of laws setting the hygiene rules for foodstuffs imported from EU and non-EU countries, namely: Regulation (EC) No. 852/2004 on the hygiene of foodstuffs; Regulation (EC) No. 853/2004 laying down specific hygiene rules for food of animal origin in order to guarantee a high level of food safety and public health; and, Regulation (EC) No. 854/2004 putting in place a Community framework of official controls on products of animal origin intended for human consumption

<sup>113</sup> These rules are provided under Directive 85/374/EC, which lays down the principles of product liability in the EU.

<sup>114</sup> See Government Decision No. 59 of 2 July 2017 on approval of measures implementing the Rapid Alert System for Food and Feed nationally.

<sup>115</sup> The HACCP system addresses food safety through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

<sup>116</sup> Good Manufacturing Practices are those required to conform to guidelines recommended by agencies that control the authorisation and licensing for the manufacture and sale of food, drug products, and active pharmaceutical products. The guidelines provide minimum requirements that a manufacturer must meet to ensure that the products are of high quality and do not pose any risk to the consumer or to the public.

<sup>117</sup> See UNECE (2016) Regulatory and procedural barriers to trade in Albania: An assessment, available at: <https://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>

<sup>118</sup> See Government Decisions No. 412 and 435 of 2010

### 2.5.6 Metrology

The challenges reported by the different state agencies and CABs cannot be properly addressed without developing the country's metrology system. The system is managed by the NMI, which is responsible for both applied and legal metrology and is a member of the Euro-Asian Cooperation of National Metrological Institutions (COOMET). The NMI is also a signatory of the International Committee for Weights and Measures (CIPM) Mutual Recognition Arrangement (MRA), and has established cooperation with European specialised bodies, such as the European Legal Metrology (WELMEC) and the European Association of National Metrology (EURAMET).

The NMI also draws on the Republic of Moldova's full membership status in the Eurasian Interstate Council for Standardization, Metrology and Certification (EASC); corresponding membership status in the International Organization for Legal metrology (OIML); and, Moldova's associate membership in the Bureau international des poids et mesures (BIPM) General Conference on Weights and Measures.

In 2016, NMI operated seven national standard-holding laboratories, which offered calibration services to producers, market surveillance and standard development in the fields of chemistry; mass; volume and flow; frequency and time; length; heat and humidity; and, ionizing radiation.<sup>119</sup> The technical underpinning of the calibration and measurement capabilities of these laboratories were established through inter-laboratory comparisons with, among others: the Belarusian State Institute of Metrology; the Czech Metrology Institute; the Romanian Bureau of Legal Metrology; and, the State Enterprise All-Ukrainian State Research and Production Center for Standardization, Metrology, Certification and Consumers' Rights Protection.

Officials noted that inter-laboratory comparisons involved significant costs, which exceed the financial resources available to NMI. This has meant that, barring the fields of thermometry and to a more limited extent ionizing radiation, NMI's calibration and measurement capabilities (CMCs) were not internationally recognized in 2016, rendering calibration laboratories incapable of demonstrating competence, measurement capability and traceability.<sup>120</sup> At issue is also the difficulties experienced in retaining qualified staff in view of the low salary scales.

Shortfalls in legal metrology were cited as another restrictive factor.<sup>121</sup> In 2016, legal metrology covered base units, including mass, temperature, length, and pressure along with a limited range of electrical and chemical units.<sup>122</sup> The point was also made that NMI could benefit from targeted support to further develop its quality management system in accordance with SR EN ISO 9000: 2006.

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<sup>119</sup> For a detailed account of these laboratories and their services is available at: <http://www.metrologie.md/info-general-aplicata-ro/>

<sup>120</sup> Only those calibration and measurement certificates for which the technical competence is attested through an entry of a calibration and measurement capability in the BIPM "key comparison database" (KCDB) are recognized within the scope of the CIPM MRA. NMI competences were approved in 42 areas in the fields of thermometry (40 areas) and ionizing radiation (2 areas), see [http://www.bipm.org/exalead\\_kcdb/exa\\_kcdb.jsp?\\_p=AppC&\\_q=moldova&x=9&y=18](http://www.bipm.org/exalead_kcdb/exa_kcdb.jsp?_p=AppC&_q=moldova&x=9&y=18)

<sup>121</sup> See Order of the Ministry of Economy No. 204 of 9 December 2014 "About the approval of general regulations on legislative metrology".

<sup>122</sup> A detailed account of the status of legal metrology in the Republic of Moldova is available at: <http://www.metrologie.md/info-general-ml-ro/>

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# Chapter Three

## The region of Transnistria

### 3.1 Introduction

The region of Transnistria is highly dependent on trade for income generation. However, trade in the region is characterized by a strong import bias, given the economy's weak and undiversified productive base. The lack of adequate transport infrastructure pose yet another set of debilitating factors, which coupled with the lack of political stability render it extremely difficult for the majority of the enterprises to achieve economies of scale and scope.

Drawing on the results of the face-to-face interviews with traders, this chapter highlights the constraints caused by the existing regulatory and procedural trade measures. It starts by providing an overview of the economy and its growth dynamics (Section 3.2). The profile of the interviewed traders comes next (Section 3.3), leading to a discussion of the barriers reported by traders (Section 3.4).

### 3.2 Economic and trade performance

The region of Transnistria has an undiversified economy, which is heavily reliant on electric power, metals and metal products for job creation along with light industries, particularly textiles and wearing apparel. As shown in table 3.1, these sectors are also driving export earnings, albeit with a decreased importance of metal and metal products and a rising contribution of food products and light industry.

**Table 3.1 Breakdown of the region of Transnistria's main exports**

Product	2014	2015	2016
<b>Food products</b>	17.5	23.5	30.1
<b>Chemical products</b>	2.4	1.9	2
<b>Light industry products</b>	29.3	31.7	34.2
<b>Metals and products from metal</b>	45.1	34.2	25.2
<b>Machinery and transport equipment</b>	4.9	6.3	6.9
<b>Others</b>	0.8	2.4	1.6

*Source: Statistics provided by the National Bureau of Statistics of the Republic of Moldova and the Customs Service of the Republic of Moldova*

The increased importance of agriculture and light industries is the result of promotion efforts by business associations and market support institutions, which are geared to link the enterprises operating in the region of Transnistria to global value chains. The trade facilitation measures introduced in the region over the past few years constitute yet another set of enabling factors. Most notable among these were the simplification and automation of documentary requirements within the context of a SW facility, and the streamlining of clearance procedures.

In terms of trade partners, the EU stands as the main outlet for the region's exports, followed by the CIS countries. However, as shown in table 3.3, the share of the EU in total exports has been assuming a declining trend down from 64.3 percent in 2014 to 56.1 percent in 2016. The share of the CIS countries has also been decreasing, albeit at a much lower rate, from 27 percent to 25.8 percent over the said period.

**Table 3.2 Breakdown of the region of Transnistria's exports**

Regions	2014		2015		2016	
	(USD thousands)	%	(USD thousands)	%	(USD thousands)	%
EU	295,411.9	<b>64.3</b>	214,070.40	<b>64.4</b>	172,144.10	<b>56.1</b>
Commonwealth of Independent States	124,056.8	<b>27</b>	87,615.10	<b>26.4</b>	79,155.20	<b>25.8</b>
Other countries	39,929.9	<b>8.7</b>	30,776.2	<b>9.2</b>	55,421.40	<b>18.1</b>
<b>TOTAL</b>	<b>459,398.60</b>	<b>100</b>	<b>332,461.70</b>	<b>100</b>	<b>306,720.70</b>	<b>100</b>

Source: Statistics provided by the National Bureau of Statistics of the Republic of Moldova and the Customs Service of the Republic of Moldova

Exports remain the domain of a limited segment of enterprises, moreover, with the majority inward looking with weak productive capacities. This has meant that commercial activities between the two banks of the river, gain much importance for the development of the region's enterprises (Table 3.3).

**Table 3.3 Trade performance indicators between the two banks of River Nistru**

Trade flow	2014 - 2016	TOTAL (USD million)
From the left bank to right bank	804.8	<b>1,015.33</b>
From the right bank to left bank	210.5	

Source: Statistics provided by the National Bureau of Statistics of the Republic of Moldova and the Customs Service of the Republic of Moldova

The results of the assessment show that these activities involve built-in backward and forward linkages, which integrate enterprises operating in the region into Moldova's supply chains through. These linkages, which have been cemented over the years, are structured through purchase-sales agreements, according to which enterprises operating in the region of Transnistria provide their counterparts on the west bank of the river with relatively cheap raw material. Linkages are also structured through subcontracting arrangements, which assign enterprises operating in the region of Transnistria part of the production processes with enterprises in the west bank supplying the necessary inputs and raw materials.

### 3.3 Traders' profile

In-depth interviews were carried out with representatives of 10 predominantly privately-owned SMEs from across the region of Transnistria.<sup>123</sup> The enterprises' profile is provided below to set the context for a detailed analysis of existing regulatory and procedural trade measures and their impact on export competitiveness.

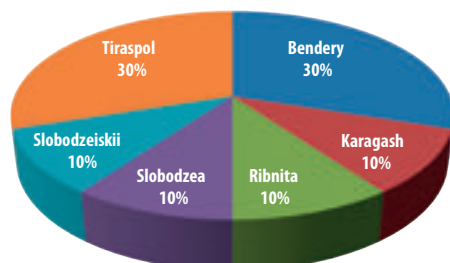
#### 3.3.1 Location, size and activities

The surveyed enterprises are located in Bendery, Karagash, Ribnita, Slobodzea, Slobodzeiskii and Tiraspol (Figure 3.1), and are dominated by medium enterprises employing between 50 and 249 persons. These represented the largest segment (60 percent), followed by large enterprises employing 250 persons and above (30 percent) and small enterprises employing less than 50 employees (10 percent).<sup>124</sup> All of the enterprises were involved in production activities, particularly in food processing, textiles and wearing apparel (Figure 3.2).

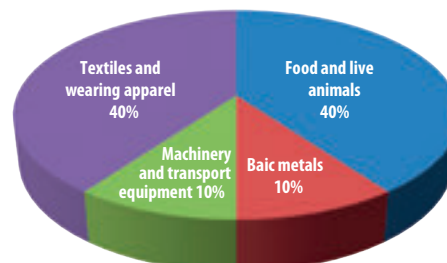
<sup>123</sup> Only one enterprise was publically owned

<sup>124</sup> Based on the EU Commission Recommendation concerning the definition of micro, small and medium-sized enterprises, dated 6 May 2003, document [C (2003) 1422)].

**Figure 3.1 Breakdown of interviewed traders by location (Percentage share)**



**Figure 3.2 Breakdown of surveyed enterprises by sector (Percentage share)**



### 3.3.1 Export-import mix and trading partners

The assessment shows that the enterprises' participation in foreign trade is a function of their ability to establish relations of trust with foreign buyers. All of the interviewed traders said that they usually engage in a long search for potential partners and accept strict terms, because the region of Transnistria is considered as risky. Importers are consistently subjected to advance payment conditions and assume currency exchange losses (since they have to deliver payments in USD),<sup>125</sup> while exporters only receive payments upon the delivery of goods.

The interviewed enterprises export over 30 products, which, for the majority, represent 100 percent of total sales. As shown in table 3.4, the enterprises exhibit strong backward linkages in that they use local raw materials, with the exception of the textile and clothing manufacturers. These show heavy dependence on international sources, made available through subcontracting arrangements according to which the enterprises are supplied with raw material for manufacturing specific products that are sold in global markets under the label of the foreign contracting companies.

**Table 3.4 Surveyed enterprises export-import mix**

Exports	Exports share of total sales	Imports
Frozen peas, frozen maize, seed peas, seed maize	100 %	Seed peas, seed maize
Fresh apples, apricots, peaches, tomatoes, apricots, rye, seed rye, barley, seed barley, sunflower	100 %	Rye, barley, sunflower seeds
Preserved cucumber, preserved maize, preserved sweet bell red pepper, preserved tomatoes, jam, honey, fruit juice	90 %	Preserving jars, tin cans, carton boxes
Sport clothes	100 %	Woven fabrics
Cotton clothing for women and children	100 %	Woven fabrics
Sofa Covers and uniforms	100 %	Fabrics
Leather shoes and boots	100 %	Raw material for shoes (i.e. leather, sole, etc.; more than 1000 articles)
Shoe molds	100 %	Aluminum
Cables and wires with different types of insulation and jacketing	100 %	No imports
Fresh vegetables	10%	Wood for packaging (boxes and containers for fruits)

<sup>125</sup> The region of Transnistria's currency is not recognized internationally.

The textiles and clothing manufacturers are effectively integrated into EU value chains. As shown in table 3.5, the EU stands as the main outlet for the clothing manufacturers' products and their main supply source.

**Table 3.5 Breakdown of the surveyed enterprises' exports and imports by partner country**

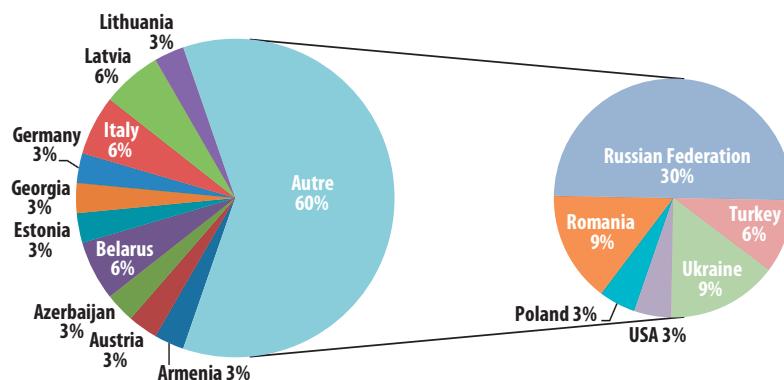
Imports	Source of supply	Exports	Target countries
<b>Pea seeds, corn seeds</b>	Hungary, Netherland	Frozen peas, tomatoes, apricots, peaches, maize, frozen cooked peas, frozen maize	Turkey, Russian Federation
		Fresh fruits	Belarus, Romania and the Russian Federation
<b>Fabrics</b>	Austria, China, Germany, Italy, Poland, Russian Federation, Turkey, Ukraine, United Kingdom of Great Britain and Northern Ireland	Clothes for women made of textiles, and sports clothes	Austria, Germany, Italy Romania, the Russian Federation, United States of America (USA)
		Cables and wires with different types of insulation and jacketing	Armenia, Azerbaijan, Georgia, Latvia, Romania, Russian Federation, Ukraine
<b>Woven fabrics</b>	Poland and Turkey	Sofa Covers and uniforms	Poland
<b>Aluminum</b>	Russian Federation	Shoe molds	Belarus, Estonia, Latvia Lithuania, Russian Federation, Ukraine
<b>Raw material for shoes (e.g. leather, sole, etc.)</b>	Italy	shoes and boots	Italy, Russian Federation,
<b>Rye, barley, sunflower seeds</b>	Czech Republic, Poland	Fresh vegetables, fruits and cereals (Oats and sunflower seeds)	Belarus, Russian Federation
<b>Tin cans, glass jars, wood for packaging</b>	Ukraine	Jam, honey, canned vegetables and fruits, juice	Belarus, Russian Federation and Ukraine

In terms of trade partners, the Russian Federation stands as the main export market for the interviewed traders, accounting for 30 percent of the products reported by the traders, followed by Romania and Ukraine (Figure 3.3). The Russian Federation also stands as the main source of supply, albeit with a smaller share, accounting for 12 percent of the reported products (Figure 3.4).

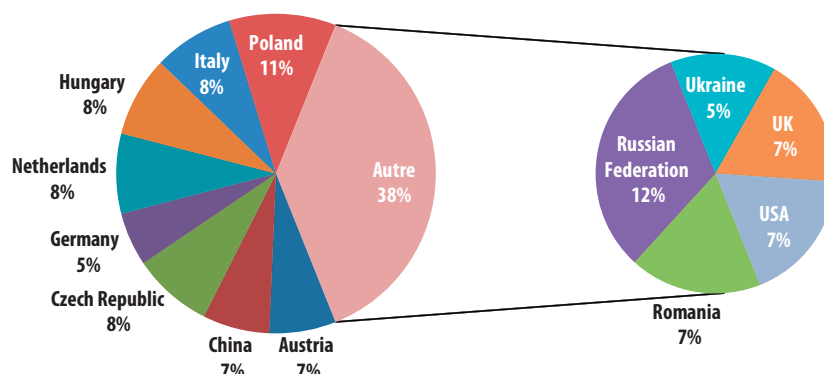
The enterprises' target markets reflect the recessionary pressures that have besieged the Russian Federation and Ukraine over the past three years. All of the surveyed exporters reported dwindling demand under the weight of the reduced purchasing power in the two countries and the deteriorating terms of trade. Exports



**Figure 3.3** Surveyped enterprises target markets (*share in reported countries of destination*)



**Figure 3.4** Enterprises sources of supply (*share in reported countries of supply*)



became overvalued as both the Russian Federation and Ukraine devaluated their currencies over the period 2012-2014, while the region of Transnistria artificially maintained the local currency to the US dollar.<sup>126</sup>

The main concern for the interviewed traders was how best to maintain operations. Traders noted that they do not have enough orders from international buyers and are faced with declining demand in local markets. Several reported cutting down production activities. Others, particularly those engaged in textiles and wearing apparel manufacturing, were considering to shut down their operations altogether. Food processors and exporters of agricultural products were also experiencing difficulties in maintaining their operations, with the impact of the recessionary pressures compounded by the increasingly difficult to comply with regulatory requirements in the Russian Federation (see section 3.4).

### 3.3.3 Transport modes of choice

The surveyed enterprises showed a strong preference to transporting goods by road. Goods destined to the west are transported by truck via the right bank of the river Nistru and Romania, while those destined to the east are transported to Ukraine where they are granted transit passage to the Odessa – Ilyichevsk port. Several traders use road in combination with rail for shipping outbound cargo destined to Belarus, the Russian Federation and Turkey.

<sup>126</sup> Radeke, Jörg, P, Hans-Georg and R. Giucci (2015) "Trade liberalisation in Transnistria: Estimated impact of an import tariff reduction and proposals for alternative revenue sources", Berlin Economics



The traders' transport modes of choice are at once a reflection of weaknesses in the transport system and the political developments in the region. Using the Odessa port in Ukraine has become difficult under the weight of heightened political instability in the country (Section 3.4.4), while the railway network remains fragmented with dilapidated infrastructure and rolling stock. There is also a shortage of railway wagons, caused to a certain extent by the late return of empty wagons.<sup>127</sup>

### 3.4 Trade facilitation conditions

Goods departing from/destined to the region of Transnistria are controlled by the region of Transnistria local customs authorities, border guards and migration services,<sup>128</sup> with customs undertaking transport, quality, health, veterinary quarantine and phytosanitary control functions. The discussion of these functions does not indicate any *de jure* recognition of the local authorities or institutions and should be understood taking into account the existing legal framework underpinning export and import activities in the Republic of Moldova (Box 3.1)

#### Box 3.1 Legal framework governing export-import activities in the Republic of Moldova<sup>129</sup>

Since 2001, which marks the entry of Republic of Moldova's membership to the World Trade Organization, commitments assumed by the Moldovan government have been applicable to the entire territory, including the Region of Transnistria. Moldavian authorities ensured the legal framework for enterprises located in the left bank of river Nistru in order to promote customs policy related to the Republic of Moldova international obligations for controlling and keeping evidence for external economic transactions. To this end, the Parliament adopted two basic normative acts:

- Government Decision No 1001 of 19 September 2001 "On the declaration of goods by economic operators from the eastern districts of the Republic Moldova";
- Government Decision No 815 of 2 August 2005 "On regulating the traffic of goods and services subject to the foreign trade activity of the region of Transnistria", which simplifies the procedure for issuing registration certificates and provides the possibility to obtain a new license issued for up to six months - free of charge.

The EU Generalized System of preferences "GSP +" is an essential factor in the promotion of goods to the EU market. However, it is possible to obtain more substantial benefits within the framework of Asymmetric Commercial Preferences. To obtain this regime, the Republic of Moldova needed to fulfill a number of EU conditions. In accordance with the priority conditions of the EU, the Customs Service of the Republic of Moldova introduced a system of certification and control of the origin of goods. In this connection, the Government of the Republic of Moldova adopted Decision No. 638 of June 5, 2006, according to which, as of July 1, 2006, the Customs Service was given the right to issue preferential certificates on the origin of goods intended for export to the European Union (Form A certificates), and the right to verify preferential and ordinary certificates of origin of goods upon import.

The Government has taken a number of concrete measures aimed at bringing the legislation of the Republic of Moldova in line with the EU directives, as well as simplifying the procedure for registering the enterprise, improving tax and customs legislation. In this way, in the last 3 years the all export from Republic of Moldova including the region of Transnistria gained an average situated to almost 75% of total export, from which 61% belonging to enterprises from the right bank and 15% operators from the left bank.

According to the Registration Chamber of the Republic of Moldova, the number of registered (on a permanent and temporary basis) enterprises from the left bank of the Dniester as of February 1, 2017 was 2370. About 70 enterprises received a license for various activities such as:

Import or wholesale of imported alcoholic beverages and beer;

Veterinary and pharmaceutical activities;

Import and sale of phytosanitary products and soil fertility;

Transportation of passengers by public motor transport; International road transport of goods;

Import, wholesale or retail trade in gasoline, diesel fuel, liquefied gas, etc.

During the past years, economic operators from the region of Transnistria, as well as other economic operators from the Republic of Moldova, have benefited from the Autonomous Trade Preferences granted by EU.

<sup>127</sup> Interviewed experts also said that is often the case that outbound wagons are never returned.

<sup>128</sup> The use of such terms as authorities or agencies does not indicate any *de jure* recognition of these authorities or institutions

<sup>129</sup> Text provided by the Government of the Republic of Moldova

The region operates a SW facility for exports, imports and transit trade, which brings together customs and the body responsible for issuing phytosanitary certificates. In 2016, all customs declarations were issued electronically, with information structured in electronic formats such as XML following international standards and codes recommended by UN/CEFACT, including, for example, ISO 3166 on country names and code elements, international commercial term (INCOTERMS), codes for transport modes and UN code for ports and other locations (UN/LOCODE). Phytosanitary certificates were also issued electronically, and traders could submit their applications for customs declarations from their own premises. The region of Transnistria also implements procedures for pre-arrival clearance, separate release, post-clearance audit, AEO scheme and special lanes for speeding up the clearance of perishable goods.<sup>130</sup>

Since 2006, enterprises operating in the region could obtain all the necessary trade documents from the Republic of Moldova if they register with the State Registration Chamber of the Republic of Moldova. This includes the CoO on the basis of which exports originating in the region of Transnistria are labelled as made in the Republic of Moldova, and enterprises become entitled to preferential market access conditions extended to the Republic of Moldova.<sup>131</sup>

Traders can register with the State Registration Chamber of the Republic of Moldova on a temporary or permanent basis. Enterprises with temporary registration receive a company identification number and registration statement on the basis of which they could obtain the required trade documents as well as exemption from customs duties, excise and value added tax (VAT) if the imported goods are covered by preferential rules of origin. Goods originating in countries that do not have preferential trade agreements with Moldova are subject to customs duties, excise and VAT. Enterprises with permanent registration are eligible to additional benefits such as: (i) the right to open accounts with Moldovan banks;<sup>132</sup> and, (ii) opportunities to receive technical support from donor-funded projects, including credit schemes with low interest rates.

Existing legislation in Moldova treats trade transactions between the two banks of the river as internal trade. These transactions are conducted on the basis of commercial invoices only if the enterprises operating in the region of Transnistria are registered with the State Registration Chamber of the Republic of Moldova on a temporary or permanent basis. Otherwise, i.e., if the enterprises are not included in the State Registration, trade transactions are subject to regulatory and procedural requirements applied to international trade.

The region of Transnistria considers commercial transactions with Moldova as part of foreign trade activities, and accords exports and imports to/from Moldova preferential market access. Products purchased from Moldova are exempted from quotas, customs duty and ecological tax, while products destined to Moldova are exempted from providing the appraisal act for each shipment. As shown below, these arrangements mean that exporters and importers have to clear their goods twice. Against this background, this section discusses the regulatory and procedural trade barriers reported by the surveyed enterprises. The barriers are divided into four clusters to mirror the core activities undertaken by traders.

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<sup>130</sup> The region of Transnistria procedures limit the time required for customs clearance to a maximum of four hours. Clearance time for perishable goods is set at 2 hours at road BCP and 30 minutes at rail BCP.

<sup>131</sup> See Republic of Moldova Government Decision No 1001 of 19 September 2001 on declaration of goods by traders from the eastern districts of the Republic of Moldova; and Government Decision No 815 of 2 August 2005 on regulating the traffic of goods and services subject to the foreign trade activity of the region of Transnistria. Trade documents issued by the region of Transnistria are not recognized internationally.

<sup>132</sup> Holders of accounts with the local banks in the region of Transnistria can only execute international payments through correspondent banks in the Russian Federation.

### 3.4.1 Transparency

The interviewed traders reported receiving information on trade-related regulations and procedures upon request (by phone) as well as through regular updates (by email) from local associations dealing with commerce and industry and local authorities<sup>133</sup> in the region of Transnistria (Table 3.4). Other sources included the Moldovan Fruits Trade Association in Moldova and the briefings/round tables by MCS, some of which were organized within the context of donor-funded projects.

**Table 3.6 Trade information sources reported by the surveyed enterprises**

Source of Information	Regularity ( % of respondents)	Reliability (% of respondents)	Specific information	Clarity of responses (% of respondents)	Level of detail (% of respondents)
Local associations dealing with commerce and Industry, region of Transnistria	Monthly (50%); quarterly (20%)	Very Good (20%); Good (50%)	Technical regulations, rules of origin, certificates of origin	Clear (30%), rather clear (30%); unclear (10%)	Detailed (30%); rather detailed (30%); brief (10%)
Local authorities <sup>134</sup>	Monthly (30%); Quarterly (30%),	Very Good (50%); Good (10%)	Customs clearance, export and import procedures, rules of origin, certificate of origin.	Rather Clear (60%)	Rather Detailed (20%); rather brief (40%)
Associations (Association of meat producers, region of Transnistria)	Quarterly (10%)	Good	Technical regulations, customs procedures	Rather Clear	Rather brief
Buyer or source of supply in partner country	Monthly (40%);	Very Good (20%); Good (20%)	Technical regulations, quality requirements, product certification and customs procedures	Rather clear (20%); clear (20%)	Detailed (10%); rather detailed (20%); brief (10%)
Customs Brokers , region of Transnistria	Monthly (30%)	Very Good (30%)	Customs clearance and rules of origin.	Clear (30%)	Detailed (10%); rather detailed (20%)

In addition, 40 percent of the traders reported benefiting from regular consultative meetings (organized on a quarterly and/or annual basis) by specialized agencies operating in the region of Transnistria. These meetings are informed by the recommendations emerging from the consultations between the Producers Union of the region of Transnistria and the enterprises, which are held on a quarterly basis.

<sup>133</sup>

<sup>134</sup> The use of such terms as authorities or agencies does not indicate any de jure recognition of these authorities or institutions

However, traders lamented that they are unable to engage in long-term planning, owing to the lack of political stability in the region and the lack clarity over the region's trade relations with the EU and the Russian Federation. Traders explained that they are at loss when it comes to the regulations governing trade with the EU.<sup>135</sup> They noted that they are unfamiliar with the terms and conditions under the Deep and Comprehensive Free Trade Area (DFTA), how they differ from those established under the ATP and what they entail in terms of benefits and regulatory requirements, particularly in relation to quality, safety and labelling. This explains the traders' reliance on buyers and sellers in partner countries for gaining insight into EU requirements (see Table 3.4).

### 3.4.2 Documentary requirements and use of electronic documents

All traders reported submitting import and export declarations electronically. However, trade is complicated by repetitive submission of documents, with traders having to comply with the regulatory requirements of Moldova and the region of Transnistria. As shown in section 3.4.3, goods are cleared at both banks of the river, with traders preparing two sets of documents.

Some of the documents are obtained in a parallel process following the individual procedures of agencies on each bank, and this is the case for the certificates of origin and customs declaration (Table 3.11). Other documents, namely, phytosanitary, conformity and health certificates, are obtained in a back-to-back process, with certificates issued by local authorities in the region of Transnistria issued on the basis of those issued by relevant authorities in Moldova (since laboratories operating in the region do not provide all types of essential diagnostic tests and the results are not recognized abroad). Traders also submit a copy of the sales contract and the packing list at BCPs on both banks of the river.

**Table 3.7 Documentary requirements, region of Transnistria**

Trade documents submitted to the Republic of Moldova
Customs declaration issued by Moldovan customs
CoO issued by Moldovan customs (preferential) or CCI of the Republic of Moldova (non-preferential).
Sales-purchase contract
Packing list
Quality certificate (if requested by the buyer as per the sales-purchase contract), issued by relevant bodies in the Republic of Moldova
Conformity certificate (for certain products), issued by relevant bodies in the Republic of Moldova
CoA, issued by Moldovan authorities
Phytosanitary certificate, issued by relevant authorities in the Republic of Moldova
Hygiene certificate, issued by Moldovan authorities
Transport documents
Packing list
Permit for importing fertilizers and plant protection products issued by relevant authorities in the Republic of Moldova

Then there are the trade documents that are only submitted to the region of Transnistria, which are not recognized abroad, including: the declaration of foreign currency repatriation; the "accreditation certificate of a legal entity as a participant of foreign economic activity"<sup>136</sup> issued by the local customs of the region of Transnistria; and, permits for importing fertilizers and plant protection products. The discussion of the documentary requirements does not indicate any *de jure* recognition of the local authorities or institutions and should be understood while taking into account the existing legal framework (Box 3.2)

<sup>135</sup> The ATP expired at the end of 2015.

<sup>136</sup> Свидетельство об аккредитации юридического лица как участника внешнеэкономической деятельности.

**Box 3.2 Documentary requirements, region of Transnistria: legal framework<sup>137</sup>**

An important step on the implementation of commitments made between Republic of Moldova and Ukraine was signing the Protocol on 15 May 2003 "On mutual recognition of documents of transport, trade and customs and customs assurances" of Moldovan Customs Department and the State Customs Service of Ukraine.

The next step in achieving goals was the signing on 30 December 2005 by the Prime ministers of Ukraine and Moldova a Joint Declaration. Thus, from March 3, 2006 the Ukrainian authorities reintroduced the regime of crossing the Moldavian-Ukrainian border in accordance with the Protocol on 15 May 2003, which provided the possibility to export goods by economic operators from the left bank of r. Nistru, only with applying on export documentation stamps of Customs Service of the Republic of Moldova. Goods orientated for exports are cleared and recognized only if it stands the stamps and identification codes belonging to the national authorities of the Republic of Moldova.

Traders also drew attention to a number of difficult to obtain documents. Most notable for exporters are the hygiene, phytosanitary and conformity certificates issued by Moldovan authorities (Table 3.5). Traders have to send the samples over to testing laboratories on the other bank, and assume significant delays, as it takes up to two weeks to obtain the test results. Moreover, just like enterprises operating in Moldova, traders have to also submit extensive support documents. Several reported resorting to informal payments, equivalent to USD 5 per sample, to speed up the issuing process.

**Table 3.8 Documentary requirements for exports by level of difficulty**

Products	Document	Level of difficulty	Wait time
Textiles	Hygiene certificate (required by the buyer) issued by authorities in the Republic of Moldova	Rather difficult	9-14 days
Fresh fruits and vegetable; processed food	Phytosanitary certificate (Republic of Moldova)	Rather difficult	9-14 days
All products reported by traders	Conformity certificate (Republic of Moldova)	Rather difficult	9-14 days
Fresh fruits and vegetable; processed food	Quality certificate (Republic of Moldova)	Difficult	9-14 days
All products destined to EU	Certificate of origin, form A (Republic of Moldova)	Rather difficult	3-5 days
Fresh fruits and vegetables; processed food and beverages destined to the Russian Federation	Hygiene certificate (Republic of Moldova)	Rather Difficult	9-14 days
Fresh fruits and vegetable; processed food and beverages	Phytosanitary certificate (Region of Transnistria)	Difficult	4-5 days
All products destined to CIS	Certificate of origin CT-1 (Region of Transnistria)	Difficult	2-5days
All products	Declaration of foreign currency repatriation (Region of Transnistria)	Easy	2-4 hours
All products	Export declaration (Region of Transnistria)	Easy	3-4 hours
All products	Export declaration (Republic of Moldova)	Easy	1-2 hours
Exports to CIS countries	Certificate of origin CT-1 (Region of Transnistria)	Easy	1-2 days
Exports to CIS countries	Certificate of origin CT-1 (Republic of Moldova)	Easy	30 minutes-1 hour

<sup>137</sup> Text provided by the Government of the Republic of Moldova.

Traders also find the administrative requirements for obtaining preferential CoOs, particularly Form A, challenging. Obtaining Form A involves a wait time of up to five days and the submission of extensive documentary requirements, including: the purchase-sale contract; the commercial invoice; the customs declarations for imported raw materials used in the production process; and, a technical report detailing the production process and the use of raw material. If the raw materials were imported from/through Ukraine, traders have to also submit the commercial invoices and conformity certificates for each item. While dictated by the imperative to curb smuggling and fulfil the EU rules of origin, these documentary requirements, noted the traders, inflate transaction costs, especially for enterprises that are heavily dependent on international supply sources.<sup>138</sup>

The above documents form the basis for obtaining the production inspection act, also referred to as the “expertise act”, which is issued by Moldovan Customs following onsite inspections of the exporters’ production facilities. The production inspection act, which costs 2014 MDL, should accompany each shipment along with a copy of the “certificate of appraisal” attesting to the enterprises’ production capacity. The certificate, which is valid for one year, is issued by the CCI of the Republic of Moldova based on the results of on-site audits of the enterprises’ premises, and in the case of food processing enterprises, lands and storage facilities

Traders also present extensive support documents to obtain the CoO from the Chamber of Commerce and Industry in the region of Transnistria, including the sale contracts with buyers, invoice, import declarations for raw material, along with a more detailed expertise report of the production process. These documents are submitted to obtain the “certificate of appraisal” (from the CCI in the region of Transnistria), which should accompany each shipment.

For scrap metal dealers, the above-mentioned challenges are compounded by Moldova’s licensing requirements, which involve pre-determined selling prices. These requirements, noted the producers, set the limits to their ability to develop their production processes, since exporting scrap metals constitutes an important revenue source. Similarly, honey producers reported that exports have been limited to USD 10,000 per company/bee keeper per year since 2014. The Moldovan authorities declared this measure as temporary. Traders also said that they experience difficulties obtaining the phytosanitary certificates from Moldovan authorities, and raised concerns that were similar to those reported by enterprises operating in Moldova.

On the import side, traders lamented the cumbersome procedures associated with the inward processing regime. At issue are the extensive support documents that should be provided to the Moldovan authorities and the region of Transnistria. Traders reported that they have to submit in addition to the sales contract, the invoices for raw materials, and a detailed technical report on the use of raw materials. For producers of fresh fruits and vegetables, the major challenge relates to the existing regulations for importing fertilizers and plant protection products. At issue here is not the documentary requirements, but the strict policy that renders this document difficult, if not impossible, to obtain.

Traders also reported facing significant challenges when importing from/through Ukraine. As inbound consignments are not subject to the clearance procedure at the other bank, the Moldovan authorities consider the goods illegal and proceed to impose sanctions against both the traders and the carriers. Examples of cited sanctions include refusing to grant enterprises CoO for export purposes, and penalties amounting to 20 percent of the value of imported goods.

Beyond the above, all of the interviewed traders lamented that while they can submit import and export declarations to the customs in the region of Transnistria from their premises, they have to use the services of Moldovan brokers when dealing with Moldovan customs.<sup>139</sup> This inflates transaction costs, especially in view of the limited number of certified customs brokers operating at some customs terminals. This is particularly the

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<sup>138</sup> Some of the traders reported that they that import up to 1000 items of raw materials on an annual basis

<sup>139</sup> The in-house experts, who are certified by the region of Transnistria, are not recognized internationally.



case of the Resina terminal. Traders said that there is only one certified customs broker at that terminal, so that they are unable to negotiate the fee (600 MDL, equivalent to USD 30, per declaration).

### 3.4.3 At the border control

As previously mentioned, goods originating from/destined to the region of Transnistria are cleared twice, with traders preparing two sets of documents and passing customs clearance on both banks of the river. This process takes the form of a back-to-back procedure. Goods are unloaded for clearance in the first terminal and then reloaded for shipment to the second terminal, where they are unloaded again for clearance before shipment to final destination (Box 3.3).

#### Box 3.3 Clearance procedure for goods originating from/destined to the region of Transnistria

**Exports:** Goods are cleared by the Transnistrian customs at the nearest custom office (in Tiraspol, Bendery, Rybnitsa and Dubossary), and then delivered to the Republic of Moldova Custom terminal (Balti, Buliboaca, Causeni) for a second round of customs clearance.

**Imports:** The opposite procedures apply to imports, goods are transported by road into the region via one of the border crossing points with Ukraine (Kuchurgan-Pervomaisk, Platonov–New Goyany and Bolgan- Hristovaya) and then cleared at the Transnistrian Custom terminal closest to the importers' facilities.

Clearance is carried out at the traders' warehouse facilities or at the region of Transnistria's terminals, which are equipped with modern scanning equipment. Inspection is implemented by Customs and proceeds in the logical sequence described in section 2.4.4 and involve documentary checks and physical inspection leading to the release of goods after the payment of customs duties, which are levied on imported raw material for inward processing (equivalent to 2 percent of the declared value).

Traders said that although all their consignments (100 percent) are subject to physical control, clearance proceeds smoothly and takes a maximum of 4 hours to complete upon the submission of the full set of documents if the trade documents were in order. Traders did not report problems in relation to customs valuation, and said that they did not use advance rulings. Some said that they are unaware if such services existed, while others noted that they do not need advance rulings.

Customs clearance at the Republic of Moldova's terminals also proceeds in the same logical sequence. Traders reported that inspection involves documentary and visual checks by customs, with physical control carried out selectively on 10-15 percent of the declared consignments. The only exception were exporters of cables and wires as well as exporters of wearing apparel, who reported higher inspection rates (100 percent and 70 percent, respectively), which extends clearance time to an entire day (taking into account the travel time from the terminals in the region of Transnistria to the Republic of Moldova terminal). For exporters of perishable goods, delays results in additional costs in the form of storage fees and damaged goods, given the absence of special procedures for expediting the release of perishable goods on the other bank of the river.

Beyond the above, all of the interviewed traders reported experiencing extensive delays in receiving international payments in foreign currencies. Traders explained that international payments can only be affected through local banks holding correspondent accounts with Russian banks. However, the current international sanctions against the Russian Federation has meant that international payments are received with much delay which could go up to two weeks. Several reported that some countries, including Belgium, Ukraine and the USA are blocking payments destined to local banks operating in the region of Transnistria.<sup>140</sup>

<sup>140</sup> The UNECE does not have the mandate to verify this information.



### 3.4.4 Transit trade and regional cooperation

Traders reported that shipping terms are invariably dictated by the buyers. Exports to Europe, which are organized under subcontracting arrangements, are shipped under FCA (Free Carrier) terms.<sup>141</sup> Traders reported that they are only responsible for loading the cargo onto the buyer's collecting vehicle. The buyers' vehicles usually arrive loaded with raw materials, which the enterprises unload, before loading the outbound cargo. Exports destined to the Russian Federation are shipped under DAP (Delivery At Place) at the request of the buyers. Only a small percentage of exports are delivered under CPT (Carriage Paid To) and DDP (Delivered Duty Paid) terms, and this is done only upon the request of the buyer, since these terms are particularly challenging for traders operating in the region.<sup>142</sup>

The assessment shows that engaging in foreign trade has become increasingly difficult for the enterprises over the past three years. Exporters noted that control procedures at the Russian Federation's BCPs have become particularly cumbersome. Several said that around 60 percent of their consignments were subjected to physical control, with the consequence of extending wait times and causing significant losses in the form of damaged perishable goods. These delays and losses were in addition to the customs duties, which came to be levied on exports from the region following the DCFTA's entry into force in 2014. Traders explained that the customs authorities treated their consignments as originating from Moldova.

Moreover, all of the interviewed traders reported experiencing increased incidents of border rejections for failing to meet the Russian Federation's regulatory requirements. Exporters of agricultural products reported the highest number of cases, with the bulk of their consignments of fruits and vegetables consistently rejected for exceeding the permissible pesticide residue levels. Exporters of canned food also saw their consignments rejected due to discrepancies between the weight, as measured by the Russian authorities, and the one appearing on the package label.

### 3.4.5 Transport and logistical services

As previously mentioned, road figures as the transport mode of choice for the interviewed traders, given the underdeveloped and fragmented railway network. Only one trader was involved in organizing transport, using own (small) truck fleet for shipping goods (door to door) to/from the Russian Federation.

The remaining traders use the services of freight forwarders. However, the interviewed traders, just like the remaining enterprises operating in the region, only use the relatively more expensive foreign or Moldovan carriers. Carriers registered in the region, which are not recognized abroad, cannot obtain the required international transport documents, including the TIR carnet and "dozvol" permits for transiting through the territories of the Commonwealth of Independent States (CIS).<sup>143</sup> Arranging for insurance is also an expensive undertaking, since insurance documents issued in the region are not recognized internationally.

