

6th meeting of the Republic of Moldova-EU Customs Sub-Committee

Brussels 25 November 2020

Joint minutes and Conclusions

Opening and welcome remarks

Both sides welcomed the close cooperation on customs affairs between the Republic of Moldova and the EU even in these difficult times for everyone. Both Chairs greeted participants from the European Commission (DG TAXUD, DG NEAR, DG TRADE, OLAF, EU delegation in Chisinau), Customs Service in Moldova, MoF Moldova, Ministry of Foreign Affairs and European Integration, Ministry of Economy and Infrastructure, EUBAM.

Customs response for preventing and fighting the spread of Covid - 19

The Commission (DG NEAR) made a general update on cooperation and Covid-19 measures as it is directly relevant for customs area. The EU and Moldova are currently negotiating an updated Association agenda, while new deliverables are being devised for the Eastern Partnership (EaP region). One of the objectives is to grasp the full benefit of the DCFTA, to increase trade and facilitate and simplify customs matters. Since the outbreak of the COVID-19 pandemics, the EU has deployed new programmes to provide a total of EUR108 million in grant support to Moldova bilaterally, to foster resilience across the board. This comes in addition to regional programmes in support for SMEs notably. The EU made available an exceptional macro financial assistance-MFA (whose first tranche of EUR 50 million was paid on 25 November). On customs specifically, the EU supported a twinning "Support to the modernisation of Customs Service of Moldova in line with Association agreement requirements" until end 2019 and has mobilized an EU High Level Adviser for customs and tax policy. A TAIEX mission is also envisaged after the adoption of the customs code. The EU continues to support EUBAM (Phase 12 extended, Phase 13 under consideration). Following the election of Maia Sandu as President, the EU recalled its readiness to support Moldova in implementing key structural reforms.

EU measures were presented by TAXUD unit E4, namely temporarily suspension of customs duties and VAT on protective medical equipment, testing kits, medical devices and vaccines. All measures in the area of customs and taxation taken by the EU to tackle the crisis are available on DG TAXUD's website:

https://ec.europa.eu/taxation_customs/news/covid-19-commission-puts-forward-taxation-and-customs-measures-support-access-more-affordable-equipment-vaccines-and-testing-kits_en

Moldova also presented their measures to tackle the pandemic.

Developments in customs legislation and procedures

The Commission updated the latest developments in the UCC, especially the new EU customs action plan and EU Single Window Environment for Customs'.

Moldova explained that the new Customs Code in line with the UCC has passed the first reading in the Parliament. Several amendments have been tabled, before the opinion is sent to the Parliament there will be a discussion on the amendments. It is expected that the new Customs

Code will be adopted by mid-December. The Moldovan Customs Service will inform the Commission once the final procedure has taken place.

Moldova also explained that in order to strengthen the deterrence capacity of anti-smuggling policy and measures, the Parliament will adopt legislative amendments with a view to reducing the legal thresholds for determining smuggling and tax evasion as criminal offences, as well as raising the administrative fines for such violations. Additionally, the authorities will introduce an efficient monitoring system (i.e. special excise stamps) for tobacco and alcohol beverage products imported intended for domestic consumption without the payment of customs duty, excise duties and VAT. The Government of the Republic of Moldova will monitor and report on the impact of the introduced measures with a view to consider further measures if they do not prove sufficiently effective.

Moldova also explained that digitalisation and single window is a priority for the Moldovan government.

Operational conclusion:

- **MD to continue fight against fraud needs by adopting the necessary legislation.**
- **MD has to ensure the adopted new Customs code is fully in line with the UCC**

Authorised Economic Operator (AEO)

The Commission explained the state of play of the ongoing Mutual Recognition of Authorised Economic Operator programs between the EU and Moldova, namely the formal start of the Mutual recognition of the EU and Moldovan AEO programmes is with the update of the action plan in March this year. The first step, namely assessment of Moldova's AEO legislation, was completed in May 2020, recommendations were sent to the customs service. TAXUD AEO expert screened the current customs code and also the new customs code to verify the alignment with the UCC. The Moldovan AEO legislation is considered to be compatible with EU AEO legislation apart from the recent change of AEO compliance Article 24 UCC IA; Moldovan experts already have been informed about this change in the EU legislation and promised to make the respective changes in the Moldovan law.

According to the agreed action plan of MRA AEO, the next step will be onsite visits carried by TAXUD and EU MS experts to verify the Moldovan AEO programme and the way the programme is functioning. Moldova also can visit an EU country where experts will get to know to the functioning of the EU system. Due to the current travel restrictions this step will be postponed for next year when it will be possible for TAXUD and Member States experts to travel to Moldova and validate the AEO programme.

In the meantime TAXUD started working on the IT system of the AEO MRA. TAXUD has provided colleagues in Moldova with the Interface Control Document which Moldova has formally agreed.

Moldova made a presentation on the work already done from their side and what remains as tasks.

The Commission made a detailed presentation on the MRA AEO data exchange. The Commission gave explanations on the communication channel, data exchange content, data exchange format, error handling, and process of data validation.

