

THE ROLE OF DEEP AND COMPREHENSIVE FREE TRADE AREA AGREEMENT (DCFTA) IN TACKLING COVID-19

I. EXECUTIVE SUMMARY

The project "DCFTA as a Mitigation Tool for Business Recovery from COVID-19 Effects in Georgia, Moldova and Ukraine", being implemented by the European Business Association Moldova, European Business Association Georgia and European Business Association Ukraine, aims to explore the role of the DCFTA as a tool for the private sector from all three Countries to deal with disruptions in their entrepreneurial activity, caused by Covid-19, as well as to identify opportunities, deficiencies and possible quick solutions, policy improvements for businesses under the implementation of the DCFTA provisions.

In the context of the current Project, the European Business Association (EBA Moldova) developed this analysis based on the survey of the private sector involving bilateral discussions with businesses and business support organizations, as well as members of the Prime Minister's Economic Council, the strongest Public-Private Dialogue Platform in Moldova.

In the period of 1-21 July 2020, EBA Moldova conducted a survey of the Moldovan and European companies operating in such areas as automotive production, retail, heavy industry, postal services, tourism, energy, financial sector, beverage industry, food production, tobacco import, electronic and legal services. In addition, EBA Moldova collected main issues related to DCFTA's implementation from the biggest Business Support Organizations under the umbrella of the Prime Minister's Economic Council. This exercise represents a snapshot of the current status of DCFTA practical implementation which could be used as a toll to recover from Covid-19 impact.

In the paper's development process, EBA Moldova followed the structure of the title V of the EU-Moldova Association Agreement (DCFTA). The answers and feedback of the private sector have been attributed to Chapters and Sections of the DCFTA. Where possible concrete recommendations were provided to address the issue expressed by the business community. In addition, some feedback of the private sector is presented in the Annex 1 to the document.

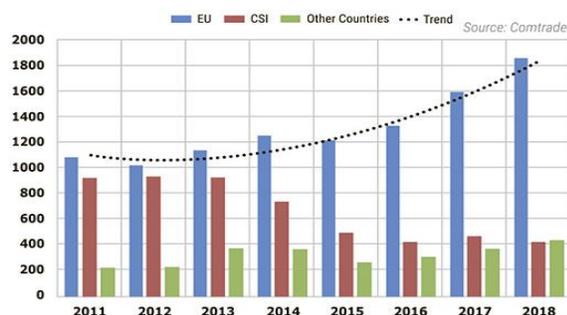
The results of the analysis and the position paper on recommendations on how the DCFTA can be used as a mitigation tool for business recovery from the COVID-19 and main findings in the implementation of DCFTA in Moldova was presented on the Prime Minister's Economic Council Platform with the participation of most relevant stakeholders, including the EU Delegation in Moldova, relevant central public authorities, private sector and civil society.

II. TRADE IN FIGURES

❖ DCFTA after 5 years of implementation

According to the study "DCFTA after 5 years of implementation: Estimated impact and Conclusions for the next five years"¹ developed by Expert-Grup, an independent think tank, the following impact was registered:

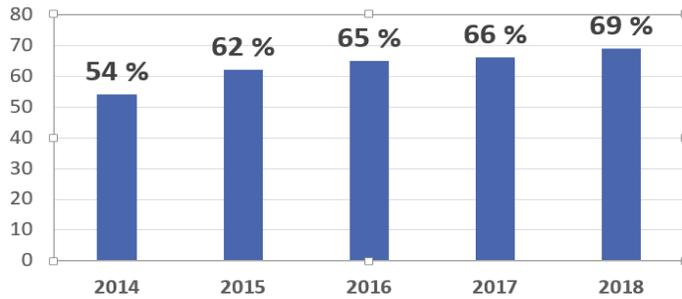
Evolution of exports by main groups of countries, million USD



In the period 2015-2018, Moldovan total exports increased by USD **1.5 billion** or by 34% compared to the 4 years before the signing of DCFTA (2011-2014)

¹ <https://www.expert-grup.org/en/biblioteca/item/1827-zlsac-dupa-cinci-ani-de-implementare-impactul-estimat-si-concluzii-pentru-urmatorii-cinci-ani/1827-zlsac-dupa-cinci-ani-de-implementare-impactul-estimat-si-concluzii-pentru-urmatorii-cinci-ani>

EU Share of total exports



The European Union has strengthened its position as the main market for Moldovan exporters: the EU share of total exports increased from **54% in 2014 to 69% in 2018**.

Each Moldovan leu on exports lost on the CIS market was offset by **increased exports to the EU market**.

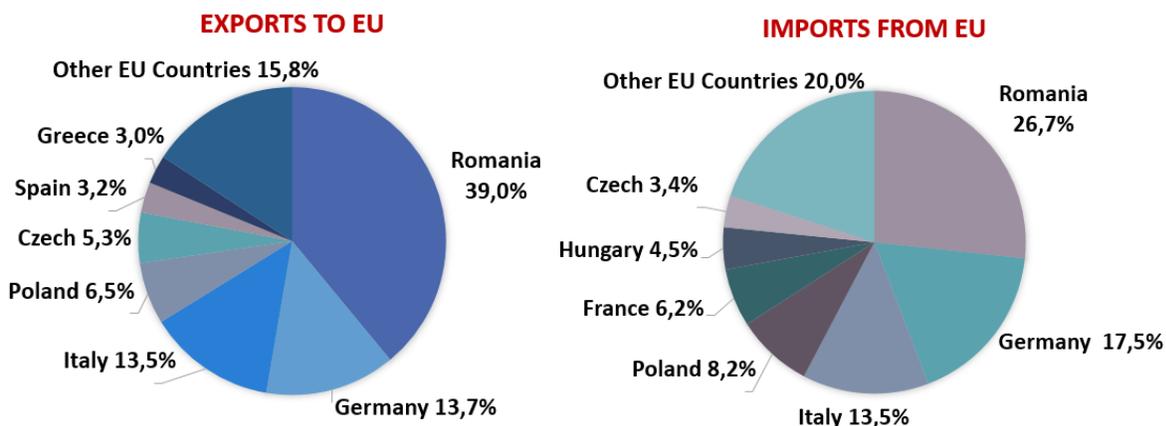
The net effect of DCFTA in increasing exports is estimated at around **\$ 600 million**.

The agri-food sector was the main beneficiary of DCFTA: in 2015-2018, exports of agro-food products increased by **USD 820 million compared to 2011-2014 (+ 52%)**, and the net impact of DCFTA amounted to USD 475 million (or 10 million USD monthly).

❖ Covid-19 impact on Moldovan economy development (January – May 2020)

The negative impact of the Covid-19 on the Moldovan economy can be illustrated by **decrease of foreign direct investments** by 26.8% (January-April 2020), **decrease of exports** by 14.2 %, **decrease of imports** by 18.8% and **increase of public debt** by 5.1% (January-April 2020).

HoReCa, textile industry, automotive sector, logistics and transport, were among the most affected areas. Most of them had to seize their activity due to restrictions imposed during the emergency period (17 March -15 May). Some remained affected even after the emergency period ended.