For exporters of perishable goods, the above conditions are complicated by the lack of refrigerated trucks at reasonable prices. For example, traders reported paying up to USD 3,500 per shipment when exporting fruits and vegetables to the Russian Federation. For others, the additional costs associated with using foreign carriers are compounded by the extended journeys that carriers have to undertake to avoid complications during the clearance process. This is especially the case of traders who are heavily reliant on Ukraine and the Russian

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<sup>141</sup> Under FCA, the title and risk pass to the buyer, including transportation and insurance cost when the seller delivers goods cleared for export to the carrier.

<sup>142</sup> Under DAP, the title and risk pass to buyer when seller delivers goods to named place ready for unloading. Traders noted that all goods destined to the Russian Federation are shipped under these terms. Under CPT, the title, risk and insurance cost pass to buyer when goods are delivered to the carrier, and seller pays transportation cost to destination. Under DDP, the title and risk pass to buyer when seller delivers goods to named destination point cleared for import.

<sup>143</sup> These permits are issued by CIS authorities for the benefit of carriers transiting through their territories. The CIS permits, which are provided in exchange for Moldovan dozvol permits, are distributed by the Moldovan authorities among the Moldovan carriers in return for a fee.

Federation for raw material. These explained that rather than importing directly through Ukraine, the cargo is re-routed via Moldova to avoid the penalties and extensive documentary requirements during exports (see section 3.4.2). For trades operating in Slobozia, the distance is increased from 84 kilometres (distance from Slobozia to Odessa) to 248 kilometres as the cargo can only be cleared at the Kaushani border crossing point, and this inflates the transport costs by USD 200 per shipment in average.

All of the interviewed traders emphasized that organizing transport has become increasingly difficult over the past few years, owing to the limited number of *dozvol* available to Moldova. The lack of political stability in Ukraine was another debilitating factor highlighted by the traders, who complained about increased physical checks and long wait time. Several reported that they had to consistently re-route their consignments in 2014 to avoid the conflict zones.

# Chapter Four

## Future prospects

### 4.1 Introduction

The previous chapters show that while the Republic of Moldova has taken impressive steps to set the economy towards sustained growth, the challenges remain significant. The economy still suffers from structural weaknesses, which find their strongest expression in the country's persistent reliance on remittances from abroad for income generation. Enterprises on both banks of the river are held back by weak technological capabilities, evidenced by the country's narrow export mix, consisting mainly of agricultural products and wearing apparel, with Romania and the Russian Federation constituting the main target markets.

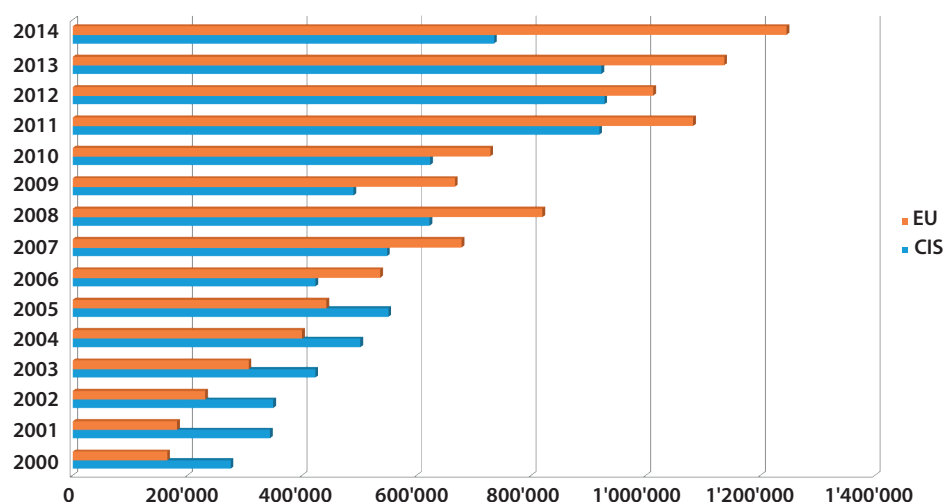
The analysis pointed to a number of regulatory and procedural barriers that contribute to this situation and showed how these combined with the lack of adequate transport infrastructure and the country's landlocked status to inflate transaction costs and, thereof, undermine export competitiveness and deter investments. The next chapter proposes a number of recommendations for removing these barriers, the implementation of which requires huge financial resources and several years to complete. Achieving successful results depends to a large extent on the international community's financial and technical support, and requires sequencing implementation to avoid overwhelming the enterprises and State institutions.

Of equal importance is to anchor implementation in a strategic framework. This is all the more necessary in view of the adverse conditions that the enterprises have been labouring under. Most notable are the recessionary pressures in main export markets and the heightened degree of uncertainty in the wake of the political developments in the sub-region. All of the interviewed traders reported experiencing dwindling demand, reflecting not only the eroding purchasing power in main export markets but also the declining confidence of international buyers. Only a few traders reported maintaining their export levels. However, they seem to be exhausting their coping strategies. Some saw their profits plummet in the face of the additional transport costs they assumed during periods of political instability. Others reported scaling down production activities and conveyed a preoccupation with adapting to survive. Still others seemed at the verge of shutting down altogether.

This chapter seeks to inform such a framework by examining possible avenues for scaling up regional cooperation arrangements. The chapter also looks into the dynamics shaping the interplay between trade and economic diversification, particularly those stemming from inter-industry linkages, i.e., backward and forward linkages, as these form the context for structural transformation. To do this, the chapter starts with a brief overview of the Republic of Moldova's shifting trade patterns. An analysis of the welfare effects of trade creation and trade diversion resulting from the existing and alternative regional cooperation arrangements comes next, leading to a discussion of the policy implications that informed the recommendations provided in the next chapter.

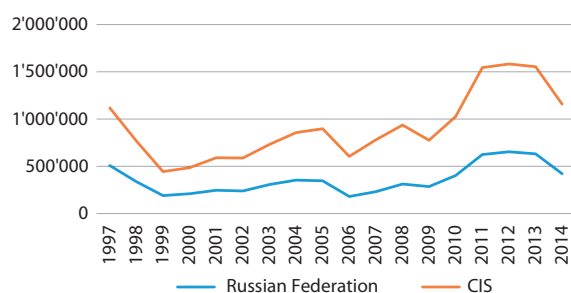
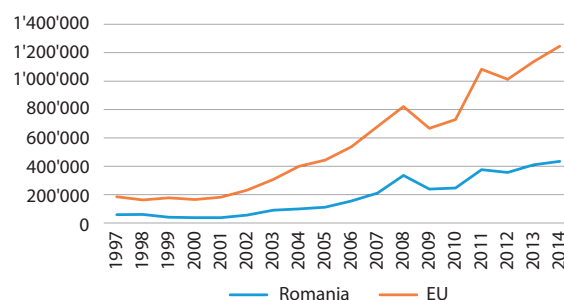
### 4.2 Shifting trade patterns

As shown in figure 4.1, the period since 2006 has seen a re-orientation of Moldova's exports away from CIS towards the EU. By 2014, the share of the EU in Moldova's exports increased to 53 percent, up from 35 percent in 2000, while the share of CIS dropped from 59 percent to 31 percent.

**Figure 4.1** Moldova's exports to the EU and CIS , 2000-2014 (in thousand USD)

Source: National Bureau of Statistics of the Republic of Moldova<sup>144</sup>

This shift has been mainly driven by Romania and the Russian Federation, Moldova's main trade partners. This is depicted in figures 4.2 and 4.3, which show exports to the CIS and EU, as mirroring the evolution of exports to Romania and the Russian Federation. Romania, which joined the EU in 2007,<sup>145</sup> accounted for around 35 percent of total exports to the EU in 2014, followed by Italy (19.5 percent) and Germany (11 percent), while the Russian Federation accounted for around 58 percent of total exports to CIS, followed by Belarus (18 percent) and Ukraine (15 percent).

**Figure 4.2** Moldova's exports to CIS and the Russian Federation (USD thousand)**Figure 4.3** Moldova's exports to Romania and the EU (USD thousand)

Source: National Bureau of Statistics of the Republic of Moldova<sup>146</sup>

Romania and the Russian Federation also drive Moldova's regional trade patterns on the import side.<sup>147</sup> As shown in figure 4.4, the EU has been registering an increasing share of Moldova's imports, fuelled, since 2007,

<sup>144</sup> The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender.

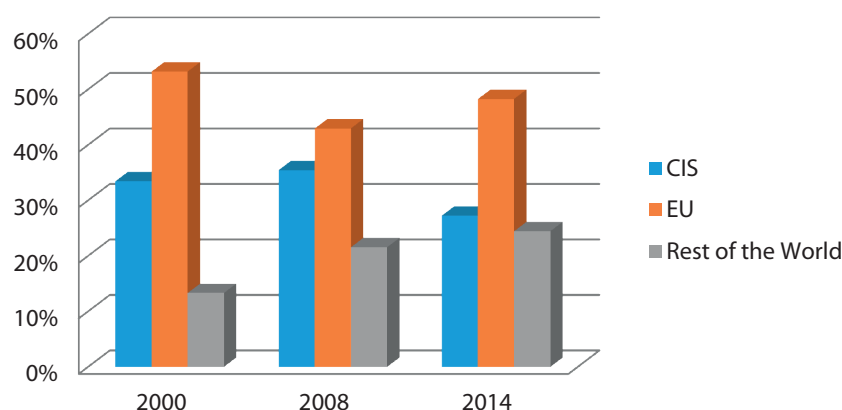
<sup>145</sup> Romania joined the EU on 1 January 2007.

<sup>146</sup> The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender.

<sup>147</sup> Romania accounted for 14 percent of Moldova's imports in 2015, while the Russian Federation accounted for 13 percent. The share of each in Moldova's imports have varied between 11 and 15 percent since 2005. These figures, which are published by the National Bureau of Statistics of the Republic of Moldova, excludes the east bank of the river and the municipality of Bender.

by Romania's accession to the EU. The share of CIS countries has been declining, and was paralleled by the increased importance of the rest of the world.

**Figure 4.4 Moldova's imports from CIS and the EU (Percentage share)**



Source: National Bureau of Statistics of the Republic of Moldova<sup>148</sup>

Such conditions of trade concentration with a few partner countries suggest that more needs to be done for consolidating the Republic of Moldova's market integration with CIS and the EU. The next two sections explore possible policy options for achieving this, based on an analysis of the welfare effects of existing regional cooperation arrangements as well as those associated with pursuing deeper integration with the EU and CIS through joining the evolving Eurasian Economic Union (EAEU), which brings together Moldova's main CIS partners.<sup>149</sup> The analysis is conducted at the disaggregated product level, using trade indices and indicators, and focuses on Moldova only, given the lack of disaggregated product-level trade data for the region of Transnistria.

### 4.3 Welfare effects of existing regional cooperation arrangements

This section analyses the pattern, extent and degree of Moldova's market integration with the EU and the EAEU as well as the welfare trade creation and trade diversion effects of existing trade arrangements. The analysis covers both exports and imports, and is followed by a discussion of the welfare effects resulting from pursuing deeper integration with CIS and the EU.

#### 4.3.1 Exports

A cursory examination of Moldova's top exports to the EU and EAEU reveals dissimilar export profiles. As shown in table 4.1, Moldova's top 20 exports to the EU, which accounted for 83 percent of total exports to the region in 2015, represented only 24 percent of exports to the EAEU. The table also shows that Moldova does not enjoy a substantial export comparative advantage in any of these products. Rather, it has a relative comparative advantage in most of these products, with the revealed comparative advantage (RCA) index slightly below the threshold level of 1.<sup>150</sup>

<sup>148</sup> The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender.

<sup>149</sup> For a brief description of the EAEU, see UNECE (2015) Regulatory and procedural barriers to trade in the Republic of Kyrgyzstan: Needs assessment, available at: <http://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>.

<sup>150</sup> The RCA index ranges from 0 to infinity with 1 as the break-even point. If the RCA is less than 1, then the product in question has no export comparative advantage. A product is said to enjoy a significant export comparative advantage if the RCA is above 1, indicating a revealed comparative advantage.

Table 4.1 Moldova's top 20 exports to the EU (2015)

Harmonized System (HS) 6-digit (2007)	Product	EU		EAEU		Normalised RCA (2014) <sup>151</sup>
		Value (USD thousand)	Share in total exports to the EU	Value (USD thousand)	Share in total exports to EAEU	
<b>120600</b>	Sunflower seeds, whether/not broken	121,994.3	14.80%	2,014.2	0.86%	0.99
<b>854420</b>	Co-axial cable & other co-axial electric conductor...	117,591.3	14.26%			0.99
<b>940190</b>	Parts of the seats of 94.01	68,825.2	8.35%	139.2	0.06%	0.93
<b>080232</b>	Walnuts, shelled	68,669.8	8.33%	105.6	0.05%	1.00
<b>151211</b>	Sunflower seed/safflower oil, crude	64,773.2	7.86%			0.98
<b>854449</b>	Other electric conductors, for a voltage not > 1,0...	32,909.8	3.99%	4.0	0.00%	0.83
<b>100590</b>	Maize (corn), other than seed	30,492.0	3.70%			0.93
<b>200979</b>	Apple juice (excl. of 2009.71), unfermented & not ...	29,456.1	3.57%	2,990.5	1.28%	0.99
<b>220421</b>	Wine other than sparkling wine of fresh grapes, in...	22,988.9	2.79%	16,219.4	6.92%	0.93
<b>100190</b>	Wheat other than durum wheat; meslin	22,962.1	2.79%			0.91
<b>701090</b>	Carboys, bottles, flasks, jars, pots, phials & oth...	18,996.4	2.30%	2,493.0	1.06%	0.96
<b>100300</b>	Barley	14,540.8	1.76%			0.92
<b>902830</b>	Electricity meters, incl. calibrating meters there...	12,829.8	1.56%	6.4	0.00%	0.98
<b>120100</b>	Soya beans, whether/not broken	10,667.3	1.29%			0.55
<b>740400</b>	Copper waste & scrap	10,130.6	1.23%			0.79
<b>040900</b>	Natural honey	8,586.8	1.04%	168.8	0.07%	0.96
<b>701959</b>	Woven fabrics of glass fibres (excl. of 7019.40), ...	7,670.5	0.93%	0.0	0.00%	0.97
<b>190531</b>	Sweet biscuits	7,354.6	0.89%	202.0	0.09%	0.88
<b>220429</b>	Wine other than sparkling wine of fresh grapes, in...	6,924.8	0.84%	24,964.5	10.65%	0.99
<b>080610</b>	Grapes, fresh	5,754.1	0.70%	8,816.7	3.76%	0.93
<b>Total</b>		<b>684,118</b>	<b>83.0%</b>	<b>58,124</b>	<b>24.8%</b>	

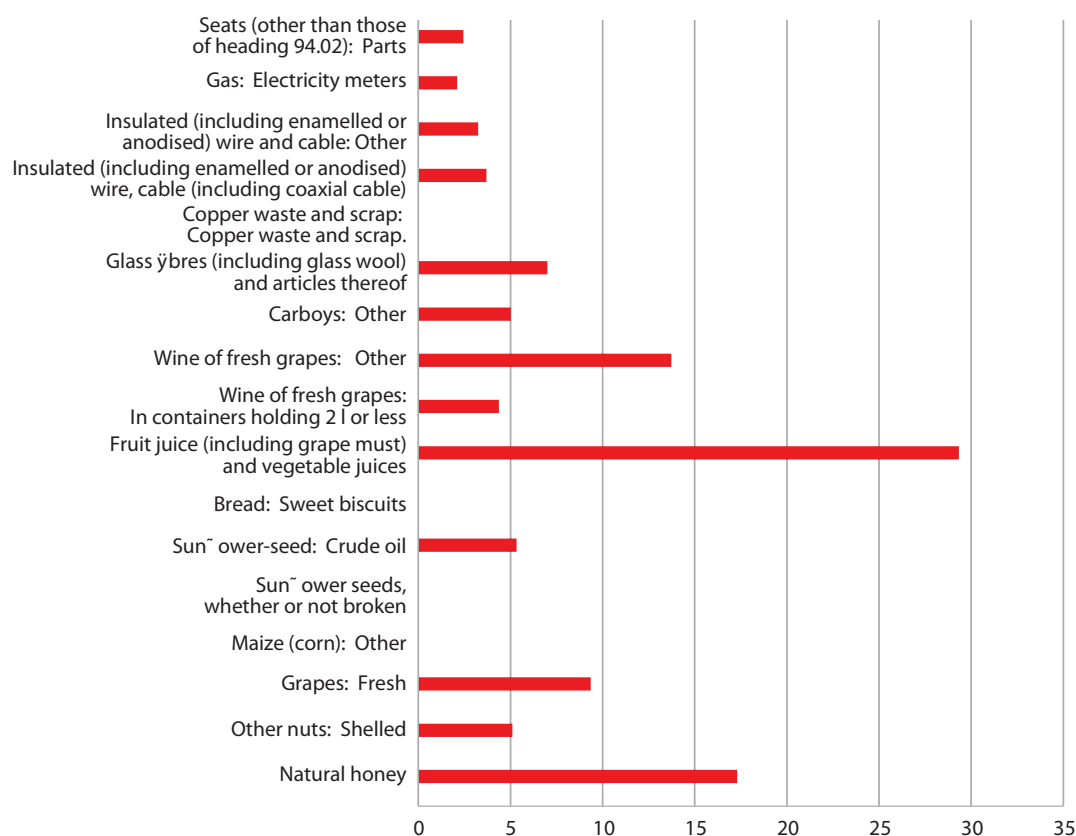
Source: UN Comtrade

This means that even though Moldova has relatively lower opportunity costs with respect to resource use in relation to other EU suppliers, it does not necessarily stand as a more efficient producer. Should the EU

<sup>151</sup> Year 2014 was chosen as it has a broader list of reporting countries.

reduce or eliminate tariffs on non-preferential suppliers or introduce a downward revision to its most-favoured nation (MFN) rates, some exporters may suffer from preference erosion. This is particularly the case of fruit juice exporters, where the preference margins go up to 29 percent. Preference margins are also high for natural honey and wine, amounting to around 18 and 14 percent, respectively (Figure 4.5). There is also the risk of trade diversion away from Moldova to other countries as the reduction in the EU's MFN tariff rates may open new markets for more efficient exporters.

**Figure 4.5** EU MFN rates on top 20 Moldovan exports to the EU (*Simple average rates at HS 8-digit level*)



Source: UNCTAD, Trade Analysis Information System (TRAINS) database

Boosting exports to CIS countries appears to be also challenging. As shown in table 4.2, Moldova does not have substantial comparative advantage in any of its top 20 exports to the EAEU.<sup>152</sup> For the majority of these products, which represented only 12 percent of Moldova's exports to the EU, Moldova's RCA is below 1, and in two cases, the RCA index carries a negative value.

<sup>152</sup> For a brief description of the EAEU, see UNECE (2015) Regulatory and procedural barriers to trade in the Republic of Kyrgyzstan: Needs assessment, available at: <http://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>.



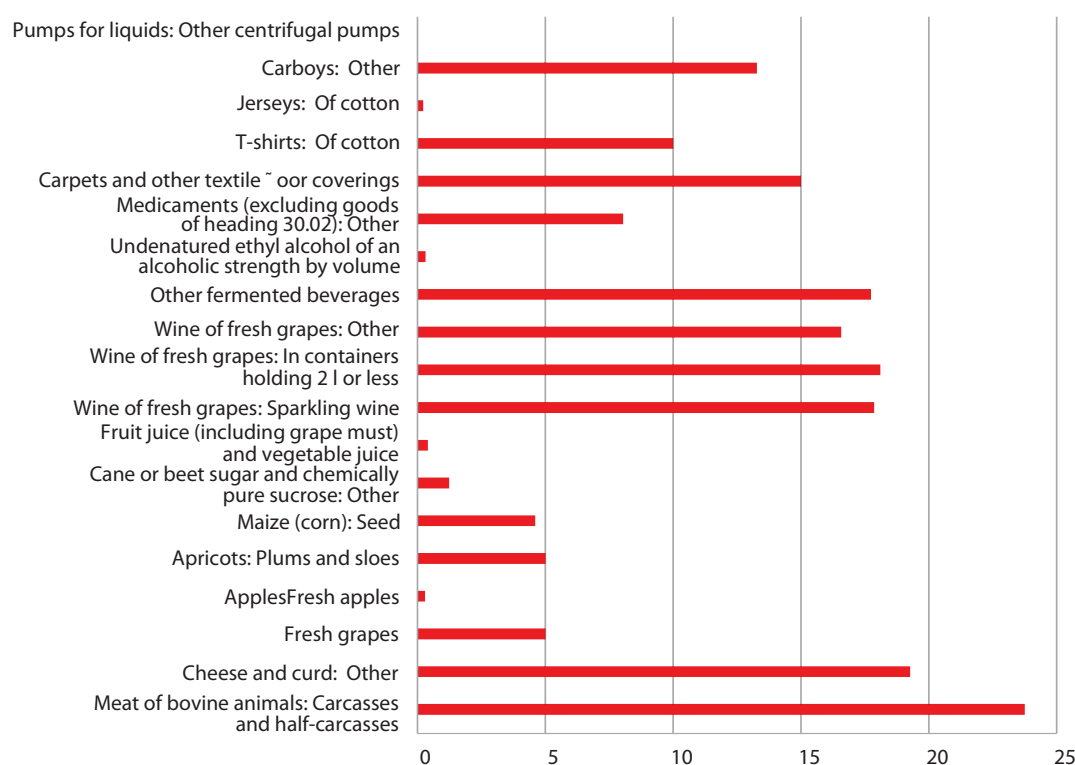
Table 4.2 Moldova's top 20 exports to the EAEU (2015)

HS 6-digit (2007)	Product	EAEU		EU		Normalised RCA (2014)
		Value (USD thousand)	Share in total exports to EAEU	Value (USD thousand)	Share in total exports to EU	
170199	Cane/beet sugar & chemically pure sucrose, in...	30,119.1	12.85%	3,539.6	0.43%	0.96
220429	Wine other than sparkling wine of fresh grapes, in...	24,964.5	10.65%	6,924.8	0.84%	0.99
080810	Apples, fresh	17,139.3	7.31%	248.2	0.03%	0.95
220421	Wine other than sparkling wine of fresh grapes, in...	16,219.4	6.92%	22,988.9	2.79%	0.93
841370	Centrifugal pumps (excl. of 8413.11-8413.40)	11,940.4	5.09%	17.2	0.00%	0.77
220820	Spirits obt. by distilling grape wine/grape marc	11,554.6	4.93%	2,104.6	0.26%	0.97
080610	Grapes, fresh	8,816.7	3.76%	5,754.1	0.70%	0.93
100510	Maize (corn), seed	8,114.5	3.46%	626.8	0.08%	0.91
570242	Carpets & other textile floor coverings, woven, of...	3,911.9	1.67%	4,875.2	0.59%	0.97
040690	Cheese (excl. of 0406.10-0406.40)	3,851.4	1.64%	0.0	0.00%	0.48
300490	Medicaments (excluding goods of heading 30.02/30.0...	3,377.4	1.44%	1,728.6	0.21%	-0.27
020210	Carcasses/half-carcasses of bovine animals, frozen	3,331.5	1.42%			0.98
610910	T-shirts, singlets & other vests, knitted/crochete...	3,268.2	1.39%	1,260.2	0.15%	-0.02
200979	Apple juice (excl. of 2009.71), unfermented & not ...	2,990.5	1.28%	29,456.1	3.57%	0.99
080940	Plums & sloes, fresh	2,788.6	1.19%	2,024.9	0.25%	0.98
611020	Jerseys, pullovers, cardigans, waist-coats & simil...	2,534.6	1.08%	1,025.6	0.12%	0.28
701090	Carboys, bottles, flasks, jars, pots, phials & oth...	2,493.0	1.06%	18,996.4	2.30%	0.96
080920	Cherries, fresh	2,176.0	0.93%	75.9	0.01%	0.84
220600	Fermented beverages (e.g., cider, perry, mead), n....	2,133.1	0.91%	168.9	0.02%	0.93
220410	Sparkling wine of fresh grapes	2,115.1	0.90%	485.2	0.06%	0.80
<b>Total</b>		<b>163,840.0</b>	<b>69.91%</b>	<b>102,301.2</b>	<b>12.41%</b>	

Source: UN Comtrade

Thus, should EAEU countries reduce MFN rates or negotiate an FTA with non-preferential suppliers, Moldova is likely to suffer from preference erosion. This is a more likely outcome, since the bulk of Moldova's top exports to the region benefit from significant preference margins. As shown in figure 4.6, these exceed 10 percent for several products and reach 24 percent in the case of bovine meat.<sup>153</sup>

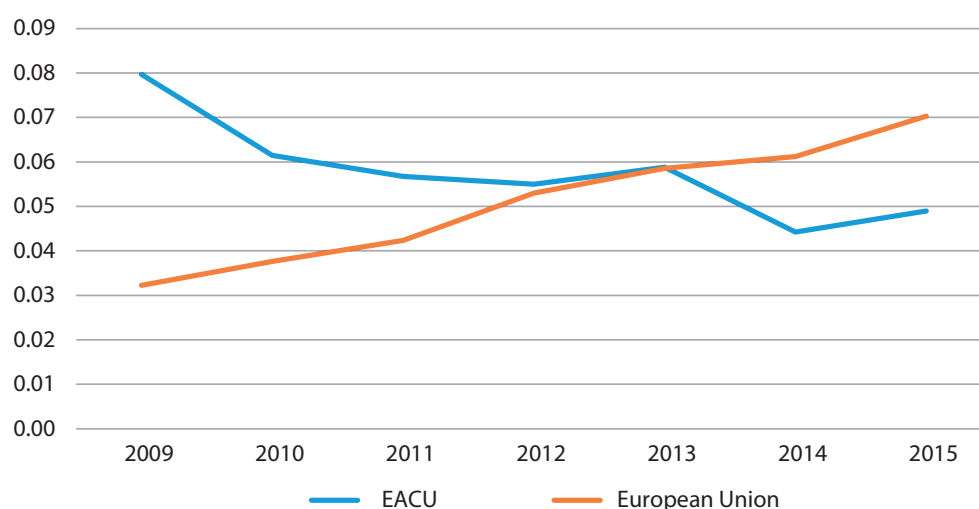
**Figure 4.6** MFN tariffs on Moldova's top 20 exports to the EAEU (*Simple average rates at HS 8-digit level*)



Source: UNCTAD, TRAINS database

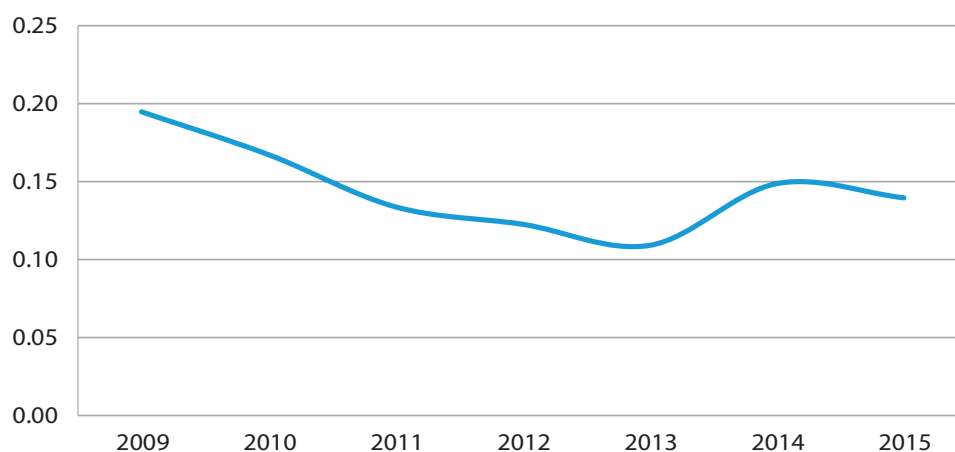
This means that more needs to be done to strengthen Moldova's RCA in its top exports to both regions. Efforts should feature a special emphasis on improving overall competitiveness, which is a function of not only natural endowments and transaction costs, but also of enterprise-level capabilities to diversify production lines and achieve greater specialization in goods with high value-added.

<sup>153</sup> The Russian Federation MFN tariff was used as an indication of EAEU's applied external tariff on each of Moldova's top exports to the region. The EAEU average Common Customs Tariff reflects the Russian Federation's concessions with the World Trade Organization.

**Figure 4.7** Moldova's export concentration index

Source: UN Comtrade

The imperative for such efforts is further highlighted when examining the evolution of Moldova's exports to the EU and the EAEU over the period 2009-2015. Moldova's exports to the EU is becoming increasingly concentrated, evidenced from the rising export concentration ratio, while exports to EAEU is becoming more diversified (Figure 4.7). However, exports to both regions are becoming less and less based on comparative advantage, with the Finger-Kreinin product similarity index<sup>154</sup> exhibiting a tendency to decline over time (Figure 4.8).

**Figure 4.8** Finger-Kreinin product similarity index for Moldova's exports to EU and EAEU

<sup>154</sup> The Finger-Kreinin product similarity index was calculated based on UN Comtrade statistics. The index takes a value between 0 and 100 percent, with 0 indicating no overlap in export profiles and 100 indicating absolute overlap. The more similar the export profiles are, the more likely that the products have comparative advantage.

The above mentioned pattern cannot be understood in isolation of the market access conditions in the EAEU and the EU. A cursory examination of the Revealed Market Access (RMA) indicators<sup>155</sup> for Moldova's top 20 exports to the two regions, mapped in table 4.3, shows that Moldova's exports of shelled walnuts, sunflower seeds, electric conductors, electric meters and vehicle seats seem to be facing favourable market access conditions, with RMA carrying a value above 1 (>1). This suggests that the enterprises are able to meet the EU regulatory requirements. This appears to be also the case for wheat, barely, corn, sunflower seed and insulated electric conductors, which are not exported to EAEU, suggesting higher incidents of non-tariff barriers compared to the EU countries.

However, the enterprises seem to be unable to meet the EU regulatory requirements for the remaining products where RMA value is below 1 (<1), including wine, fresh apples, fresh grapes, can sugar, spirits, glass containers and medicinal products; all of which seem to face better market access conditions in EAEU markets.

**Table 4.3 RMA for Moldova's top 20 exports to the EU and EAEU (2015)<sup>156</sup>**

HS 6-digit (2007)	Product	EAEU (In USD thousand)	EU (In USD thousand)	RMA
<b>080232</b>	Walnuts, shelled	105.57	68,669.84	68.09
<b>080610</b>	Grapes, fresh	8,816.68	5,754.09	0.07
<b>080810</b>	Apples, fresh	17,139.33	248.18	0.00
<b>100190</b>	Wheat other than durum wheat; meslin		22,962.09	
<b>100300</b>	Barley		14,540.77	
<b>100590</b>	Maize (corn), other than seed		30,492.03	
<b>120100</b>	Soya beans, whether/not broken		10,667.31	
<b>120600</b>	Sunflower seeds, whether/not broken	2,014.20	121,994.30	6.34
<b>151211</b>	Sunflower seed/safflower oil, crude		64,773.16	
<b>170199</b>	Cane/beet sugar & chemically pure sucrose, in solid form...	30,119.11	3,539.64	0.01
<b>200979</b>	Apple juice (excl. of 2009.71), unfermented & not containi...	2,990.53	29,456.15	1.03
<b>220421</b>	Wine other than sparkling wine of fresh grapes, incl. fo...	16,219.43	22,988.90	0.15
<b>220429</b>	Wine other than sparkling wine of fresh grapes, incl. fo...	24,964.54	6,924.78	0.03
<b>220820</b>	Spirits obt. by distilling grape wine/grape marc	11,554.64	2,104.63	0.02
<b>300490</b>	Medicaments (excluding goods of heading 30.02/30.05/30.0...	3,377.42	1,728.58	0.05
<b>701090</b>	Carboys, bottles, flasks, jars, pots, phials & other containers, of glass	2,493.01	18,996.40	0.80
<b>854420</b>	Insulated (including enamelled or anodised) wire, cable (including co-axial cable) and other insulated electric conductors		117,591.25	
<b>854449</b>	Other electric conductors, for a voltage not > 1,000 V, ...	3.97	32,909.84	868.01
<b>902830</b>	Electricity meters, incl. calibrating meters therefor	6.37	12,829.76	211.01
<b>940190</b>	Parts of the seats of motor vehicles	139.24	68,825.18	51.75

<sup>155</sup> The RMA indicator compares the impact of economic and institutional trade barriers in two target countries/ regions after controlling for the size of the markets. An RMA greater than 1 (>1) suggests favourable market access conditions (or fewer market access obstacles) in the destination country, in this case the EU, than in the comparator one (EAEU); whereas a value below 1 (<1) suggests unfavourable market access conditions in the EU compared to EAEU.

The RMA can be defined  $\left(\frac{x_{ij1}^k}{x_{ij2}^k}\right)\left(\frac{\sum_i M_{j2}}{\sum_i M_{j1}}\right)$  as where  $k$  is the product,  $i$  is the origin and  $j$  are the destination countries.

<sup>156</sup> Calculated using TradeSift, based on Comtrade statistics

Indeed, a review of the notifications logged in the EU's Rapid Alert System for Food and Feed (RASFF) related to products originating in the Republic of Moldova suggests that more needs to be done to meet the EU sanitary and phytosanitary import requirements. As shown in Annex 3 (Table A3.1), until 2011, exporters of sunflower seeds and rapeseed saw their shipments consistently rejected at the borders due to infestation symptoms. While the notifications against sunflower seeds have come to a halt, rapeseed exporters are yet to achieve full compliance with EU requirements with their shipments flagged for secondary inspection. Exporters of fruits and vegetables, fats and oil, feed materials and honey also seem to be experiencing difficulties in fulfilling the EU SPS measures.

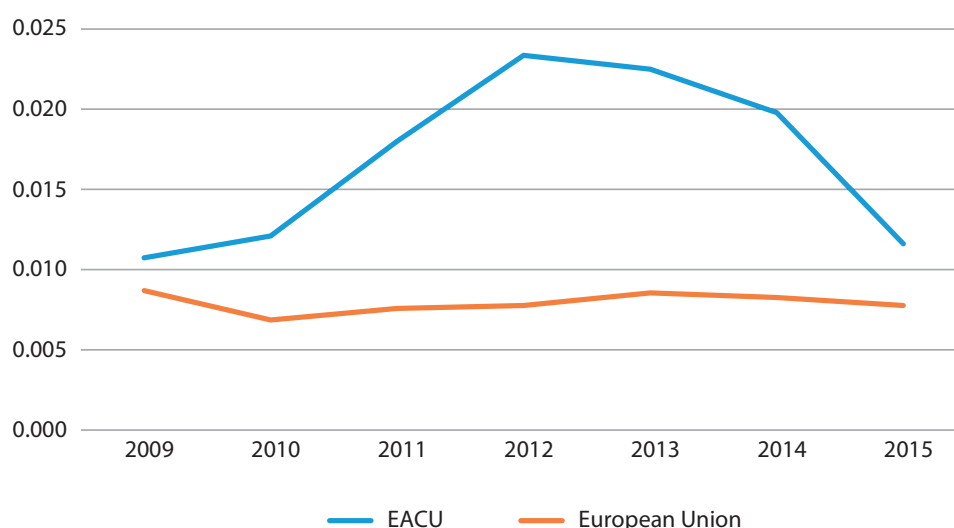
SPS measures seem to be the most challenging as they affect multiple tariff lines. These measures carry an accumulated frequency of 33 percent of the reported cases logged with UNCTAD Trade Analysis Information System (Annex 3, Table A3.2), with fish products, fruits and vegetables, and nuts, wine and sunflower oil standing as the most affected product groups (Annex 3, Table A3.3).

Other products subject to multiple NTMs include machinery and equipment, electrical machinery and parts thereof, which exporters seem to be fulfilling. The challenge, therefore, is to build on experience gained to ensure economy-wide compliance with the EU non-tariff measures and the broader EU internal market *acquis* requirements. Similarly, Moldova needs to meet the regulatory requirements of its CIS partners to reap full benefits from existing preferential market access conditions.<sup>157</sup>

#### 4.3.2 Imports

As previously mentioned, Moldova shows a heavy reliance on the EU as the main source of supply with CIS countries ranking second. This pattern has been underpinned by a low degree of import concentration from the EU and increased import diversification from EAEU countries (Figure 4.9).

**Figure 4.9** Moldova's import concentration index



Source: UN Comtrade

<sup>157</sup> For a brief description of the EAEU, see UNECE (2015) Regulatory and procedural barriers to trade in the Republic of Kyrgyzstan: Needs assessment, available at: <http://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>.

Further insight into this trend is provided in table 4.4, which lists Moldova's top 20 imports from the EU. The table shows that these products are imported in modest values, accounting for only 22 percent of Moldova's total imports from the EU in 2015, and less than 2 percent of total imports from the EAEU (oil and gas included).

Moreover, imported products have low or negative RCA ratios. Considering that Romania has historically stood as the main supply source for Moldovan enterprises, accounting for 14 percent of total imports in 2015, it becomes evident that imports from the EU are mainly determined by cost advantages associated with geographic proximity.

**Table 4.4 Moldova's top 20 imports from the EU (2015)**

HS 6-digit (2007)	Product	EU		EAEU		EU RCA (2014)
		Value (USD thousand)	Share in total imports from the EU	Value (USD thousand)	Share in total imports from EAEU	
<b>210690</b>	Food preparations, n.e.s.	11,276.4	0.58%	4,469.7	0.71%	0.16
<b>230990</b>	Preparations of a kind used in animal feeding ....	9,462.2	0.48%	149.1	0.02%	0.16
<b>300490</b>	Medicaments (excluding goods of heading 30.02/30.0...	99,969.9	5.12%	4,838.0	0.77%	0.36
<b>330510</b>	Shampoos	9,367.3	0.48%	1,257.4	0.20%	0.08
<b>340220</b>	Surface-active preparations, washing preparations ...	17,030.7	0.87%	905.6	0.14%	-0.07
<b>380892</b>	Fungicides, put up in forms/ packing for retail...	13,984.2	0.72%	326.6	0.05%	0.25
<b>380893</b>	Herbicides, anti-sprouting products& plant-growth ...	19,284.6	0.99%	1,795.2	0.28%	-0.12
<b>392690</b>	Articles of plastics & articles of other materials o...	9,499.3	0.49%	186.4	0.03%	-0.05
<b>420500</b>	Articles of leather/of composition leather, n.e.s....	13,090.1	0.67%	7.7	0.00%	0.15
<b>481840</b>	Sanitary towels & tampons, napkins & napkin liners...	14,152.1	0.72%	1,445.6	0.23%	-0.03
<b>730890</b>	Structures (excl.d.prefabricated buildings ..	12,360.8	0.63%	225.6	0.04%	0.14
<b>740819</b>	Copper wire, of refined copper (excl. of 7408.11)	41,532.9	2.13%			-0.31

HS 6-digit (2007)	Product	EU		EAEU		EU RCA (2014)
		Value (USD thousand)	Share in total imports from the EU	Value (USD thousand)	Share in total imports from EAEU	
<b>853690</b>	Electrical apparatus for switching/protecting...	20,897.4	1.07%	91.6	0.01%	-0.01
<b>854420</b>	Co-axial cable & other co-axial electric conductor...	15,353.5	0.79%	0.0		-0.16
<b>854449</b>	Other electric conductors, for a voltage not > 1,0...	44,015.6	2.25%	374.3	0.06%	0.03
<b>854720</b>	Insulating fittings for electrical machines/..	19,586.8	1.00%	10.8	0.00%	0.36
<b>870120</b>	Road tractors for semi-trailers (excl. of 87.09)	10,299.4	0.53%	0.0		0.25
<b>870323</b>	Vehicles (excl. of 87.02 & 8703.10) principally	14,285.1	0.73%	132.2	0.02%	0.34
<b>870332</b>	Vehicles principally designed for the transport...	19,289.7	0.99%	0.0		0.01
<b>870333</b>	Vehicles principally designed for the transport ...	16,370.0	0.84%	0.0		0.26
<b>Total</b>		<b>431,108</b>	<b>22.1%</b>	<b>16,216</b>	<b>2.6%</b>	

Source: UN Comtrade

Moldova's top 20 imports from the EAEU also have modest values with low or negative RCA. Moreover, these products figure among Moldova's imports from the EU, and in some cases carry higher values, lending further evidence to the importance of geographic proximity in determining Moldova's trade patterns (Table 4.5).

**Table 4.5 Moldova's top 20 imports from EAEU countries (2015)<sup>158</sup>**

HS 6-digit (2007)	Product	EAEU		EU		RCA EAEU (2014)
		Value (USD thousand)	Share in total imports from EAEU	Value (USD thousand)	Share in total imports from EU	
070190	Potatoes other than seed potatoes, fresh/chilled	3,856.36	0.61%	1,532.59	0.08%	-0.58
151790	Edible mixtures/preparations of animal/vegetable	4,187.86	0.66%	1,383.59	0.07%	-0.03

<sup>158</sup> Table excludes oil and gas as well as commodities not specified according to kind (HS 999999).

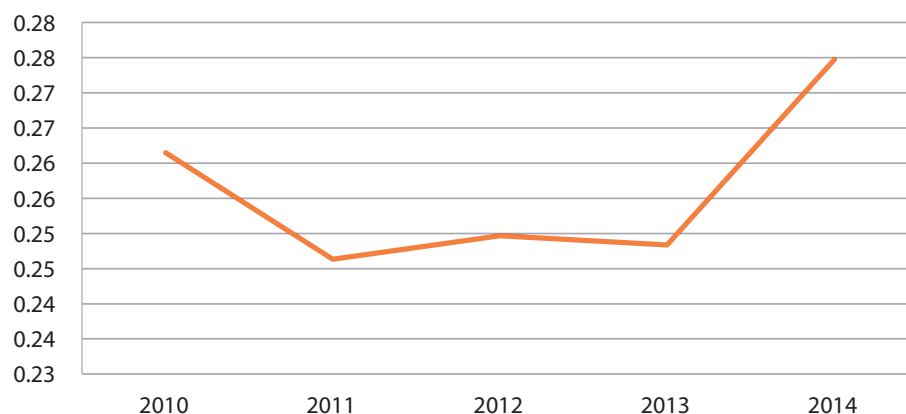


HS 6-digit (2007)	Product	EAEU		EU		RCA EAEU (2014)
		Value (USD thousand)	Share in total imports from EAEU	Value (USD thousand)	Share in total imports from EU	
210111	Extracts, essences & concentrates of coffee	5,300.11	0.84%	1,792.91	0.09%	-0.25
210390	Sauces & preparations therefor, n.e.s.; ...	5,577.77	0.88%	2,470.14	0.13%	-0.41
210690	Food preparations, n.e.s.	4,469.69	0.71%	11,276.37	0.58%	-0.64
270111	Anthracite coal, whether/not pulverized...	13,314.91	2.11%			0.84
270112	Bituminous coal, whether/not pulverized...	5,095.61	0.81%			0.57
271112	Propane, liquefied	14,117.88	2.24%	1,051.14	0.05%	0.48
271113	Butanes, liquefied	7,832.34	1.24%	5,567.09	0.28%	0.14
271320	Petroleum bitumen	5,634.86	0.89%	1,813.60	0.09%	-0.26
300490	Medicaments (excluding goods of heading 30.02/30.0...	4,838.01	0.77%	99,969.88	5.12%	-0.92
310210	Urea, whether/not in aqueous solution	4,093.55	0.65%	327.76	0.02%	0.61
310230	Ammonium nitrate, whether/not in aqueous solution	10,782.67	1.71%			0.81
310520	Mineral/chemical fertilizers ...	6,653.71	1.05%	2,093.86	0.11%	0.79
310540	Ammonium dihydrogenortho phosphate (monoammonium ph...	5,977.48	0.95%			0.76
401120	New pneumatic tires, of rubber....	5,127.37	0.81%	2,259.42	0.12%	-0.42
611790	knitted/crocheted parts of garments/clothing...	5,761.53	0.91%	2,815.29	0.14%	-0.47
690890	Glazed ceramic flags & paving/ hearth/wall tiles	3,973.55	0.63%	8,513.08	0.44%	-0.45
852872	Other color reception apparatus for television,	4,420.50	0.70%	2,345.51	0.12%	-0.63
870190	Tractors n.e.s. in 87.01 (excl. of 87.09)	6,603.58	1.05%	8,373.60	0.43%	0.00
<b>Total</b>		<b>127,619.32</b>	<b>20.20%</b>	<b>153,585.83</b>	<b>7.86%</b>	

Source: UN Comtrade

Thus, Moldova's top 20 imports from the EU and the EAEU tend to overlap and has been historically driven by geographic proximity. A cursory examination of Moldova's total imports from the two regions, excluding oil and gas, reveals a shifting trend towards efficiency consideration. As shown in figure 4.10, the Finger-Kreinin product similarity index<sup>159</sup> for imports from the two regions is higher than the export similarity index and has been assuming an increasing trend since 2013, indicating that imports from both regions is becoming increasingly based on comparative advantage.

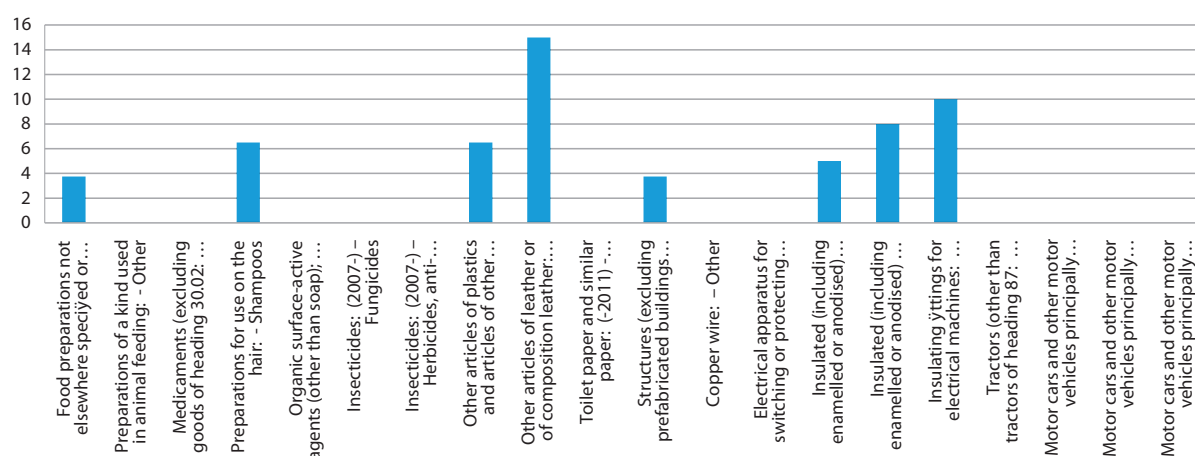
**Figure 4.10 Finger-Kreinin product similarity index for Moldova's imports from EU and EAEU**



Source: UN Comtrade

Consolidating this trend should form the focus of regional integration efforts based on an examination of trade divergence and trade creation dynamics. As shown in figure 4.11, Moldova applies zero MFN rate for the bulk of its top 20 imports from the EU, suggesting that suppliers do not benefit from preference margins. Products that are subjected to positive MFN rates carry low RCA ratios (Table 4.6). Thus, it could be argued that a reduction in MFN rates on these products might create new trade opportunities for more efficient suppliers and, thereof, reduce the trade diversion effects in Moldova.<sup>160</sup>

**Figure 4.11 Moldova's MFN tariffs on top 20 imports from the EU (Simple average rates)**



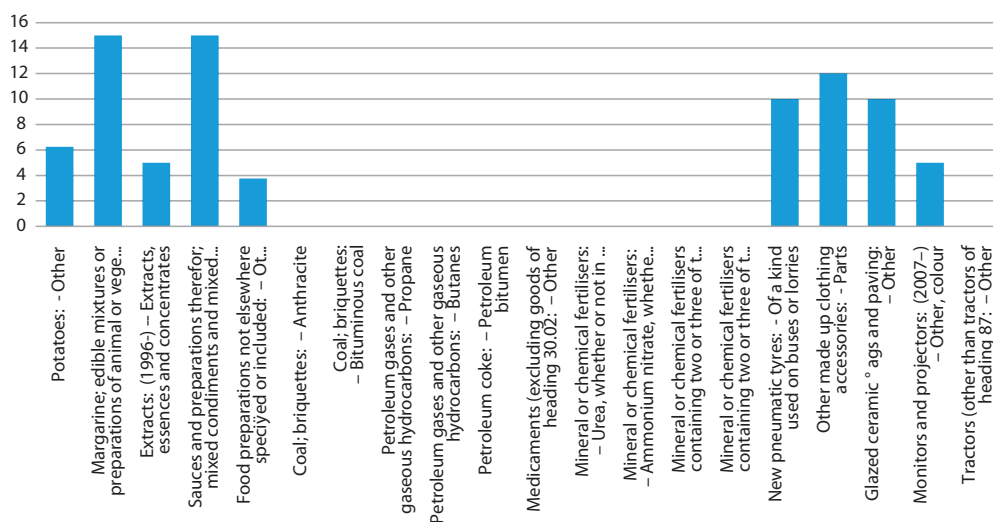
Source: UNCTAD, TRAINS database

<sup>159</sup> Calculated based on UN Comtrade statistics.

<sup>160</sup> Needless to say, low levels of tariffs may provide insufficient preference margins and, consequently, so that trade diversion is less likely to occur.

Moldova also applies zero MFN rates to most of its top 20 imports from EAEU (Figure 4.12). As is the case with products originating in the EU, imports from the EAEU that are subject to positive MFN rates carry low RCA ratios. A reduction in MFN rates on these products might create new trade opportunities for more efficient suppliers.

Figure 4.12 Moldova's MFN tariffs on top 20 imports from EAEU (Simple average rates)



Source: UNCTAD, TRAINS database

To shed more light on the welfare effects inherent in the current FTAs with the EU and the CIS countries, table 4.6 classifies imports from the two regions according to MFN rates and partner comparative advantage. It shows that up to 16 percent of the imports from the EU and around 39 percent of imports from the EAEU might be potentially sourced from more efficient producers should Moldova introduce a downward revision to its MFN tariffs. Considering all imports, the combined trade diversion effect of both trade agreements is 10 percent.

Table 4.6 Trade creation and diversion within Moldova's existing FTAs with EU and EAEU<sup>161</sup>

Partner comparative advantage	MFN tariffs	Imports from EU (2015)		Imports from EAEU countries (2015)	
		Value (USD thousand)	Share	Value (USD thousand)	Share
Established comparative Advantage	0%	659,581	34%	95,538	30%
	Positive	401,907	21%	26,563	8%
No Comparative Advantage	0%	581,812	30%	75,738	23%
	Positive	310,614	16%	124,940	39%
<b>TOTAL</b>		<b>1,953,913</b>		<b>322,778</b>	

<sup>161</sup> Calculated based on TRAINS and Comtrade statistics

#### 4.4 Welfare effects of alternative regional cooperation arrangements

As shown in the previous section, the EU stands as Moldova's main trade partner, accounting for over 80 percent of the country's exports (excluding oil and gas imports) and more than 70 percent of total imports. However, the bulk of trade is conducted with Romania which, by virtue of its proximity, allows traders to reap significant advantages in the form of reduced transport costs.

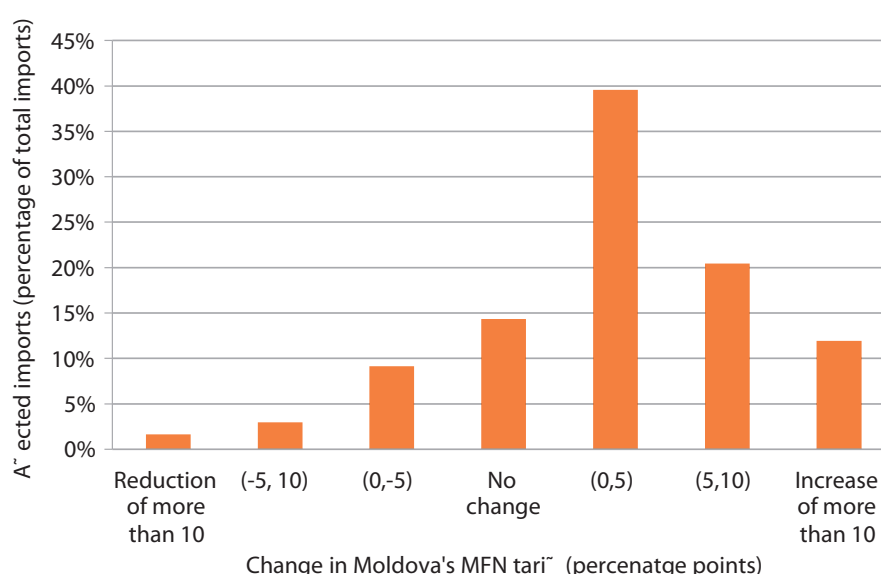
The same applies to trade with CIS countries, which is mainly conducted with the Russian Federation. While Moldova's export profile with its main CIS partners in the EAEU is markedly different from its profile with the EU, traders do not enjoy significant comparative advantage, so that they run the risk of being displaced as a result of preference erosion. On the import side, the current FTAs with both regions generate significant trade diversion. The welfare losses are more substantial in the case of imports from the EAEU, since the products do not have comparative advantage.

The point has been made that more needs to be done to strengthen Moldova's RCA through bolstering the enterprises' technological capabilities. This is important for achieving compliance with the quality and safety requirements in target markets and for achieving structural transformation towards increased specialization in high value-added products. Empirical evidence shows that while enterprises are progressively meeting the EU requirements, the challenges remain significant since the bulk of Moldova's top exports are subject to multiple NTMs.

The point has also been made that while the existing FTAs with the EU and CIS provide a multi-faceted system of incentives for supporting structural transformation, the incentives come with a significant degree of trade diversion. Other policy options that could be considered include joining the EAEU customs union, which brings together Moldova's main CIS partners. However, this option involves additional challenges and a higher degree of trade diversion.

An immediate consequence relates to the upward revisions that Moldova would have to introduce to its MFN tariff rates, since the EAEU Common External Tariff (CET) is higher than Moldova's bound tariffs with the WTO. Moldova will have to exceed its bound rates on many tariff lines, which cover up to 72 percent of imports. For some tariff lines, covering 12 percent of total imports, the upward revision will increase the MFN rates by over 10 percentage points (Figure 4.13).

**Figure 4.13** Distribution of changes in Moldova's MFN rates upon joining EAEU<sup>162</sup>



<sup>162</sup> Calculations based on TRAINS and UN Comtrade databases

While transfers from other suppliers to EAEU are likely to diminish over time to reflect the progressive liberalization of the EAEU tariff schedule,<sup>163</sup> the immediate welfare losses are significant, especially since the EAEU does not have comparative advantage in 62 percent of the products destined to Moldova.

The upward adjustments to Moldova's MFN rates will also trigger compensation claims from other WTO members,<sup>164</sup> since Moldova would be contradicting its WTO commitments for over 50 percent of its MFN tariff lines (Table 4.7). Beyond the above, Moldova's accession to EAEU would require the EAEU, as a whole, to negotiate an FTA with the EU. Alternatively, EAEU members, currently not having an FTA with the EU, may request to introduce rules of origin (for imports from the Republic of Moldova) to secure that trade from the EU is not deflected through the Republic of Moldova. Moldova would also need to negotiate a revenue sharing scheme that maintains the current level of trade income.

**Table 4.7 Comparison between Moldova's bound tariff rates and EAEU CET<sup>165</sup>**

Difference between EAEU CET and Moldova's bound tariff (percentage points)	Tariff lines affected (HS 6-digit)		Moldova's Imports (2015)	
	No.	Share	Value (USD million)	Share
<b>CET lower than Moldovan Bound tariff</b>	2558	49.1	1,793,877.2	38.0
<b>0-5</b>	1561	30.0	1,834,160.8	38.8
<b>5-10</b>	709	13.6	730,329.1	15.5
<b>Above 10</b>	377	7.2	363,673.8	7.7
<b>Total</b>	<b>5205</b>		<b>4,722,040.9</b>	

In view of the above, the benefits of joining the EAEU CU seem to be limited, and the possibility that rules of origin might be maintained undermines the expected benefits from joining the EAEU CU. As such, it would be more conducive to include further elements of deep integration within the context of the existing FTA or through a new exclusive FTA between the Republic of Moldova and EAEU. Similarly, the Republic of Moldova stands to benefit from the deep integration provisions under the DCFTA.

Thus, in the short term, it would be more conducive to maintain the existing FTA arrangements with the EU and CIS, while scaling up the trade agreement with CIS through including additional deep integration provisions. Joining either block sometime in the future, once enterprises consolidate the required technological capacity.

## 4.5 Policy implications

The analysis suggests that the existing regional cooperation arrangements provide a conducive environment for stimulating income growth, and could be further consolidated by expanding and deepening cooperation arrangements with CIS countries. The challenge is to bring the enterprises up to the market entry requirements of the EU and CIS, particularly those pertaining to quality and safety.

The implication is that trade reforms should be complemented by targeted effort to strengthen the interplay between trade and structural transformation. Priority should be accorded to improving competitiveness at the enterprise level, which is a function of not only natural endowments and costs (e.g., transaction costs and input prices, such as exchange rates, domestic wages and material costs), but also technological capabilities.

<sup>163</sup> With few exceptions, the initial CET schedule of the EAEU was mainly based on the Russian Federation tariff schedule. The EAEU average CET has been assuming a declining trend, and will continue to gradually fall to reflect the Russian Federation's concessions with the World Trade Organization. For a brief description of the EAEU, see UNECE (2015) Regulatory and procedural barriers to trade in the Republic of Kyrgyzstan: Needs assessment, available at: <http://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>.

<sup>164</sup> See GATT, Article XXIV(6)

<sup>165</sup> Calculations based on TRAINS and UN Comtrade databases

To this end, scaling up inter-industry linkages gains much importance, as these constitute the driving force for achieving economies of scale and scope. The assessment highlights a number of factors that weaken these linkages. All of the interviewed traders reported that supply chain activities are complicated by the existing regulatory and administrative procedures underpinning commercial activities between the two banks of the river. Most cumbersome are the clearance procedures, the negative impact of which, measured in terms of costs, is compounded by the absence of a refund mechanism for settling trade tax claims. Registered traders from the region of Transnistria explained that the tax amount, which in Moldova takes the form of VAT, is included in the commercial invoice, thereby making goods originating from Moldova more expensive than those imported from other countries.

Enterprises operating in Moldova also assume deadweight losses when purchasing from the region of Transnistria, as they have no avenue for claiming the amount of the turnover tax (since the region of Transnistria does not have a VAT system), which is included in the commercial invoice. This amount ranges from 2 to 8 percent of the value of the cargo, depending on the type of goods.

Yet another concern raised by traders operating in the region of Transnistria relates to foreign exchange regulations. Moldovan banks only execute transfers in MDL, and the bid/offer spread for the MDL, as established in the region of Transnistria, is set in excess of 30 percent. This results in significant currency exchange losses for traders operating in the region. The existing foreign exchange regulations also complicate negotiations over sales contracts. Enterprises operating in the region demand payments in USD to avoid currency exchange losses, which is not always agreeable to enterprises in Moldova.

The assessment also points to the need for targeted efforts to restore the working relations between the enterprises on both banks of the river. Traders from both banks lamented what they described as “the erosion of mutual trust owing to political instability and the lack of consistent measures to ensure fair and safe environment for mutual business”. This situation is further complicated by the lack of clarity over applies regulations and procedures. Traders operating in Moldova reported that they do not have a complete understanding of import-export procedures in the region of Transnistria. On their part, enterprises in the region of Transnistria lamented that the expiry of the Autonomous Trade Preferences (ATP) regime extended to the region<sup>166</sup> means that they can no longer benefit from the preferential market access conditions to the EU at a time when demand from traditional partners have been assuming a declining trend. They also noted that they are unclear as to the applicable procedures under the DCFTA and their implication for the region of Transnistria.

Other traders said that more needs to be done to harmonize tax procedures, as the existing discrepancies are discouraging enterprises in the region of Transnistria from seeking permanent registration with the State Registration Chamber of the Republic of Moldova. Traders explained that permanent registration involves paying income taxes to local authorities in the region of Transnistria and to authorities in Moldova, and these payments have been taking their toll on their declining revenues. Permanent registration also means maintaining two accounting systems, since the accounting and fiscal reporting standards adopted by the Moldovan authorities are different from those applied in the region of Transnistria. All of the interviewed traders said that they can no longer attend to these additional costs, with the dwindling demand effectively draining their resources.

To allow for a better understanding of the growth bottlenecks facing enterprises throughout the country, traders were asked to rank the main factors shaping their business environment by level of difficulty. For those operating in Moldova, and as shown in table 4.8, aside from dwindling demand, production costs stand as most restricting, with traders lamenting what they described as the “skyrocketing energy prices” since 2013 as the main cause. The lack of qualified workers was ranked second (especially for those engaged in the manufacturing of wearing apparel, electric machinery and equipment and basic metals), followed by access to

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<sup>166</sup> The ATP regime, which was replaced by the DCFTA in September 2014, was temporarily extended in the region of Transnistria till 2015.

new markets. Traders said that they are finding it more difficult to venture into new EU markets given the lack of information on the DCFTA requirements and implications for traders.

Other challenges reported by traders relate to the lack of adequate transport infrastructure; the paucity of trade finance at reasonable prices, with traders noting that local banks charge prohibitive fees for issuing the letters of credit compared to international banks; and, smuggling, which creates an environment of unfair competition. For those engaged in the export of livestock and agricultural products, conditions of unfair competition are mainly created by the DCFTA, which imposes difficult requirements at a time when their European counterparts receive significant support and subsidies from their Governments. Traders also complained about the difficult regulatory requirements of the Russian Federation, which they described as too restrictive

Beyond the above, traders operating in Moldova complained about the increase in trade taxes. Importers, especially of machinery equipment and basic metals, noted that the period since the DCFTA's entry into force has seen the rise of their tax burden, since goods originating from outside the EU have become subject to customs duty and VAT even if imported under temporary admission. Wine producers complained about the high customs duties on inputs, particularly wine corks and concentrated grape juice. Moreover, all traders said that they are finding it increasingly difficult to pay the VAT upon import. These payments result in serious liquidity problems noted the traders; a complaint which provides further evidence to the adverse conditions that the enterprises are labouring under.

**Table 4.8 Challenges to business activities: Areas described by traders as creating difficulties**

Key factors influencing trade	Moldova (% of responses)		Region of Transnistria (% of responses)	
	Creates difficulties	Blocks business	Creates difficulties	Blocks business
<b>Tax rates</b>	65%	3%	50%	30%
<b>Tax accounting and reporting</b>	48%		70%	
<b>Obtaining licenses and permits</b>	35%		20%	
<b>Commercial dispute settlement</b>	47%		90%	
<b>Political conditions</b>	70%	27%	70%	30%
<b>Production costs</b>	87%	13%	90%	10%
<b>Local demand</b>	63%		100%	
<b>International demand</b>	42%		100%	
<b>Access to external funding sources</b>	61%		100%	
<b>Finding and hiring qualified workers</b>	77%		80%	
<b>Access to new markets</b>	74%		90%	
<b>Trade restrictions</b>	35%		80%	
<b>Transport infrastructure</b>	55%		0%	
<b>Basic utility services</b>	6%		0%	
<b>Unfair Competition</b>	42%	6%	20%	10%
<b>Trade regulations between the two banks of the river</b>	44%		90%	



For enterprises operating in the region of Transnistria, the most problematic factors relate to the dwindling demand in local and main export markets and the limited access to external financing sources (Table 4.8). Interviewed traders noted that credit lines by commercial banks in the region are prohibitively expensive (interest rates range between 12-20 per cent for loans in USD and €, and exceeds 30 per cent for loans in Transnistrian ruble) and such financial instrument as letters of credit, bank guarantees and leasing are not available. Permanent registration with CCI does not necessarily guarantee access to external financing sources, because commercial banks in Moldova do not recognise the collateral pledged by the enterprises.

Traders also complained about high production costs among the most problematic factors, caused mainly by the hiked electricity charges by over 30 percent since November 2015, along with the lack of qualified workers. Recourse to courts should foreign buyers breach the terms of the sales-purchase contracts was cited as another concern. Recourse to courts, noted the traders, does not always guarantee that their rights would be protected even if the enterprises are permanently registered with the State Registration Chamber of the Republic of Moldova, since in the eyes of international buyers, they are from the region of Transnistria.

Yet another challenging area relates to corporate taxes. Traders noted that by virtue of being calculated on the basis of annual turnover, as opposed to profits, these taxes are inherently high because they do not take into account the expenses and actual sales revenues. With demand in local markets and abroad assuming a declining trend, the traders are awkwardly placed to pay these taxes. Enterprises that are highly dependent on inward processing are the most affected, as the tax rates are set at higher levels compared with the manufacturing sector. The law considers these enterprises as service providers, even though inward processing is their only avenue for landing sales contracts. Several said that fulfilling their tax obligations came at the expense of maintaining their workforce.

The need to further harmonize regulatory and procedural measures cannot be over-emphasized, as they undermine the proper functioning of local commercial and productive networks. Unless steps are taken to address the concerns raised by traders, efforts to link the economy to global value chains will bring limited results.

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# Chapter Five

## Conclusion and recommendations

This study identified regulatory and procedural barriers to trade in the Republic of Moldova using the UNECE's evaluation methodology. It showed that while much has been done to improve facilitate trade conditions and SQAM systems, enterprises remain held back by cumbersome documentary requirements and administrative procedures. The interviewed traders and representatives of market support institutions singled out a number of difficult to obtain documents and reported experiencing delays during customs clearance.

The concerns raised by traders are caused by a lack of clarity over regulatory and procedural requirements among traders; capacity shortfalls within State agencies dealing with trade facilitation and SQAM; lack of expertise knowledge within State agencies of the EU safety, health and environmental protection requirements; the slow legislative process; the cumbersome customs clearance procedures underpinning internal trade between the two banks of the river; and, the dearth of proper equipment and storage facilities at the main border crossing points.

Addressing these bottlenecks is complicated by the lack of political stability and budgetary constraints, which undermine the Government's ability to ensure prompt and effective action. The support of donors and development partners is crucial. However, this support would yield limited benefits unless underpinned by concerted efforts to isolate the effects of governmental restructuring on State agencies, further harmonize regulatory and procedural measures underpinning trade between the two banks of the river. This is critical not only for reducing transaction costs, but also for supporting the much needed structural transformation towards increased specialization in products with high value-added.

The analysis also suggests the need for targeted efforts to improve the overall business environment. Delving into this area falls beyond the scope of this study. It suffices here to mention that as a starting point, the emphasis should be on fostering existing backwards and forwards linkages within and across sectors, so that they are exploited to their full potential and set the context for creating new linkages.

This could be achieved through scaling up enterprise development services available for enterprises with additional programmes that go beyond static efficiency (i.e., reducing marginal costs to generate profits) to addressing dynamic efficiency concerns (i.e., creation of new products and new markets). The programmes should be geared towards helping the enterprises master core skills and functions that enable them to engage in continuous upgrading of product quality and design, diffusing new technologies, and exporting them (through licensing agreements and turnkey projects); obtain the required finance; and, increase their participation in international trade.

Such programmes should target both priority capital- intensive sectors as well as key labour- intensive industries. The first set of programmes can focus on capital and technology intensive industries, including, for example, machinery and transport equipment and ICT. The second set can focus on labour- intensive industries that can achieve a simultaneous increase in employment and output without sacrificing productivity, such as food and beverages.

The analysis also shows that the existing bilateral and regional cooperation arrangements provide a conducive environment. The Government considers the DCFTA with the EU, the FTA with CIS, the Central European Free Trade Area and the FTA signed between the Republic of Moldova and Turkey as complementary cooperation arrangements, which, together, provide the country with the opportunity to establish a conducive environment for business development, investment attraction, and consolidating a development hub between the east and west. The Republic of Moldova is also examining emerging opportunities from establishing cooperation

arrangements with other market such as China, Egypt and EFTA countries. The analysis suggests that deepening and expanding the scope of the existing cooperation arrangements with CIS countries could further increase development opportunities.

Table 5.1, provides a number of recommendations for addressing the regulatory and procedural trade barriers and growth bottlenecks identified in the study. The recommendations are meant to inform decisions on priority areas, and involve action-oriented proposals that could be sequenced according to existing capacities.

**Table 5.1 Priority needs and recommendations by area**

Area	Recommendations
<b>Transparency</b>	<p><b>1. Consolidate public-private sector consultative mechanisms.</b></p> <p>1.1 Assign the responsibility for supporting public private consultations to a single agency. The agency could serve as the national trade facilitation committee in fulfillment with the Agreement on Trade Facilitation. In assigning the single agency, the emphasis should be on capitalizing on existing mechanisms as opposed to establishing a new mechanism/ institution from scratch.</p> <p>1.2 Establish a reference framework for guiding discussions on the removal of non-tariff barriers. The reference framework should go beyond addressing customs and at the border issues to target behind the border bottlenecks (especially those stemming from shortfalls in the quality assurance system), and involve special emphasis on addressing the obstacles created from the interplay between behind and at the border issues and concerns. The ECE trade facilitation roadmap guidelines provide useful parameters in the area of trade facilitation.</p> <p><b>2. Bolstering the information dissemination function</b></p> <p>2.1 Develop the institutional websites of all State agencies, so that they could provide up to date information on applicable regulations, procedures and price lists pertinent to their respective areas. Related to this are internal orders, particularly MCS internal orders that were singled out by traders. MCS internal orders should be streamlined and published on time.</p> <p>2.3 Consider establishing a trade portal, which provides more detailed information on trade related rules and procedures, particularly in relation to their links to regional agreements and implications for both productive and trade activities. The private sector must be able to access, in one place, comprehensive information about existing trade-related requirements; consequential changes to legislation, regulations, procedures, fees and forms; the timing of these changes; the areas in which no change will be required and their implications.</p> <p>2.4 Consider establishing call centres and help desks in key market support institutions and State agencies to assist traders in gaining a proper understanding of applied rules and regulations and their implications. The help desks should be equipped these with the required expertise skills, ICT tools and training materials to help them guide the traders.</p> <p>2.5 In parallel, there is a need for awareness raising effort to familiarize traders with the terms and implications of the Deep and Comprehensive Free Trade Area (DCFTA) with the European Union (EU): (i) organize media campaigns and mobilization workshops to familiarize traders with the DCFTA and its implications; and, (ii) prepare explanatory materials on the requirements that the enterprises need to meet to reap benefits from the DCFTA, the new procedures that will be set in place to govern trade and the progress made in bringing the national system up to the DCFTA requirements and the implications of these for regional and global integration.</p>

<b>Information requirements and trade documents</b>	<p><b>3. Address instances of repetitive submission of documentary requirements, including those associated with commercial exchange between the two banks of River Nistru</b></p> <p>The information requirements and support documents for each trade certificate/license should be reviewed, with a view to: (i) maintaining only those support documents that provide direct and pertinent information for the certificate/license in question; and (ii) ensuring that all support documents are submitted only once. An immediate step for guiding this reform measure would be to conduct a detailed examination of inter-agency procedures and associated documentary requirements using the business process analysis.</p> <p><b>4. Promote the increased use of e-documents:</b></p> <p>4.1 Further develop the ASYCUDA Word system to allow for extending online submission of customs declarations to other customs regimes such as transit, warehouse, temporary admission, processing and free zone.</p> <p>4.2 Establish training programmes for familiarizing traders with the use of e-documents.</p> <p>4.3 Further develop the customs brokerage industry (see below)</p> <p><b>5. Further develop the existing system of testing laboratories.</b></p> <p>This will reduce the waiting time and costs associated with obtaining conformity and quality certificates (see recommendations below).</p>
<b>At the border control and customs clearance</b>	<p><b>6. Provide intensive training for border control agencies on how best to reconcile trade facilitation concerns with revenue generation.</b></p> <p><b>7. Revise the customs code to ensure harmonization with the Union Customs Code (UCC) of the EU.</b></p> <p>This will be essential for guiding key reform efforts (e.g., the Authorized Economic Operator-AEO-scheme which is being developed by Customs and the migration to a paperless trading environment as the UCC provides for mutual recognition of AEO Certificates) and for addressing a number of issues raised by transport operators (e.g., the transit times for T1 consignments imposed by customs which was seen as arbitrary). In 2017, the Government was in the process of drafting a new Customs Code, and this effort should be accorded priority by international development partners. Assistance should be also provided for supporting the drafting of provisions for implementing the new Code, including secondary customs legislation that is fully harmonized with the EU provisions.</p> <p><b>8. Improve the customs valuation process:</b></p> <p>8.1 MCS should ensure that tariff classification of goods is determined through the use of the General Rules of Interpretation and the Legal Notes to the Harmonized System Nomenclature, as required under the HS Convention.</p> <p>8.2 The national customs tariff system (TARif vamal Integrat al republicii Moldova-TARIM) should be regularly updated to reflect changes to technical and other non-tariff measures</p> <p>8.3 Further mechanisms should be established to ensure strict application of the WTO rules on Customs Valuation,<sup>167</sup> and develop the customs advance rulings service.</p>

<sup>167</sup> Existing legislation integrates the principles of the WTO Valuation Agreement (See Customs Code of the Republic of Moldova) and provides for uniform and transparent rules for determining customs value (See Government Decision No. 974 of 15 August 2016 approving the Regulation on the Declaration of Customs Value of Goods, which establishes uniform and transparent rules for determining customs value that are consistent with the EU legislation).

**9. Undertake a thorough review of the risk parameters and profiles in the Customs Integrated Information System.**

The aim should be to ensure a prompt, meaningful and lasting overall increase in the percentage of cargo assigned to the green channel, and a decrease in that assigned to the red channel. The review should be conducted with the principles of trade facilitation in mind: (i) high risks should be justified with concrete historical data; and, (ii) local risk profiles should be developed for individual customs control points to reflect the specific control environment at each, and the results of their practical application should be progressively used to update and adjust the central risk management system. Particular importance should be given to the development of information systems that would allow for analyzing data and creating efficient risk analysis tools. A pre-arrival information exchange with transport companies should be established as well as the concept of segmentation of traders.

**10. The MCS should be assisted to further develop the AEO scheme,<sup>168</sup> with a view to issuing full approvals incorporating customs simplifications for reliable traders.**

10.1 Safety and security approvals, especially for transport operators, forwarders, and agents, have little or no impact on trade facilitation.

10.2 The emphasis should be firmly placed on risk management, with measures put rapidly in place to select and approve AEOs properly, thus giving real assurance that their cargo can be subjected to minimal intervention at the frontier and inland, with subsequent post-clearance controls to ensure compliance, and re-appraise risk.

10.3 The MCS should be supported in its efforts to implement Mutual Recognition of AEO program with EU, CEFTA and other key economic partners in accordance with the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate Global Trade (SAFE).

10.4 The MCS should be assisted in developing procedures for simplifying customs declaration, including simplified declarations and incomplete declarations. Such procedures will allow economic operators to submit customs declarations in a simplified format with less data requirements.

**11. In parallel with the development of the AEO scheme, the MCS should be supported in its efforts to:**

11.1 **Further develop its post-clearance audit**, as this will allow for undertaking systems-based trader audits and, thereof, considered examination of the commercial processes and systems that lie behind the customs duty declared at importation; and then to use the findings to review previous risk-based judgments, and if necessary adjust the parameters in the risk management system. This is a more holistic approach; a more reliable means of controlling tariff classification and declared value; and provides concrete incentives for voluntary compliance on the part of traders.

**11.2 Develop and implement the pre-arrival declaration procedure**

**12. Reduce at the border charges**

12.1 Measures should be introduced so that no charges are raised for loading/unloading and handling at BCPs and ICPs. In this respect, it is important to examine the costs/effectiveness of the current services, whereby the MCS, which does not have its own facilities for cargo examination, uses commercial premises.

12.2 The routine weighing of goods vehicles on entry and exit from the Republic of Moldova, for a charge, should cease if the carriers have valid IVWC for the journey in question.

<sup>168</sup> As stipulated in Law No.281 of 16 December 2016 on amending and supplementing certain acts, the AEO concept is fully in line with the authorization procedure established under the UCC of the EU.

**13. Adopt a gradual approach to Single Window (SW) development<sup>169</sup>**

The experiences of other countries show that unless developed within the context of a systemic approach with implementation sequenced to correspond to national capacities, the SW facility will be of limited benefits to traders. Below are the main elements of such an approach:

- Create an inter-agency coordinating committee to oversee the design and implementation of the SW facility.
- Conduct detailed business process analysis within and across the State agencies involved in supporting export and import activities. The analysis should focus on: (i) document flow; (ii) data flow and data harmonisation issues; (iii) and, the regulatory requirements of each SW agency; (iv) and, the administrative procedures for issuing trade documents
- Remove all documents, which serve little real purpose and could be eliminated to help streamline the clearance process
- Align all existing trade documents, including support documents, into a single electronic form. This exercise has to be undertaken in each agency, and followed by a similar exercise to assess the possibility of further harmonization among the different documents.
- Next, a paperless electronic documentation system has to be installed in each agency, and ensure interoperability amongst the numerous information platforms of the State agencies.
- In parallel to the above, provide advanced training for staff on electronic business standards (such as the UN/CEFACT eBusiness standards)
- Conduct a feasibility study to establish the IT needs (including management information systems and hardware equipment) of the Customs and other Single Window agencies.
- Based on the above, establish a general conceptualization of the SW facility, including the basic elementary components in consultation with Customs and the SW agencies. This exercise is important as it will provide the Government with a reference document to guide decisions on the detailed technical features of the SW facility.
- Implementation should be phased and could start with the development of some elementary/basic components, in order to provide solid grounds for full implementation at a later stage. In particular, the first phase should focus on developing a pilot SW or a "Trust Model" (i.e. foundations of the platform to provide digital certificates and electronic signatures). During the first stage, the SW could cover trade of the goods which are subjected to the customs, transport, veterinary, phytosanitary and sanitary inspections. During the second stage second stage of the project the SW will cover trade in goods of all types. Alternatively, the government may consider including certain agencies during Stage I, leaving the task of connecting the remaining agencies during stage II.

**14. Consider a more focused approach to the development of border crossing points.** Rather than spreading efforts too thin, concentrate in the short term on:

- 14.1 Widening entry access and providing parking space away from the traffic lanes, as an immediate measure for reducing congestion and queues.
- 14.2 Improving traffic management through (i) the proper segregation, into separate lanes, of trucks, buses and cars; and (ii) providing a 'fast track' lane, from the point of entry to the BCP, for trucks carrying consignments of transit and AEO goods; and, (c) the introduction of non-intrusive inspection equipment, as one means of reducing the requirement for physical examination of goods.

<sup>169</sup> A SW is "a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once". See UN/CEFACT (United Nations Centre for Trade Facilitation and Electronic Business) Recommendation No. 33. The proposed steps build on UN/CEFACT Recommendation on the establishment of single window facilities (No.33); data simplification and standardization for international trade (No. 34); and; establishing a legal framework for international trade single window (No. 35).



	<p><b>15. Intensify efforts to modernize customs infrastructure</b></p> <p>15.1 Equip at the border and internal customs posts with basic facilities for conducting control functions; modern information technology (IT) systems (hardware and software); and, non-intrusive control equipment (scanners, video surveillance system).</p> <p>15.2 At the same time, additional support is needed to ensure the management, record-keeping, maintenance and assessment of the modern control equipment and IT systems. This is important for enhancing efficiency.</p>
Further develop the brokerage industry	<p><b>16. A proper system for testing, training, licensing, accrediting, and monitoring customs brokers should be put in place.</b></p>
Transit trade	<p><b>17. The existing MCS practice of routinely controlling transit traffic at border crossing points (BCPs), whether it is passing through the country or destined for an internal crossing point (ICP) under the internal transit procedure, should cease.</b> Transit documents should be examined and truck seals broken and re-sealed only in cases where a high risk has been properly assessed.</p> <p><b>18. The arbitrary internal transit times for consignments should be relaxed,</b> and be guided by a detailed methodology that allow for proper consideration of the different factors influencing journey times and diversion risk levels.</p> <p><b>19. MCS controls over transit traffic should be risk-based and selective.</b> The introduction of the EU's New Computerized Transit System in due course, and eventually a facility which permits advance declarations of cargo data, will make the process of risk management much easier, but these are not pre-requisites. Immediate measures need to be taken to ensure consistent application of the TIR Convention and implement selective control over high-risk transit cargo. Trucks could be allowed to proceed through BCPs using separate 'fast track' lanes, as those belonging to AEO operators. A similar risk-based, selective approach to the control of internal transit traffic should be adopted along with the use of sealed 'safe packages' for the accompanying transit documents.</p> <p><b>20. Transit trucks should be allowed to proceed through BCPs using separate 'fast track' lanes,</b> as those belonging to AEO operators are allowed to do. Selective control over transit cargo properly assessed as high-risk should be the norm</p> <p><b>21. Routine MCS checks on outbound cargo at the border with Romania, which are subsequently repeated at importation on the other side of the border, should be progressively withdrawn</b> in favor of joint cargo controls similar to those exercised at Moldova's border with Ukraine. In the long term, the MCS and its counterpart service in Romania should be encouraged to develop arrangements for the mutual recognition of customs controls.</p> <p><b>22. Accord priority to linking ASYCUDA World system to the EU New Computerized Transit System,</b> since ASYCUDA World is fully operational nationwide, and has a built in transit module.<sup>170</sup></p>
Transport and logistical services	<p><b>23. The development of multi-modal logistics and facilities should be accorded priority treatment.</b> This is an area that is being relegated secondary importance at a time when even the most modest intervention could bring about immediate results.</p> <p><b>24. A proper system for testing, training, licensing, accrediting, and monitoring freight forwarders should be put in place.</b> The administration of the scheme should be given to a suitable representative body, subject to independent external accreditation (e.g. by the International Federation of Freight Forwarders Associations). Freight forwarders' licenses should be renewable annually, subject to satisfactory performance.</p>

<sup>170</sup> ASYCUDA is the United Nations Conference on Trade and Development (UNCTAD) web-based Automated System for Customs Data and serves as to serve as the backbone for the Customs Integrated Information System (CIIS).