III. THE ROLE OF DCFTA IN TACKLING COVID-19

The private sector in the Republic of Moldova perceives the DCFTA as the only way for further economic development due to its provisions ensuring qualitative transposition of the EU acquis in local legislation accompanied by implementation of relevant international standards and best practices in doing business. The DCFTA has been perceived by business operators as a driver supporting establishment of a fair level playing

field for all business operators in fighting against monopolies in different important sectors of the economy (*DCFTA, Chapter 10*). The DCFTA has been providing unitary rules for development of cross-border businesses, including the movement of personnel serving equipment and machinery abroad (*DCFTA, Chapter 6*), increasing imports / exports by offering tariff quotas for some products (*DCFTA, Chapter 1*), ensuring a higher quality and safety for foodstuffs with the aim of their further export to the EU, clear and transparent rules in public procurement etc.

Likewise, DCFTA opportunities are presented by overall increasing of production volumes and quality of products, development of new business opportunities, new jobs creation, better conditions and opportunities for SMEs development, alignment and implementation at production facilities of international quality standards.

Due to the Covid-19 context, companies have focused their efforts on implementing and modernizing digital solutions to overcome the crisis caused by the pandemic. Thus, **electronic commerce** via online sales systems became a priority. Additionally, companies adjusted to the remote work reality especially for employees in administrative and sales positions. Online payment and online reporting immediately increased.

Moreover, remote communication and online meetings are another step in the use of digital solutions during the Covid-19 period, which are relatively easy to access due to existing solutions at the international level. Moldova, having the advantage of good internet coverage both through fibre optics, as well as 4G internet at reasonable prices, has not encountered difficulties in this respect compared to countries with poor coverage or high costs of internet services.

Moldova has to deliver on several outstanding issues affecting its business climate. This would offer the opportunity of taking full advantage from the DCFTA's opportunities and would provide practical tools to ensure a stronger economic growth and an increased social welfare, especially in the Post-Covid-19 context.

The key cross-cutting pillars that any country has to guarantee on its side in order to capitalise more the DCFTA benefits and which are considered as a component part of the international commitment signed under AA/DCFTA are listed below:

- Fighting against corruption and Rule of law;
- Timely and high quality legal harmonisation with the EU acquis;
- Access to finance;
- Improved Governance in public sector;
- A stronger educational system.

1. Fighting against corruption and Rule of Law. According to the business environment perception, insufficient independence of judges and lack of control of the prosecutor's activity raised the following concerns by the business community: a) selective and politicized justice, where certain court files are examined as a matter of priority while the examination of others lasts for years without sufficient justification; b) judicial bias and favouritism towards certain parties which in most of the cases is done against EU investors; unbiased judicial review is critical for a trustworthy judiciary system; c) hostile take-over attempts facilitated and tolerated by state authorities and Moldovan courts; d) selected interpretation of customs regulations by the customs authorities supported by courts, uncommon in the international trading business; e) failure to comply with commitments made to European investors under bilateral Investment Agreements; g) need to provide consistent and sustained training to judges as well as a proper and improved qualification process for judges in all areas of law that are important for business, as well as in judicial assessment of economic decisions made by business decision-makers, including with respect to the manner of drafting and content of any and all court decisions.

2. Timely and high quality legal harmonisation with the EU acquis. The approximation to the EU legislation in Moldovan legal framework is achieved by adopting normative acts of higher hierarchical level, in accordance with the EU Directives and Regulations. Nevertheless, in the vast majority of cases, the normative framework for the implementation of these norms (secondary legislation) remains undeveloped. As a result,

the legal norms become interpretable thus creating space for abuse by the control bodies and from the side of economic entities as well as unclear decisions of the court in legal disputes.

3. Access to finance. During the pandemic period, the access to finance remained limited due to the high level of unpredictability and dramatic economic slowdown. Unfortunately, the state budget had no sufficient response mechanism for Covid-19 recovery. In this regard only two types of state financial support were granted: subsidizing economic entities that offered forced unemployment payments and compensation for the interests' rates for the bank loans to economic entities to recover from Covid-19 impact. Most of the EU support was offered through commercial banking system in a form of loans, which immediately limits the access to finance to a wide range of SMEs, with no revenues since March 2020. On the other hand, the EU funded state programs granted through ODIMM (State Agency for supporting SMEs sector in Moldova) has very clear eligibility criteria, which are not affordable for a wide range of SMEs, moreover most of the programs are oriented towards already exporting companies.

Under the current circumstances, one of the solutions offered by the banking system was rescheduling existing loans, especially investment loans. For companies that operated, but had sales decreases, only the recalculation of penalties was performed, rescheduling or extension could not be applied in all the cases, because of the reclassification of the risk category that will affect the existing price of credit, and contracting new loans will create blockages of their indebtedness.

Recommendation:

- There is a strong need for a National Trust Fund which will operate based on clear legal provisions and which will be entrusted with fundraising from donors for SMEs development, Covid-19 recovery, support digitalization and e-commerce etc. The support should be provided in a form of grants or where possible co-funding. It is however important that clear and transparent criteria are applied and communicated well in advance nationwide to private sector and business support organizations, especially the ones operating in the regions.
- It is important to create financial support schemes in a form of grants from donor support/state budget that would be earmarked for most affected industries like HoReCa, textiles, agriculture etc.
- To adjust financing compliance requirements to pandemic realities so that more companies can feed into conditions of the projects as to benefit from the financial support.

4. Improved Governance in public sector. There is a need to increase the quality of public services by means of digitalization especially at the local level. In this regard, it is imperative to ensure interoperability of the public IT systems that contain data related to economic or physical entities. Due to Covid-19, many state service providers did not activate and it was not possible for the private sector to obtain different necessary documents on paper on time to continue their economic activity. Accordingly, the need for digitalization of permissive acts as well as certain procedures related to economic activity became more stringent. Additionally, during Covid-19 the procedure of the electronic signature application was deficient for national and European companies which planned to access remotely some public services, due to the request of (mainly) local public authorities to present the handwritten signature, as the public authorities does not have implemented the electronic document management system.

In the field of medical assistance, ITC tools, as well as elaboration and adoption of E-Health Strategy, which will regulate telemedicine services, integrated information systems for all healthcare providers, electronic patient registration system should be promoted. Moreover, systematization and online access to data on performance and quality indicators of health care providers at national level is based on a single information system which is needed to be set up and running.

Recommendation: In order to ensure efficiency with the digitalization process it is important to:

- Identify the list of all the permissive acts at the level of Local Public Authorities;
- Map all the processes and procedures related to these permissive acts;
- Simplify/cut the procedures where possible;
- To the extent possible digitalize the system of issuing the permissive acts;

- Ensure clear description and public disclosure of all the steps on obtaining necessary documents for the permissive acts where the digitalization is not possible;
- Ensure clear description of all the public related services and publish all of them on relevant websites;
- Ensure e-payments for all the services;
- Ensure necessary training of public officers responsible for the delivery of these services;
- Upgrade the knowledge by means of lifelong learning trainings for the ministry officials;

5. Educational system. Currently, the private sector complains on the lack of qualitative workforce and the significant gap between the labour market demand and the insufficient quality of graduates from Moldovan education institutions. The main issues related to the educational system are:

- Strong mismatch between education curricula and the much advanced labour market for a certain range of specialties;
- Low salary levels of the teaching staff;
- Out graded list of specialties that do not correspond to market demand;
- Lack of lifelong learning programs for professors /teachers, the need to upgrade the financial formula for secondary and tertiary institutions etc.;
- Lack of short term programs MBA to support life learning process for the practitioners /employees;
- Weak cooperation between Academia and private sector.