<b>Technical regulations</b>	<p><b>25. Strengthen national technical regulations development processes</b></p> <p>25.1 Intensify capacity-building efforts in the area of technical regulation development through targeted training courses. The courses should be geared to develop the skills of new comers as well as existing staff, and feature a combination of specialized, individual courses for policy makers and regulators and generic courses that correspond to the common interests and needs of the two groups.</p> <p>25.2 Consider reviewing existing institutional arrangements to ensure simultaneous and equal involvement of regulators and those responsible for regulatory impact assessment in the development of technical regulations.</p> <p>25.3 Consider establishing technical exchange and collaboration arrangements with partners in EU countries to support of the technical regulations development functions. Such arrangements could include, among others, collaboration in drafting technical regulations, on the job training for the relevant staff and the exchange of information in the form of technical reports, visits and joint experts meetings.</p> <p><b>26. Strengthen regulatory impact assessment (RIA) processes</b></p> <p>26.1 Consider outsourcing RIA to private research centers and universities. While this option will create additional pressures on the public purse, it is critical since the preparation of technical regulations is a complex undertaking that requires multidisciplinary skills that are not and cannot be made available within competent authorities. If properly structured (e.g., on the job training to competent authorities, ensuring that RIAs are conducted in collaboration with the relevant staff), outsourcing could bring new methods and additional knowledge.</p> <p>26.2 Accord priority to developing a methodology for guiding the regulatory impact assessments on micro enterprises and SMEs.</p> <p>26.3 In parallel, consider establishing a centralized body for impact assessments, and equip it with expertise skills in the areas of industrial economics, cost-benefit analysis, EN standards and the different aspects of EU safety, health and environmental protection requirements. The centralized body, which could be placed under a line Ministry, should have its own training facility and operate according to a business plan that would allow it to achieve a certain degree of self-sufficiency.</p>
<b>Standardization</b>	<p><b>27. Strengthen standard setting processes with expertise skills</b></p> <p>27.1 Assist the national Standardization Institute (NSI) in its efforts to withdraw old standards (CIS interstate regional standards -GOST) that are not consistent with the state of the art and are irrelevant to the country's market.</p> <p>27.2 In parallel to the above, consider creating a training facility on standardization processes within NSI, and equip it with sector focused rigorous training materials targeting the enterprise sector. This will ensure continuous training and responsiveness to national needs. In this respect, ECE Working Party on Regulatory Cooperation and Standardization Policies (WP.6) recommendation Education on Standards-Related Issues (Recommendation I) is of direct relevance.</p> <p>27.3 NSI should be supported to intensify its participation in the work of European and international standard setting organizations and achieve full membership in these organizations.</p>

<b>Conformity assessment</b>	<p><b>28. Develop the competence of the National Accreditation Centre (MOLDAC) in new areas, including:</b></p> <p>28.1 Certification of persons and verification bodies and further improve existing competences as follows:</p> <ul style="list-style-type: none"> <li>- Proficiency testing according to the general requirements for the competence of providers of proficiency testing schemes and for the development and operation of proficiency testing schemes (ISO/IEC 17043).</li> <li>- Verification bodies according to the principles and requirements for bodies that undertake verification of greenhouse gas (GHG) assertions (EN ISO 14065:2013)</li> <li>- Inspection according to the requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities (ISO/IEC 17020:2012)</li> <li>- Product certification according to the requirements for bodies certifying products, processes and services (EN ISO/IEC 17065:2012).</li> </ul> <p>28.2 Product certification bodies. New accreditation schemes are needed to allow for covering all the products under the European Cooperation for Accreditation (EA) Multilateral Recognition Arrangement (MLA).</p> <p><b>29. Further improve accreditation procedures and processes</b></p> <p>Improve accreditation schemes by line Ministries to ensure compliance with international best practices, with a special emphasis on allowing for withdrawing certificates in cases of non-compliance and on ensuring the independence of the accreditation processes.</p> <p><b>30. Further develop conformity assessment bodies (CABs) under government agencies</b></p> <p>30.1. The National Food Safety Agency (NFSA), the Ministry of Health and Customs as well as the newly established SE National Centre for Verification and Certification of Vegetable Products and Soils need to be equipped with modern testing equipment and expertise knowledge on the application of international and/or European standards and technical regulations. In the case of the NFSA, training should feature a focus on consolidating overall administrative/management systems and ensuring robust the monitoring and auditing of the activities throughout the country.</p> <p>30.2. Equip laboratories with certified reference materials</p> <p>30.3. Equip CABs with the required financial resources to attract and retain qualified staff and obtain the required supplies. In this respect, reconsider the requirement of transferring 50 percent of the laboratories' internal revenues to the public purse.</p> <p>30.4. Streamline existing reporting systems for laboratories which operate under line Ministries. For example, the laboratories could report to one line Ministry only, which could, in turn, report to the Ministry of Finance.</p>
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	<p><b>31. Further develop the market surveillance function</b></p> <p>31.1 Equip the Consumer Protection Agency (CPA) and NFSA with the required financial resources to attract and retain qualified staff.</p> <p>31.2 Provide CPA and NFSA staff with advanced training on the different aspects of EU requirements, particularly those established under the hygiene package and the general requirement of putting in place a liability system for defective products.</p> <p>31.3 Complete the preparations for launching the Quick Alert System for Food and Feed (SRAAF). In particular, ratifying the law for establishing the system and developing the capacities of the different agencies that will be linked to it, including the Ministries of Agriculture and Food Industry Ministry, Health, Interior Ministry, Customs Service, CPA and the NFSA. These agencies should be equipped with the required IT capacity and expertise knowledge on the EU safety rules and requirements</p>
<b>Metrology</b>	<p><b>32. Obtain international recognition of metrological competence, as this is fundamental to international acceptance of test results</b></p> <p>32.1 It is reasonable and prudent to accord priority to achieving competencies that best serve existing goods and services and potential industries with high export potential. Resources should be made available to achieve these competencies and should be complemented by efforts to further develop legal metrology to cover all base units, starting with those related to priority sectors.</p> <p>32.2 Further develop the quality management system of the National Metrology Institute (NMI) in accordance with SR EN ISO 9000: 2006, and equip it with a quality management center and research facilities in the four areas of metrology, including engineering measurement, physical measurement, material and chemical measurement and analytical instrumentation measurement.</p> <p>32.3 Consider diversifying NMI services to allow for achieving a certain degree of self-sufficiency. This is important for enabling the institute to retain qualified staff.</p>
<b>Regional integration</b>	<p><b>33. In the short term, it would be more conducive to maintain the existing free trade area (FTA) arrangements with the EU and the Commonwealth of Independent States (CIS), while scaling up the trade agreement with CIS through including additional deep integration provisions.</b> Joining either block sometime in the future, once enterprises are capable of fulfilling market entry requirements in quality and safety and once regulatory and procedural trade barriers are removed, would bring more benefits.</p> <p>The Government considers the DCFTA with the EU, the FTA with CIS, the Central European Free Trade Area and the FTA signed between the Republic of Moldova and Turkey as complementary cooperation arrangements, which, together, provide the country with the opportunity to establish a conducive environment for business development, investment attraction, and consolidating a development hub between the east and west. The Republic of Moldova is also examining emerging opportunities from establishing cooperation arrangements with other market such as China, Egypt and EFTA countries. develop</p>

Enterprise development	<p><b>34. Further improve clustering initiatives for supporting the development of the existing free economic zones and industrial parks in the Republic of Moldova.</b> These initiatives should be geared towards fostering vertical collaboration as well as horizontal cooperation between enterprises operating at the same (or similar) stages in the production chain. To ensure sustainability, the initiatives need to be hosted in market support institutions and complemented by linkages programmes to integrate the networks with regional value chains. Such programmes should target both labour-intensive industries and those with technology intensive activities and could be tailored to create: (i) horizontal collaboration, such as sharing the costs of expensive equipment or research and development; (ii) vertical collaboration through facilitating the decentralization of the production process; and/or (iii) exchange of information on technology and common problems.</p> <p><b>35. Consider launching investment retention (aftercare) programmes to retain existing local investments</b></p> <p><b>36. Establish guarantee credit schemes for facilitating SMEs' access to external sources of finance.</b> Commercial banks are risk averse by definition and will always consider SMEs as un-credit worthy</p>
Agri industries	<p><b>37. Launch targeted technical assistance programmes for food producers to enable them to implement the Hazard Analysis and Critical Control Points (HACCP) and the Good Manufacturing Practices (GMP) principles.</b></p> <p><b>38. Launch targeted, sector- focused programmes to develop the productive capacity of farmers and industries.</b></p> <p>Priority should be accorded to those involved in cultivating/processing products that are subject to transitional periods for trade liberalization with the EU, including: pasta, pepper, corn (three years); cheeses, vegetables (tomatoes, cucumbers, etc.), fruits (cherries, nectarines, raspberries, wines, juices, jams) and bakery products (five years); and milk, meat and fresh cherries (ten years). In this respect, the recently launched European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) constitutes an important step in this direction.<sup>171</sup> Interviewed stakeholders noted that the strength of this programme lies in its balanced emphasis on capacity building and public-private sector consultations, noting that this will contribute to familiarizing farmers, producers and civil society organizations with the ongoing reforms and ensuring targeted interventions that address the particular concerns of communities in the different regions. Such programmes could also feature an emphasis on familiarizing traders with the ECE Working Party on Agricultural Quality Standards (WP.7), which covering a wide spectrum of products under the following clusters: fresh fruit and vegetables (FFV); dry and dried produce (DDP); seed potatoes; meat, eggs and egg products; and cut flowers.</p>

<sup>171</sup> In 2016, the Republic of Moldova ratified the bilateral agreement with the European Commission for receiving €64 million to support agricultural policy under the European Neighbourhood Programme for Agricultural and Rural Development (ENPARD). The programme is geared to support the modernisation of agri-food and food chains; policy dialogue; and public services in rural areas. Implementation commenced late 2016, after much delays. Further information is available at: [http://eeas.europa.eu/archives/delegations/moldova/documents/press\\_corner/press\\_release\\_enpard\\_final\\_25.03\\_en.pdf](http://eeas.europa.eu/archives/delegations/moldova/documents/press_corner/press_release_enpard_final_25.03_en.pdf)

## **Annexes**

## Annex I. The Republic of Moldova's bilateral agreements on border cooperation<sup>172</sup>

### ***Republic of Belarus***

- Cooperation Agreement between the Border Guard Service of the Republic of Moldova and the State Border Guard Committee, as of 26 April 2012.

### ***Republic of Georgia***

- Agreement on cross-border cooperation between the Border Guard Service of the Republic of Moldova and Ministry of Internal Affairs of Georgia, as of 13 June 2011.

### ***Republic of Kazakhstan***

- Cooperation Protocol between the Border Guard Service of the Republic of Moldova and the Border Guard Service of the National Security Committee of the Republic of Kazakhstan, as of 26 May 2012.

### ***Republic of Latvia***

- Cooperation Agreement between the Border Guard Service of the Republic of Moldova and the State Border Guard Service of the Republic of Latvia, as of 26 August 2005;
- Protocol between the Border Guard Service of the Republic of Moldova and the State Border Guard Service of the Republic of Latvia on cooperation in the field of staff professional training, as of 11 March 2010.

### ***Republic of Lithuania***

- Cooperation Protocol between the Border Guard Service of the Republic of Moldova and the State Border Guard Service under the Ministry of Interior of the Republic of Lithuania, as of 19 October 2007.

### ***Republic of Hungary***

- Cooperation Protocol between the Border Guard Service of the Republic of Moldova and the Border Guard Service of the Republic of Hungary, as of 23 May 2007.

### ***Republic of Poland***

- Cooperation Protocol between the Border Guard Service of the Republic of Moldova and the Commander-in-Chief of the Border Guard of the Republic of Poland on combating organized crime and other forms of crime, as of 20 September 2011.

### ***Republic Ukraine***

- Treaty between the Republic of Moldova and Ukraine on state border, as of 18 August 1999;
- Agreement between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine on regime of usage of the Odessa-Reni Ukrainian highway crossing the territory of the Republic of Moldova, and the land sector crossed by it, as of 10 July 2001;
- Agreement between the Republic of Moldova and the Government of Ukraine on readmission of persons at Moldova-Ukraine state border, as of 11 March 1997;
- Agreement between the Government of the Republic of Moldova and the Government of Ukraine on organization of joint control in border crossing points at Moldova-Ukraine state border as of 11 March 1997;

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<sup>172</sup> Government of the Republic of Moldova at: <http://www.border.gov.md/index.php/en/international-treaties-en>

- Agreement between the Government of the Republic of Moldova and the Government of Ukraine on border crossing points at the Moldova-Ukraine state border and simplified border crossing procedures for citizens residing in border districts" signed in Chisinau on 11 March 1997;
  - Agreement between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine on visa-free travel of citizens, as of 18 May 2001;
  - Protocol between the Border Guard Troops Department of the Republic of Moldova and the State Committee for state border guard of Ukraine on interaction in Moldova-Ukraine state border crossing points, as of 3 November 2001;
  - Protocol between the Border Guard Troops Department of the Republic of Moldova and the State Committee for state border guard of Ukraine on interaction to ensure protection of the Moldova-Ukraine state border, as of 21 February 2003;
  - Protocol between the Ministry of Internal Affairs of the Republic of Moldova, the Border Guard Troops Department of the Republic of Moldova and the Ministry of Internal Affairs of Ukraine, the State Committee for state border guard of Ukraine on return of persons at Moldova-Ukraine state border, as of 7 October 2003;
  - Protocol between the Border Guard Troops Department of the Republic of Moldova, Customs Service of the Republic of Moldova and the Administration of the State Border Guard Service of Ukraine, Customs Service of Ukraine on organization of joint control in the international road border crossing point „Criva-Mamaliga”, as of 12 January 2004;
  - Protocol between the Border Guard Troops Department, Customs Department of the Republic of Moldova and Administration of the State Border Guard Service, Customs Service of Ukraine on organization of joint control in “Medveja-Zelenaia” local road BCP, as of 12 January 2004;
  - Protocol between the Border Guard Troops Department, Customs Department of the Republic of Moldova and Administration of the State Border Guard Service, Customs Service of Ukraine on organization of joint control in “Larga-Kelmenti” international road BCP, as of 12 January 2004;
  - Protocol between the Border Guard Troops Department, Customs Department of the Republic of Moldova and Administration of the State Border Guard Service, Customs Service of Ukraine on organization of joint control in “Briceni-Rossoshany” international road BCP, as of 12 January 2004;
  - Protocol between the Border Guard Troops Department, Customs Department of the Republic of Moldova and Administration of the State Border Guard Service, Customs Service of Ukraine on organization of joint control in “Giurgiulesti-Reni” international road BCP, as of 12 January 2004;
  - Protocol between the Border Guard Troops Department of the Republic of Moldova and Administration of the State Border Guard Service of Ukraine on activity of border representatives, as of 27 January 2005;
  - Protocol between the Border Guard Service of the Republic of Moldova and Administration of the State Border Guard Service of Ukraine on cooperation of operative bodies, as of 22 April 2005;
  - Protocol as of 29 May 2006 between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine on amendment and supplement of the Agreement between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine on border crossing points at the Moldova-Ukraine state border and simplified border crossing procedures for citizens residing in border districts as of 11 March 1997;
  - Protocol between the Border Guard Service of the Republic of Moldova and Administration of the State Border Guard Service of Ukraine on information exchange as of 21 November 2006;
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- Agreement between the Government of the Republic of Moldova and the Cabinet of Ministers of Ukraine on joint border patrolling of 20 December 2011;
- Protocol between the Border Guard Service of the Republic of Moldova, Customs Service of the Republic of Moldova and Administration of the State Border Guard Service of Ukraine, Customs Service of Ukraine on the experiment of carrying out joint control in “Briceni-Rossoshany” BCP on the territory of Ukraine, as of 20 December 2011;
- Protocol between the Border Guard Service of the Republic of Moldova and Administration of the State Border Guard Service of Ukraine on organization of joint patrolling at Moldova-Ukraine border, as of 6 June 2012;

#### ***Russian Federation***

- Agreement between the Government of the Republic of Moldova and the Government of Russian Federation on cooperation on border-related issues, as of 30 October 1998;
- Agreement between the Government of the Republic of Moldova and the Government of Russian Federation on visa-free mutual travelling of the Republic of Moldova citizens and of the Russian Federation citizens as of 30 November 2000;
- Protocol between the Department of Border Guard Troops of the Republic of Moldova and the Border Guard Federal Service of the Russian Federation on staff officers training for the Republic of Moldova within the higher professional education military institutions of the Border Guard Service of the Russian Federation, as of 6 September 2001;
- Cooperation Protocol between the Department of Border Guard Troops of the Republic of Moldova and the Border Guard Service of Russian Federation in the field of operative activity in the view of state border protection on international traffic routes, as of 29 November 2001;
- Protocol between the Border Guard Troops of the Republic of Moldova and the Border Guard Federal Service of Russian Federation with regards to the proceedings of mutual information on the state of affairs on international traffic routes at the state border of the Republic of Moldova and the state border of Russian Federation, as of 29 November 2001;
- Protocol between the border Guard Troops Department of the Republic of Moldova and the Border Guard Federal Service of Russian Federation on technical-material cooperation, as of 29 November 2001;
- Protocol to the Agreement between the Government of the Republic of Moldova and the Government of Russian Federation on visa-free mutual travelling of the Republic of Moldova citizens and Russian Federation citizens as of 30 November 2000, from 7 March 2006.

#### ***USA***

- Implementing agreement between the Border Police Department of the Ministry of Internal Affairs of the Republic of Moldova and the Department of Defense of the United States of America concerning cooperation in border security assistance and preventing the proliferation of Weapons of Mass Destruction, as of 21 December 2012
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## Annex II. The Republic of Moldova's quality control and quality assurance system

**Table A2.1 The legal framework underpinning the Republic of Moldova's SQAM system**

### SQAM legislation

- Government decision no. 1230 of 24.10.2006 About approving the Methodology for analysing the impact of regulation and monitoring the effectiveness of the regulatory act
- Order of the Government from September 17, 2014 of No. 761 About approval of the Situation on filling, the certificate, issue and the subsequent verification of preferential certificates of origin of the goods
- Order of the Ministry of Information Technologies and communication from December 20, 2010 of No. 106 About approval of Technical regulations
- Order of the Customs Service from September 23, 2014 of No. 412 About approval of Technical rules of filling of preferential certificates of origin of the goods
- Order of the Government from January 15, 2013 of No. 49 About approval of the Situation on procedures of assessment of conformity of industrial output in regulated areas (modules)
- Order of the Government from August 28, 2014 of No. 711 About approval of the Veterinary sanitary standard establishing requirements to health of animals, to veterinary health of society and to veterinary and sanitary certification in case of import of crude milk, milk products, colostrum and products on the basis of the colostrum, intended for human consumption
- Law from 22.12.2006, No. 420 on technical regulation activity
- Law from July 22, 2016 No.186 Amending and supplementing Law No.420-XVI from 22.12.2006 on technical regulation activity
- Law from March 03, 2016 of No.19 about metrology
- Order of the Ministry of health from September 5, 2014 of No. 880 About the list of interdependent national standards
- Order of the Government from January 16, 2013 of No. 51 About the organization and activities of National agency for safety of foodstuff
- Order of the Government from December 9, 2011 of No. 936 About creation of Agency on protection of the rights of consumers and approval of its Situation, structure and limiting number
- Order of the Ministry of Economy from July 2, 2013 of No. 118 About approval at the national level of the regulating document of Romania in the field of metrology as regulations on legislative metrology (regulations on legislative metrology)
- Order of the Government from August 17, 2015 of No. 560 About approval of the Regulation concerning health of animals and public health, and also patterns of certificates of import of meat products, treated stomachs, blisters and the guts intended for the use in food
- Order of the Government from November 17, 2014 of No. 970 About approval of the Situation on creation and functioning of the single window for issue of the phytosanitary certificate on export/re-export
- Order of the Ministry of Economy from December 9, 2014 of No. 204 About approval of General regulations on legislative metrology
- Order of the Ministry of Economy from June 26, 2012 of No. 111 About approval of the Situation on National council on metrology
- Order of the Government from December 28, 2012 of No. 998 About approval of the Situation on the organization and functioning of National council on accreditation of suppliers of social services, its structure and regular number
- Order of the Government from August 13, 2012 of No. 597 About approval of the Situation on the procedure of activities for supervision of the market Agency on protection of the rights of consumers
- Order of the Government from September 18, 2015 of No. 654 About approval of the Situation on single window on issue of allowing documents on export of products and offal of animal origin
- Law no. 420-XVI from 22.12.2006 on technical regulation activity
- Law no. 235 of 01.12.2011 on accreditation and conformity assessment

**Other SQAM related laws and orders**

- Law No. 105 of 13 MARCH 2003 on consumer protection;
- Law No.78 of 18 MARCH 2004 on food;
- Law No.115 of 09.06.2005 on the ecological food production;
- Law No. 57 of 10.03.2006 on Vine and Wine;
- Law No. 66 of 27 MARCH 2008 on the protection of geographical indications, designations of origin and traditional specialties guaranteed;
- Law No. 10 of 3 FEBRUARY 2009 on state supervision of public health;
- Law No. 113 of 18 MAY 2012 on the establishment of principles and requirements of food safety legislation;
- Law No. 131 of 8 JUNE 2012 on state control over business activity;
- Law No. 50 of 28 MARCH 2013 on official controls for verification of compliance with feed and food with the health and welfare of animals;
- Law No.7 on market surveillance relating to the marketing of non-food products 26.02.2016 (Official Monitor of the Republic of Moldova, 2016 nr.79-89, 146);
- Law Nr.422-XVI on general product safety 22.12. 2016 (Official Monitor of the Republic of Moldova, 2007, nr.36-38, 145).
- Government decision No. 996 of 20.08.2003 on approval of the Norms regarding food labeling and rules on labelling of household chemicals;
- Government decision No. 51 of JANUARY 16, 2013 on the organization and functioning of the National Agency for Food Safety;
- Government decision No. 3 of 18 JANUARY 2016 approving the Regulation on organization and functioning of the State Inspectorate for Spirits Supervision, structure and limits thereof.

**SQAM issues as reflected in development strategies**

Decision No. 952 of 27 of November 2013 on the approval of the innovation strategy of Moldova for the period 2013-2020 "Innovation for Competitiveness"

Strategic development programme for 2015-2017

Law No. 166 of 11 July 2012 on approving the national development strategy "Moldova 2020".

Decision No.4 of 14 January 2014 on the approval of the roadmap for improvement the competitiveness of Moldova.

**Table A2.2 NSI's participation in regional and international standard-setting organizations**

Organization	Membership/ Cooperation arrangement	Participation in technical/expert committees	Participation in capacity-building activities
International Organization for Standardization (ISO)	Correspondent member	NSI participate as an observer member to ISO Technical Committee 43 "Compliance Assessment".  Moreover, NSI is required to notify all regular ISO standards, which were adopted as national in Moldova. Typically, notifications are made once a year.	NSI collaborators participate in ISO's webinars, which are organized on a regular basis according to a clear timetable and address such topical issues as marketing and social media, standard setting and the benefits of international standards.
International Electrotechnical Commission (IEC)	Associate member	Moldova is an associate member of the IEC through the Electromagnetic Compatibility (EMC) Standards Committee.	INS sometimes benefit from training or seminars organized by IEC. (Irregular participation)

Organization	Membership/ Cooperation arrangement	Participation in technical/expert committees	Participation in capacity-building activities
		<p>EMC has limited voting rights in the technical work of the IEC, and is a participating member in three IEC technical committees TCs), namely: TC 13 (electrical energy measurement and control), CT 34 (lamps and related equipment) and CT 88 (wind energy generation systems).</p> <p>NSI is required to notify IEC standards, which were adopted in Moldova.</p>	
European Committee for Standardization (CEN) and the European Committee for Electrotechnical Standardization (CENELEC)	Affiliate member	Moldova has the right to participate in those technical committees, which are of interest to the national economy.	Participation in the General Assembly and the CEN -CENELEC European Standardization Summits.
		<p>NSI became a member of the Joint Working Group on Education and Standardization (JWG-EaS). Thus, as a member of the group mentioned above, NSI has direct access to information developed within this group, but also the opportunity to participate in developing the information it has on this area.</p> <p>Moreover, NSI is required to notify (on a quarterly basis) all regular CEN and CENELEC European Standards developed, which were adopted as national standards.</p>	NSI collaborators have the opportunity to participate in training activities, including webinars, organized by CEN and CENELEC. This training gives participants the opportunity to familiarize themselves with the European standardization system and exchange experiences and best practices.
European Institute for Telecommunications Standards (ETSI)	Observer	Participation in the ETSI General Assembly.	NSI collaborators have the opportunity to participate in seminars and ETSI summits.
Euro-Asian Council for Standardization, Metrology and Certification (EASC)	Full member	EASC is composed of the heads of national standardization, metrology and certification, which coordinates interstate standardization, metrology and certification decisions to promote policy	EASC member countries assist each other on methodological issues related to standardization, metrology and certification and promote common policies in these areas.

Organization	Membership/ Cooperation arrangement	Participation in technical/expert committees	Participation in capacity-building activities
		in standardization, metrology and certification. NSI attends the meetings of the working group on component standardization, which is convened on a bi-annual basis.	
The American Society for Testing and Materials	MoU	--	Participates in training activities and access to training and reference material.
Standards Association of Romania (ASRO)	Partnership Agreement	--	Benefits from training activities and ASRO support in resource mobilisation (preparation of technical assistance projects)
Interregional Standardization Association (IRSA-BASB)	Founding member	Participates in IRSA activities.	Cooperation in standardization and related areas between IRSA members to support trade facilitation and cooperation in the scientific, technical and economic fields; cooperation in order to determine the main directions in matters of applying ISO, IEC, CEN and CENELEC standards with respect to protecting human health, product safety, environmental safety, consumer rights; cooperation in and participation in training activities.

**Table A2.3 MOLDAC's participation in regional and international accreditation bodies**

Organisation	Membership	Participation in technical/expert committees	Participation in capacity- building activities
European Cooperation for Accreditation (EA)	Associate member	MOLDAC participates in the Technical Committees and the General Assembly meetings.	Participates in training workshops and other capacity-building activities
International Laboratory Accreditation Cooperation (ILAC)	Membru afiliat Affiliate member	Regular participation in the General Meetings	Participates in training workshops and other capacity-building activities
Euro-Asian Council for Standardization, Metrology and Certification (EASC)	Acord de colaborare Collaboration agreement	Regular participation in the technical committees and general meetings	Participates in training workshops. Increased participation in EASC's work and training activities is planned
Interregional Association for Standardization (IRSA)	Member	Regular participation in technical committees and general meetings	Participates in training workshops. Increased participation in IRSA's work and training activities is planned

## Annex III. Market access conditions facing the Republic of Moldova in EU markets

Table A3.1 Notifications logged with the RASFF relating to products originating in the Republic of Moldova (2008-2016)

Product category	Date	Notification type	Notification basis	Notified by	Subject
<b>Fats and oils</b>	14/04/2016	information for attention	border control - consignment released	Lithuania	polycyclic aromatic hydrocarbons (5.0; sum: 29.7 µg/kg - ppb) in walnut oil from Moldova
<b>Fats and oils</b>	14/04/2016	information for attention	official control on the market	Lithuania	polycyclic aromatic hydrocarbons (38.6; sum: 237.0 µg/kg - ppb) in grape seed oil from Moldova
<b>Fruits and vegetables</b>	22/12/2015	information for attention	official control on the market	Poland	too high content of E 200 - sorbic acid (1267; 1038; 1415; 1454 mg/kg - ppm) in dried pitted prunes from Moldova
<b>Cocoa and cocoa preparations, coffee and tea</b>	17/12/2014	information for attention	official control on the market	Cyprus	undeclared hazelnut (434 mg/kg - ppm) in chocolate from Moldova
<b>Fruits and vegetables</b>	04/12/2014	information for attention	official control on the market	Lithuania	too high content of E 200 - sorbic acid (1691 mg/kg - ppm) in dried pitted prunes from Moldova
<b>Honey and royal jelly</b>	29/04/2014	border rejection	border control - consignment under customs	Romania	unsuitable transport conditions (rusty and deteriorated barrels) for honey from Moldova
<b>Fruits and vegetables</b>	08/01/2014	information for attention	official control on the market	Romania	unauthorised substance procymidone (0.154 mg/kg - ppm) in grapes from Moldova
<b>Honey and royal jelly</b>	02/10/2013	border rejection	border control - consignment detained	Romania	absence of health certificate(s) for honey from Moldova
<b>Honey and royal jelly</b>	01/10/2013	information for attention	official control on the market	Czech Republic	sulfonamide (26 µg/kg - ppb) and sulfadimidine (14.6 µg/kg - ppb) unauthorised in blossom honey from Moldova
<b>Feed materials</b>	26/09/2013	alert	company's own check	France	dioxins (2.3; 2.6; 2.7 ng/kg - ppt) and dioxin-like polychlorobiphenyls (sum of dioxins and dioxin-like PCBs: 2.4; 2.8; 2.9 ng/kg - ppt) in rapeseed from Ukraine and Moldova
<b>Nuts, nut products and seeds</b>	18/01/2013	information for attention	official control on the market	Italy	chlorpyrifos (0.196; 0.499 mg/kg - ppm) and imidacloprid (0.218 mg/kg - ppm) in organic linseed from Moldova
<b>Food contact materials</b>	20/02/2012	alert	official control on the market	Ireland	migration of epoxidised soybean oil (ESBO) (83 mg/kg - ppm) from zucchini puree from Moldova, via Germany

Product category	Date	Notification type	Notification basis	Notified by	Subject
Nuts, nut products and seeds	26/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	24/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seed from Moldova
Nuts, nut products and seeds	20/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	20/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites (35 /kg) in rape seeds from Moldova
Nuts, nut products and seeds	10/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites (300 /kg) in rape seeds from Moldova
Nuts, nut products and seeds	10/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites (210 /kg) in rape seeds from Moldova
Nuts, nut products and seeds	07/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites (150 /kg) in rape seeds from Moldova
Nuts, nut products and seeds	07/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	07/10/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	27/09/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	26/09/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seed from Moldova
Nuts, nut products and seeds	26/09/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	23/09/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	23/09/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rape seeds from Moldova
Nuts, nut products and seeds	29/08/2011	border rejection	border control - consignment detained	Poland	unsuitable organoleptic characteristics (abnormal smell) of sunflower seeds from Moldova infested with insects
Nuts, nut products and seeds	03/08/2011	border rejection	border control - consignment detained	Poland	abnormal smell of and living and dead mites in yellow linseed from Moldova
Nuts, nut products and seeds	24/06/2011	border rejection	border control - consignment detained	Poland	living and dead mites in rapeseeds from Moldova



Product category	Date	Notification type	Notification basis	Notified by	Subject
<b>Nuts, nut products and seeds</b>	16/05/2011	border rejection	border control - consignment detained	Poland	dead mites in sunflowers seeds from Moldova
<b>Nuts, nut products and seeds</b>	19/04/2011	border rejection	border control - consignment detained	Poland	altered organoleptic characteristics (musty smell) of yellow linseed from Moldova infested with insects
<b>Nuts, nut products and seeds</b>	19/04/2011	border rejection	border control - consignment detained	Poland	altered organoleptic characteristics (chemical smell) of and living and dead mites in linseed from Moldova
<b>Nuts, nut products and seeds</b>	13/04/2011	border rejection	border control - consignment detained	Poland	sunflower seeds not husked from Moldova infested with mites
<b>Nuts, nut products and seeds</b>	22/02/2011	border rejection	border control - consignment detained	Poland	abnormal smell of sunflower seed kernels from Moldova infested with insects
<b>Nuts, nut products and seeds</b>	08/02/2011	border rejection	border control - consignment detained	Poland	abnormal smell of sunflower seeds from Moldova infested with insects
<b>Nuts, nut products and seeds</b>	27/01/2011	border rejection	border control - consignment detained	Poland	altered organoleptic characteristics of walnut kernels from Moldova infested with insects
<b>Fruits and vegetables</b>	01/10/2010	border rejection	border control - consignment detained	Poland	spoilage of fresh apples from Moldova
<b>Fats and oils</b>	01/07/2010	border rejection	border control - consignment detained	Poland	unsuitable transport conditions (in rail tanks for petrol) for crude soybean oil from Moldova
<b>Fats and oils</b>	29/06/2010	border rejection	border control - consignment detained	Poland	crude soybean oil from Moldova with packaging unsuitable for foodstuffs (rail tanks)
<b>Nuts, nut products and seeds</b>	10/02/2010	information	official control on the market	Austria	unauthorised genetically modified (FP 967) organic brown linseed from Moldova and Romania, via Italy and via Germany
<b>Nuts, nut products and seeds</b>	15/07/2009	border rejection	border control - consignment detained	Poland	living and dead mites in linseeds from Moldova
<b>Cereals and bakery products</b>	06/02/2009	border rejection	border control - consignment detained	Greece	ochratoxin A (6.4 µg/kg - ppb) in vanilla flavoured biscuits from Moldova
<b>Prepared dishes and snacks</b>	04/11/2008	border rejection	border control - consignment detained	Romania	best before date exceeded of salted crisps from Romania, dispatched from Moldova
<b>Nuts, nut products and seeds</b>	24/10/2008	border rejection	border control - consignment detained	Lithuania	prohibited substance gamma - HCH (0.12 mg/kg - ppm) in sunflower seeds from Moldova

Source: RASFF Portal

Table A3.2 Non-tariff measures (NTMs) applied by the EU by chapter

NTM Chapter	Description	Number of affected tariff lines	Share in total applied NTMs
A	Sanitary and phytosanitary measures (SPS)-2014	8429	6.1
A1	Prohibitions/restrictions of imports for SPS reasons	7639	5.5
A2	Tolerance limits for residues and restricted use of substances	8885	6.4
A3	Labelling, marking and packaging requirements	5142	3.7
A4	Hygienic requirements	91	0.1
A5	Treatment for elimination of plant and animal pests and disease-causing organisms in the final product	2582	1.9
A6	Other requirements on production or post-production processes	13013	9.4
A8	Conformity assessment related to SPS		
B	Technical barriers to trade (TBT)		
B1	Prohibitions/restrictions of imports for objectives set out in the TBT agreement (2014)	7414	5.3
B2	Tolerance limits for residues and restricted use of substances (2012)	1086	0.8
B3	Labelling, marking and packaging requirements (2012)	16982	12.3
B4	Production or post-production requirements (2012)	1154	0.8
B6	Product identity requirement (2012)	87	0.1
B7	Product-quality or -performance requirement (2012)	7153	5.2
B8	Conformity assessment related to TBT (2012)	18632	13.4
C	Pre-shipment inspection and other formalities-2012		
C4	Import-monitoring and -surveillance requirements and other automatic licensing measures	54068	39.0
E	Non-automatic licensing, quotas, prohibitions and quantity-control measures other than for SPS or TBT reasons-2012		
E1	Non-automatic import-licensing procedures other than authorizations for SPS or TBT reasons	697	0.5
E2	Quotas	591	0.4
E3	Prohibitions other than for SPS and TBT reasons	30	0
G	Finance measures-2012		
G1	Advance payment requirement	264	0.2
H	Anti-competitive measures-2012		
H1	State-trading enterprises, for importing; other selective	92	0.1

Source: UNCTAD, TRAINS database.



HS Chapter	Description	A1	A2	A3	A4	A5	A6	A8	B1	B2	B3	B4	B6	B7	B8	C4	D1	E1	E2	E3	G1	H1	P1	Grand Total
<b>08</b>	Edible fruit and nuts; peel of citrus fruit or melons	590	403	472	236		118	714	124		409			75	49		31	1			1			3223
<b>07</b>	Edible vegetables	465	322	403	206		103	540	111		358			62	31		106	14			14			2735
<b>29</b>	Organic chemicals				224				1036		941	2	2	1	457			23						2686
<b>90</b>	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof								10	155	286	167		513	1306	59						12		2508
<b>11</b>	Products of the milling industry; malt; starches; inulin; wheat gluten	494	283	494	282		141	354	75		287				2			1			1			2414
<b>16</b>	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrate	236	332	324	196	3	80	552	140		406		11		40	8		5			5			2338
<b>10</b>	Cereals	366	155	300	178		89	277	62		184			23				31			31			1696

HS Chapter	Description	A1	A2	A3	A4	A5	A6	A8	B1	B2	B3	B4	B6	B7	B8	C4	D1	E1	E2	E3	G1	H1	P1	Grand Total
<b>62</b>	Articles of apparel and clothing accessories, not knitted or crocheted								149		392	7		188	630	68		68	68			7	68	1645
<b>12</b>	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruits; industrial or medicinal plants; straw and fodder	340	143	252	144		72	310	102	6	205			42	19			6						1641
<b>28</b>	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	4	4		14		2	8	467		539	60	35	17	263	2		3				25		1443
<b>17</b>	Sugars and sugar confectionery	158	71	237	134		69	209	105		216				32			13			13			1257
<b>73</b>	Articles of iron or steel		76	12				12	8		157			398	562	7			1					1233
<b>Rest of Chapters</b>		1265	1326	1030	750	88	486	2047	2853	188	5586	175	39	1701	3895	520	18	310	467	30	32	26	274	23106

Source: UNCTAD TRAINS



## Appendix



# Contents

<b>Appendix A Supporting the Export Competitiveness of the Moldovan Wine Industry .....</b>	<b>129</b>
<b>A1 Introduction .....</b>	<b>129</b>
A2. Domain of interest .....	131
A2.2 Scope of the business processes .....	135
A3. Core business processes .....	136
3.1 Buy .....	137
Core business process area 1.1: Negotiate and Conclude the Sales Contract .....	137
3.2 Ship .....	140
Core business process area 2.1: Obtain the Certificate of Conformity .....	140
Core business process area 2.2: Obtain the Certificate of Origin .....	144
Core business process area 2.3: Arrange Transport .....	147
Core business process area 2.4: Customs Clearance .....	150
3.3 Pay .....	153
Core business process area 3.1: Claim Payment .....	153
A4. Export documents .....	154
A5. Time process chart .....	156
A6. Recommendations .....	158

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# Appendix A

## Supporting the Export Competitiveness of the Moldovan Wine Industry

### Business Process Analysis

#### A1. Introduction

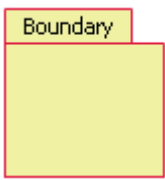



This annex provides a detailed assessment of the administrative processes associated with exporting wine from the Republic of Moldova using the UNECE-UNESCAP business process analysis (BPA) methodology described in chapter one of the study.<sup>1</sup> The product was selected based on its contribution to the Moldovan economy, measured in terms of its:

- Share in GDP
- Share in total exports
- Development prospects in terms of product and market diversification




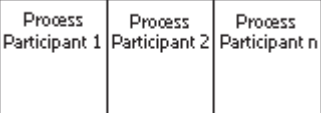
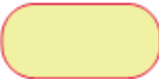





The analysis covers all the business processes typically undertaken by wine exporters during the buy-ship-pay operations. These processes are mapped using:

- Use-case diagrams (See table A1.1)
- Business process flowcharts (using the Buy-Ship-Pay reference model)
- Time procedure charts

**Table A1.1 Use case and activity diagram notations**

Notation	Description and Instruction for Use
<b>Use Case Notations</b>	
	Subject Boundary – Represents a process area – Includes the name of a subject boundary on top
	Actor – Is a person who participates in a particular business process – Is labelled with a role – Is placed outside the subject boundary which represents a process area
	Use Case – Represents a business process – Is labelled with a descriptive verb-noun phase – Is placed inside the subject boundary which represents a process area
	Association Relationship – Link actors with business processes that they participate in
<b>Activity Diagram Notations</b>	

<sup>1</sup> The joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: [www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

Notation	Description and Instruction for Use
	Initial State – Represents the beginning of a set of actions – There is only one initial state for each activity diagram
	Final Flow State – Is used to stop the flow of actions in an activity diagram – Indicates that further actions cannot be pursued
	Final Activity State – Is used to indicate the completion of activity i.e. no further action is needed after this point
	Swim lane – Is used to break up individual actions to individuals/ agencies that are responsible for executing their actions – Is labelled with the name of the responsible individual or agency
	Action – Represents a non-decomposable piece of behaviour – Is labelled with a name that 1) begins with a verb and ends with a noun; and 2) is short yet contain enough information for readers to comprehend.
	Object – Represents a document or information that flows from one action to another action – Is labelled with a name of a document
	Decision – Represents the point where a decision, depending on the outcome of a specific prior action, has to be made – Has multiple transition lines coming out of a decision point and connecting to different actions – Attach label with the condition on each transition line that comes out of an action and connects to a decision point
	Transition line – Indicates a sequence flow of actions and information in an activity diagram
	Fork (Splitting of Control) – Is used to visualize a set of parallel or concurrent flow of actions
	Join (Synchronization of Control) – Is used to indicate the termination of a set of parallel or concurrent flow of actions

One company was selected to serve as a case study, based on its export profile. The selected company is a major Chişinău-based wine exporter, with established clients in Europe and the Commonwealth of Independent States (CIS). It has two production facilities in the Southern parts of the Republic of Moldova, namely the autonomous region of Gagauzia (Gagauz Yeri) and the region of Transnistria.

The BPA was conducted in late April – early May 2016 by a UNECE consultant, who visited the company and conducted extensive interviews with its management. In addition, the consultant carried out interviews and consultations with officials from the following State agencies:

- Moldovan Customs Service (MCS)
- National Vine and Wine Office
- National Centre of Alcoholic beverages testing

This appendix is divided into six sections. The introduction is followed in section 2 by a brief overview of the Republic of Moldova's wine industry and the scope of the BPA. Section 3 discusses the business processes associated with the export of wine from the country. An overview of the export documents and time process charts is provided in sections 4 and 5, leading to recommendations for the Government's consideration.