Recommendation: The focus of the Moldovan Government should be oriented to the optimization of the financial mechanism of the funding the tertiary institutions/universities, as well as to diversify the types of specialties to match the demand of the private sector, by revising the university curriculum.

CHAPTER 1. NATIONAL TREATMENT AND MARKET ACCESS FOR GOODS

Non-tariff measures. The DCFTA offers a free trade based on free movement of goods. In this sense, sides have to guarantee market access for goods originating in one of the sides. Free trade has been main driver for economic growth and boosting of import and export operations. However, there were several attempts aimed at limitation of free trade undertaken by the MD Government. One of them is the legal initiative aimed at amending the Internal Trade Law. It generated a dissent between traders and producers in terms of limitations on the marketing and advertising discount, the period for marketing activities, and the obligation to offer at least 50% of market shelf for local products. The proposed limitations will clearly infringe the commitments of the Republic of Moldova under the Moldova - EU AA/DCFTA (art. 152), as well as the commitments to the World Trade Organization (art. 3 of GATT), which provide no less favourably treatment to imported products than that accorded to like products of national origin. Adoption of such potential measures might generate trade disputes, which would certainly negatively affect business processes.

Recommendation: In the context of Covid-19 crisis, there is an urgent need to promote and support domestic SMEs, producers of goods and services through various Government Programs without infringement of the international agreements and without creating misbalance between local producers and importers. Such programs were widely implemented in the EU member states and at the global level by means of:

- Subsidies granted to local producers of goods and services;
- Support Government schemes and programs for innovation and digitalization of business processes to facilitate e-commerce among SMEs;
- Government promotion campaigns focused on “Buy domestic products and services”;
- Offering special vouchers by Employers to their employees to buy local services (in tourism, IT, etc.) or local products on the Market;
- Fairs organized in public places especially for season fruit and vegetables;
- Linkages programs coordinated by state authorities or business associations between SMEs and retail chains, big local and international producers;

- Support programs funded by retail chains for local producers (like Global Gap/HCCP certification, practical trainings on how to trade with retail chains, etc.;
- Any support granting to domestic producer will facilitate their development and eventual export to EU Market.

CHAPTER 3. TECHNICAL BARRIERS TO TRADE, STANDARDISATION, METROLOGY, ACCREDITATION AND CONFORMITY ASSESSMENT

Approximation of technical regulations, standards, and conformity assessment. From the responses presented by private sector, it can be concluded that those companies that have adjusted their activity according to international standards could more easily adapt to the conditions of Covid-19 and overcome the crisis in their economic activity. Nevertheless, for all companies the process to obtain International certifications as well as other related documents it is a long, expensive process. Lack of technically equipped laboratories, staff training, scientific development of laboratories, digitization and statistics of evaluation reports sample, accreditation of laboratories, accreditation of testing methods in accordance with international standards, high costs for laboratory services issuing certificates remain biggest constrains for business. The legal framework still remains underdeveloped. Several important EU directives were not yet approximated –Annex 2. Thus, any delays in transposal of the European legislation generates additional costs for Moldovan producers, which make them less competitive than producers from other (European) countries.

Recommendation: In order to insure the practical implementation of DCFTA and to create all legal conditions for the business to be more competitive on European and International market, it is important to ensure the approximation of European legislation for conformity assessment of the industrial products. In addition, the Government should allocate funds for improvement of the laboratory infrastructure in Moldova for industrial goods.

CHAPTER 4. SANITARY AND PHYTOSANITARY MEASURES

Trade conditions. The Republic of Moldova has not benefited fully yet of trade liberalization. Export of vegetal origin products has been constantly growing and reached its most potential. Unfortunately, export of animal origin products remains very low. This is a direct consequence of non-implementation of relevant EU SPS norms and standard in local legislation, which would allow the EU to list Moldova for export of animal origin products to the EU. Currently, there are activities aimed to obtain quota for export of poultry meat and category B eggs to the EU. Moldova submitted to the European Commission the filled-in questionnaire for the assessment of implementation of necessary export conditions, but due to the COVID 19 crisis, the audit was postponed.

Export of meat and dairy products would represent main incentive for growth of the livestock industry and connected to it food processing industries. In this context, the authorities have to align local legislation in the area of animal health and Food Safety to the EU acquis as a matter of national priority.

The DCFTA puts an additional accent on development and export of products registered as Traditional Specialties Guaranteed, which provide a significant added value for local producers.

Recommendation: It is important for the Government of the Republic of Moldova to launch discussions with the European Commission on obtaining the right to export composed products, dairy and processed meat products. In this respect, priority remains to be given to legislation adjustments and issues on food traceability and food safety, in particular the implementation of the necessary systems for identification and registration, plant and animal health and welfare, supervision of self-monitoring systems of food units - HACCP, ISO, CRDV laboratory management and appropriate accreditation in accordance with international standards, etc.

Import checks and inspection fees. Physical control applied selectively to non-animal food imported from the EU in the absence of a risk assessment methodology for EU-certified non-animal food products remains the main constraint for the private sector. In the context of the implementation of provisions of Annex XXII of the Supported by the German Federal Ministry for Economic Cooperation and Development and implemented by GIZ (Eastern Partnership Regional Fund – Impact project)

Moldova-EU AA/DCFTA a risk assessment mechanism for the import of goods should be developed as to ensure the performance of identity and physical control over 10% of non-animal food products, based on the known risk. This would increase trade and offer additional benefits to the economy and economic operators.

Recommendation: To amend the Government Decision no. 938/2018 on the Regulation regarding the National Agency for Food Safety border control, by introducing the risk based assessment mechanism for the import checks applied to products subject to food safety controls.

CHAPTER 5. CUSTOMS AND TRADE FACILITATION

Fees and charges. Moldova still has to align its legislation in relation to collection of fees and charges for customs clearance operations. Currently the Moldovan legislation allows the collection of fees for customs clearance of goods procedure placed for export in amount of 0.1% or 0,4% of the customs value of the goods, fees that clearly infringe the AA/DCFTA. The economic agent that does not require special facilities should customs clearance of the goods with the payment of ordinary fees without the collection of other additional charges, like procedure for customs clearance of goods for export, application of the customs seal, information processing of the primary customs declaration, and so on. All this fees represents tariff barriers to trade and should be abolished.

Recommendation: To amend the Law no. 1380/1997 on customs tariff and to streamline the adaptation process of the New Customs Code, which does not contain these provisions.

Customs valuation. With respect to the customs valuation, many importers still complain on how the customs value of the imported goods when importing into Moldova is verified. Still customs inspectors recur to the indicative prices suggested/stored in the ASYCUDA system for the products imported (not necessarily imported from the same countries, or correspond the same quality standard) verifying the value against the submitted invoice and contracts. Despite the fact that at the end of 2019 amendments to the Government Decision no 974/2016, aiming to improve the Regulation regarding the way of declaring the customs value of goods were approved, still there is a need to improve the evaluation procedure.

Recommendation: It is imperative to issue additional internal orders to clearly guide the customs officers on the customs evaluation procedure, especially in the cases of similar goods being imported at a lower price. In any circumstance when the customs officer has reasonable doubts on the value declared in the invoice, there should be a legal possibility to move customs control from customs clearance point to a risk-based post clearance audit. It will also be vital to make the customs officer accountable for the content of the decision issued (which has to include all the necessary arguments) based on which the value against the invoice was increased.

Customs cooperation. Moldovan Authorized Economic Operator (AEO) status is not recognized by EU countries, which makes Moldovan trucks queuing at the Romanian border, thus finally generating delays of contracts (just-on-time contracts) implying additional financial costs.

Recommendation: One of the solution proposed was to create a pilot Moldovan-Romanian project at the one of the customs point in a form of a joint Moldova-Romania customs point. Based on the international experience on similar points between EU and third countries these have managed to facilitate trade saving costs and time.

CHAPTER 6. ESTABLISHMENT, TRADE IN SERVICES AND ELECTRONIC COMMERCE

Electronic communication networks and services growth still remains affected by obsolete taxation provisions. The 2.5% luxury tax applied to all mobile operators seriously affect development of the sector and limit investments in the area.

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Currently all the fees imposed or regulated by the state on the communication industry like license fees, MNP (mobile number portability) fees and local interconnection tariffs are denominated in EUR, although the tariffs to customers are in local currency. Beside this all telecom equipment/software and related support and maintenance network costs are imported and are foreign currency denominated as well. The companies are facing material foreign exposure, which is not being possible to hedge due to underdeveloped banking sector. All these factors stop development of the sector and limits full use of DCFTA's opportunities with regards to trade in services.

Recommendation: The maintenance of the 2.5% tax is an unjustified and discriminatory measure in the current situation and future context, given the lack of liquidity, which significantly increases the tax burden exclusively on the electronic communications sector, the strategic sector for the national economy. An urgent abolishment of the respective tax is needed.

Cross-border provision of electronic communication services. It is important to ensure a gradual decrease of roaming tariffs between countries, as well as to ensure the principle of mutuality in the tariff setting approach on behalf of the EU countries. Given that all EU Member States already benefit from this roam-like-at-home communication opportunity, eliminating roaming charges for Eastern Partnership states will further strengthen trade in services between Moldova and the EU, and support of all EU institutions, in particular the European Commission is crucial in this regard in order to transpose the experience of gradual decrease approach over 10 years period performed in EU.

Financial Services. The banking sector is still recovering after significant damage caused by the 2014 banking fraud and all related it developments. More advantages and opportunities for business would come if the banking sector would be oriented towards the customers in prospective of offering more electronic and digital solutions, which would ease/facilitate access of businesses to financial services offered by banks (such as: electronic granting of loans, facilitation or digitalization with other stakeholders including bailiffs). At the same time, the main issue related to the banking sector is the lack of credibility of the sector at the international level and the delay in finalizing the transposition of legislation in this field.

The current insurance system in the RM is based on mandatory insurance products like green card, life insurance etc. Development of insurance products such as life insurance, insurance of agro products, as well as other insurance products would become possible due to a professional and market driven attitude of the Insurance Market Regulator. The major deficiencies are the lack of equidistant regulation in the sector, in the context in which preferential attitudes were felt towards some players in the sector, which caused unfair competition, as well as the biased financial reporting, with data that did not represent the true situation from some companies in the sector.

Recommendation:

- To develop new insurance product which would diversify the market and offer new opportunities for insurance players and customers;
- To have an audit done by internationally recognized companies that will give a reliable screening of insurers and identify of real issues of liquidity and solvency requirements;
- Accelerate and finalize the fraud investigation related to embezzlement of assets from BNAA and measures to ensure the recovery of these asset;
- To act (intervene) with earlier and urgent measures to insurers with poor financial capacity, as the situation warrants and the financial stability issues are really involved;
- Providing electronic and digital solutions that would facilitate businesses' access to financial services provided by banks;
- The need to implement digital / electronic remote customer identification systems;
- Offering the possibility of concluding contracts (deposit, credit, etc.) at a distance.

Electronic commerce. Legislation in the field of electronic commerce is outdated and needs to be adjusted to current situation. During the state of emergency, most companies reoriented towards e-commerce, which increased considerably during the COVID-19 crisis, used digital signatures or signed documents by other electronic means. The main issues is related to the no acceptance of some public authorities of the documents with digital signature and lack of financial sources for some companies (mainly during Covid-19) to implement the electronic commerce in their activity. Additionally, Moldovan legislation is regulating the use of digital signatures and digital documents only within the country. In order to facilitate and secure the process of signing contracts between parties located in various countries, it is needed to be implemented a mechanism to allow applying by a party from abroad of a digital signature on a document/contract which would be recognized as valid within Republic Moldova. In addition, during the Covid-19 period, it is very important to ensure the access by the private sector of its customers and partners through the new distribution networks, through the Internet, online stores and dedicated online platforms. In this respect, the role of banking sector is very important, as electronic payments with the use of bankcards, among other positive effects, directly contribute to reducing the share of the informal economy and reducing the risk of spreading the infection. Besides a huge financial burden, certain local public administrations increased the local tax related to on-line shops by 150%, which creates additional obstacles to develop e-commerce under the current circumstances.

Recommendation:

- To improve the Law no 284/2004 on electronic commerce;
- To offer the financial support (national program/funds) to SMEs for developing ecommerce module on their web pages;
- To support the development of alternative electronic payment systems, stimulating and capitalizing on the offers of non-bank payment operators (BPay, Tango, etc.);
- To implement the PSD2 standard (open Banking) ensuring the making of any direct payments from the bank account regardless of the issuing bank;
- To ensure the possibility for the customer to debit and supplement the bank account through various electronic instruments, either terminal payment or digital channel (remote service system).
- To set a ceiling for all the local taxes especially the ones related to e-commerce/ on-line shops;
- Simplify the procedure for issuing and extending the validity of the electronic signature;
- Unilaterally recognize by Moldova the European electronic signatures.

CHAPTER 8. PUBLIC PROCUREMENT

Lack of transparency in the process of public procurement in the health area, infringement of legal provisions on public procurement when contracting medical services from public and private providers, ambiguity regarding the procurement of medical services, which are not considered as public procurement by the Public Procurement Agency, although the primary law does not provide for any derogations for medical services.

Recommendation:

- To develop and implement an efficient and safe E-Procurement system;
- To elaborate and approve of a normative act that will stipulate the clear rules and criteria for contracting public and private medical services.

CHAPTER 10. COMPETITION

Artificially maintained monopolies, public undertakings and undertakings entrusted with special or exclusive rights. The Competition Council has been hesitating to undertake relevant measures at ensuring a fair and level playing field for all business operators regardless their ownership status. It is a crosscutting issue and the full-fledged implementation of the competitions rules and principals would support the Moldovan private sector effort to recover from the consequences caused by Covid-19.

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CHAPTER 11. TRADE-RELATED ENERGY

Domestic regulated prices. Since the new clean energy law came into force in March 2018, no major Renewable Energy (RE) project has been actually developed. In order to develop RE in Moldova, the main issue remains the effective willingness of the authorities to effectively support clean energy. Moreover, though the energy regulator has approved the feed-in-tariffs for the different RE technologies, the situation as of now is that no one PV eligible producer has been confirmed based on fixed tariffs and no RE tender has been launched so far by the government, disrespecting the schedule in place.