## A2. Domain of interest

### A.2.1 Product selection

The wine industry is one of the Republic of Moldova's main pillars of economic growth. It is anchored in local traditions<sup>2</sup> with well-established backward and forward linkages that drive job creation in rural areas that are home to 58 percent of the population.<sup>3</sup> The industry's strategic importance also stems from the fact that the full range of value chain activities are carried out locally.<sup>4</sup>

In Moldova, the vineyards are concentrated in the central and southern parts and are divided into four regions, including Valul lui Traian (southwest), Stefan Voda (southeast) Codru (center) and Balti (North). The vineyards endow the industry with a significant comparative advantage, bearing over 100 grape varieties, of which 70 percent is white grape and 30 percent is red grape, with the majority (90 percent of the total grape varieties) recognized internationally.<sup>5</sup>

However, the industry's contribution to exports have been assuming a declining trend over the past decade, even as Moldova ranked as the 20<sup>th</sup> wine producing country in the world in 2016, with an estimated production volume of 1.7 million hectolitres.<sup>6</sup> Wine accounted for only 4 percent of total exports in 2015, down from 20 percent in 2005.<sup>7</sup> The unfavourable weather conditions aside, this trend cannot be understood in isolation of developments in the country's main markets.

The CIS countries, particularly Belarus, Kazakhstan, the Russian Federation and Ukraine, have historically constituted the main market for Moldovan wine, with the Russian Federation accounting for the largest share of Moldova's wine exports. This was the case until mid-2000s, when the Russian Federation introduced new quality and safety requirements on agricultural imports. Moldovan wineries were unable to meet these requirements, with traders interviewed as part of this assessment noting that their shipments were rejected for containing high levels of heavy metals and pesticides (Chapters three and four of the study).

As a result, exports to the Russian Federation, which accounted for 75 percent of Moldova's total wine exports in 2005, assumed a declining trend.<sup>8</sup> The requirements<sup>9</sup> were eased in late 2007, thereby bringing about a revival in wine exports to the Russian Federation. However, and as shown in figures A2.1 and A2.2, exports remain well below their pre-2006 level, and registered negative growth in 2011, 2014 and 2015, which saw the Russian Federation impose temporary restrictions on the Republic of Moldova's agricultural exports for failing to meet SPS requirements.<sup>10</sup>

<sup>2</sup> Moldova's national wine day is celebrated on the 1st of October.

<sup>3</sup> National Bureau of Statistics of the Republic of Moldova. The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender.

<sup>4</sup> For an informative discussion of the wine industry's value chain activities, see, "Moldova competitive enhancement and enterprise development project", Final report, May 2015.

<sup>5</sup> Wine of Moldova (<http://wineofmoldova.com/en/>).

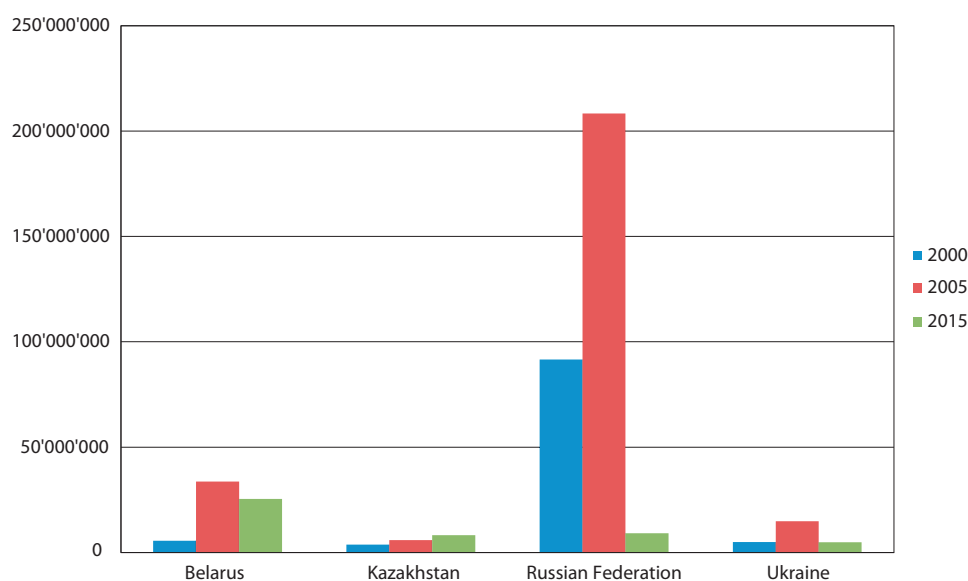
<sup>6</sup> OIV report on the world vitivinicultural situation 2016.

<sup>7</sup> Calculations based on the United Nations Commodity Trade Statistics Database (UN Comtrade) statistics.

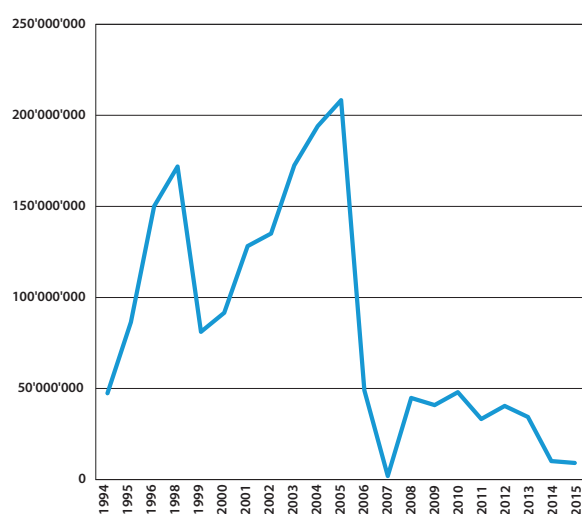
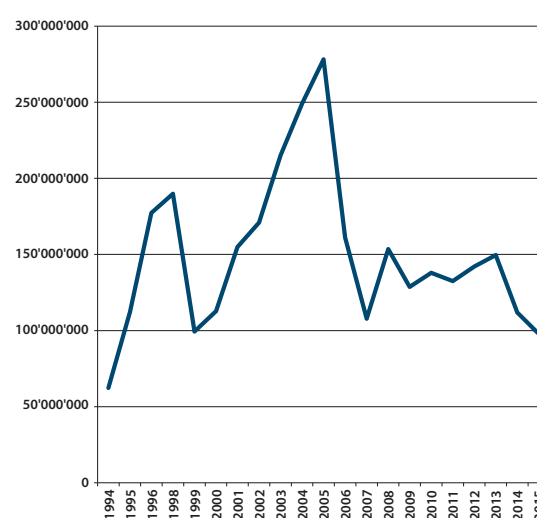
<sup>8</sup> Calculations based on UN Comtrade statistics.

<sup>9</sup> These requirements were seen as amounting to a ban. See, for example, the World Bank, Moldova: Trade Brief, at: <http://documents.worldbank.org/curated/en/472201468287738049/pdf/71152020080Mol0Box0371948B00PUBLIC0.pdf>

<sup>10</sup> See the Russian Federation's Notifications to the WTO G/SPS/N/RUS/67 and G/SPS/N/RUS/57, published at the SPS and TBT Notification Alert System (ePing) at: <http://www.epingalert.org/en#>

**Figure A2.1 Major export market's Moldova's wine (USD)**

Exports to the Russian Federation plummeted, even as the restrictions were eased by lifting limitations on wine originating from Gagauzian autonomy and the Transnistrian region in 2014 and 2015 (Figure A.2.2). The share of the Russian Federation in the country's wine exports was 9 percent in 2015,<sup>11</sup> with the consequence of further accentuating the declining trend of the industry's overall exports. As shown in figure A2.3, total wine exports fell by 65 percent in 2015 in relation to 2005, causing the industry's position in the country's list of top exports to drop from the first to the fourth position in 2016.<sup>12</sup>

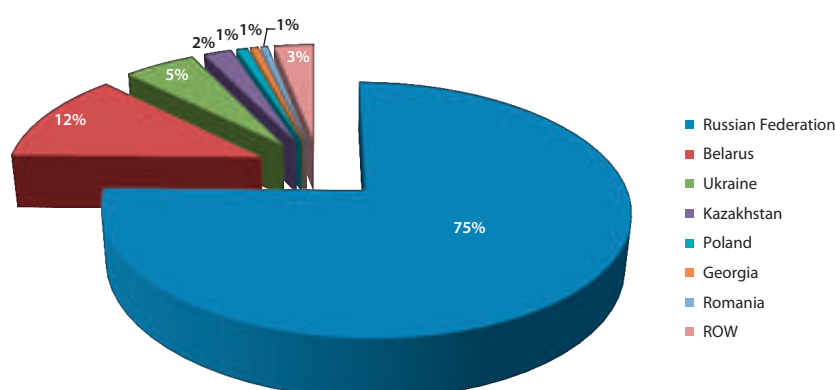
**Figure A2.2 The Republic of Moldova's wine exports to the Russian Federation in USD (1994-2015)****Figure A2.3 The Republic of Moldova's total wine exports in USD (1994-2015)**

<sup>11</sup> Calculations based on the United Nations Commodity Trade Statistics Database (UN Comtrade) statistics.

<sup>12</sup> National Bureau of Statistics of the Republic of Moldova

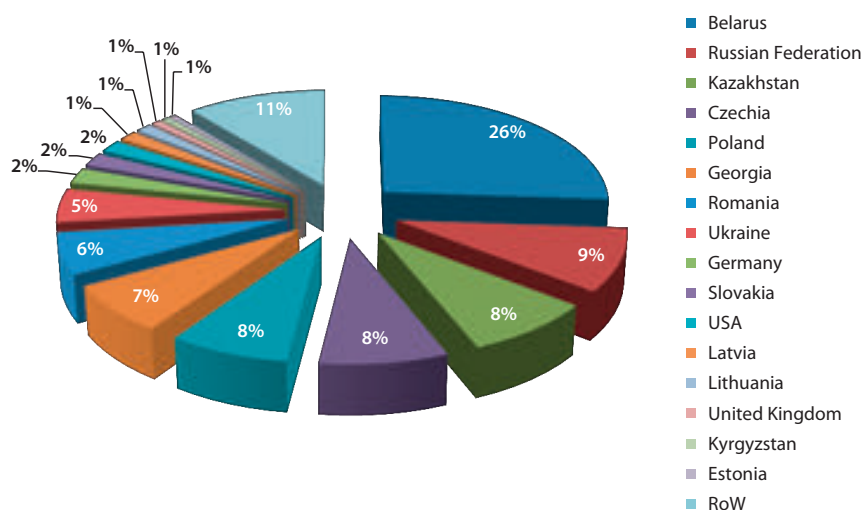
The decline in wine exports masks positive developments that need to be strengthened. Most notable are the new export markets, which emerged out of the wineries' concerted efforts to change the widely held perception of Moldovan wine as a traditional product. These efforts, which were driven by 240 companies in 2016,<sup>13</sup> involved launching a new generation of high-quality, unique-flavoured wines. These efforts bore fruit with Moldovan wineries winning international awards<sup>14</sup> and expanding into new markets in Europe and beyond (Figures A2.4 and A2.5). Most notable among the new export markets are China, Georgia, Germany, Latvia and the USA (Figure A2.6)

**Figure A2.4 Moldovan wine export markets, 2005 (% of total wine exports)**



The expansion in export markets was underpinned by increased specialization in the production of red wine, which accounted for 38 percent of total exports in 2014 up from 31 percent in 2008.<sup>15</sup> The wineries were backed by the Government, which has been consistent in its support as part of a broader effort to boost economic growth.

**Figure A2.5 Wine markets, 2015 (% of total wine exports)**



<sup>13</sup> The list of wine producing companies is available at: <http://www.vinmoldova.md/index.php?mod=catalog>

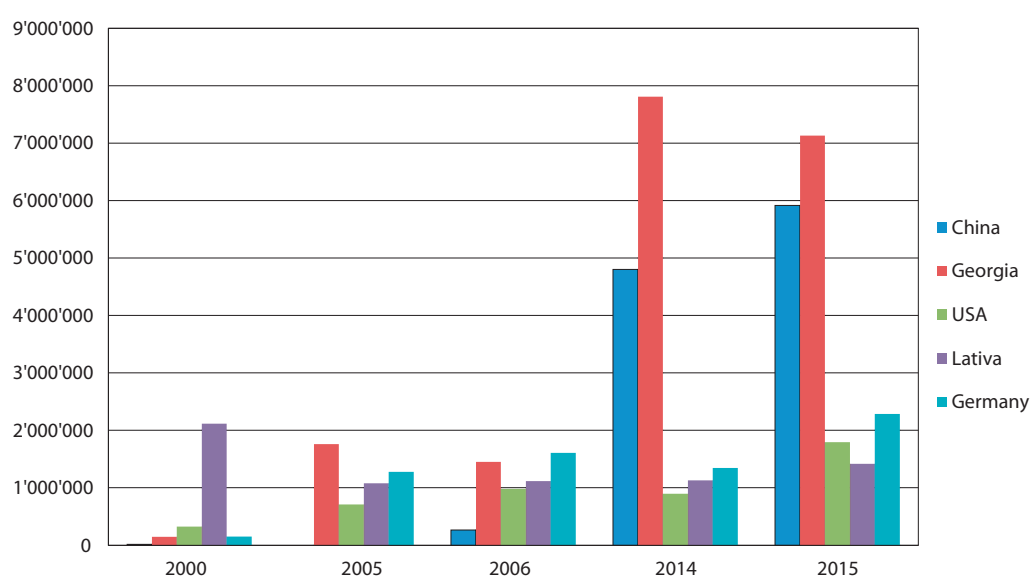
<sup>14</sup> <http://wineofmoldova.com/en/>

<sup>15</sup> Wine of Moldova (<http://wineofmoldova.com/en/>).

The Government's support entered a new phase in 2013, which saw the establishment of the National Office for Vine and Wine (ONVV), which operates as a public-private partnership with joint management.<sup>16</sup> ONVV marked its first year by launching the "Wine of Moldova" campaign to promote Moldovan wines in international markets.

The establishment of the ONVV was complemented by legislative reforms for bringing wine production rules (including those related to labelling, traceability, and oenological practices) and technical regulations in line with EU legislative requirements and international best practices.<sup>17</sup> The extension of duty-free treatment to Moldovan wine under the ATP,<sup>18</sup> which until 2013 only covered industrial goods, was another factor contributing to the expansion of the industry's export markets. Thus, since January 2014, Moldovan wine has been enjoying duty and quota free access to the EU markets.

**Figure A2.6 Moldova's wine industry new export markets**



In 2015, the government approved another set of laws which further harmonized Moldovan wine production rules with those of the European Union; streamlined conformity assessment procedures by eliminating outdated standards and orders and decreasing the number of indicators to be assessed; and, established a framework for the production of protected geographical indication (PGI) wines in accordance with EU standards.<sup>19</sup>

The legislative reforms came on the heels of measures, which were implemented in May 2014, to reduce the financial burden of wine exporters. These included the reduction of certification fees from 3400 MDL (around €180) to 2700 MDL (€140) and the fees associated repeated certification to 190 MDL (€10).

<sup>16</sup> The ONVV is managed by a coordination council, which brings together 10 representatives of the wine industry and three government representatives from the MAFI. The ONVV took over the functions of the Moldova-Vine agency that was dismantled in 2009. It was established pursuant to Law No. 262/12 of November 2012, which amended the Vine and Wine Law No. 57-XVI of 10 March 2006.

<sup>17</sup> See the new Vine and Wine Law No. 262/12 of November 2012, which amended the Vine and Wine Law No. 57-XVI of 10 March 2006. These reforms benefited from extensive support by the USAID. A brief overview of these reforms is available at: [http://pdf.usaid.gov/pdf\\_docs/PA00KHSJ.pdf](http://pdf.usaid.gov/pdf_docs/PA00KHSJ.pdf)

<sup>18</sup> See Regulation (EU) 1383/2014 on amending Council Regulation (EC) 55/2008, which provided autonomous trade preferences to the Republic of Moldova. The ATP, which set the context for the DCFTA, expired on 31 December 2015.

<sup>19</sup> See, for example, Government Decision No. 356 of 11.06.2015 regarding the approval of the Technical Regulation "Wine market organization"; and, Government Decision No. 810 of 29.10. 2015 on the approval of the Regulation on the evaluation of the organoleptic characteristics of wine products through sensory analysis



Yet, more needs to be done. The wine industry is still characterised by suboptimal productivity levels,<sup>20</sup> with exports dominated by bulk wine, which accounted for 65 percent of the country's exports in 2013. The shrinking size of vineyards, from 149,000 hectares in 2000 to around 135,000 hectares in 2015, is another issue that should be accorded priority treatment.<sup>21</sup> The recessionary pressures generated by the market access conditions described earlier aside, the shrinking size of vineyards can be explained by the slow implementation of land tenure reforms and the suboptimal plantation and management systems used by farmers.<sup>22</sup>

The imperative for addressing these shortfalls cannot be over-emphasized. This BPA shows that efforts should also focus on removing regulatory and procedural trade barriers, and highlight a number of areas that should be accorded priority treatment to allow traders to reap the expected benefits from emerging export opportunities.

## A2.2 Scope of the business processes

The analysis maps the day-to-day activities typically undertaken by wine exporters against the core buy- ship-pay business processes, taking into account existing legislation and based on the following assumptions:

- Wine is exported to CIS countries and Europe
- Wine is transported by trucks, which represent the transport mode of choice by the majority of exporters
- Wine is delivered under Carriage paid to (CPT) terms.<sup>23</sup>
- The payment is made through wire transfer, since trade finance instruments, such as letters of credit, bank guarantees and leasing, are not available.
- The organization of transport is undertaken by a freight forwarder company, which provides the following services:
  - contracting the carrier (and paying the carrier for its services);
  - arranging cargo insurance;
  - establishing the route of transport and supervising the actual transport of goods; and,
  - overseeing the preparation and the transportation of the cargo.
- The exporter does not handle customs clearance. His involvement ends once the cargo leaves the warehouse.

<sup>20</sup> According to the MAFI around 85 wineries were found in need of full or partial modernisation in 2011, of which only 28 wineries were at different stages of modernization efforts. See, MAFI (2011) Strategic priorities for the activities of the Ministry of Agriculture and Food Industry of the Republic of Moldova in the years 2011 – 2015. A more recent study by the World Bank shows that while the industry's productivity level is comparable to some of the new EU member states (Romania, Poland, Bulgaria and the Slovak Republic, it remains lower than productivity in the eastern neighbouring countries (Armenia, Azerbaijan, Belarus, and Georgia) and well below the productivity of more advanced wine-making countries like France, Italy, and Spain. World Bank (2016), Moldova Trade Study Note 3: Competitiveness in Moldova's Agricultural Sector.

<sup>21</sup> National Bureau of Statistics of the Republic of Moldova

<sup>22</sup> For further details, see Novitchi-Antohti, L. and M. Turtoi (2013) "Development and trends of viticulture and winemaking in the Republic of Moldova", Sibiu Alma Mater University Journals, Series A, Economic Sciences, Volume 6, No 1, March; and Stratan, A et al. (2014) "Impact of economies of scale in the horticulture sector of the republic of Moldova, Munich Personal RePEc (MPRA) Paper, No. 53382.

<sup>23</sup> Under CPT terms, the seller delivers the goods to a carrier or to another person nominated by the seller, at an agreed upon place, and that the seller pays the freight charges to transport the goods to the specified destination. This means that the risk of damage or loss to the goods being transported is assumed by buyer once the goods are delivered to the carrier.

### A3. Core business processes

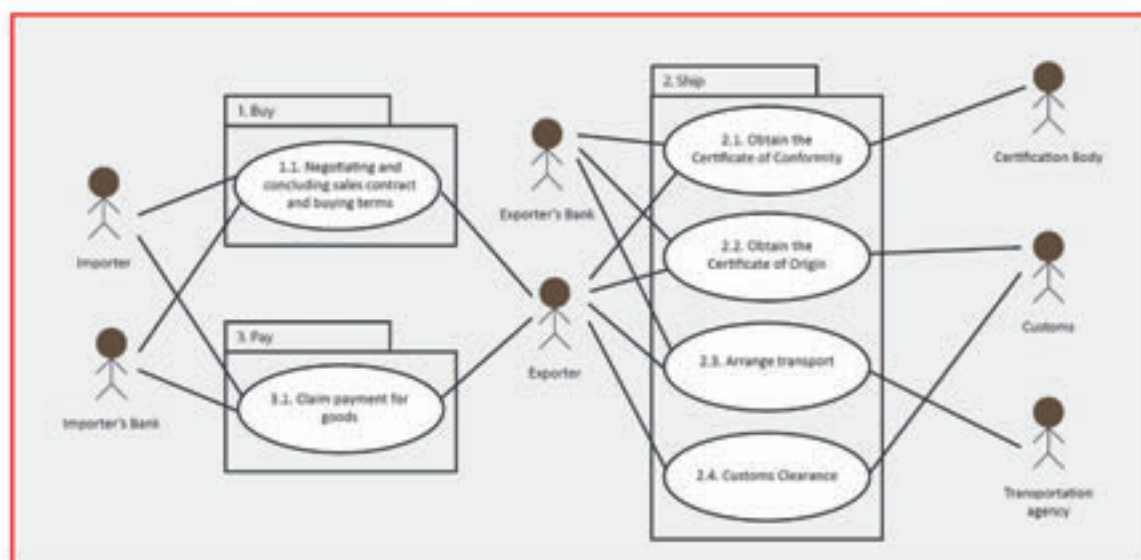
As shown in table A3.1, the export of wine from the Republic of Moldova involves 6 core business processes and 7 participants.

**Table A3.1 Core business processes and stakeholders involved in wine exports**

Core business process \ Party	Transporter	Customs	Certification Body	Exporter's Bank	Exporter	Importer	Importer's Bank
1. Buy							
1.1. Negotiating and concluding sales contract and buying terms					X	X	
2. Ship							
2.1. Obtain the Certificate of Conformity			X	X	X		
2.2. Obtain the Certificate of Origin		X		X	X		
2.3. Arrange transport	X			X	X		
2.4. Customs Clearance		X		X	X		
3. Pay							
3.1. Claim payment for goods					X	X	X

The core business processes are mapped in figure A3.1 and is followed by a detailed analysis of each process.

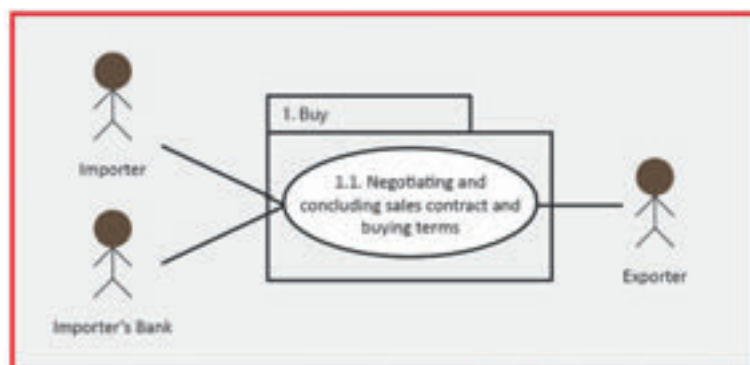
**Figure A3.1 Core business processes associated with exporting wine from the Republic of Moldova**



### 3.1 Buy

#### Core business process area 1.1: Negotiate and Conclude the Sales Contract

Figure A3.2 Negotiate and conclude the sales contract use case diagram



As shown in figure A3.2, the negotiations over the sales contract involve:

- Importer
- Exporter
- Importer's Bank

The negotiations over the sales contract are the most challenging process due to the following factors:

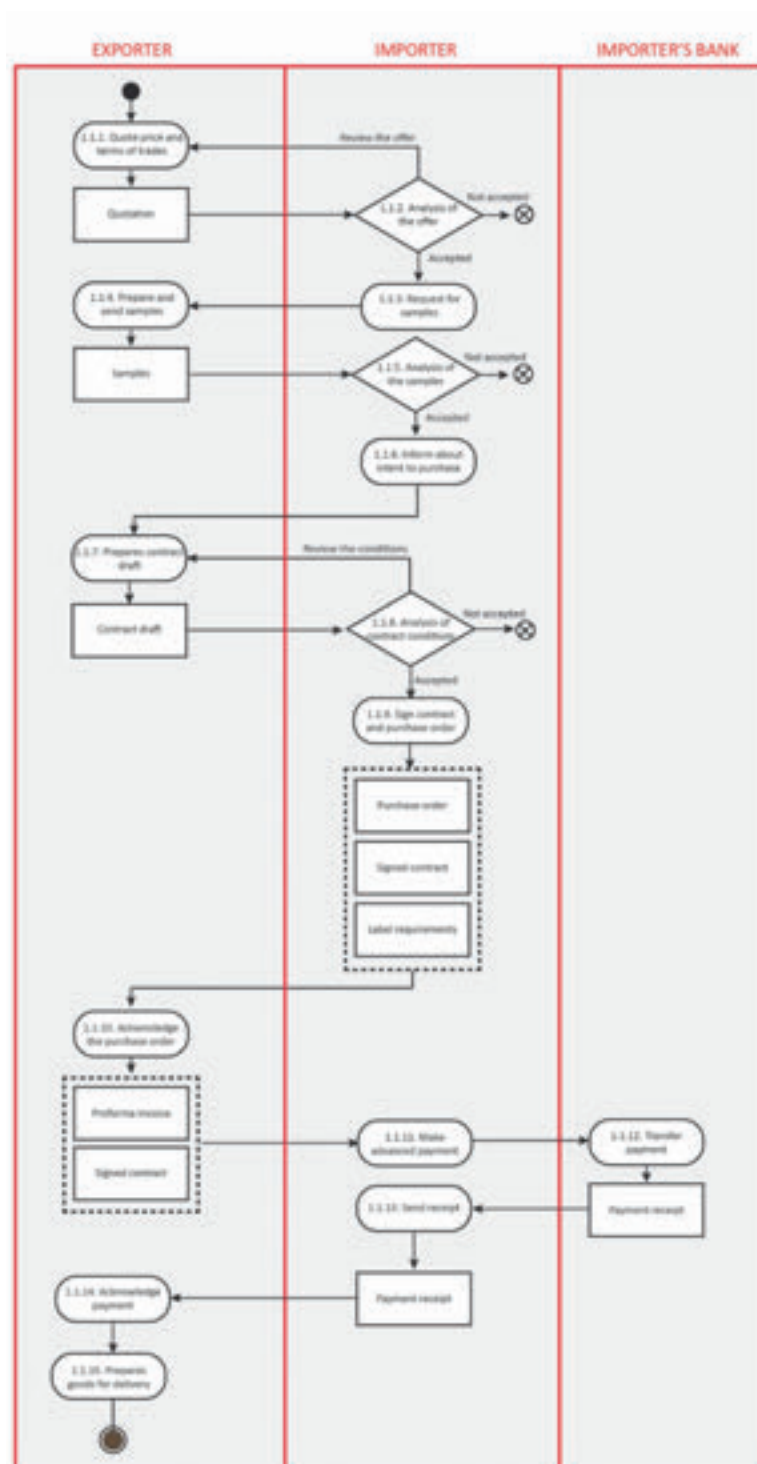
- The Republic of Moldova's position in global wine markets: The Republic of Moldova is yet to consolidate its position as a major wine producer. Wineries find it difficult to export to non-CIS countries because consumers are not familiar with Moldovan wine and, in some cases, are not aware that Moldova is a wine producing country. This constitutes a major barrier, since the country of origin is an important choice factor in the wine-buying decision making process of buyers.
- The absence of trade finance instruments and the limited range of insurance services: The shipment of wine, which is temperature and time sensitive in nature, requires significant financial resources that can only be secured at an additional cost given the absence of trade financing instruments. The selected company reported that it usually secures these resources through bank loans with high interest rates (commercial loans are also the main source of funds for the majority of wine exporters). The additional costs could be mitigated if buyers would agree to provide advance payments. However, this option is often rejected by buyers, especially first time buyers, who see advance payments as posing significant commercial risks (non-delivery).
- Financial constraints: Most of the wineries operate under binding financial constraints. Several have lost their traditional markets, and/or are struggling to improve their production processes, so that they have limited resources to spare for marketing and promotional campaigns.

These factors, which put wine exporters at a disadvantage, prolong the negotiations, rendering it a lengthy process that could extend over several months. Moldovan wines are relatively unknown in global markets, and companies usually request advanced payments given the absence of trade finance instruments and the limited resources that the company could allocate for marketing (the majority of companies do not have marketing budgets). This means that Moldovan offers are less attractive than those proposed by international companies, which have products with established reputations (in terms of region name, wine type and grape variety); offer competitive terms of sale; and, have significant marketing budgets (often supplemented by non-refundable grants provided by Governments or donors). In most cases, the buyers' decision comes to the detriment of Moldovan exporters.

To conclude the negotiations, Moldovan producers have to either provide terms that are similar to those offered by international companies or accept unfavourable terms in order to speed up the negotiations and initiate the collaboration with potential buyers. Others opt to focus on small international buyers, who perceive cooperation with Moldovan exporters as an opportunity to initiate or expand their businesses. These buyers often represent sole-proprietorship businesses, founded by Moldovan citizens. However, most of these companies have a weak financial strength.

The selected company usually succeeds, after several rounds of negotiations, to divide the payment into two instalments. The first instalment, equivalent to 30 percent of the agreed price, is paid upfront after signing the contract, with the remaining 70 percent paid once the goods are loaded onto trucks for dispatch to the final destination. The company uses the first payment to purchase bottles and cover operational costs such as the preparation of the labels. Figure A3.3 maps the activities associated with negotiating and concluding the sales contract.

### Figure A3.3 Negotiate and conclude the sales contract activity diagram



<b>Name of process area</b>	1. Buy
<b>Name of Business process</b>	1.1 Negotiating and concluding sales contract and buying terms
<b>Process participants</b>	Exporter Importer
<b>Related laws, rules, and regulations</b>	Incoterms 2010 Civil Code
<b>Input and criteria to enter/begin the business process</b>	Exporter has a list of potential buyers. Exporter represents an licensed wine producer Potential importers have agreed to consider the possibility of purchasing Moldovan wines
<b>Activities and associated documentary requirements</b>	<p>1.1.1. The Exporter prepares a quotation and sends it by email to the potential buyer along with the company's product portfolio.</p> <p>1.1.2. The Importer reviews the quotation and either accepts the terms of sales or proposes revisions. It is often the case that the buyer rejects the offer. In this case, the exporter approaches other potential buyers.</p> <p>1.1.3. If the terms of sales offered by the exporters meet the importer's demands, the Importer requests wine samples.</p> <p>1.1.4. Exporter prepares and ships the wine samples.</p> <p>1.1.5. Based on the evaluation of the wine samples, the Importer decides as to whether he should proceed or terminate the negotiations.</p> <p>1.1.6. If the importer decides to proceed, he provides the exporter with a letter of intent confirming his commitment and willingness to purchase.</p> <p>1.1.7. The Exporter acknowledges the letter intent and prepares a draft Sales Contract.</p> <p>1.1.8. The Importer reviews the draft, and communicates his comments and proposed revisions to the exporter or declines the terms and terminates the negotiations.</p> <p>1.1.9. If the terms are accepted by the importer, he/she signs the contract and a purchase order. The purchase order, which is annexed to the Sales Contract, sets out the details and conditions for each shipment. The Importer also provides the labelling requirements.</p> <p>1.1.10. The Exporter acknowledges the purchase order and issues the Pro Forma Invoice, and returns a signed copy of the contract.</p> <p>1.1.11. The Importer receives the Pro Forma Invoice and makes the advanced payment (30 percent of the agreed upon price).</p> <p>1.1.12. The Importer's Bank issues the payment receipt.</p> <p>1.1.13. The Importer sends the payment receipt to the Exporter.</p> <p>1.1.14. The Exporter acknowledges the advanced payment.</p> <p>1.1.15. The Exporter prepares the goods for delivery.</p>
<b>Output criteria to exit the business process</b>	Importer and exporter have concluded the sales contract. The importer has received the advance payment.
<b>Costs and resources</b>	Costs associated with shipping the samples (express delivery): € 100-200, depending on the size of the shipment and final destination
<b>Average time required to complete the business process</b>	1-3 months

### 3.2 Ship

**Figure A3.3 Negotiate and conclude the sales contract activity diagram**

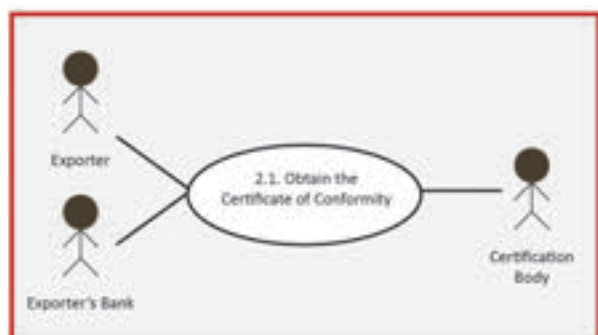


As shown in figure A3.4, the ship process area involves four activities, including: obtaining the certificate of conformity, obtaining the certificate of origin, arranging transport and customs clearance. These activities require the participation of:

- Exporter or his/her representative
- The product certification body
- Customs
- The exporter's bank
- The transport agency (the freight forwarder)

#### Core business process area 2.1: Obtain the Certificate of Conformity

**Figure A3.5 Obtain the certificate of conformity use case diagram**



As shown in figure A3.5, obtaining the conformity certificate involves:

- Exporter or his/her representative
- National Centre for Quality Testing of Alcoholic Beverages (the only accredited certification body for wine)
- The exporter's bank

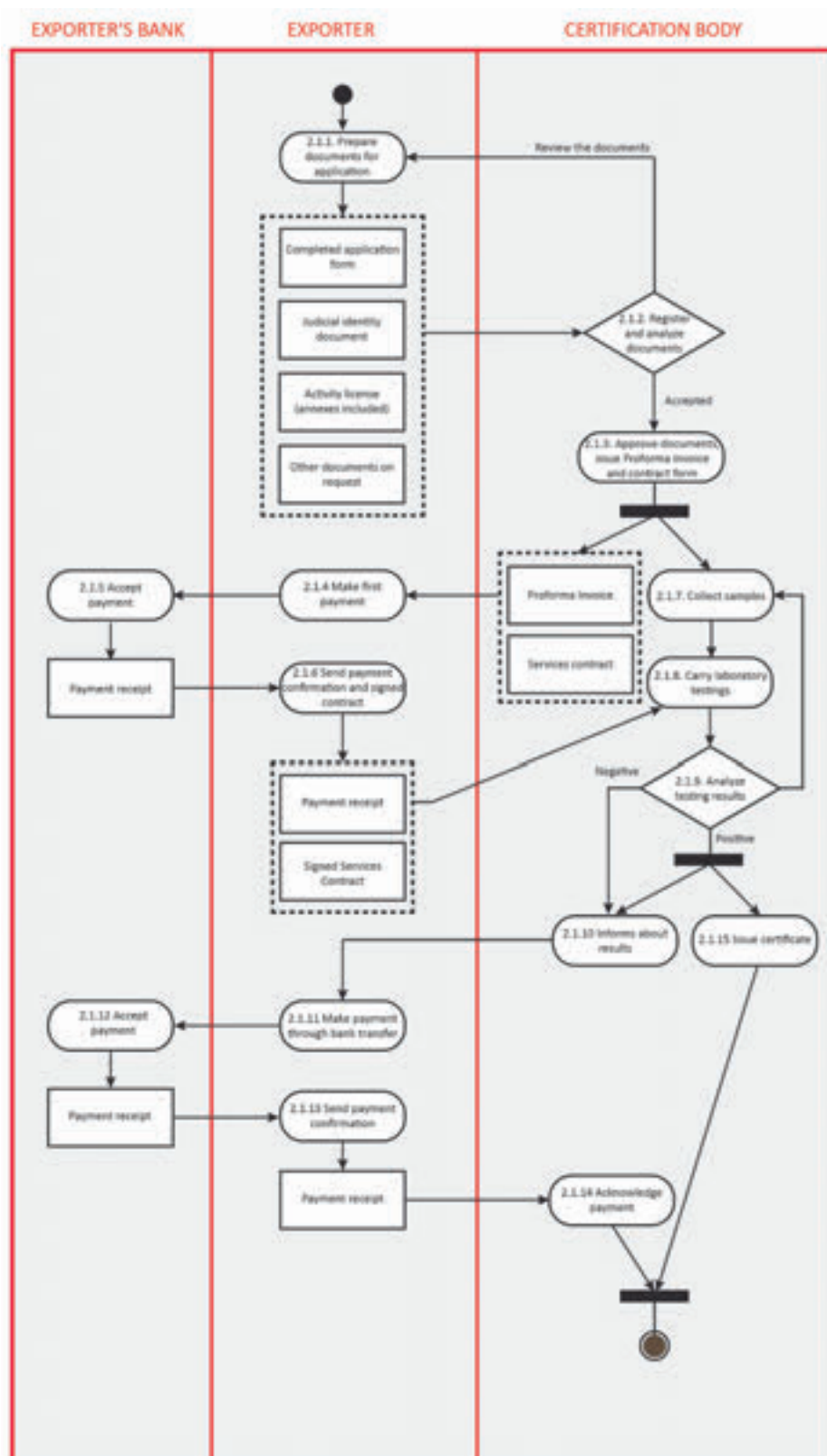
The conformity certificate, which is mandatory for wine and wine products, is obtained from the National Centre for Quality Testing of Alcoholic Beverages, and requests are submitted in hard copy along with the support documents (in 2016, the center was in the process of developing an online application system). The centre issues two types of conformity certificates. The first is for wine and wine products destined to CIS countries, and the second, namely VI-1 certificate, is for commonly traded wine and wine products destined to Europe.<sup>24</sup>

<sup>24</sup> The VI-1 serves as a certificate of analysis and compliance with EU regulations in regard to enological practices



Figure A3.6 maps the activities associated with obtaining the conformity certificate

Figure A3.6 Obtain the Certificate of Conformity activity diagram



Name of process area	2. Ship
<b>Name of Business process</b>	2.1. Obtain the Certificate of Conformity
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Certification Body</li> <li>• Exporter's Bank</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Law no. 235/01.12.2011 on accreditation and conformity assessment.</li> <li>• Vine and Wine Law No. 57-XVI of 10 March 2006 with subsequent amendments.</li> <li>• Law no. 1100-XIV/30.06.2000 on the manufacture and circulation of ethyl alcohol and alcohol production.</li> <li>• Government Decision no. 356 of 11.06.2015 regarding the approval of the Technical Regulation "Wine market organization".</li> <li>• Government Decision no. 317 of 23.05.2012 regarding the approval of the Technical Regulation "Definition, description, presentation and labelling of alcoholic beverages".</li> <li>• Government Decision no. 708 of 20.09.2011 regarding the approval of the Technical Regulation "Analytical methods in the manufacture of wines".</li> <li>• Government Decision No. 282 of 11.03.2016 on approval of the technical concept of the automated information system "Register of Wine".</li> <li>• Government Decision no. 810 of 29.10. 2015 on the approval of the Regulation on the evaluation of the organoleptic characteristics of wine products through sensory analysis;</li> <li>• Government Decision no. 1481 of 26.12.2006 on the marking of alcohol products.</li> <li>• SM SR EN ISO/CEI 17000:2006.</li> <li>• SM SR EN ISO/CEI 17065:2013.</li> <li>• SM SR EN ISO/CEI 17020:2012.</li> <li>• SM SR EN ISO/CEI 17021-1:2015.</li> <li>• SR EN ISO 17067:2014.</li> <li>• SM SR EN ISO 9001:2015.</li> <li>• SM SR EN ISO 22000:2006.</li> <li>• SM SR ISO/TS 22003:2014.</li> <li>• SM SR EN ISO/CEI 17025:2006.</li> <li>• SM SR EN ISO/CEI 17030:2011.</li> <li>• SM GOST R 51144-11.</li> <li>• GOST 26313-84.</li> <li>• SM 192:1999.</li> <li>• EA-6/04:2011 Mandatory – EA Guidelines on the Accreditation of Certification of Primary Sector Products by Means of Sampling of sites.</li> <li>• Order no. 84 of 05.05.2015 of the Ministry of Agriculture on measures to improve the effectiveness and costs of certification of wine products.</li> <li>• Order no. 24 of 28.03.2008 of the Agency "Moldova - Vin" on approval of tariffs for certification, developed in accordance with the Methodology for calculation of tariffs for services provided by the Certification Body and Testing Laboratory.</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The Sales Contract has been signed</li> </ul>