Recommendation: In order to push forward the deployment of RE, the schedule of energy tenders should be updated and, more importantly, fulfilled by the authorities. Also, the existing capacity limits based on type of RE technology and the restrictions on ownership should be, in our view, revised by the government for the effective development of RE in Moldova. In this respect, subsidies for privates and SMEs, tax breaks, reduction or exemption of VAT for RE project components and mandating solar on new buildings would help Moldova secure renewables capacity.

CHAPTER 13. TRADE AND SUSTAINABLE DEVELOPMENT

Multilateral labour standards and agreements. In the context of the Covid-19 crisis, most companies (except those in the field of production) were redirected to work from home, providing its staff with the necessary technical tools (laptops, internet connection). Thus, recent amendments to the Labour Code according to the European labour standards have given more flexibility to the employment relationship between employer and employee, which has allowed the transfer of ordinary processes in the digital environment, within the distance work.

Multilateral environmental governance and agreements. Additional to all challenges caused by the Covid-19, in 2020, Moldova faced the problem of hydrological drought, thus limiting the capacities of the businesses to faster recover from the crisis and meet their economic development objectives. In this respect, it is crucial to model and prepare for situations where multiple hazards (climate changes, epidemiologic crisis) would combine. In addition, **a focus should be oriented on the promotion of the green, circular economy by investing in areas such as energy efficiency, water efficiency policies, sustainable food system and value chains, reduction of emissions, etc.**

One of the main current goal of the Moldovan Government should be the implementation of the Extended Producer Responsibility Principle. Currently, the Republic of Moldova continues to charge the environmental pollution tax provided by Law no. 1540/1998 regarding the environmental pollution, although a similar tax is not levied in any EU country and is in contradiction with the Annex XI of RM-UE AA/DCFTA. In the EU there is the "polluter pays" principle, however, the financial means accumulated from environmental taxes are transferred to private collective organizations or state-managed organizations aiming to finance environmental projects and are largely intended for the development and operation of waste collection systems, as part of an Extended Producer Responsibility (EPR) principal.

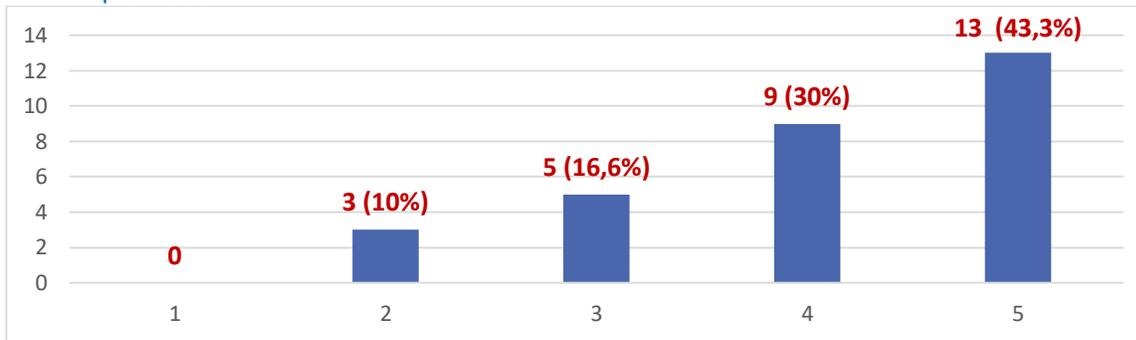
Recommendation:

- Government should establish the mechanism of full cost recovery in accordance with the "polluter pays" and the EPR principles;
- Developing and approval of the regulation implementing Law no. 129/2019 on animal by-products and derived products not intended for human consumption, in accordance with EU Regulation no. 142/2011;
- In addition, Government should consider supporting investments for coping with natural hazards. An example would be offering financial support for developing necessary technologies for irrigation systems; anti hail equipment; pest control systems, etc. in this way supporting investments in innovation and technologies in agriculture and sustainable development.

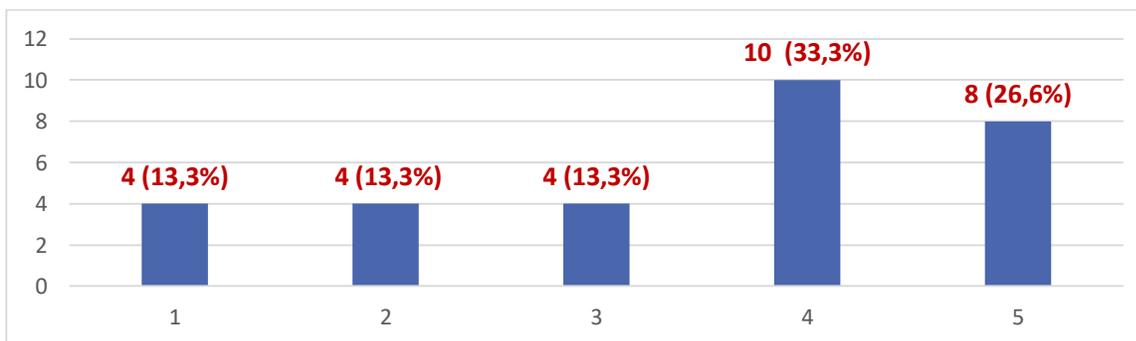
THE ROLE OF DEEP AND COMPREHENSIVE FREE TRADE AREA AGREEMENT (DCFTA) IN TACKLING COVID-19. ANNEX 1

Which aspect of DCFTA would be relevant for the problems in light of the pandemic? Rate 1 -5 according to the relevance to your business (1 being the least relevant to 5 being the most relevant, 0 being not relevant)?

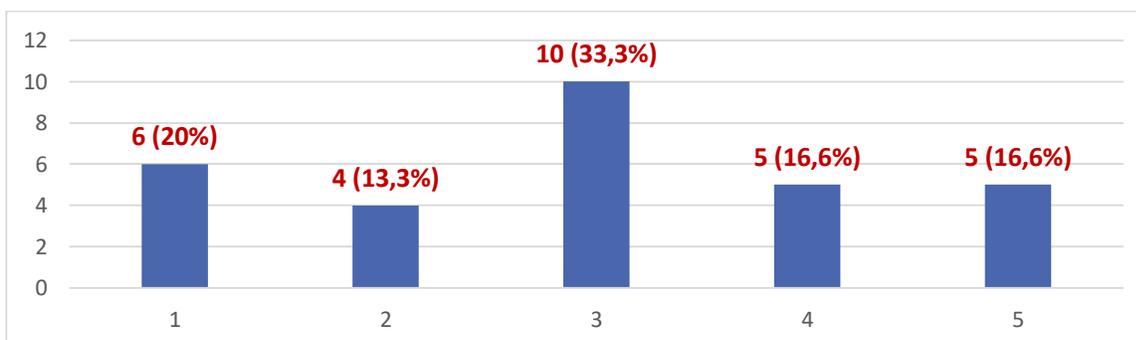
- Access to the EU Market (market/products diversification, improvement of quality) and export promotion:



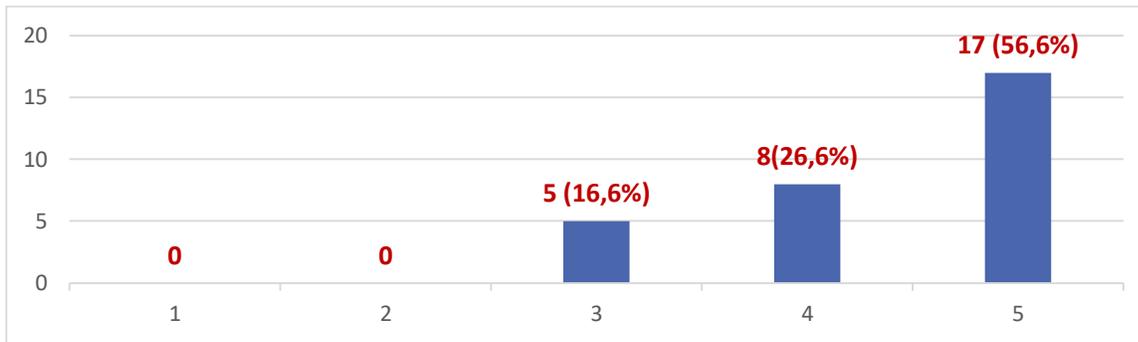
- Attraction of investments; Access to the Capital Market:



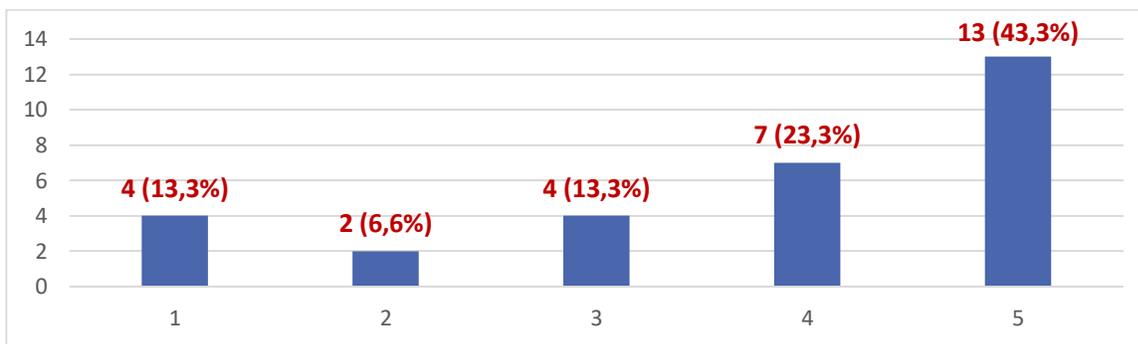
- Potential access to EU public procurement:



- Fair, predictable and transparent legal regulations (Competition, Protection of intellectual property rights and so forth):

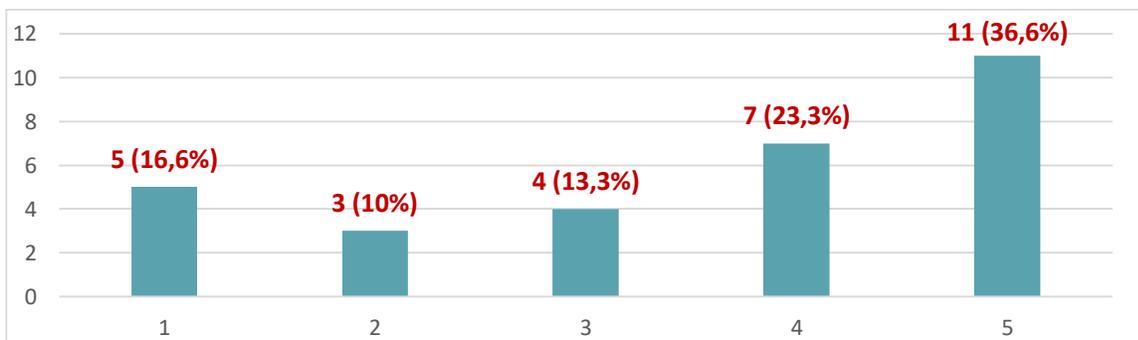


➤ Benefits of technical assistance from EU institutions/other donors:

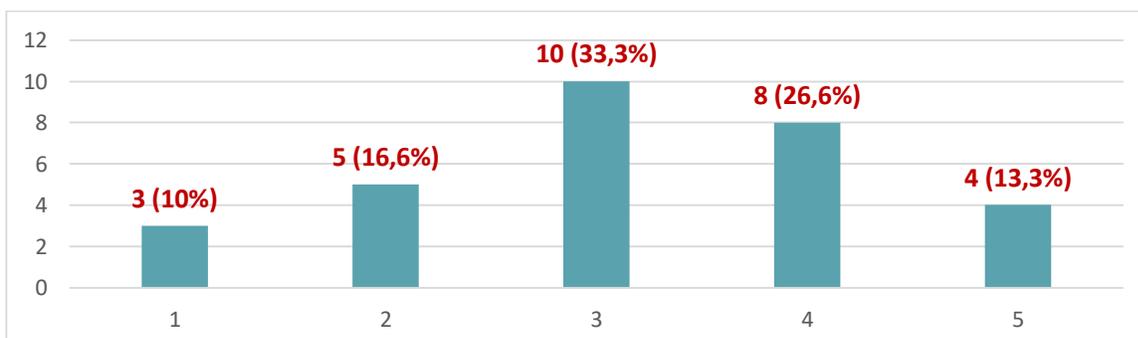


Please list the key obstacles that hinder your potential to utilize the benefits of DCFTA during the COVID-19? Rate 1-5 according to the strength/intensity of the obstacle (1 being the least intense to 5 being the most intense, 0 being not relevant)?

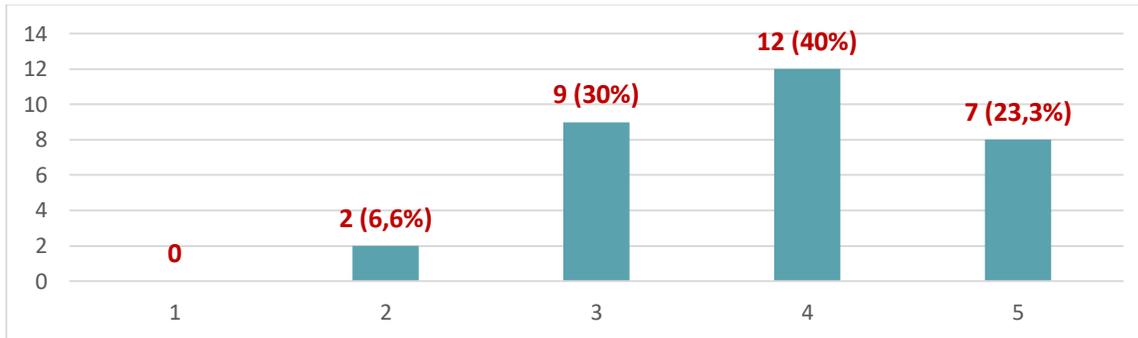
➤ Access to finance:



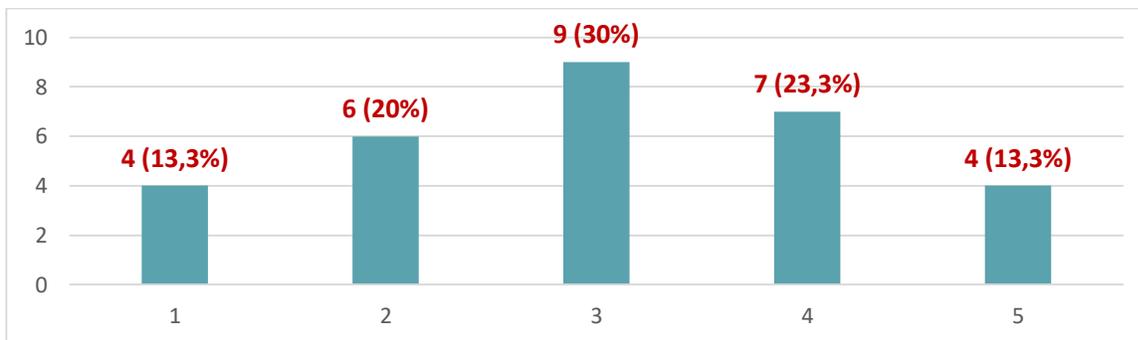
➤ Low awareness of DCFTA content; Difficulties in understanding the EU Regulations:



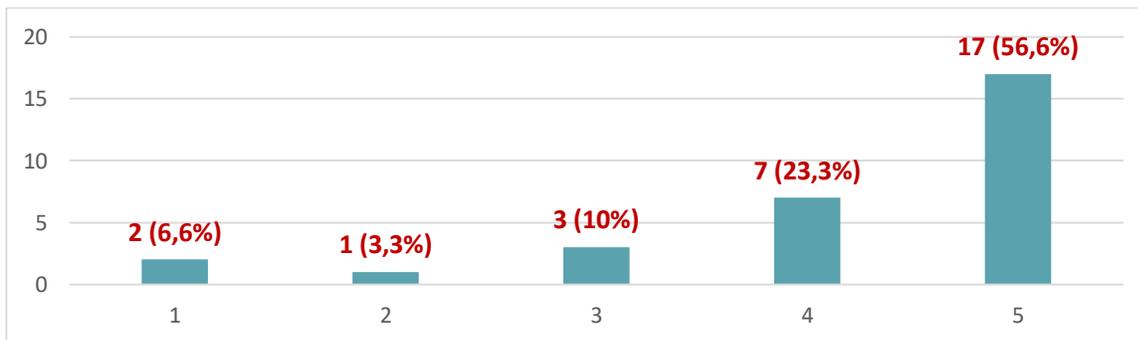
➤ The national legal frameworks are not adjusted properly yet:



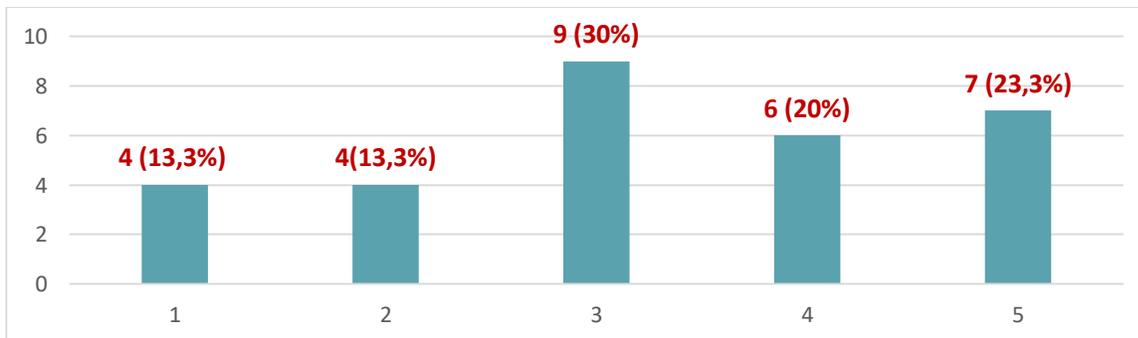
➤ Low qualification of workforce:



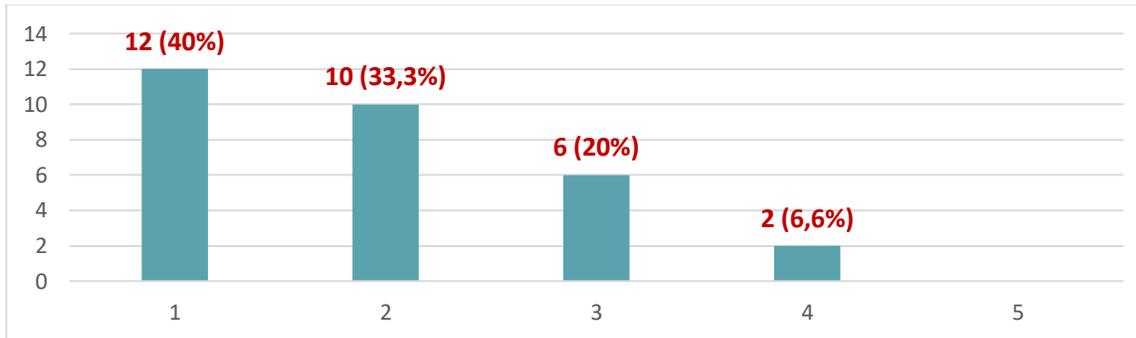
➤ Absence of laboratory infrastructure/ Quality Infrastructure:



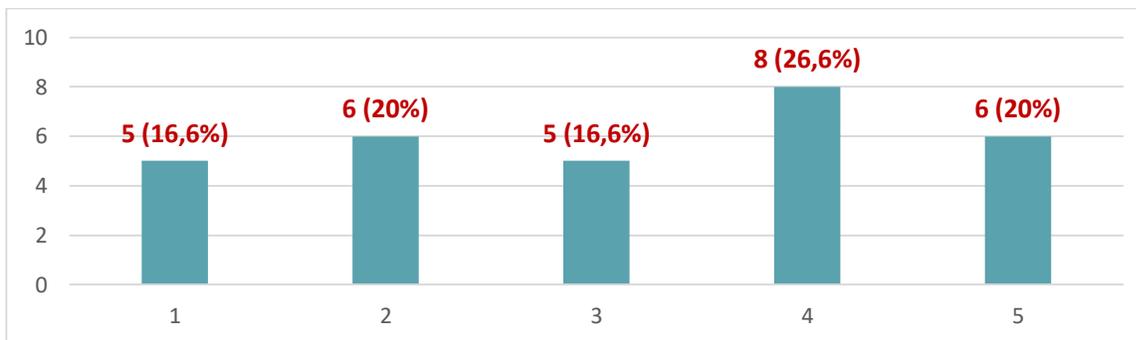
➤ High costs for the certificates:



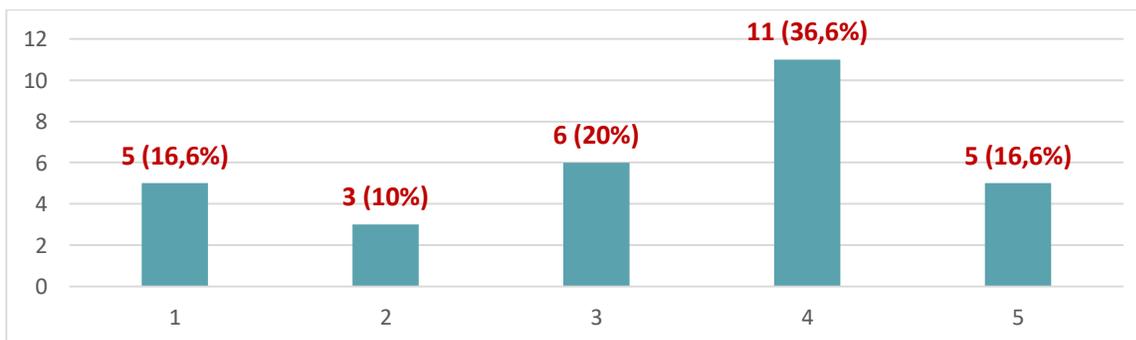
➤ Language barriers:



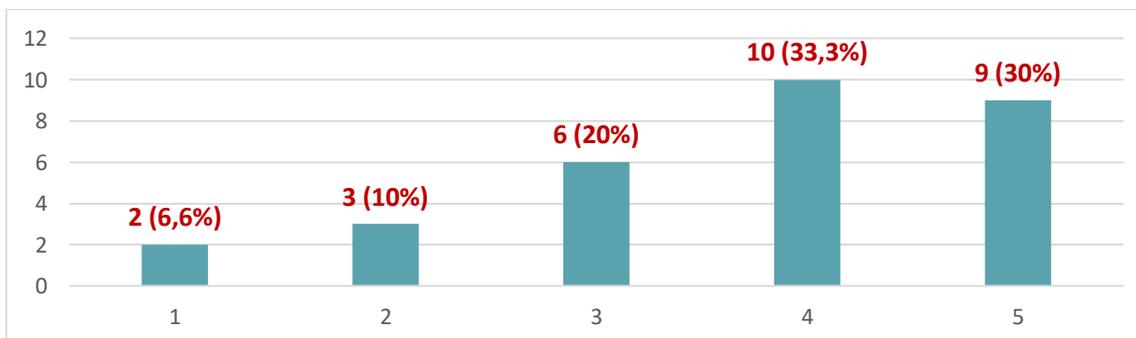
➤ Market Entry Barriers (limited knowledge of the EU market, fierce competition):



➤ Lack of scale:



➤ High costs to the private sector of adjusting to the new regulations:



THE ROLE OF DEEP AND COMPREHENSIVE FREE TRADE AREA AGREEMENT (DCFTA) IN TACKLING COVID-19. ANNEX 2

1. Motor vehicles and their trailers			
1.1 Type-approval			
1.	Directive 2007/46/EC of the European Parliament and of the Council of 5 September 2007 establishing a framework for the approval of motor vehicles and their trailers, and of systems, components and separate technical units intended for such vehicles (Framework Directive)	2021	<u>Not transposed</u>
1.2 Harmonised technical requirements			
2.	Regulation (EC) No 78/2009 of the European Parliament and of the Council of 14 January 2009 on the type-approval of motor vehicles with regard to the protection of pedestrians and other vulnerable road users	2021-2024	<u>Not transposed</u>
3.	Regulation (EC) No 79/2009 of the European Parliament and of the Council of 14 January 2009 on type-approval of hydrogen-powered motor vehicles	2021-2024	<u>Not transposed</u>
4.	Regulation (EC) No 595/2009 of the European Parliament and of the Council of 18 June 2009 on type-approval of motor vehicles and engines with respect to emissions from heavy duty vehicles (Euro VI) and on access to vehicle repair and maintenance information	2021-2024	<u>Not transposed</u>
5.	Commission Regulation (EC) No 692/2008 of 18 July 2008 implementing and amending Regulation (EC) No 715/2007 of the European Parliament and of the Council on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information	2021-2024	<u>Not transposed</u>
6.	Regulation (EC) No 661/2009 of the European Parliament and of the Council of 13 July 2009 concerning type-approval requirements for the general safety of motor vehicles, their trailers and systems, components and separate technical units intended therefor	2021-2024	<u>Not transposed</u>
7.	Regulation (EC) No 715/2007 of the European Parliament and of the Council of 20 June 2007 on type approval of motor vehicles with respect to emissions from light passenger and commercial vehicles (Euro 5 and Euro 6) and on access to vehicle repair and maintenance information	2021-2024	<u>Not transposed</u>
8.	Directive 2005/64/EC of the European Parliament and of the Council of 26 October 2005 on the type-approval of motor vehicles with regard to their reusability, recyclability and recoverability	2021-2024	<u>Not transposed</u>
2. Two- or three-wheel motor vehicles			
11	Regulation (EU) No 168/2013 of the European Parliament and of the Council of 15 January 2013 on the approval and market surveillance of two- or three-wheel vehicles and quadricycles	2017	<u>Not transposed</u>
3. Wheeled agricultural or forestry tractors - Tractoare agricole sau forestiere cu roți			
12	Regulation (EU) No 167/2013 of the European Parliament and of the Council of 5 February 2013 on the approval and market surveillance of agricultural and forestry vehicles. Consolidated text. Commission Implementing Regulation (EU) 2015/504 of 11 March 2015 implementing Regulation (EU) No 167/2013 of the European Parliament and of the Council with regard to the administrative requirements for the approval and market surveillance of agricultural and forestry vehicles.	2016	<u>Not transposed</u>

	Commission Delegated Regulation (EU) 2015/208 of 8 December 2014 supplementing Regulation (EU) No 167/2013 of the European Parliament and of the Council with regard to vehicle functional safety requirements for the approval of agricultural and forestry vehicles. Consolidated text. Commission Delegated Regulation (EU) 2015/68 of 15 October 2014 supplementing Regulation (EU) No 167/2013 of the European Parliament and of the Council with regard to vehicle braking requirements for the approval of agricultural and forestry vehicles. Consolidated text		
PHARMACEUTICALS			
1. Medicinal products for human use			
13	Council Directive 89/105/EEC of 21 December 1988 relating to the transparency of measures regulating the prices of medicinal products for human use and their inclusion in the scope of national health insurance systems	2014	<u>Not transposed</u>
14	Directive 2001/83/EC of the European Parliament and of the Council of 6 November 2001 on the Community code relating to medicinal products for human use	2015	<u>Not transposed</u>
2. Miscellaneous			
15	Regulation (EU) No 528/2012 of the European Parliament and of the Council of 22 May 2012 concerning the making available on the market and use of biocidal products	2014	<u>Not transposed</u>
16	Directive 2001/18/EC of the European Parliament and of the Council of 12 March 2001 on the deliberate release into the environment of genetically modified organisms	2015	<u>Not transposed</u>
17	Directive 2009/41/EC of the European Parliament and of the Council of 6 May 2009 on the contained use of genetically modified micro-organisms	2015	<u>Not transposed</u>
18	Commission Regulation (EC) No 2141/96 of 7 November 1996 concerning the examination of an application for the transfer of a marketing authorization for a medicinal product falling within the scope of Council Regulation (EEC) No 2309/93	2015	<u>Not transposed</u>