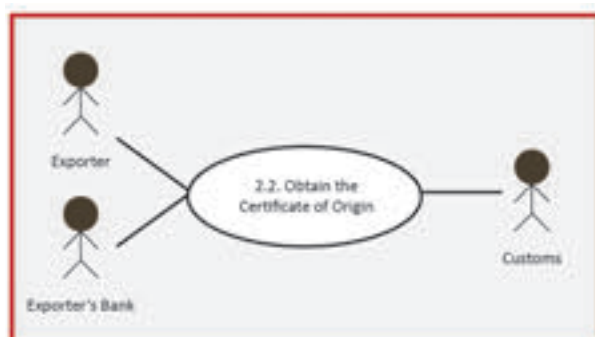


Name of process area	2. Ship
<b>Activities and associated documentary requirements</b>	<p>2.1.1. The Exporter submits the completed request from and support documents for every shipment.</p> <p>2.1.2. The Certification Body registers the application and determines if the information provided in the submitted documents meet the legislative requirements and is sufficient for commencing the certification process. If the documents are in order, the Certification Body proceeds to decide on the appropriate certification scheme. If the documents are not in order, the Certification Body informs the exporters, and request for additional documents as needed. Other documents, depending on the type of certificate, such as quality certificate, the certificate of analysis and the company's product portfolio.</p> <p>2.1.3. If all documents are in order, the Certification Body approves the request and starts the certification procedure. The Certification Body also determines the fees, which are calculated depending on the number and type of products to be certified and the targeted market, and provides the exporter with the Pro Forma Invoice along with the Services Contract. The contract, which should be signed by the exporter and the Certification Body, divides the payment in two instalments (70 percent upfront and the remaining 30 percent upon the completion of the release of the laboratory test results). The Certification Body often exempts the trader from the advanced payment.</p> <p>2.1.4. The Exporter makes the advanced payment by bank transfer.</p> <p>2.1.5 The Exporter's bank issues the payment receipt.</p> <p>2.1.6. The Exporter sends the payment receipt to the Certification body.</p> <p>2.1.7. The Certification Body collects the necessary samples. The sampling is undertaken by a representative of the Certification Body, who visits the Exporter's production facility. Depending on the certification scheme, the sampling process involves the verification of the product information (product name, year of harvest, batch number, blending), the production methods and the conditions of the production and storage facilities. The Certification Body accepts samples provided by the Exporter, only if it is familiar with the Exporter's products, production methods and storage facilities and provided that the samples fulfil the requirements of the certification scheme.</p> <p>2.1.8. The certification team carries out the laboratory testing. For products destined to the EU (V-1 certificates), the products are tested against 9 quality parameters. For products destined to CIS markets, the laboratory tests cover 11 parameters.</p> <p>2.1.9. If the results do not provide conclusive results that cover all the test parameters, the team performs another laboratory test to detect human error. If, after multiple tests, the results are still unsatisfactory, the Certification Body does not issue the conformity certificate.</p> <p>2.1.10. The Certification Body provides the Exporter with the test results and request him/her to make the final payment. The Exporters makes the payment, even if the Certification Body decides against issuing the certificate. In this case, the Certification Body offers advice to assist the exporter in improving the product quality, so that his/her product passes all the test parameters.</p> <p>2.1.11. The Exporter makes the payment by bank transfer.</p> <p>2.1.12 The Exporter's bank issues the payment receipt.</p> <p>2.1.13 The Exporter sends the payment receipt to the Certification Body. The payment should be made immediately after the publication of testing results. However, in practice, wine producers are accorded time to process the payment at their convenience with the understanding that the certificates will only be issued upon the payment of the full amount established under the Services Contract.</p> <p>2.1.14. The payment is acknowledged by the Certification Body and the Exporter obtains the Certification of Conformity.</p>

Name of process area	2. Ship
Output criteria to exit the business process	<ul style="list-style-type: none"> <li>The Certificate of Conformity is received.</li> </ul>
Costs and resources	<ul style="list-style-type: none"> <li>For VI-1 Certificate, including evaluation and laboratory testing:</li> <li>White wine – 785,09 MDL + VAT</li> <li>Red wine – 940,41 MDL + VAT</li> <li>Product certification, including evaluation and laboratory testing:</li> <li>White wine – 831,69 MDL + VAT</li> <li>Red wine – 955,95 MDL + VAT</li> <li>The costs for other types of certification services are calculated depending on the complexity of the process and the number of test parameters.</li> </ul>
Average time required to complete the business process	3-4 (from the moment of sampling)

## Core business process area 2.2: Obtain the Certificate of Origin

Figure 3.7 Obtain the certificate of origin use case diagram

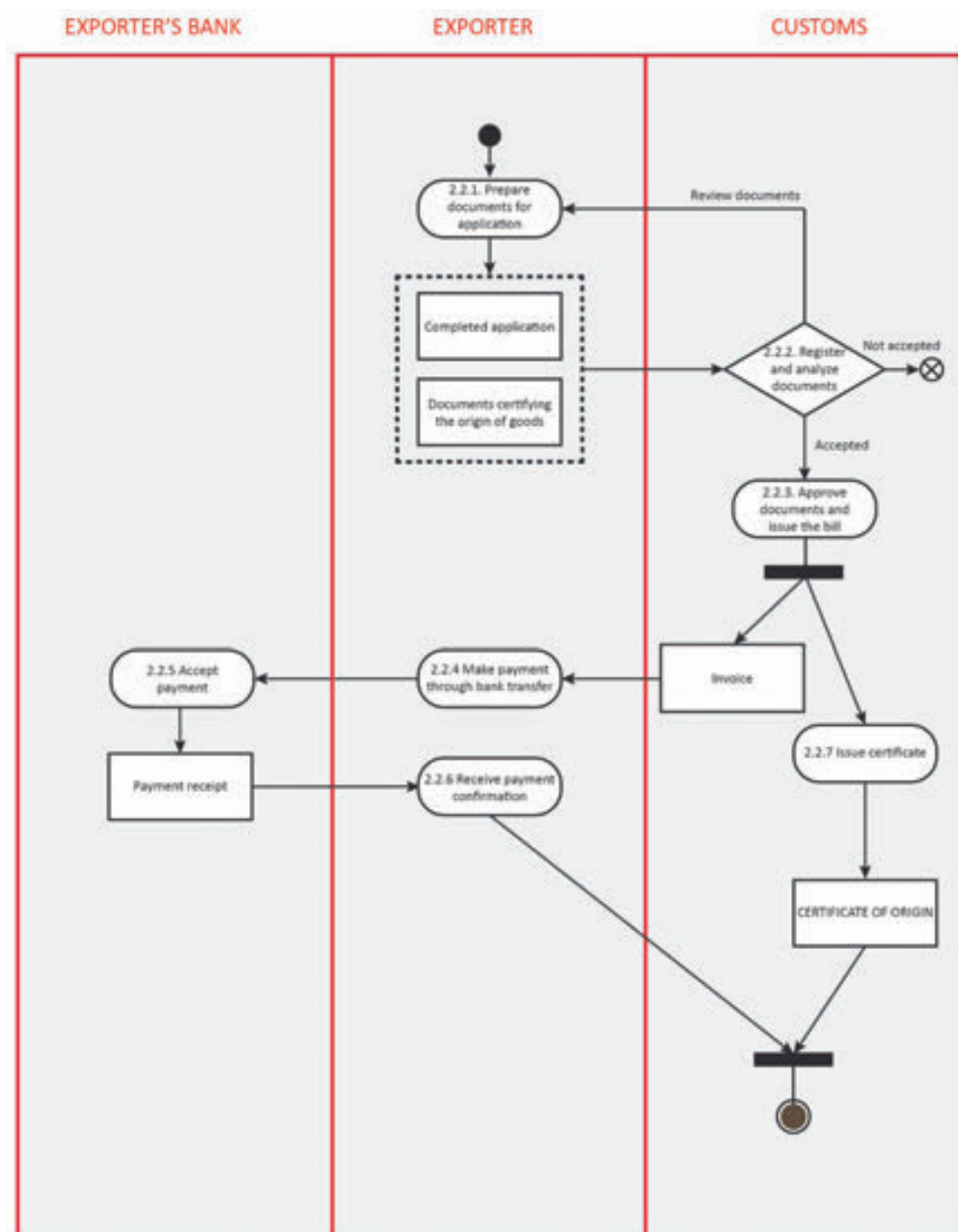


As shown in figure 3.7, obtaining the certificate of origin (CoO) requires participation of:

- Exporter or Representative
- Exporter's Bank
- MCS

As explained in chapter two, CoOs are issued by MCS (preferential CoO) and the Chamber of Commerce and Industry of the Republic of Moldova (non-preferential CoOs). The selected company is eligible for preferential CoOs, and the exporter commences the activities associated with obtaining this certificate in tandem with the previous business process (Figure A3.8).

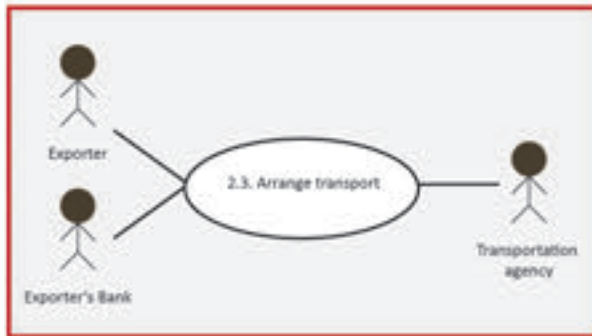
Figure A3.8 Obtain the certificate of origin activity diagram



<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.2. Obtain the certificate of origin
<b>Process participants</b>	Exporter Customs Exporter's Bank
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Custom Code no.1149-XIV of 20.07.2000</li> <li>• Law no. 1380 of 20.11.1997 on Customs tariff</li> <li>• Government Decision no. 1599 of 13.12.2002 regarding rules of origin of goods</li> <li>• Government Decision no.761 of 17.09.2014 regarding the approval of the Regulation on completion, authentication, issuing and control of preferential certificates of origin of goods</li> <li>• Customs Service Order no. 412-O of 23.09.2014 regarding norms for completion of preferential certificates of goods.</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Exporter has already booked a vehicle for the transportation of wines and started loading</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.2.1. The exporter or his/her legal representative submits the complete "request – declaration" form, filled out in block letters and duly signed and stamped along with the support documents</p> <p>2.2.2. The Customs authority registers the request and reviews the form and support documents.</p> <p>2.2.3. If the documents are in order, the customs officer authenticates the CoO, filling in page 9 of the application-declaration with the customs entries, signs and stamps it (using his/her personal stamp) and then issues the payment order.</p> <p>2.2.4. The Exporter makes the payment by bank transfer.</p> <p>2.2.5. The Exporter's bank issues the payment receipt.</p> <p>2.2.6. The Exporter presents the payment confirmation, proving that the fees charged for issuing the CoO as well as the amount of duty to be paid have been transferred.</p> <p>2.2.7. The exporter , or his/her representative, fills in page 10 of the application-declaration signs and stamps the declaration</p> <p>2.2.8. The Customs Office issues the CoO.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• The CoO is issued.</li> </ul>
<b>Costs and resources</b>	6 EUR + VAT
<b>Average time required to complete the business process</b>	3 days

## Core business process area 2.3: Arrange Transport

Figure 3.9 Arrange transport use case diagram



As shown in figure 3.9, arranging transport requires the participation of:

- Exporter or Representative
- Exporter's Bank
- Transportation agency (freight forwarder)

Figure A3.10 maps the activities associated with arranging transport

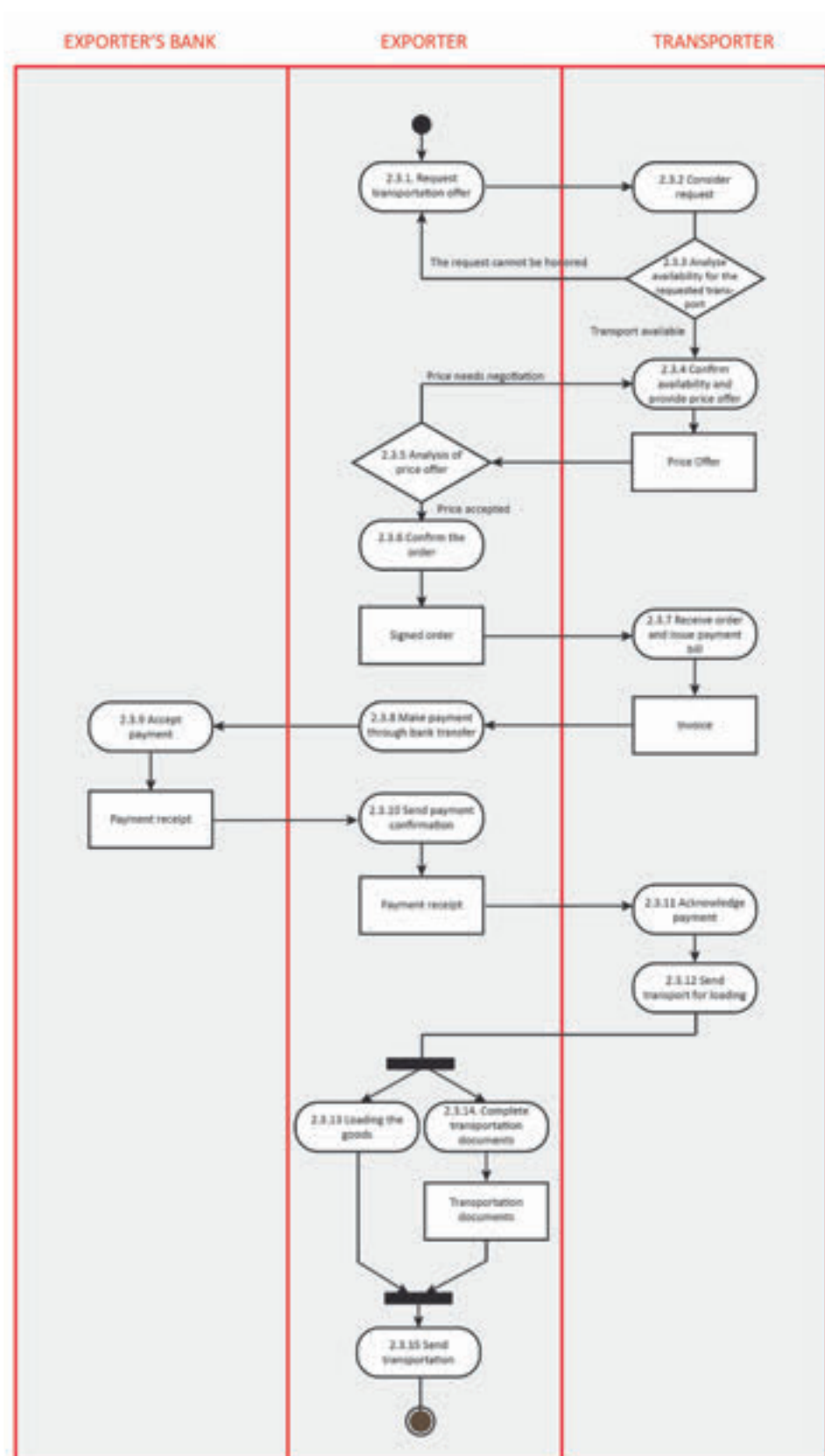


Figure 3.10 Arrange transport activity diagram

<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.3. Arrange transport
<b>Process participants</b>	Exporter Transport agency (freight forwarder) Exporter's bank
<b>Related laws, rules, and regulations</b>	National Transport Code TIR Convention. Convention of International Carriage of Goods by Road
<b>Input and criteria to enter/begin the business process</b>	The cargo is ready for shipment. The transport documents are in order. The CoO and the conformity certificate are issued.
<b>Activities and associated documentary requirements</b>	<p>2.3.1. The Exporter communicates the details of the shipment and destination to the freight forwarder by email and requests an offer.</p> <p>2.3.2. The freight forwarder considers the offer request.</p> <p>2.3.3. The freight forwarder informs as to the availability of carriers. Should the freight forwarder fail to find a carrier, he/she informs the exporter in order to reschedule the delivery.</p> <p>2.3.4. If the vehicle is available, the freight forwarder confirms the availability and submits an offer to the exporter.</p> <p>2.3.5. The Exporter reviews the offer. If the offer doesn't meet the Exporter's requirements or exceeds the allocated budget, the Exporter informs the freight forwarder and negotiates the offer .</p> <p>2.3.6. If the forwarder agrees to revise the offer, the Exporter confirms and sends a Signed Order.</p> <p>2.3.7. The freight forwarder acknowledges the receipt of the signed order and issues the payment invoice.</p> <p>2.3.8. The Exporter makes the payment by bank transfer.</p> <p>2.3.9. The Exporter's bank issues the Payment Receipt.</p> <p>2.3.10. The Exporter sends the Payment Receipt to the freight forwarder.</p> <p>2.3.11. The forwarder completes all the necessary procedures associated with arranging transport according to the terms established under the Signed Order.</p> <p>2.3.12. The forwarder sends the vehicles to the exporter's facility for loading.</p> <p>2.3.13. The Exporter loads the cargo onto the vehicles.</p> <p>2.3.14. During the loading of goods, the freight forwarder completes the necessary transportation documents, including the bill of lading, the shipping guarantee and the packing list.</p> <p>2.3.15. The vehicle is ready to transport the goods.</p>
<b>Output criteria to exit the business process</b>	The transport documents have been obtained The vehicle is dispatched to the exporter's warehouse.
<b>Costs and resources</b>	The transport costs are born by the Importer (they are deducted from the payment).
<b>Average time</b>	3 days



## Core business process area 2.4: Customs Clearance

Figure 3.11 Customs Clearance use case diagram

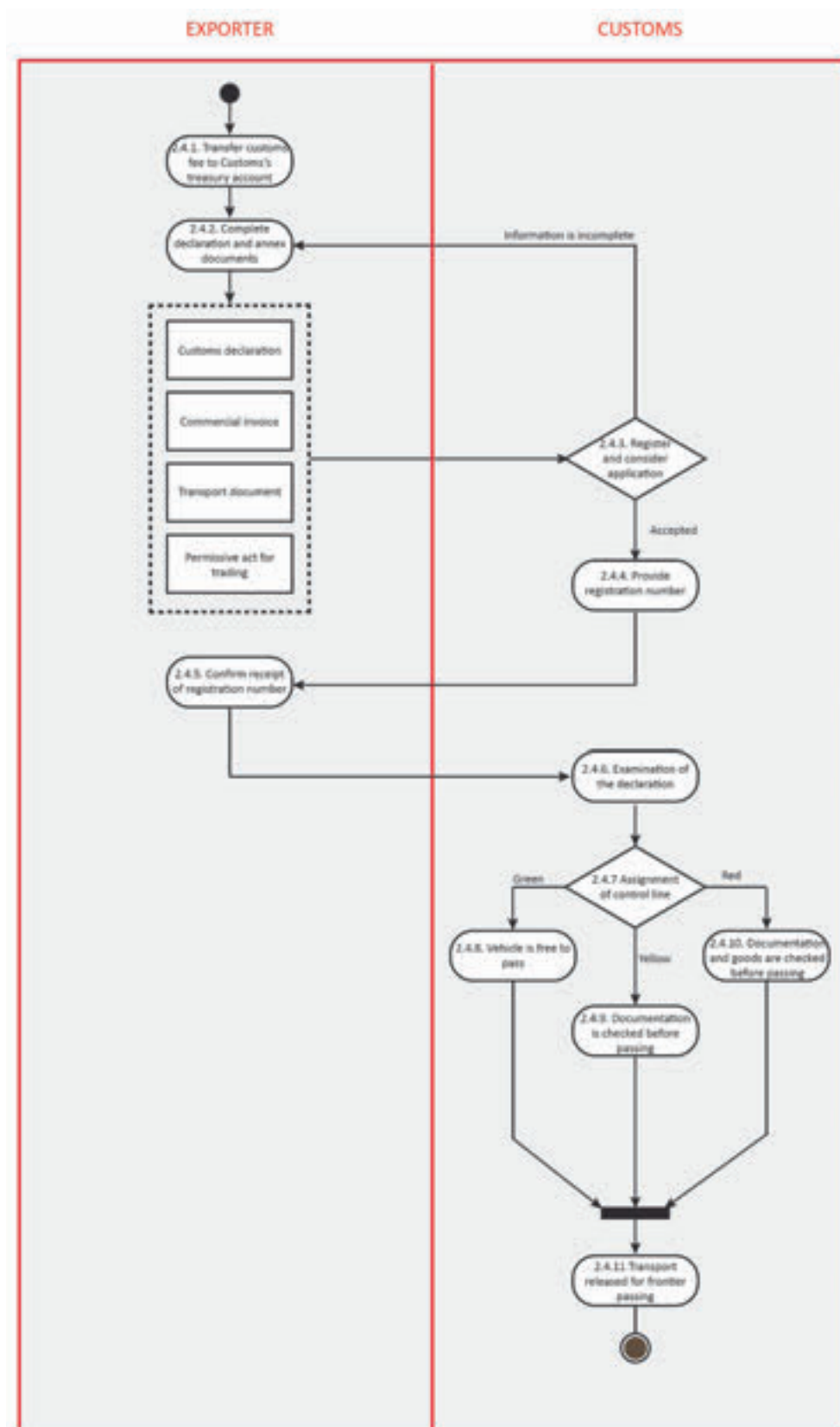


As shown in figure 3.11, customs clearance process requires the participation of:

- Exporter or Representative
- Custom Service of the
- Republic of Moldova

The exporter receives a notification (by email) to present goods to the custom border post within one hour after submitting the customs declaration if the shipments are not signalled for physical examination. If discrepancies are found, goods are not allowed to pass the border. Figure 3.12 maps the activities associated with customs clearance

Figure 3.12 Customs clearance activity diagram

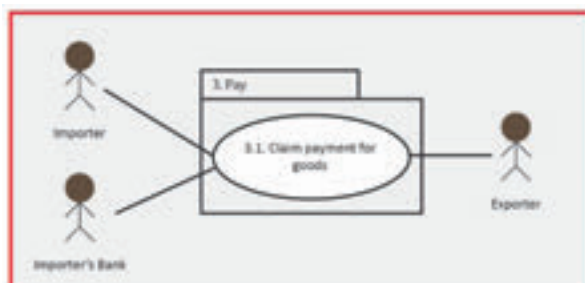


<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.4. Customs Clearance
<b>Process participants</b>	<ul style="list-style-type: none"> <li>● Exporter</li> <li>● Customs</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>● Law no.172 of 25.07.2014 on Combined nomenclature of goods;</li> <li>● Customs Service Order no. 346-A of 24.12.2009 on approving the technical norms regarding the printing, use and completing the customs declaration in detail;</li> <li>● Government Decision no. 1140 from 02.11.2005 on approval of Regulation for application of custom destinations;</li> <li>● Government Decision no 904, June 13, 2013 "Regulation on electronic customs procedure applied to exported goods";</li> <li>● Customs Service Order no.292, June 25, 2013 "Regarding the facilitation of exports of goods".</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>● The exporter/customs broker is registered with Customs as a user of ASYCUDA World.</li> <li>● Goods have been loaded and are ready for shipment.</li> <li>● Customs duties have been paid and the shipment has been approved.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.4.1. The Exporter pays the full amount of customs duty by bank transfer.</p> <p>2.4.2. The Exporter submits the required support documents</p> <p>2.4.3. The system registers the online application. If the information is incomplete, the system automatically alerts the Exporter for immediate action.</p> <p>2.4.4. If the application and the support documents are in order, the system generates a registration number.</p> <p>2.4.5. The Exporter acknowledges the registration number and inputs his/her digital signature.</p> <p>2.4.6. Within a maximum one hour, the system generates information as to the clearance/control channels (green for clearance without examination; yellow for documentary examination required; red for documentary and physical examination) that the cargo should be assigned to and the Customs declaration is examined by a Customs officer.</p>
	<p>2.4.7. The cargo is assigned automatically to one of the SIIV ASYCUDA <i>World</i> processing lanes: red, yellow and green.</p> <p>2.4.8. If the cargo was assigned to the green lane, goods are cleared without any further control.</p> <p>2.4.9. If the cargo is assigned to the yellow lane, goods are cleared after a documentation control.</p> <p>2.4.10. If the cargo is assigned to the red lane, goods are cleared after the documentation control and the physical control of goods.</p> <p>2.4.11. If the cargo meets the assigned lane's requirements, the shipment is released for frontier passing.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>● Exporter receives a message from system inclusive of a Declaration's reference number notifying that the Export Declaration has been accepted.</li> <li>● The status of Export Declaration has been updated to Export Declaration ready for customs release.</li> <li>● Goods are released</li> </ul>
<b>Costs and resources</b>	<ul style="list-style-type: none"> <li>● 0,1% from custom value of exported goods, but not more than € 500</li> </ul>
<b>Average time required to complete the business process</b>	<p>1 hour – electronic declaration</p> <p>Less than 1 day for customs clearance (including time spent at the border)</p>

### 3.3 Pay

#### Core business process area 3.1: Claim Payment

Figure 3.13 Use case diagram for pay process area



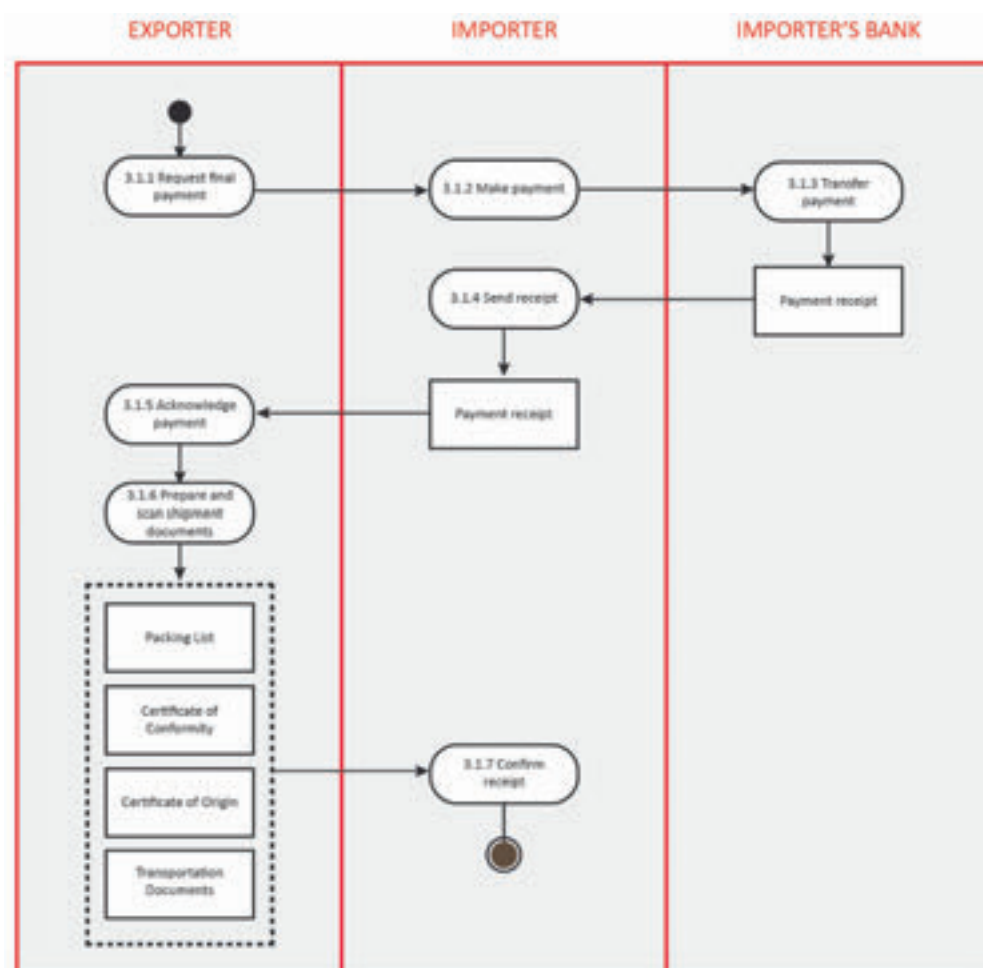
As shown in figure 3.13, the payment process requires the participation of:

- Exporter or Representative
- Importer
- Importer's Bank

As previously mentioned, the exporter receives the payment in two instalments, with the second scheduled for disbursement within 5 days before goods are loaded. The selected winery experiences delays of up to 3 days in receiving the payments. The delays cause disruptions in the delivery schedule, which can only be avoided by shipping the goods before receiving the payment confirmation. As this is often the case, the risks assumed by the winery are significant.

Figure 3.14 maps the activities associated with the payment process.

Figure 3.14 Claim payment activity diagram



<b>Name of process area</b>	3. Pay
<b>Name of Business process</b>	3.1. Claim payment
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Importer</li> <li>• Importer's Bank</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Low Nr. 62 from 21.03.2008 on currency regulation</li> <li>• The Civil Code of Republic of Moldova</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Exporter has already fulfilled contractual obligations.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>3.1.1 Exporter informs the buyer the moment the goods are ready for shipment to destination and requests the final payment instalment.</p> <p>3.1.2. The Importer makes the payment through bank transfer.</p> <p>3.1.3. The Importer's bank issues the payment receipt.</p> <p>3.1.4. The Importer sends the confirmation of payment to the Exporter.</p> <p>3.1.5. The Exporter acknowledges the payment receipt.</p> <p>3.1.6. The Exporter sends scanned copies of the necessary trade documents:</p> <ul style="list-style-type: none"> <li>- Packing List</li> <li>- Certificate of Conformity</li> <li>- Certificate of Origin;</li> <li>- Transportation documents.</li> </ul> <p>3.1.5. Importer confirms the receipt of documents.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• Exporter received the final payment instalment.</li> <li>• Importer received documents.</li> <li>• Goods are shipped to their final destination</li> </ul>
<b>Costs and resources</b>	N/A
<b>Average time required to complete the business process</b>	2 days

#### A4. Export documents

As shown in table A4.1, the company has to present 7 documents for meeting the information requirements associated with the export of wine. Another 10 documents are required for obtaining the CoO and the conformity certificate, bringing the total number of trade documents to 17. Moreover, some documents are submitted more than once.

Table A4.1 List of main and supporting document required for exports

Document	Required by	Issued / filled by	Input in process	Comments
<b>1. Key documents (needed for export and import in the destination country)</b>				
<b>Customs Declaration</b>	Customs	Exporter	Ship	For customs clearance
<b>Certificate of Origin</b>	Customs	Customs	Ship and pay	Ship: For customs clearance Pay: required by the buyer
<b>Certificate of Conformity</b>	Customs	National Centre for Quality Testing of Alcoholic beverages	Ship	Required by the buyer
<b>Laboratory test results (certificate of analysis)</b>	Customs	National Centre for Quality Testing of Alcoholic beverages	Ship	Required by the buyer
<b>Commercial Invoice</b>	Customs	Exporter	Ship	For customs clearance
<b>Packing list</b>	Customs	Freight forwarder	Ship and pay	Ship: For customs clearance Pay: required by the buyer
<b>CMR</b>	Customs	Freight forwarder	Ship and pay	Ship: For customs clearance Pay: required by the buyer
<b>2. Inputs for obtaining the conformity certificate</b>				
<b>Application for Certificate of conformity</b>	National Centre for Quality Testing of Alcoholic beverages	Exporter	Ship: Obtain certificate of conformity	
<b>Services Contract</b>	National Centre for Quality Testing of Alcoholic beverages	National Centre for Quality Testing of Alcoholic beverages/ Exporter	Ship: Obtain certificate of conformity	Exporter counter-signs the document
<b>Laboratory test results (certificate of analysis)</b>	National Centre for Quality Testing of Alcoholic beverages	National Centre for Quality Testing of Alcoholic beverages	Ship: Obtain certificate of conformity	Carried out by Laboratory of National Centre for Quality Testing of Alcoholic beverages
<b>Internal registers showing the movement of wines</b>	National Centre for Quality Testing of Alcoholic beverages	Exporter	Ship: Obtain certificate of conformity	

Document	Required by	Issued / filled by	Input in process	Comments
<b>Activity license</b>	National Centre for Quality Testing of Alcoholic beverages		Ship: Obtain certificate of conformity	
<b>Identity document</b>	National Centre for Quality Testing of Alcoholic beverages		Ship: Obtain certificate of conformity	
<b>3. Inputs for obtaining the CoO</b>				
<b>Application -declaration</b>	Customs	Exporter	Ship: Obtain CoO	Request for confirmation of the goods origin
<b>Sales contract</b>	Customs	Exporter	Ship: Obtain CoO	
<b>Commercial invoice</b>	Customs	Exporter	Ship: Obtain CoO	
<b>Technical report prepared detailing the production process and the use of raw material</b>	Customs	Exporter	Ship: Obtain CoO	
<b>Customs declarations for imported raw materials used in the production process</b>	Customs	Customs	Ship: Obtain CoO	
<b>Act of production inspection (only if the origin of goods is difficult to establish)</b>	Customs	Customs	Ship: Obtain CoO	
<b>Certificate of Appraisal issued by the CCI (valid for one year)</b>	Customs	CCI	Ship: Obtain CoO	

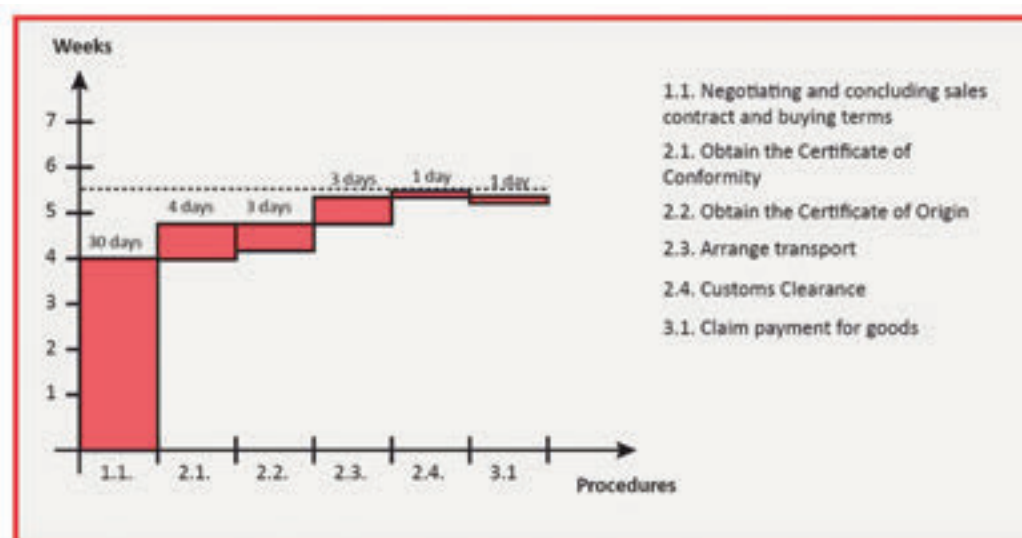
## A5. Time process chart

As shown in figure A5.1, it takes the company up to 42 days to ship the cargo, with the negotiations over the sales contract constituting the most challenging business process. It takes 30 working days to complete this process, and the selected exporter said that this period could go up to three months if the buyer is not familiar with Moldovan wine.

Gaining the trust of potential buyers takes time and a lot of hard work. Moldovan wineries often find themselves in a position where they have to organize several rounds of sampling and testing before landing a potential buyer. These rounds are followed by lengthy negotiations over the terms of the sale, and the exporter assumes additional delays pending the receipt of the first payment.

In order to avoid delays, the selected company, just like other exporters, start preparing the goods for export upon issuing the Pro Forma Invoice. The exporters are fully aware of the significant risks they are assuming, and consider such risks as necessary to gain the trust of international buyers.

Figure A5.1 Time-process chart for exporting wine from the Republic of Moldova



The second most challenging process is obtaining the conformity certificate, which takes up to 4 days. Exporters are of the view that this process could be further streamlined and noted that, once launched, the online application system is likely to reduce the time associated with completing this business process by up to two days. An equally challenging process is obtaining the CoO, which takes up to 3 days to complete if the supporting documents are in order.

Once the above documents are obtained, the trader proceeds to arrange for the transport by contracting a freight forwarder in a process, which takes three days to complete. The most efficient process is customs clearance, which has been streamlined by automating customs procedures. The ASYCUDA *Word* system allows exporters to complete the procedures associated with customs declaration in one hour.

However, efficiency gains are undermined by delays in receiving the second payment instalment. To ensure compliance with the delivery schedule, the exporter accepts the proof of payment from the buyer's bank document and gives the green light to the freight forwarder to proceed with transporting the cargo to the final destination.

If the challenging process of negotiating and concluding the sales contract is excluded and assuming prompt receipt of payment, the time frame for completing the business processes associated with exporting wine from the Republic of Moldova is reduced 11 -12 days. Table A5.1 maps the sequence of the business processes, highlighting those that could be carried out simultaneously.

**Table A5.1 Sequencing of business processes for exporting wine from the Republic of Moldova**

Core business process	Duration	Previous business process	Simultaneous business processes
1. Buy			
1.1. Negotiating and concluding sales contract	1 month	-	-
2. Ship			
2.1. Obtain the Certificate of Conformity	4 days	1.1	2.2
2.2. Obtain the Certificate of Origin	3 days	1.1	2.1
2.3. Arrange transport	3 days	2.1	3.1
2.4. Customs Clearance	1 day	2.1, 3.1	-
3. Pay			
3.1. Claim payment for goods	1 day	2.1, 2.2	2.3



## A6. Recommendations

The BPA suggests that wineries could benefit from further simplification and streamlining of export procedures, particularly those associated with obtaining the conformity certificate and the CoO. The selected exporter embarks on the two business processes in tandem immediately upon concluding the sales contract in order to allow enough time for unexpected delays. The selected exporter was of the view that the time required for completing export procedures could be further reduced if wineries had detailed up-to-date information on the legislative safety and quality requirements (as this would help speed up the sampling and testing process) and if the number of support documents was reduced.

The BPA also suggests that wineries could also benefit from additional support services in the area of marketing and promotion, trade finance, insurance and production upgrading. Table A6.1, provides a number of recommendations for the Government's consideration.

**Table A6.1 Capacity needs and recommendations for strengthening the export competitiveness of Moldovan wineries**

Needs	Recommendations
<b>Streamlining and simplification of administrative procedures.</b>	In addition to the recommendations provided in chapter 3, the Government could consider authorizing more accredited private laboratories to provide product certification purposes
<b>Wine promotion and marketing</b>	<p>Launch new promotional campaigns tailored to the consumer preferences in each target market and taking into account the competing brands. The emphasis should be on bringing forward the specific qualities of Moldovan wine, improving product labelling and on increasing the participation of Moldovan wineries in international fairs.</p> <p>Efforts should also focus on networking the wineries with potential buyers through, for example, hosting international events and the provision of up-to-date information on industry trends and export opportunities.</p>
<b>Production upgrading</b>	Barring major wineries, which have modern production facilities, quality issues constitute a critical barrier to export competitiveness and market diversification for most of the wineries. Donor funded production upgrading projects should be therefore intensified and supported by legislative reforms to attract foreign direct investments.
<b>Develop trade finance instruments</b>	<p>The BPA suggests the necessity of embarking on strategic legislative reforms to support the development of sophisticated trade finance instruments. In so doing, the Government could consider tapping into the Export-Import Banks (EXIM) in target countries. These banks organize credit facilities with the national banks in trade partner countries, which traders can access. Normally, the credit is available if traders in the partner country are exporting or importing goods and services to/ from the target country.</p> <p>The Government could also consider setting the context, through legislative reforms and donor-funded technical assistance projects, for the creation of export credit guarantees, export credit insurance and forfeiting. These services rank among the most commonly used trade finance instruments, which could help mitigate the commercial risks assumed by Moldovan exporters and contribute to reducing the time invested in negotiating and concluding the sales contract.</p>
<b>Expand the range of insurance schemes available to exporters</b>	The BPA shows that wineries export their products without taking out an insurance policy on the cargo. The exporter noted the lack of competitive schemes, which provide the necessary coverage at acceptable prices. This is an area that should be accorded priority treatment. <sup>1</sup>



# Contents

<b>Appendix B Supporting the Export Competitiveness of Fresh Fruits and Vegetables .....</b>	<b>161</b>
<b>B1. Introduction .....</b>	<b>161</b>
<b>B2. Domain of interest .....</b>	<b>162</b>
B.2.1 Product selection.....	162
B.2.2 Scope of the business processes .....	163
B3. Core business processes .....	164
3.1 Buy .....	165
Core business process area 1.1: Negotiate and Conclude the Sales Contract.....	165
3.2 Ship .....	169
Core business process area 2.1: Arrange transport.....	169
Core business process area 2.2: Obtain the Certificate of Origin from local authorities, region of Transnistria.....	172
Core business process area 2.3: Obtaining the Appraisal Act from the Republic of Moldova .....	174
Core business process area 2.4: Obtain phytosanitary certificate from the Republic of Moldova .....	176
Core business process area 2.5: Obtain the Moldovan Certificate of Origin.....	179
Core business process area 2.6: Pass Customs Clearance, the region of Transnistria .....	182
Core business process area 2.7: Passing Moldovan Customs Clearance .....	185
3.3 PAY.....	188
Core business process area 3.1: Claim payment for goods .....	188
B.4 Export documents.....	190
B.5 Time process chart .....	193
B.6 Recommendations .....	194

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# Appendix B

## Supporting the Export Competitiveness of Fresh Fruits and Vegetables

### Business Process Analysis

#### B1. Introduction

This annex provides a detailed assessment of the administrative processes associated with exporting fresh fruits and vegetables from the Republic of Moldova using the UNECE-UNESCAP business process analysis (BPA) methodology described in chapter one of the study.<sup>1</sup> The products were selected based on their contribution to the Moldovan economy, measured in terms of its:

- Share in GDP
- Share in total exports
- Development prospects in terms of market diversification

The analysis covers all the business processes typically undertaken by wine exporters during the buy-ship-pay operations. These processes are mapped using:

- Use-case diagrams (See Appendix A, table A1.1)
- Business process flowcharts (using the Buy-Ship-Pay reference model)
- Time procedure charts

One company has been selected to serve as case study based on its export profile. The selected company, which operates in the region of Transnistria,<sup>2</sup> is one of the major exporters of fresh fruits and vegetables.

This BPA was carried out in late April - beginning of May 2016 by a UNECE consultant, who visited the company and conducted extensive interviews with its management. In addition, the consultant carried out interviews and consultations with officials of state agencies:

- Customs Service of the Republic of Moldova
- National Food Safety Agency (ANSA)
- Local authorities in the region of Transnistria responsible for customs clearance and product certification.<sup>3</sup>

This appendix is divided into six sections. The introduction is followed on section 2 by a brief overview of the fresh fruits and vegetables sector and the scope of the BPA. Section 3 discusses the business processes associated with the export of fresh fruits and vegetables from the country. An overview of the export documents and time process charts is provided in sections 4 and 5, leading to recommendations for the Government's consideration.

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<sup>1</sup> The joint UNECE/ESCAP Business Process Analysis Model (2012) is available online at: [www.unescap.org/unnext/tools/business\\_process.asp](http://www.unescap.org/unnext/tools/business_process.asp)

<sup>2</sup> The designation employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

<sup>3</sup> The use of such terms as authorities or agencies does not indicate any de jure recognition of these authorities or institutions

## B2. Domain of interest

### B.2.1 Product selection

As mentioned in chapter two of the study, the previous decade has seen the Moldovan economy register a structural transformation away from agriculture towards increased specialization in services, which accounted for 60 percent of GDP and absorbed more than 50 percent of the country's labour force in 2015. However, the move away from agriculture was underpinned by dwindling productivity, even as agriculture continued to dominate the country's exports and constitute the main livelihood source for 57 percent of the population.

Fruits and vegetables accounted for 40 percent of total agricultural output and represented 45 percent of the country's total exports in 2015. Over 80 percent of the cultivated lands are used for growing low value products, such as crops, oil plants, sugar beet. Fruit and vegetable farms cover less than 6.5 percent of total agricultural lands, despite the favorable climatic conditions, and yield around 1 million tons of produce annually with apples, potatoes and tomatoes accounting for the bulk of total output.<sup>4</sup>

Farms are predominantly small and privately-owned, with 80 percent specialized in semi-subsistence activities. Farmers have and continue to rely on CIS countries, particularly the Russian Federation, which have historically accounted for 97 percent of agricultural exports in volume terms. This was the case until mid-2000s, which saw the Russian Federation introduce reinforced quality and safety requirements on agricultural imports. Exporters have been unable to meet these requirements.<sup>5</sup>

According to the selected exporter, in July 2014, the Russian Federation prohibited apples, pears, quinces, cherries, apricots, peaches and plums originating from the Republic of Moldova for failing to meet safety and quality requirements. It also introduced import duties on 20 categories of goods, including fresh fruits and vegetables. As a result, prices in major wholesale markets in Chisinau, Balti, Edinet, Ungheni and Cahul plummeted. For example, the price of one kilo of plums decreased from 12 MDL in July 2014 to 2.5 MDL in October 2014.

Moldovan producers exerted all efforts to find new markets in neighboring countries. This was also the case of the selected company that was able to more than triple its exports of apples and plums to Belarus by August 2014. However, the selected company's efforts to enter into European markets were met with limited success, as it was unable to meet the EU quality standards and SPS requirements.

The selected company also highlighted the importance of the west bank of the Nistru River (Moldova) as a main outlet of the region's fresh fruits and vegetables. Similarly, farmers in Moldova attach great importance to the region of Transnistria, which provides the fastest and cheapest transit route for exports to CIS countries.

The selected company reported that the region of Transnistria saw the gradual easing of the Russian Federation's import restrictions on fruits and vegetables originating from the Republic of Moldova. The gradual easing, which commenced in February 2015, saw the lifting of import restrictions on apples originating from the region of Transnistria. In June 2015, the Russian sanitary service, Rosselkhozadzor, granted approval certificates to 18 exporters of fresh fruits, the majority of which were located in the region of Transnistria and Gagauz Yeri. The Russian Federation granted additional approval certificates, mainly to companies operating in the region of Transnistria, during the subsequent months.

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<sup>4</sup> National Bureau of Statistics of the Republic of Moldova. The Statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender. According to experts interviewed as part of this BPA, the region of Transnistria accounted for around 30 percent of the Republic of Moldova's total agricultural output in 1991. In the absence of complete statistics that would allow for discerning the region's contribution to total agricultural output and exports, it is difficult to ascertain if this remains the case.

<sup>5</sup> As mentioned in chapter three of the study, traders interviewed as part of this assessment noted that their shipments were rejected for containing high levels of heavy metals and pesticides

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At the end of 2015, Russian buyers expressed their interest in investing in the region of Transnistria's agricultural sector, in order to enable farmers to increase their exports of fruits and vegetables to the Russian Federation.

## B2.2 Scope of the business processes

The analysis maps the day-to-day activities typically undertaken by fresh fruits and vegetable exporters against the core buy- ship- pay business processes, taking into account existing legislation<sup>6</sup> and based on the following assumptions:

- Fresh fruits and vegetables are exported to CIS countries and the EU
- Fresh fruits and vegetables are transported by trucks
- The cargo is delivered under Carriage Paid To (CPT) terms.<sup>7</sup>
- The payment is made through wire transfer.
- The organization of transport is undertaken by a freight forwarding company operating in Moldova or by an international freight forwarding company, since carriers registered with local authorities in the region of Transnistria are not recognized internationally (Chapter three).
- The trader uses the services of a customs broker for handling all clearance procedures

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<sup>6</sup> The discussion does not indicate any de jure recognition of the local authorities or institutions and should be understood taking into account the existing legal framework underpinning export and import activities in the Republic of Moldova (Chapter 3, Box 3.1)

<sup>7</sup> Under CPT terms, the seller delivers the goods to a carrier or to another person nominated by the seller, at an agreed upon place, and that the seller pays the freight charges to transport the goods to the specified destination. This means that the risk of damage or loss to the goods being transported is assumed by buyer once the goods are delivered to the carrier.

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### B3. Core business processes

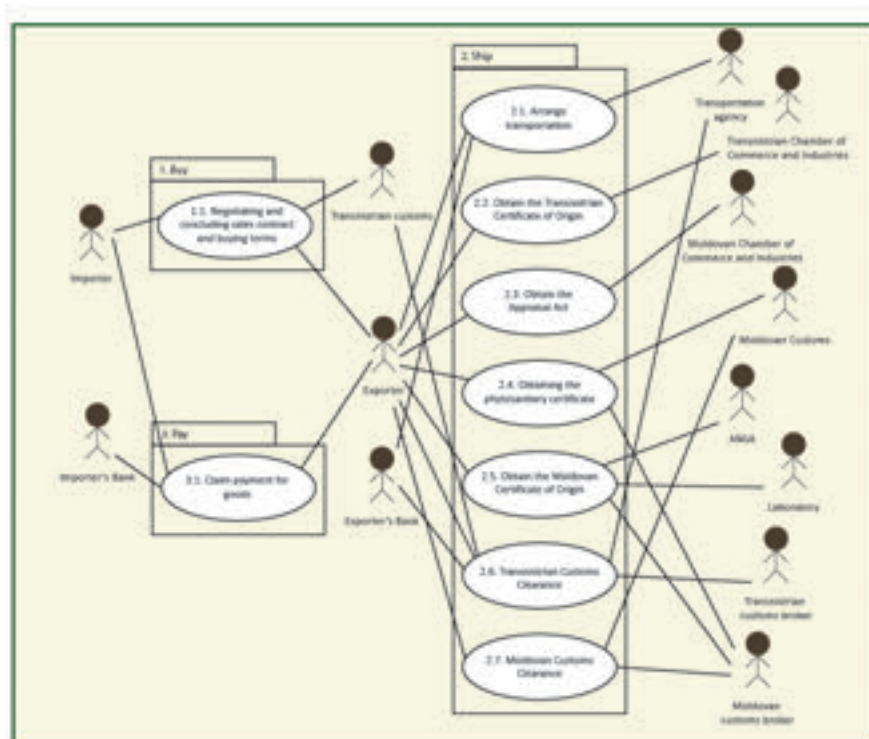
As shown in table B3.1, the export of fresh fruits and vegetables from the region of Transnistria involves 9 core business processes and 15 participants.

**Table B3.1 Core business processes and stakeholders involved in wine exports**

Party \ Core business process	Transportation Agency	Transnistrian Customs	Moldovan Customs	Transnistrian customs broker	Moldovan customs broker	Transnistrian Chamber of Commerce and Industry	Moldovan Chamber of Commerce and Industry	ANSA	Laboratory	Exporter's Bank	Exporter	Importer	Importer's Bank
1. Buy													
1.1. Negotiating and concluding sales contract and buying terms		X									X	X	
2. Ship													
2.1. Arrange transportation	X									X	X		
2.2. Obtaining the Transnistrian Certificate of Origin						X					X		
2.3. Obtaining the Appraisal Act							X				X		
2.4. Obtaining the phytosanitary certificate								X	X		X		
2.5. Obtaining the Moldovan Certificate of Origin			X		X						X		
2.6. Transnistrian Customs Clearance	X	X		X						X	X		
2.7. Moldovan Customs Clearance			X		X						X		
3. Pay													
3.1. Claim payment for goods											X	X	X

The core business processes are mapped in a use case diagram provided in figure B3.1, followed by a detailed analysis of each process

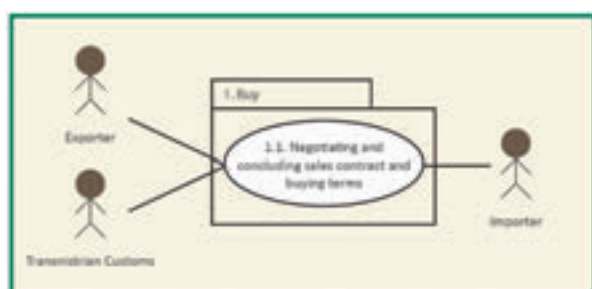
**Figure B3.1- Core business processes associated with exporting fresh fruits and vegetables from the region of Transnistria**



### 3.1 Buy

#### Core business process area 1.1: Negotiate and Conclude the Sales Contract

**Figure B3.2 Negotiate and conclude the sales contract use case diagram**



As shown in figure B3.2, the negotiations over the sales contract involve:

- Importer
- Exporter
- Local customs

For exporters operating in the region of Transnistria, negotiations over the sales contract tends to be a lengthy process. The selected exporter invests much time and effort to gain the trust of foreign buyers, who

perceive enterprises operating in the region as risky clients. The difficulties associated with making payments in foreign currencies add further complications. As mentioned in chapter three of the study, international payment can only be affected through local banks holding correspondent accounts with Russian banks and traders usually experience significant delays in receiving international payments.

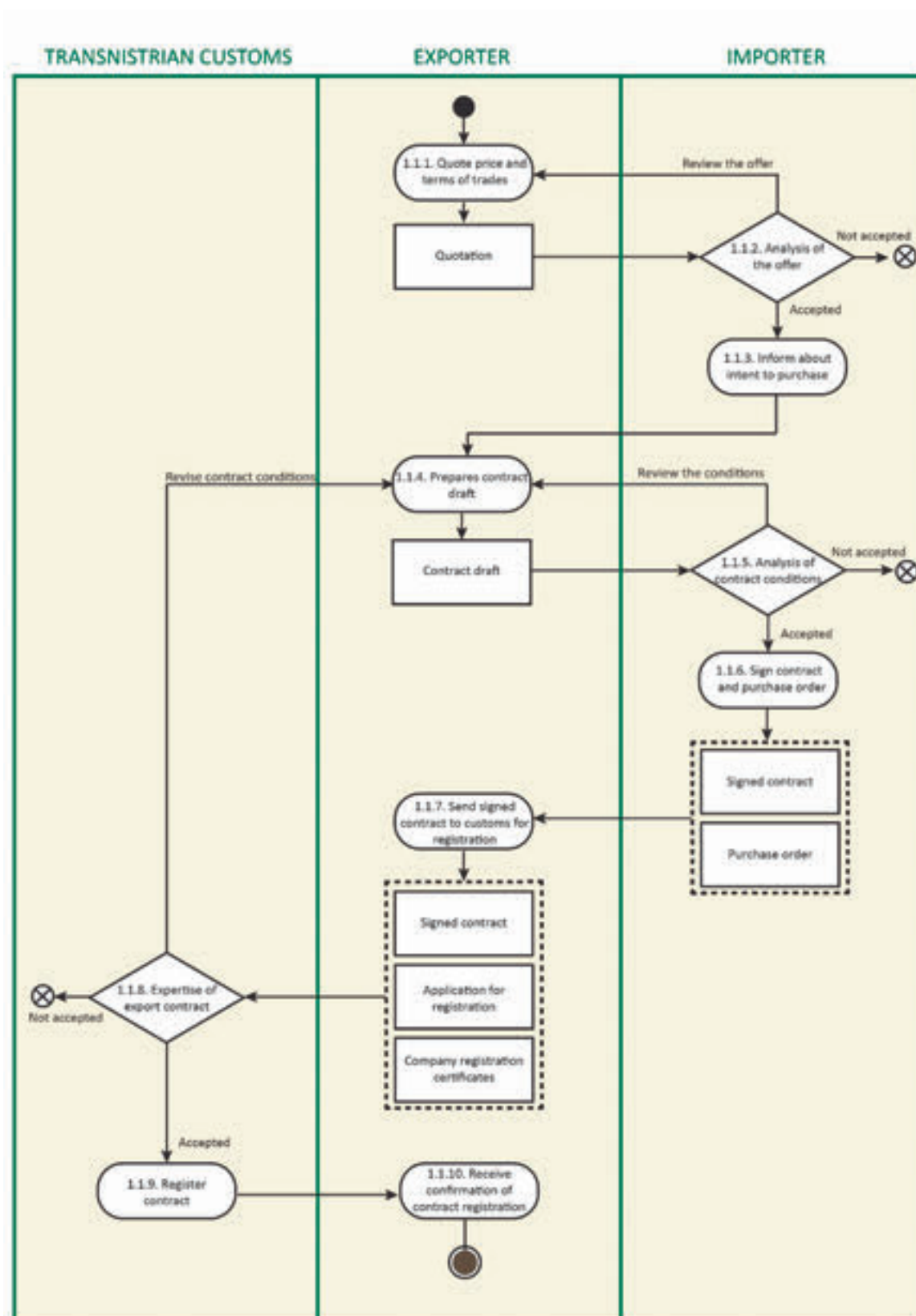
Some exporters negotiate the sales contract through offshore companies, which they own as this enables them to open accounts in foreign currencies with internationally recognized banks. However, these exporters accrue additional costs in the form of offshore taxes, amounting to 3 percent of the contract value.



Once the sales contract is signed, exporters should register it with the local customs authorities in the region of Transnistria, following a procedure which involves assessing as to whether the contract terms are in line with local authorities' regulatory requirements. It usually takes 24 hours to register the contract if its terms are in line with the region's requirements.

Delays occur if the sales contract is established in any language other than Russian (the official language of the region of Transnistria), as the trader has to present a notarized translation of the document. Moreover, if the assessment results in the introduction of changes in the contract and/or adding new annexes, the exporter has to inform the buyer and register the revised contract with the customs with the consequence of extending the negotiations process. The customs could also reject the exporter's request to register the contract if the sales terms do not comply with the local legislative requirements. Figure B3.3 maps the activities associated with negotiating and concluding the sales contract.

Figure B3.3 Negotiate and conclude the sales contract activity diagram

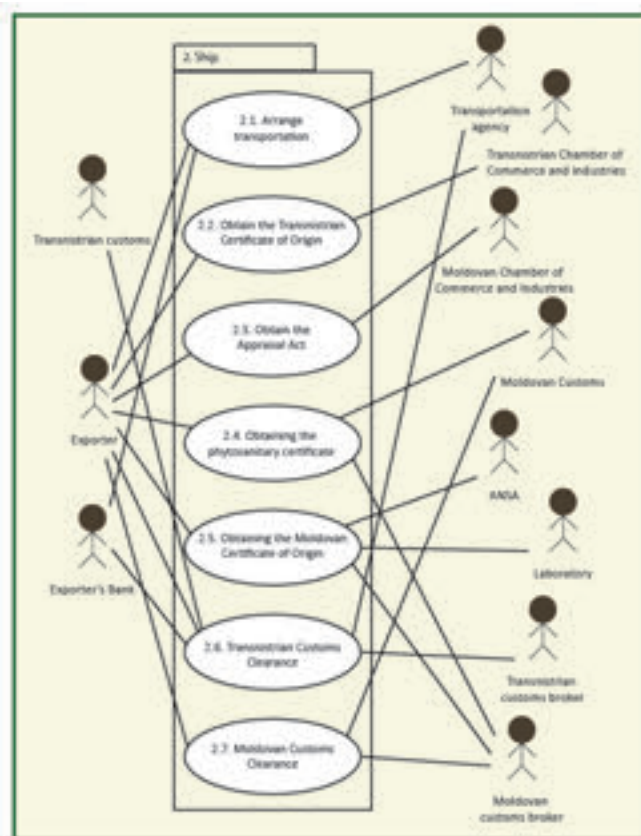


<b>Name of process area</b>	1. Buy
<b>Name of Business process</b>	1.1 Negotiating and concluding sales contract and buying terms
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Importer</li> <li>• Local customs authorities, region of Transnistria</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Incoterms</li> <li>• Local legislation governing foreign trade activities in the region of Transnistria</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• Exporter has a list of buyers with recurring transactions.</li> <li>• Exporter is authorized to export fresh fruits and vegetables.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>1.1.1. The Exporter prepares an offer, including price quotations and terms of sales.</p> <p>1.1.2. The Importer reviews the offer and either accepts the terms, suggests revisions or reject the offer altogether.</p> <p>1.1.3. The Importer accepts the offer and provides the Exporter with a purchase letter of intent.</p> <p>1.1.4. The Exporter acknowledges the letter and prepares a draft Sales Contract.</p> <p>1.1.5. The Importer analyses the conditions of the contract and decides as to whether to proceed with the purchase, revise the terms or withdraw from the negotiations.</p> <p>1.1.6. The Importer signs the contract and prepares a purchase order. The order, which details the terms and conditions for each shipment, is annexed to the Sales Contract.</p> <p>1.1.7. The Exporter submits the signed contract to the local customs authorities in the region of Transnistria for registration, together with the completed application form and the company registration certificate.</p> <p>1.1.8. The customs analyse the request for registration and assess the terms of the Sales Contract.</p> <p>1.1.9. If the contract meets the local regulatory requirements , the customs register the contract.</p> <p>1.1.10. The exporter receives the contract registration number</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• The Sales Contract is signed.</li> <li>• The contract is registered with the local customs authorities in the region of Transnistria.</li> <li>• The exporter can start preparing the goods for export.</li> </ul>
<b>Costs and resources</b>	No costs
<b>Average time required to complete the business process</b>	<p>1 week for concluding contract negotiations once the potential buyer expresses interest in purchasing the produce in question.</p> <p>24 hours for registering the contract with local customs</p>

### 3.2 Ship

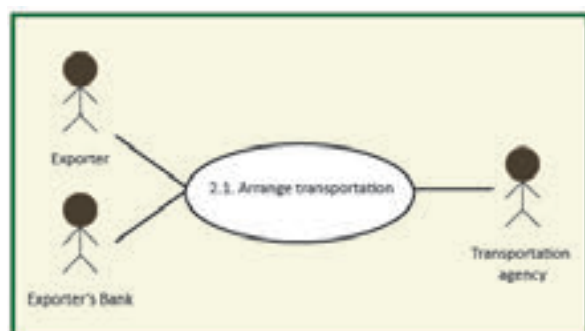
The ship process area involves 7 core business processes (Figure B3.4). As mentioned in chapter three, this process area is complicated by repetitive submission of documents, as traders have to comply with the regulatory requirements of the Republic of Moldova and the local authorities in the region of Transnistria and pass customs clearance twice.

Figure B3.4 Ship use case diagram



#### Core business process area 2.1: Arrange transport

Figure B3.5 Arrange transport use case diagram



As shown in figure B3.5, arranging the transport of goods requires the participation of:

- Exporter or his/her representative
- Exporter's Bank
- Transport agency (freight forwarder)

Figure B3.6 maps the activities carried out by the trader.

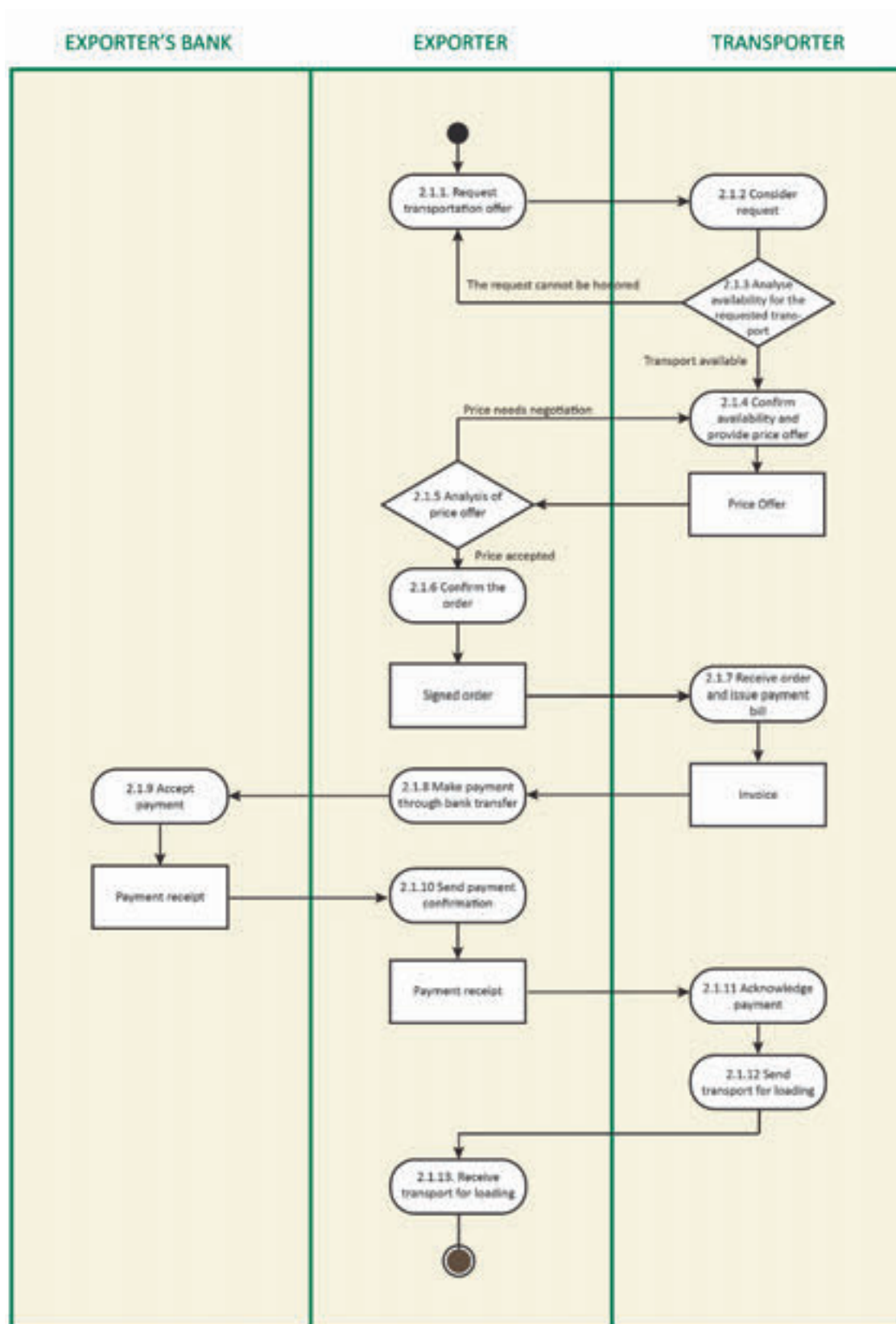


Figure B3.6 Arrange transport activity diagram

<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.1. Arrange transport
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Transportation agency</li> <li>• Exporter's Bank</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Local transport regulations in the region of Transnistria.</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The Sales Contract has been signed.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.1.1. The Exporter approaches an international freight forwarder with request for an offer.</p> <p>2.1.2. The Freight Forwarder Agency (FFA) receives and considers the request.</p> <p>2.1.3. The FFA analyses the availability for the requested transport vehicle and informs the exporter if the necessary vehicle is available on the scheduled delivery dates.</p> <p>2.1.4. If the vehicle is available, the FFA provides the exporter with a price quotation.</p> <p>2.1.5. The Exporter reviews the offer. If the offer is not convenient, the Exporter informs the FFA and negotiates a reduced price.</p> <p>2.1.6. Once the two sides reach an agreement, the Exporter confirms through a Signed Order.</p> <p>2.1.7. The FFA acknowledges the receipt of the signed order and issues a payment invoice.</p> <p>2.1.8. The Exporter makes the payment by bank transfer.</p> <p>2.1.9. The Exporter's bank issues the Payment Receipt.</p> <p>2.1.10. The Exporter sends the Payment Receipt to the FFA.</p> <p>2.1.11. The FFA prepares the transport documents</p> <p>2.1.12. The FFA sends the vehicles for loading.</p> <p>2.1.13. The Exporter receives the necessary vehicle for transport.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• The transport documents have been obtained and are in order</li> <li>• The vehicle is dispatched to the exporter's warehouse.</li> </ul>
<b>Costs and resources</b>	<ul style="list-style-type: none"> <li>• The transport costs are born by the Importer (they are deducted from the payment).</li> </ul>
<b>Average time required to complete the business process</b>	3 days

## Core business process area 2.2: Obtain the Certificate of Origin from local authorities, region of Transnistria

**Figure B3.7 Obtain Certificate of Origin from local authorities , region of Transnistria use case diagram**



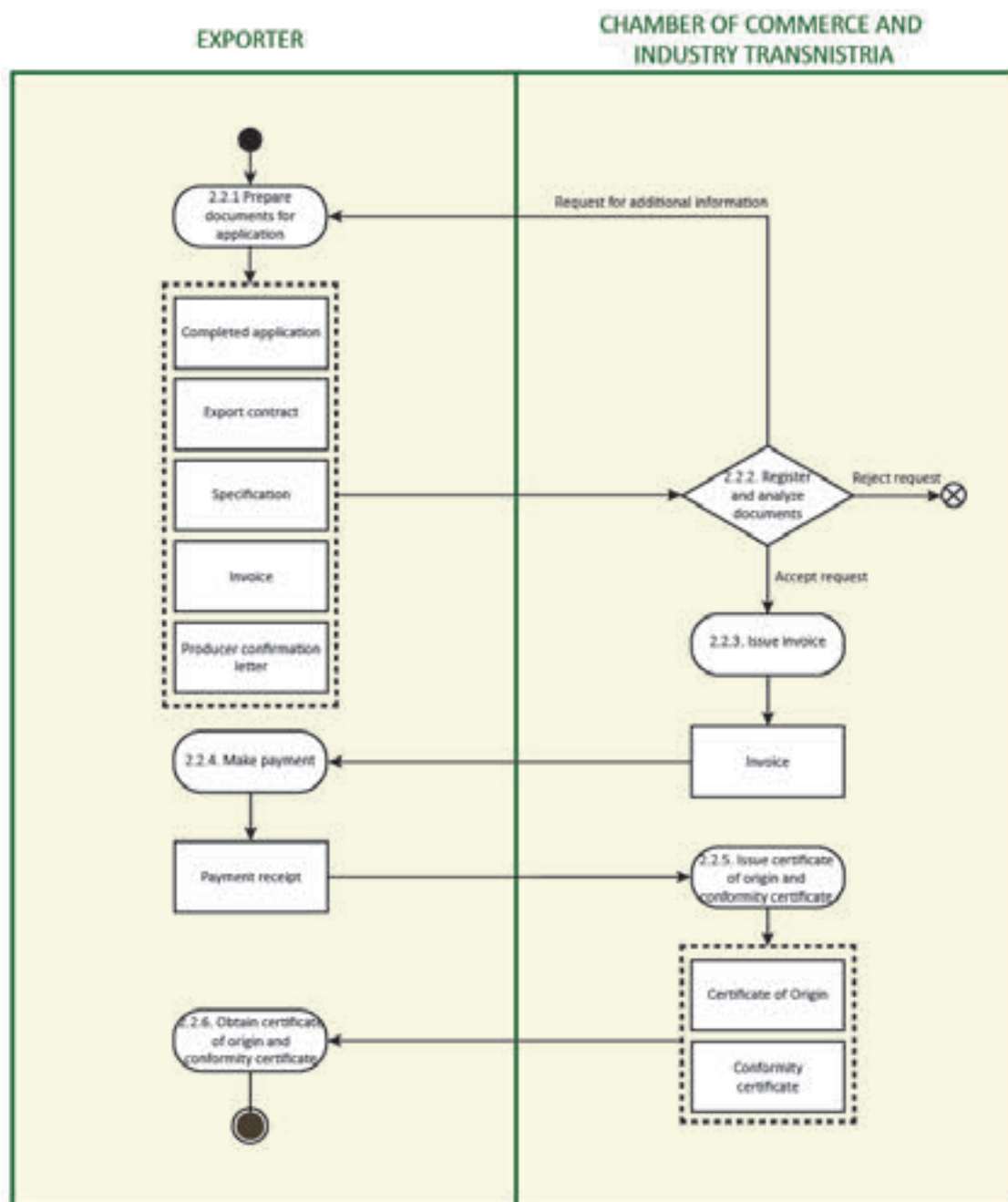
As shown in figure B3.7, Obtaining the Certificate of Origin from local authorities in the region of Transnistria requires the participation of

- Exporter or Representative
- Chamber of Commerce and Industry, region of Transnistria

Figure B3.8 maps the activities carried out by the participants

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Figure B3.8 Obtain the Certificate of Origin from local authorities (region of Transnistria) activity diagram





<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.2. Obtain the Certificate of Origin from local authorities, region of Transnistria
<b>Process participants</b>	Exporter Chamber of Commerce and Industry, region of Transnistria
<b>Related laws, rules, and regulations</b>	Regulatory requirements, region of Transnistria
<b>Input and criteria to enter/ begin the business process</b>	Exporter has concluded the sales contract and has received a registration number from the customs authorities, region of Transnistria.
<b>Activities and associated documentary requirements</b>	2.2.1. The Exporter submits the completed application form support documents for obtaining the Certificate of Origin: 2.2.2. The Chamber of Commerce and Industry registers and analyses the completed application form and support documents. 2.2.3. If the documents are in order, the Chamber of Commerce and Industry approves the submitted documents and issues the invoice. 2.2.4. The Exporter makes the payment and provides the payment receipt to the institution. 2.2.5. The Chamber of Commerce and Industry issues the Certificate of Origin. 2.2.6. The Exporter obtains the Certificate of Origin.
<b>Output criteria to exit the business process</b>	The Certificate of Origin is received by the Exporter
<b>Costs and resources</b>	600 Transnistrian ruble
<b>Average time required to complete the business process</b>	1 day

### Core business process area 2.3: Obtaining the Appraisal Act from the Republic of Moldova

**Figure B3.9 Use case diagram for obtaining the appraisal act from the Republic of Moldova**

As shown in figure B3.9, obtaining the Appraisal Act from the Republic of Moldova requires the participation of :



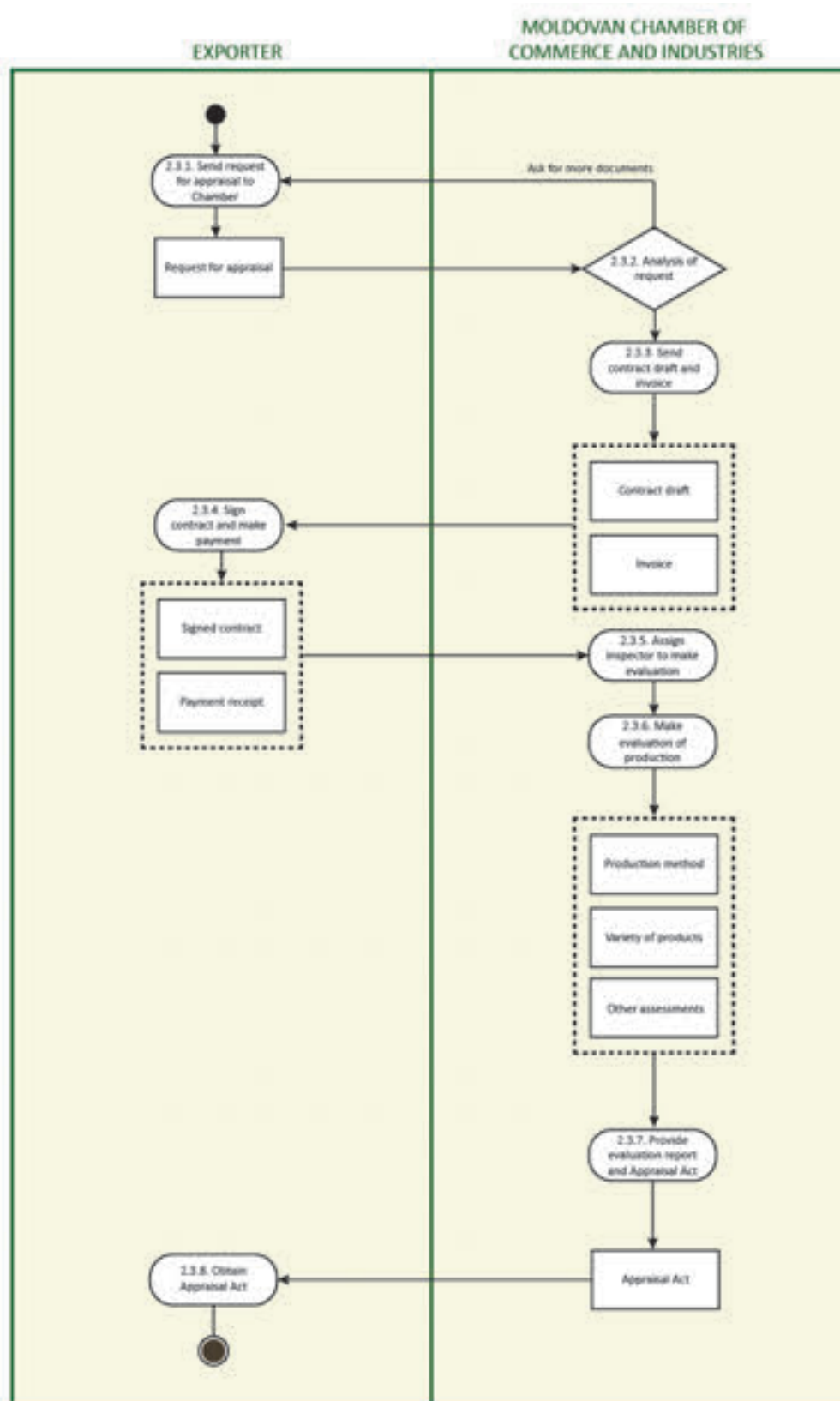
- Exporter.
- Chamber of Commerce and Industry, Republic of Moldova.

Exporters of fresh fruits and vegetables should submit an appraisal act with each shipment. As explained by the selected company, this requirement is due to the fact that several companies/farms export not only their produce but also the produce of smaller companies/

farms that lack the experience in foreign trade. The appraisal act is issued by the Chamber of Commerce and Industry and its subsidiary branches. However, complications arise in the absence of a standardized form. Each branch has its own form (with marked differences in the layout, terminologies and number of pages), rendering a situation whereby the Moldovan Customs Authorities rejects the certificate of appraisal or requests the exporter to provide a revised certificate. To avoid delays, exporters often resort to informal payments.

Figure B3.10 maps the activities carried out by the participants

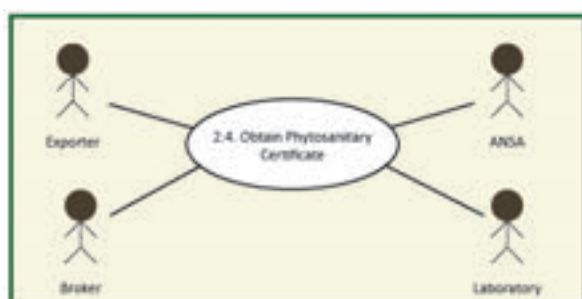
Figure B3.10 Obtain the Appraisal Act activity diagram



<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.3. Obtaining the Appraisal Act
<b>Process participants</b>	Exporter Moldovan Chamber of Commerce and Industry (CoCI)
<b>Related laws, rules, and regulations</b>	Regulatory requirements, region of Transnistria
<b>Input and criteria to enter/begin the business process</b>	Exporter has chosen the product batches for export.
<b>Activities and associated documentary requirements</b>	<p>2.3.1. The Exporter sends the request for appraisal to the Moldovan Chamber of Commerce and Industry along with the support documents.</p> <p>2.3.2. The Moldovan Chamber of Commerce and Industry analyses the request and support documents and decides as to the need for further documents.</p> <p>2.3.3. The Moldovan Chamber of Commerce and Industry sends a draft contract and the invoice for payment for the appraisal services.</p> <p>2.3.4. The Exporter signs the contract, makes the payment and provides the payment receipt.</p> <p>2.3.5. The Moldovan Chamber of Commerce and Industry assigns an inspector conduct the onsite evaluation.</p> <p>2.3.6. The inspector visits the storage facilities of the Exporter. The inspector evaluates the production methods, and the goods designed for export.</p> <p>2.3.7. The inspector provides the evaluation report and the Appraisal Act.</p> <p>2.3.8. The Exporter obtains the Appraisal Act.</p>
<b>Output criteria to exit the business process</b>	Exporter has obtained the Appraisal Act.
<b>Costs and resources</b>	up to 1800 MLD
<b>Average time required to complete the business process</b>	3 days.

## Core business process area 2.4: Obtain phytosanitary certificate from the Republic of Moldova

Figure B3.11 Obtain phytosanitary certificate use case diagram

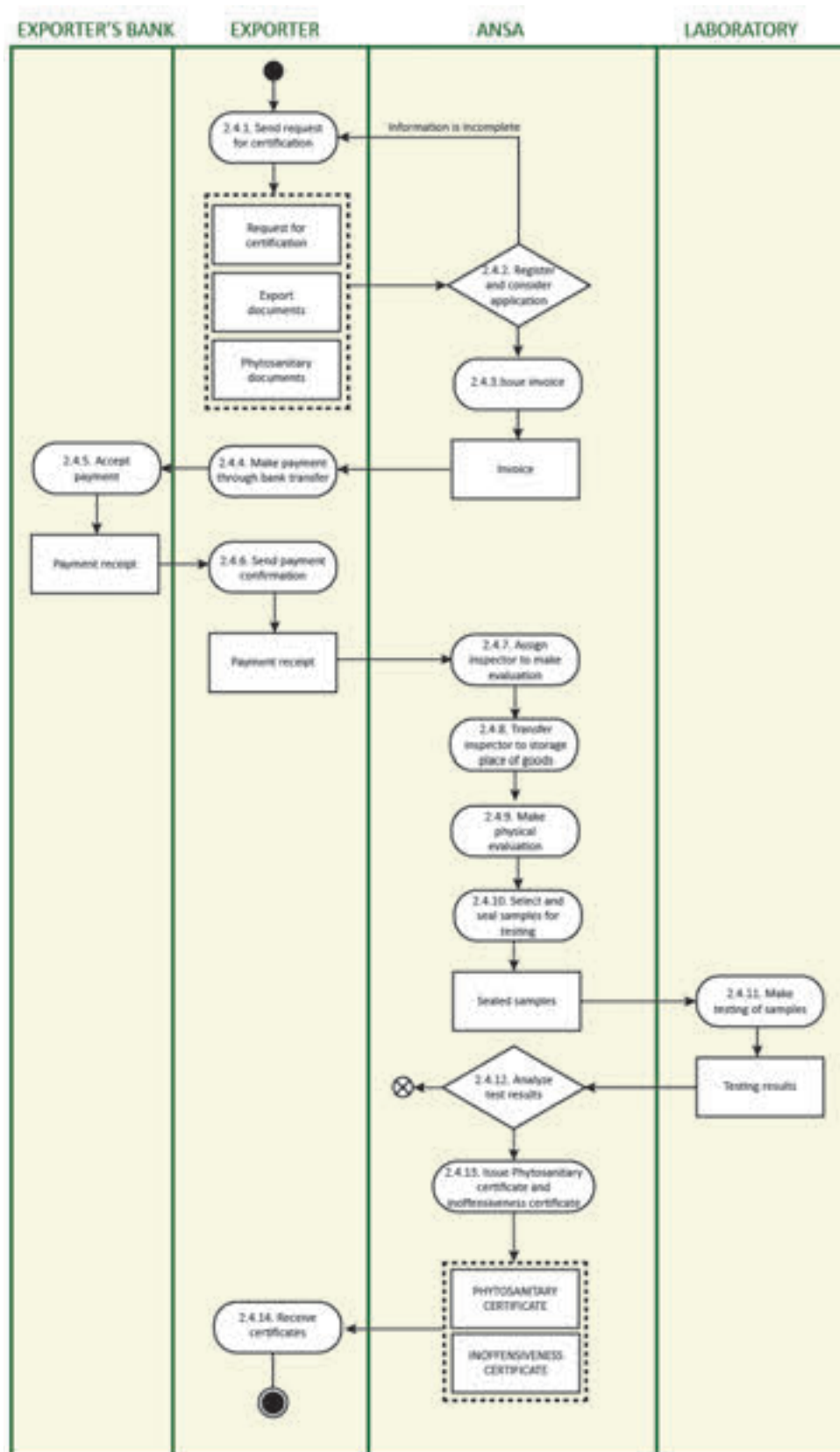


As shown in figure B3.11, Obtaining the phytosanitary certificate requires the participation of:

- Exporter or Representative
- Exporter's Bank
- National Agency for food products safety (ANSA), Republic of Moldova
- Testing laboratory

Fresh fruits and vegetables originating from the region of Transnistria are invariably tested as part of the procedures for issuing the phytosanitary certificates, since the ANSA inspectors do not have regular access to the farms and warehouse facilities to conduct regular inspections during the harvest season. Figure B3.12 maps the activities carried out by the participants

Figure B3.12 Obtain the phytosanitary certificate activity diagram

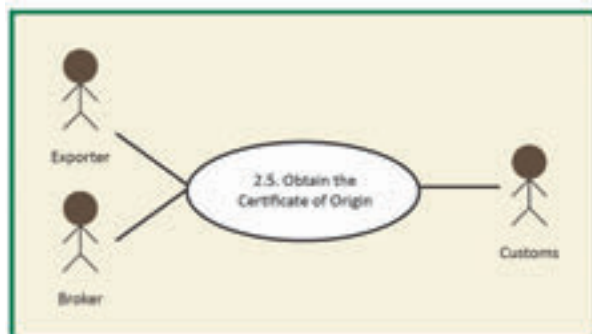


<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.4. Obtain phytosanitary certificate
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Exporter's Bank</li> <li>• ANSA</li> <li>• ANSA Laboratory</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Law no. 228 of 23.09.2010 on plant protection and phytosanitary quarantine.</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	<ul style="list-style-type: none"> <li>• The consignments have been assembled at the exporter's warehouse facilities and are ready for shipment.</li> </ul>
<b>Activities and associated documentary requirements</b>	<p>2.4.1. The Exporter submits the filled in request from along with the support documents</p> <p>2.4.2. The agency receives and considers the offer request. If the information is incomplete, the agency may ask for further information.</p> <p>2.4.3. If the list of documents is complete, ANSA issues the invoice for the services of certification.</p> <p>2.4.4. The Exporter receives the payment invoice and makes the payment through bank transfer.</p> <p>2.4.5. The Exporter's bank accepts the payment and issues the Payment Receipt.</p> <p>2.4.6. The Exporter sends the Payment Receipt to the certification agency.</p> <p>2.4.7. ANSA acknowledges the payment and assigns an inspector to make the evaluation.</p> <p>2.4.8. The ANSA assigned inspector visits the warehouse facilities of the exporter.</p> <p>2.4.9. The inspector conducts physical evaluation to identify first evidence of potential fruit/vegetables diseases.</p> <p>2.4.10. The inspector takes samples if the consignment is suspected of being infested with harmful organisms, seals the samples in special containers and dispatches the samples to the laboratory.</p> <p>2.4.11. The laboratory conducts the tests and issues the results.</p> <p>2.4.12. ANSA analyses the test results.</p> <p>2.4.13. If the results are in order and meets the regulatory requirements, the ANSA issues the phytosanitary certificate, together with the inoffensiveness certificate, if the goods are destined to the Russian Federation.</p> <p>2.4.14. The Exporter receives the certificates.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• Exporter receives the phytosanitary certificate.</li> </ul>
<b>Costs and resources</b>	<ul style="list-style-type: none"> <li>• The price of the certificate is calculated depending on the type of product and the number of hours invested in the filed visit. Costs are range between 1500-1750 MLD per batch , including the laboratory tests</li> </ul>
<b>Average time required to complete the business process</b>	3 days if the support documents are in order

## Core business process area 2.5: Obtain the Moldovan Certificate of Origin

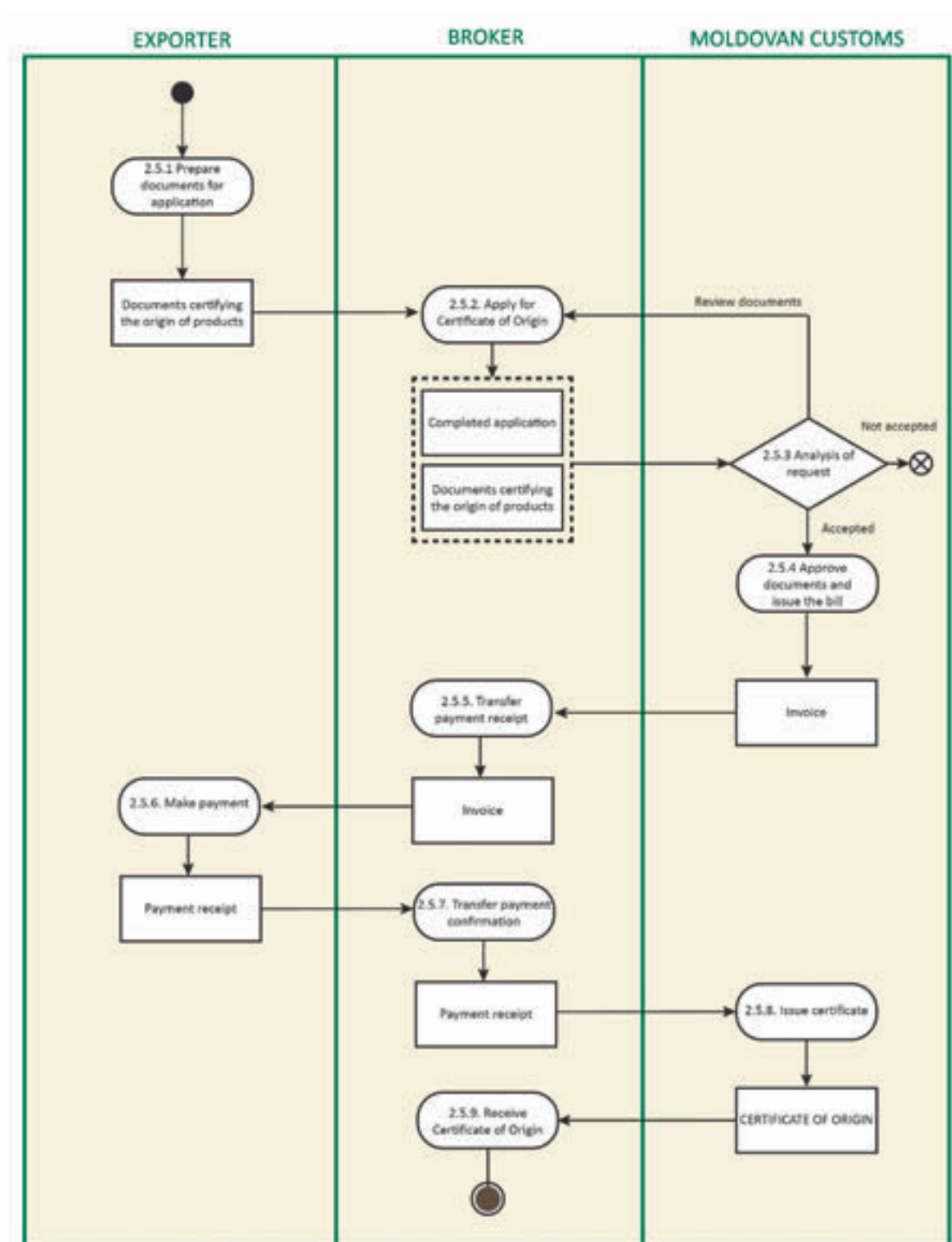
### Figure B.13 Obtain the Moldovan Certificate of Origin use case diagram

As shown in figure B.13, obtaining the certificate of origin for shipments destined to the EU requires the participation of:



- Exporter or Representative
  - Broker
  - The Customs Service of the Republic of Moldova
- Even as companies operating in the region of Transnistria could apply directly to the Customs Service of the Republic of Moldova, the majority opt to use the services of customs brokers. This is mainly because companies have limited knowledge of the administrative procedures and regulatory requirements associated with obtaining this trade document. Figure B.14 maps the activities carried out by the exporter.

Figure B.14 Obtain the Certificate of Origin activity diagram



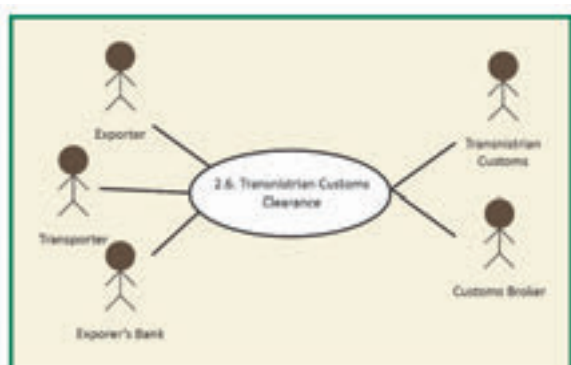
<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.5. Obtain the certificate of origin
<b>Process participants</b>	Exporter Customs Authorities, Republic of Moldova Customs broker
<b>Related laws, rules, and regulations</b>	Custom Code nr.1149-XIV from 20.07.2000 Law no. 1380 of 20.11.1997 on Customs tariff Government Decision no. 1599 from 13.12.2002 regarding rules of origin of goods Government Decision nr.761 from 17.09.2014 regarding the approval of the Regulation on completion, authentication, issuing and control of preferential certificates of origin of goods Customs Service Order no. 412-O from 23.09.2014 regarding norms for completion of preferential certificates of goods
<b>Input and criteria to enter/begin the business process</b>	Exporter has contracted a customs broker and has obtained all the necessary support documents (certifying the origin of the products) that should be submitted along with the complete application form
<b>Activities and associated documentary requirements</b>	2.5.1. The Exporter provides the Broker with the documentary requirements for submitting the application. 2.5.3. The Broker fills out the application and submits to the Customs authorities along with the support document. 2.5.3. The Customs Office registers the application and analyses the submitted documents. 2.5.4. If the application request and support documents are in order, the Customs Office approves the submitted documents and issues the bill/invoice for duty payment. 2.5.5. The Broker sends the payment receipt to the Exporter. 2.5.6. The Exporter makes the payment to the Broker and sends the Payment Confirmation Receipt. 2.5.7. The Broker transfers the payment to the Moldovan customs, and provides the Payment Receipt. 2.5.8. The Customs receives the payment confirmation and issues the Certificate of Origin. 2.5.9. The Broker receives the Certificate of Origin.
<b>Output criteria to exit the business process</b>	The Certificate of Origin is received by the Broker.
<b>Costs and resources</b>	6 EUR + VAT
<b>Average time required to complete the business process</b>	3 days



## Core business process area 2.6: Pass Customs Clearance, the region of Transnistria

**Figure B.15 Customs Clearance, the region of Transnistria use case diagram**

As shown in figure B.15 passing the customs clearance in the region of Transnistria requires the participation of:

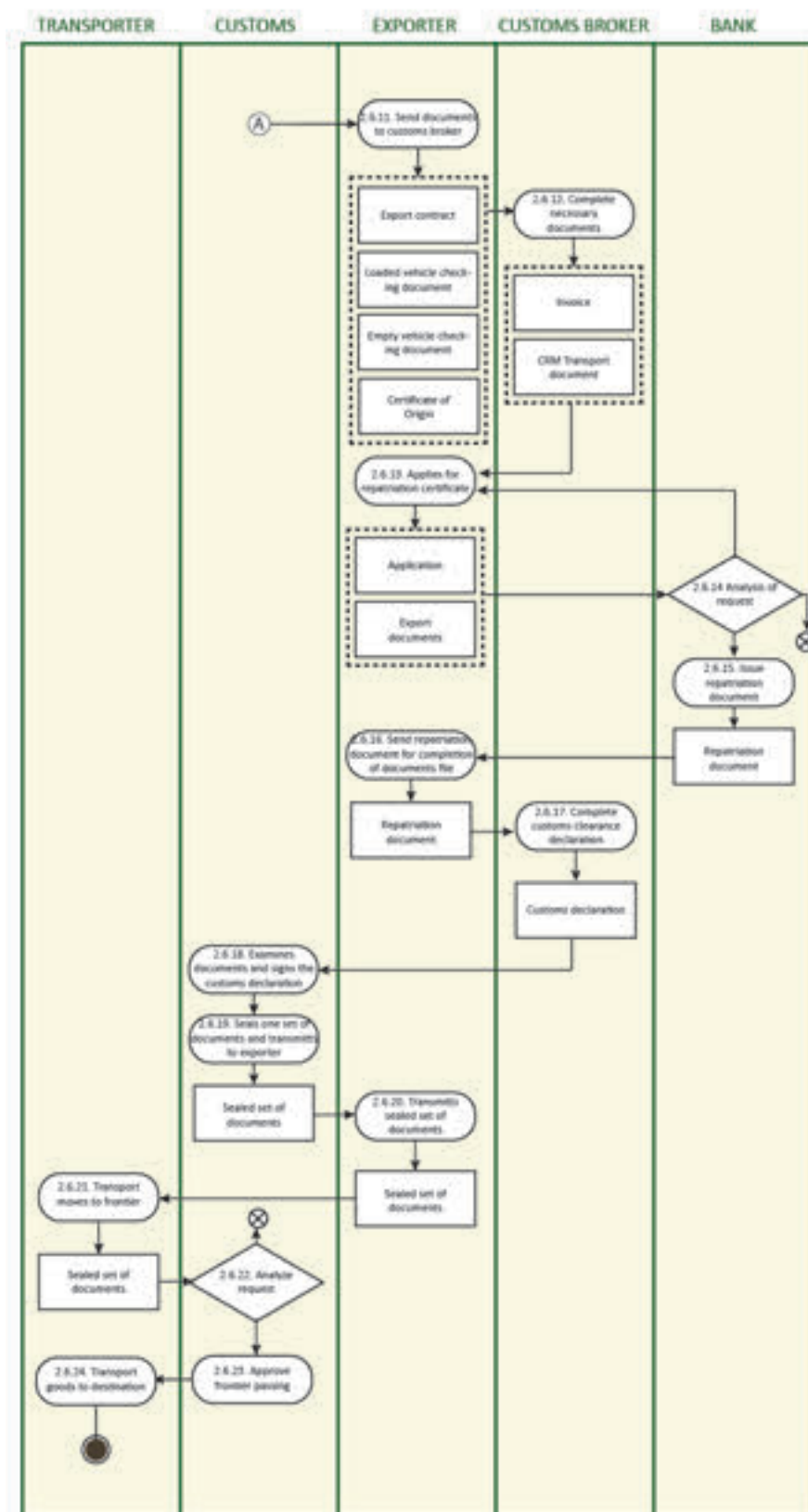


- Exporter or Representative
- Transport operator
- Exporter's Bank
- Customs Broker
- Local customs authorities, region of Transnistria

In 2016, the local customs authority in the region of Transnistria launched an online system, which allows traders to submit customs declarations online from their own premises. However, traders reported that they were still unable to submit the declarations electronically, despite installing the required software, due to technical shortfalls in the Customs system.

Moreover, customs clearance procedures tend to be complex so that they pose a significant disincentive to trade, especially for small companies. Most significant in this respect are the procedures associated with vehicle weighing. Interviewed traders reported that the weighing of vehicles is carried out using a special scale, accredited by the Customs, and costs 100 rubbles per vehicle (if empty) and 200 rubbles per vehicle (if loaded). If a company opts for using its own scale, it should first accredit the scale, which involves assuming additional costs in the order of €900 per year (paid in three instalments), in addition to customs service fees in the order of 240 rubbles per hour per shipment (as customs dispatches an officer to monitor the loading of goods). The customs service fee can reach prohibitive levels, since the loading process can extend for several hours, and in the case of large shipments, an entire day. Figure B.16 maps the activities associated with passing customs clearance, region of Transnistria.

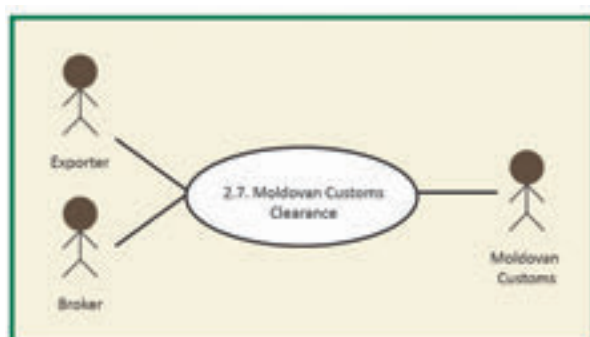
Figure B.16 Pass Customs Clearance, region of Transnistria " activity diagram



<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.6. Customs Clearance, region of Transnistria
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter or Representative</li> <li>• Transporter</li> <li>• Exporter's Bank</li> <li>• Customs Broker</li> <li>• Transnistrian Customs</li> </ul>
<b>Related laws, rules, and regulations</b>	Regional Legal framework
<b>Input and criteria to enter/begin the business process</b>	Goods are ready for shipment.
<b>Activities and associated documentary requirements</b>	<p>2.6.1. The Exporter notifies the customs authorities.</p> <p>2.6.2. The Customs sends an officer to monitor the loading process and associated procedures.</p> <p>2.6.3. The Customs officer weights the empty vehicle before loading the goods and issues a checking document accordingly.</p> <p>2.6.4. Once the document is issued, the Exporter loads the vehicle with the goods destined for export.</p> <p>2.6.5. The Customs officer weights the loaded vehicle and issues a Loaded vehicle checking document.</p> <p>2.6.6. The Customs officer seals the loaded vehicle .</p> <p>2.6.7. The Exporter loaded vehicle is dispatched to the Customs terminal.</p> <p>2.6.8. The Transporter moves the goods to the Customs terminal.</p> <p>2.6.9. Transporter signs a custody contract and leaves the loaded goods in the custody of the Customs.</p> <p>2.6.10. The Customs receive the custody of loaded goods, and the vehicle is stationed at the Customs warehouse.</p> <p>2.6.11. The Exporter sends support documents to customs broker.</p> <p>2.6.12. Based on the provided documents, the customs broker completes the invoice and the CRM transport document and sends them to the Exporter.</p> <p>2.6.13. The Exporter applies for the repatriation certificate at the Bank, by annexing the completed application and all the export documents, including the ones provided by the Customs officer and the customs broker.</p> <p>2.6.14. The bank reviews the request and decides as to whether additional support documents are needed.</p> <p>2.6.15. The bank issues the repatriation certificate.</p> <p>2.6.16. The Exporter sends the repatriation certificate to the customs broker</p> <p>2.6.17. The broker completes the customs clearance declaration and prints it in 3 copies for eventual signature by the Transnistrian customs.</p> <p>2.6.18. The Customs examine the documents for signature. The customs retains a copy of the customs declaration.</p> <p>2.6.19. The Customs seal one set of export documents, containing the document provided by the broker and the customs clearance declaration.</p> <p>2.6.20. The Exporter transmits the sealed set of documents to the transporter.</p> <p>2.6.21. The Transporter moves to the frontier and submits the sealed set of documents to the Customs officer.</p> <p>2.6.22. The Customs officer reviews the documents.</p> <p>2.6.23. The Customs approve the vehicle for frontier passing.</p> <p>2.6.24. The Transporter moves the goods to the destination.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• The vehicle is released for passing customs clearance</li> </ul>
<b>Costs and resources</b>	<p>240 rubles/hour for Customs officer during office hours, 480 rubles/hour outside of office hours;</p> <p>100 rubles for empty vehicle checking and 200 rubles for loaded vehicle checking;</p> <p>900 euro/year for accreditation of the personal scale.</p>
<b>Average time required to complete the business process</b>	2-3 days

## Core business process area 2.7: Passing Moldovan Customs Clearance

Figure B.17 Moldovan customs clearance use case diagram



As shown in figure B.17, passing the Moldovan Customs requires the participation of:

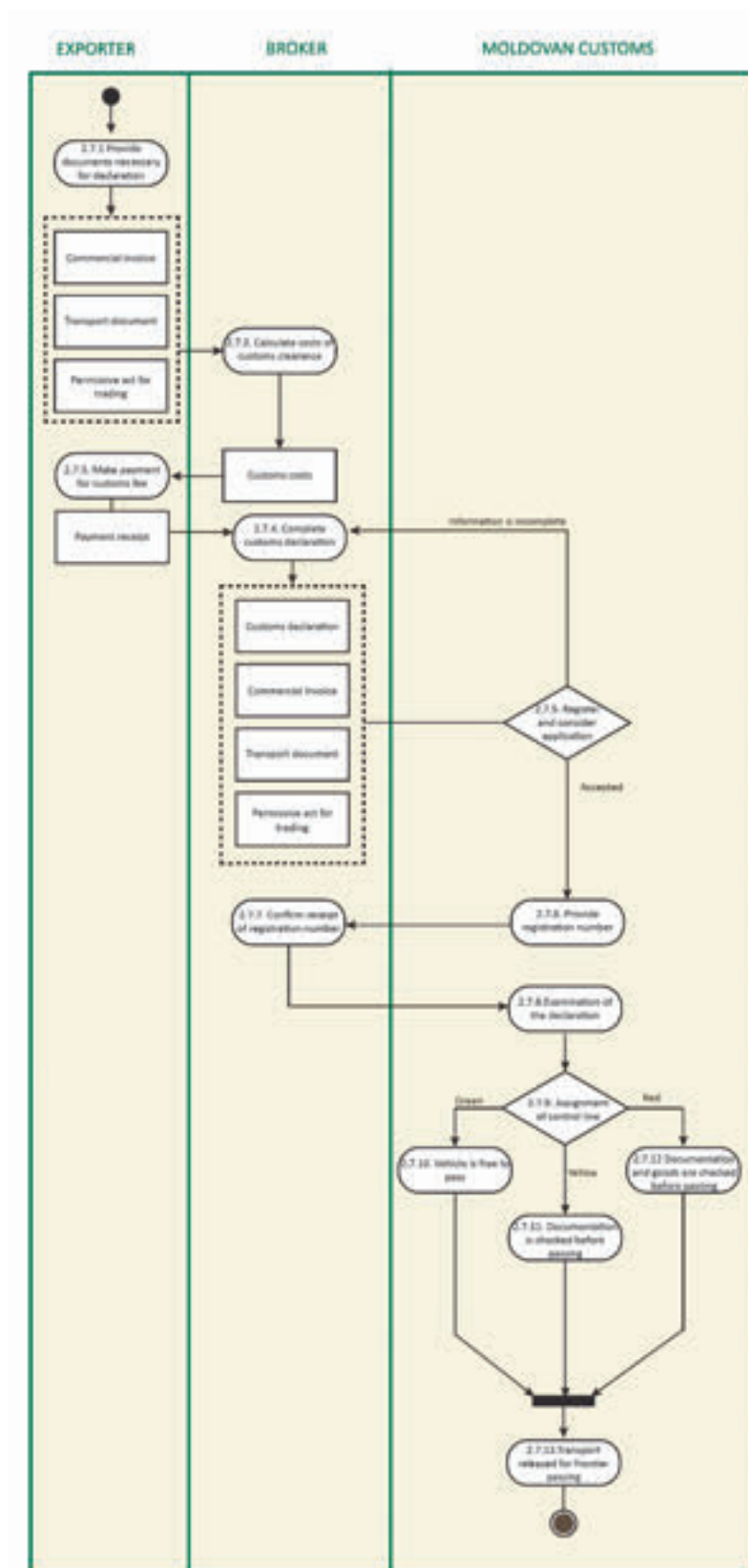
- Exporter or Representative
- Custom Service of the Republic of Moldova
- Customs broker

The customs legislation in the Republic of Moldova does not differentiate between companies operating in west and east banks of the Nistru River.<sup>8</sup> Moreover, since 2013, exporters could submit customs declarations electronically, either directly or through customs brokers.<sup>9</sup> Figure B.18 maps the activities carried out under this core business process.

<sup>8</sup> See, Republic of Moldova Order No.292 of 25 June 2013 “Regarding the facilitation of exports of goods”

<sup>9</sup> See Republic of Moldova Government Decision No 904 of 13 June 2013 on “Regulation on electronic customs procedure applied to exported goods”.

Figure B.18 Moldovan customs clearance activity diagram

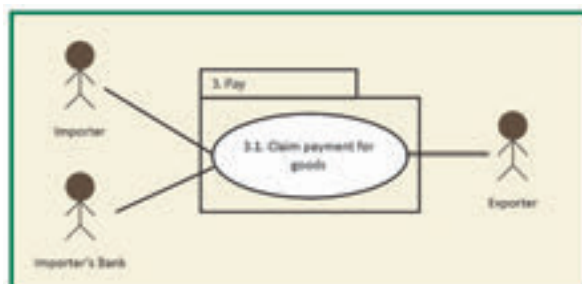


<b>Name of process area</b>	2. Ship
<b>Name of Business process</b>	2.7. Customs Clearance
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Customs</li> <li>• Broker</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Order on approving the technical norms regarding the printing, use and completing the customs declaration in detail no. 346-A of 24.12.2009;</li> <li>• Government Decision no. 1140 from 02.11.2005;</li> <li>• Order no.519-o from 29/12/2014;</li> <li>• Government Decision no 904, June 13, 2013 "Regulation on electronic customs procedure applied to exported goods";</li> <li>• Customs Service Order no.292, June 25, 2013 "Regarding the facilitation of exports of goods".</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	The customs broker is registered with Customs as a user of ASYCUDA World. Goods have been loaded and are ready for shipment. Customs duties have been paid and the shipment has been approved.
<b>Activities and associated documentary requirements</b>	<p>2.7.1. The Exporter sends the Broker the required support documents</p> <p>2.7.2. The Broker calculates the costs of the customs duty fees and informs the Exporter. The customs costs are calculated as a percentage of the total value of the exported goods.</p> <p>2.7.3. The Broker submits the customs declaration online</p> <p>2.7.4. If the information is incomplete, the system will automatically inform the Broker.</p> <p>2.7.5. If the submission is in order, the system generates a registration number.</p> <p>2.7.6. The Broker acknowledges the registration number by providing the digital signature.</p> <p>2.7.7. Within a maximum of one hour, the system will provide the information regarding the line through which the shipment is approved to pass. The Customs declaration is electronically examined by the Customs inspector.</p> <p>2.7.8. The declaration received by the Customs Service is assigned automatically to one of the SIIV ASYCUDA World processing lanes: red, yellow and green.</p> <p>2.7.9. If the shipment is assigned to the green lane, goods are cleared without any further control.</p> <p>2.7.10. If the shipment is assigned to the yellow lane, goods are cleared after a documentation control.</p> <p>2.7.11. If the declaration was assigned to the red lane, goods are cleared after the documentation control and the physical control of goods.</p> <p>2.7.12. If the transportation vehicle meets the assigned lane's requirements, the shipment is released for frontier passing.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• Exporter receives a message from system inclusive of a Declaration's reference number notifying that the Export Declaration has been accepted.</li> <li>• The status of Export Declaration has been updated to Export Declaration ready for customs release.</li> <li>• Goods are released</li> </ul>
<b>Costs and resources</b>	480 MLD (cost of custom broker services)
<b>Average time required to complete the business process</b>	1 hour

### 3.3 PAY

#### Core business process area 3.1: Claim payment for goods

Figure B.19 Claim payment use case diagram



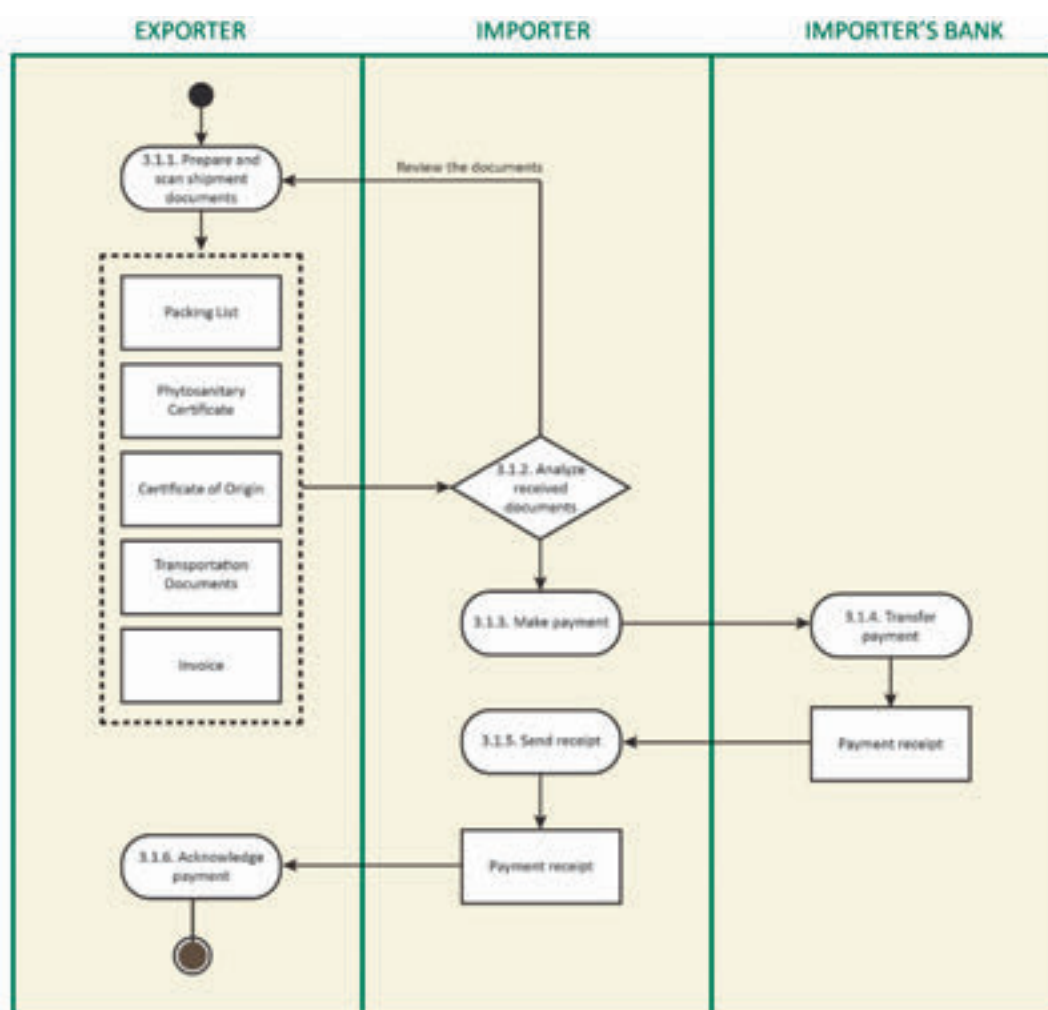
As shown in figure B.19, claiming payment requires the participation of:

- Importer
- Exporter
- Importer's Bank.

Importers structure payment in one instalment, which is wire transferred to the export's bank upon dispatching the shipment to its final destination. The

selected company reported that it is often the case that buyers effect the payment after the examination of the goods, with significant delays. The selected company also reported that some buyers reject the goods altogether. Figure B.20 maps the activities associated with claiming payments.

Figure B.20 Claim payment for goods activity diagram





<b>Name of process area</b>	3. Pay
<b>Name of Business process</b>	3.1. Claim payment for goods
<b>Process participants</b>	<ul style="list-style-type: none"> <li>• Exporter</li> <li>• Importer</li> <li>• Importer's Bank</li> </ul>
<b>Related laws, rules, and regulations</b>	<ul style="list-style-type: none"> <li>• Regional legal framework</li> </ul>
<b>Input and criteria to enter/begin the business process</b>	Exporter has already fulfilled contractual agreement and the cargo has been shipped to final destination.
<b>Activities and associated documentary requirements</b>	<p>3.1.1 Exporter informs the Importer about the finishing of export procedures and that goods are ready to be transported to the destination and scans the documents necessary for import formalities</p> <p>3.1.2. The Importer analyses the received documents and decides whether the list of documents is complete. If the documents are incomplete, the Importer asks the Exporter to review the list of documents.</p> <p>3.1.3. The Importer wire transfers the payment in one instalment.</p> <p>3.1.4. The Importer's bank accepts the payment and issues the payment receipt.</p> <p>3.1.5. The Importer sends the confirmation of the payment to the Exporter.</p> <p>3.1.6. The Exporter acknowledges the payment receipt.</p>
<b>Output criteria to exit the business process</b>	<ul style="list-style-type: none"> <li>• Exporter received the payment.</li> </ul>
<b>Costs and resources</b>	N/A
<b>Average time required to complete the business process</b>	2 days (minimum)

## B.4 Export documents

As shown in tables B4.1 and B4.2, exporters have to prepare 2 sets of documents in order to fulfil the requirements of the double clearance system in place, which not only increases the number trade documents but also involves repetitive submission of both key and support documents.

**Table B4.1 List of main and supporting document required for exports (Republic of Moldova)**

Document	Required by	Issued / filled by	Input in process	Comments, Descriptions
<b>1. Key documents</b>				
<b>Customs Declaration</b>	Customs	Exporter or Customs Broker	Ship: customs clearance	
<b>Commercial Invoice</b>	Exporter	Exporter	Ship: customs clearance	
<b>Packing list</b>	Customs	Freight forwarder	Ship: customs clearance	

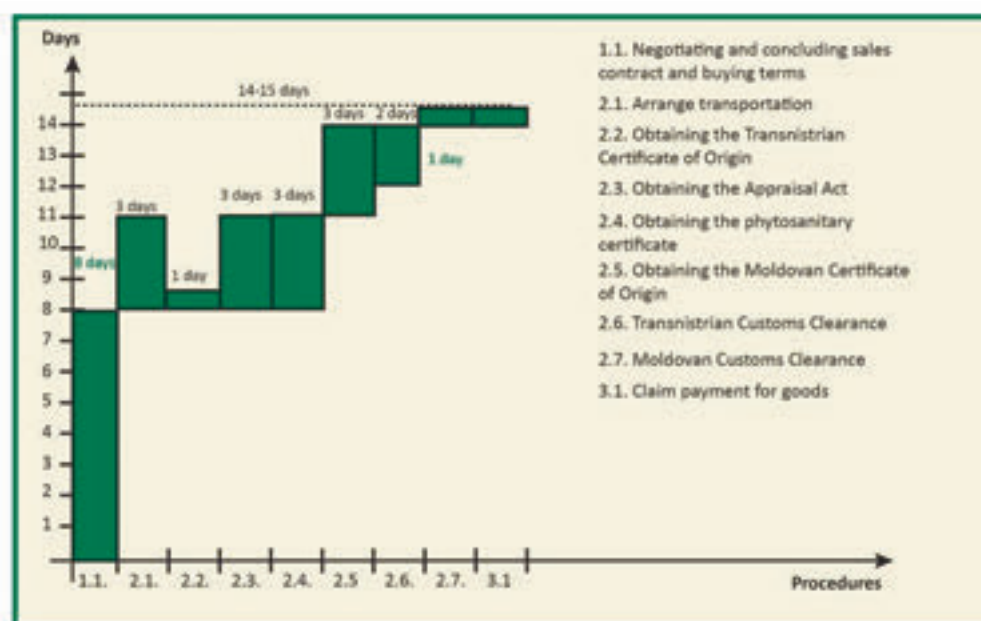
<b>Certificate of Origin</b>	Customs	Chamber of Commerce and Industry	Ship: customs clearance	ST-1 for CIS EUR. 1 movement- for EU EUR 1. transport for CEFTA Form A – for countries offered GSP to Moldova Form C – other countries
<b>Phytosanitary certificate</b>	National Food Safety Agency (ANSA)	ANSA	Ship: customs clearance	Need for Customs Clearance and for Importer
<b>Certificate of analysis</b>	ANSA	ANSA	Ship: customs clearance	Need for Customs Clearance and for Importer
<b>CMR</b>	Transport operator	Exporter	Ship: customs clearance	
<b>2. Inputs for obtaining the phytosanitary certificate</b>				
<b>Completed application form</b>	ASNA	Exporter	Ship	
<b>Certificate for plant protection products</b>	ANSA	ANSA	Ship: Obtain phytosanitary certificate	At the request of importing country
<b>Certificate of Analysis</b>	ANSA	ANSA Laboratory	Ship: Obtain phytosanitary certificate	Also used to get Safety certificate required for exports to Russian market
<b>Quarantine expertise certificate for plants and plants products</b>	ANSA	State Inspectorate for Phytosanitary Quarantine	Ship: Obtain phytosanitary certificate	
<b>Sales contract (copy)</b>	ANSA	Exporter	Ship: Obtain phytosanitary certificate	
<b>Invoice (copy)</b>	ANSA	Exporter	Ship: Obtain phytosanitary certificate	
<b>Phytosanitary inspection act of vehicles and goods</b>	ANSA	ANSA	Ship: Obtain phytosanitary certificate	Issued by ANSA inspector after site visit
<b>3. Inputs for obtaining the Certificate of Origin</b>				
<b>Completed application form</b>	Customs	Exporter	Ship: Obtain Certificate of Origin	
<b>Sales contract</b>	Customs	Exporter	Ship: Obtain Certificate of Origin	
<b>Invoice</b>	Customs	Exporter	Ship: Obtain Certificate of Origin	
<b>Production inspection act</b>	Customs	Customs	Ship: Obtain Certificate of Origin	Issued following on-sight inspection
<b>Certificate of Appraisal</b>	Customs	Chamber of Commerce and Industry	Ship: Obtain Certificate of Origin	Issued following on-sight inspection

**Table B4.2 List of main and supporting document required for exports (Region of Transnistria)**

Document	Required or owned by	Issued / filled by	Input in process	Comments, Descriptions
<b>1. Key documents (needed for export and import in the destination country)</b>				
<b>Customs Declaration</b>	Customs	Customs / Customs Broker	Ship: customs clearance	
<b>Sales contract</b>	Customs	Exporter	Ship: customs clearance	
<b>Repatriation certificate</b>	Customs	Exporters Bank	Ship: customs clearance	
<b>Invoice</b>	Exporter	Exporter	Ship: customs clearance	
<b>Packing list</b>	Exporter	Exporter	Ship: customs clearance	
<b>Certificate of Origin</b>	Customs	Chamber of Commerce and Industry Tiraspol	Ship: customs clearance	
<b>CMR</b>	Transports operator	Exporter	Ship: customs clearance	
<b>Empty vehicle checking document</b>	Customs	Customs	Ship: customs clearance	
<b>Loaded vehicle checking document</b>	Customs	Customs	Ship: customs clearance	
<b>2. Inputs for obtaining repatriation certificate</b>				
<b>Completed application form</b>	Bank	Exporter	SHIP: Get repatriation certificate	
<b>Sales contract</b>	Exporter	Exporter	SHIP: Get repatriation certificate	
<b>Commercial invoice</b>	Exporter	Exporter	SHIP: Get repatriation certificate	
<b>3. Inputs for obtaining the Certificate of Origin</b>				
<b>Completed application form</b>	Chamber of Commerce and Industry	Exporter	SHIP: Get Certificate of Origin	
<b>Contract</b>	Exporter	Exporter	SHIP: Get Certificate of Origin	
<b>Invoice</b>	Exporter	Exporter	SHIP: Get Certificate of Origin	
<b>Certificate of Appraisal</b>	Chamber of commerce and industry	Regional Administration body	SHIP: Get Certificate of Origin	Issued to certify quantity of goods harvested

## B.5 Time process chart

Figure B5.1 Time-process chart for exporting and vegetables export from the region of Transnistria



As shown in figure B5.1, and just as the case of wine exporters, the most time consuming core-business process for fruits and vegetables exporters is the conclusion of the sales contract. The

selected exporter completes this process in 8 days, starting from the moment he receives the buyer's confirmation of interest. Shipping the cargo takes 15 days, even as the exporter undertakes most of the associated processes simultaneously (Table 5.1).

Table A5.1 Sequencing of business processes for exporting fruits and vegetables from the region of Transnistria

Core business process	Duration	Predecessor	Simultaneous tasks
<b>1. Buy</b>			
1.1. Negotiating and concluding sales contract and buying terms	8 days	N/A	N/A
<b>2. Ship</b>			
2.1. Arrange transportation	3 days	1.1.	2.2, 2.3, 2.4
2.2. Obtaining the Transnistrian Certificate of Origin	2 hours	1.1.	2.1, 2.3, 2.4
2.3. Obtaining the Appraisal Act	3 days	1.1	2.1, 2.2, 2.4
2.4. Obtaining the phytosanitary certificate	3 days	1.1	2.1, 2.2, 2.3
2.5. Obtaining the Moldovan Certificate of Origin	3 days	2.4	2.6
2.6. Transnistrian Customs Clearance	2 days	2.2	2.5
2.7. Moldovan Customs Clearance	1 hour	2.6	N/A
<b>3. Pay</b>			
3.1. Claim payment for goods	1 day	2.1, 2.2	2.3

Arranging Transport takes up to three days to complete from the moment the exporter concludes the contract negotiations with a freight forwarder, which usually takes several weeks. Obtaining the CoO from the local authorities in the region of Transnistria takes 2 hours, upon the submission of the Appraisal Act (issued by the CCI, region of Transnistria). However, passing customs control takes 2-3 days due to errors in submitted documents and delays in submitting the repatriation declaration.

Traders commence preparations for passing customs in Republic of Moldova simultaneously using the services of customs brokers. The customs brokers also assist the traders in obtaining the necessary documents, including the CoO. The selected exporter noted that the wait period is 3 days in average, since issuing the CoO involves on-site inspections by customs (for preferential CoOs) or the CCI of the Republic of Moldova (for non-preferential CoOs). Obtaining the phytosanitary certificate also involves on-site inspections by the ANSA (since the farms are not subject regular monitoring by ANSA during the harvesting season) as well laboratory tests.

The Pay process is usually completed in one day, even though the banking transfer may take 2-3 days. As the loading of goods in the transportation vehicle is completed, the sends the scanned documents for import and claims the payment for the goods. The term of 1 day is actually very encouraging, as there are cases when international partners can choose to postpone the payment until the goods have arrived to the destination, case in which the Exporter needs to wait several extra days to complete the process.

## B.6 Recommendations

The BPA shows that the list of documentary requirements that exporters operating in the region of Transnistria have to comply with is long and exceeds the list of documents that traders operating in Moldova should comply with. This is so because companies operating in the region have to follow the legislations of both banks of the river, and therefore, obtain two sets of documents. State inspectors in Moldova cannot always conduct field visits in the region of Transnistria during the vegetation period, thereby resulting in additional tests. The need to streamline regulatory and administrative procedures cannot be over-emphasized.

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# Regulatory and Procedural Barriers to Trade in the Republic of Moldova

## Needs Assessment

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