Operational Conclusion:

- **There is a good progress of the ongoing work on MRA AEO between the EU and Moldova, it is important for Moldova to work on the automated system for data exchange before the verification visits take place.**
- **Moldova has to ensure that the recent amendment of Article 24 from UCC IA has been reflected in the national legislation.**

Rules of Origin

The Parties have exchanged information on developments concerning the current PEM Convention and the process of adopting the revised rules of origin. Thus, concerning the application of the rules of origin at the bilateral level, MD has informed about the internal procedures existing in the Republic of Moldova and the need to adopt amendments to the Convention. The institution responsible for promoting the amendments is the Ministry of Economy and Infrastructure.

Moldova also explained that they are ready to apply the revised rules of origin in preferential trade with countries that will also apply these rules. Following the ratification of the transitional rules, the bilateral Protocols on Rules of Origin with the EU and Turkey, as well as in trade with CEFTA countries, will be amended through subcommittees set up on free trade agreements. Regarding the EFTA countries, Moldova informed that the draft Free Trade Agreement is currently being negotiated. As regards Ukraine, a procedure of amending the bilateral protocol on rules of origin is still ongoing and Moldova will inform the Commission once it is finalised.

The Commission thanked Moldova for the good cooperation. The Commission informed that the procedure is going to its end with the adoption of the package of 21 Draft decisions in December 2020. Several partners have longer internal procedures for ratification so the deadline for enter into force of the transitional rules for all the interested partners is more likely to be postponed from July to September 2021. The Commission also added that a dynamic reference to PEM Convention is foreseen which will ensure link to the latest version of the Convention as amended and published. The Commission has set a special group on CIRCA BC dedicated to transitional rules of origin and if Moldova needs assistance to become part of the group the Commission will provide the necessary assistance.

Moldova explained that they will be ready to meet the September deadline. As regards the transitional rules they will contact the Commission if needed.

Operational conclusion:

- **Good cooperation on PEM convention, Moldova needs to organise its national ratification process.**

Convention on a common transit procedure

Moldova informed that the accession of the country to the Common Transit Convention is a priority for the Customs Service. The process benefited from a twinning project which was finalised in 2019, which provided among others also an action plan which was submitted to DG TAXUD on 23 November.

Moldova explained that after a recommendation made by DG TAXUD they will work on the deployment of the NCTS 5 as version 4 will be phased out.

Moldova would be grateful if TAXUD experts will be able to provide expertise and give a feedback on the draft action plan during the meeting in December. Moldova informed in addition that the customs service will make the necessary efforts to join the convention in 2023. The Commission thanked Moldova for the detailed action plan and explained that they would need some more time in order to provide detailed comments on the draft.

The Commission also informed that next year there will be amendment in the convention and its Appendices. Acquiring the legal *acquis* in order to join the Conventions needs thorough screening of the national legal approximation. As regards the operational side Moldova needs to ensure a strong administration before joining the convention. Transit sector experts offered their support throughout this process, starting from February 2021.

Moldova informed the Commission that they intend to use NCTS also nationally.

The Commission made a detailed presentation on the implementation of NCTS, by outlining the organisational tasks, development, testing, training and communication, monitoring and measurement. It is important that Moldova assigns the national NCTS project manager, establish the NCTS project team, creates the national NCTS roadmap, sets up national help desk and allocates budget.

The Commission has prepared and will send to Moldova after the meeting a number of documents: the Common Communication Network and Common System Interface (CCN/CSI) specification, operational Procedures how to install the new CCN site, description of CCN/CSI roles and a template for a national roadmap.

The Commission explained that Moldova can test the system in 2021 in order to get a preliminary insight experience.

The Commission also informed that the procedure for NCTS 5 is fully in line with the UCC plan, the transit declaration is ready, the specifications are mandatory, no changes of the declaration will be anticipated. The system will start in March 2021 with Germany, followed by Poland and France, the plan of Moldova to test in 2021 seems realistic. The Commission will organise full training and Moldova will be also invited.

The EU Delegation raised the question on the availability of the necessary resources, human and financial in order to allow the customs service to be able to exercise this important and at the same time challenging IT developments.

Moldova explained that there is a reorganisation in the IT department in the customs service and in couple of months there will be a new team which will start working on all the IT priorities mentioned today.

The Commission will be ready to assist Moldova on all questions related to customs processes.

Operational conclusions:

- **Accession to the Conventions requires harmonisation of national legislation to the CTC/SAD provisions, as well as the operational preparedness and the administrative capacity to operate in an international environment. Meetings on this topic may be organised from February 2021.**

- **A dedicated meeting on NCTS will take place on 10 December, providing time for more detailed discussions.**
- **A number of documents will be provided to Moldova describing the specifications and the different procedures of the system.**
- **Moldova will ensure a dedicated IT division to work on the deployment of NCTS**

Implementation of Protocol III on Mutual Administrative Assistance in Customs Matters; fight against fraud

The Commission sent the updated list of European Union contact points for mutual administrative assistance. Moldova informed that their contact points remain the same as last year.

The MAA is working well in relation to the exchange of data, however the Commission is concerned with the smuggling of tobacco, especially in relation to the Transnistrian region.

The Commission encourages Moldova to join the FCTC Protocol and enquires about the state of play of this process.

Moldova confirmed the good cooperation with OLAF, Interpol, Europol, EUBAM and other international organisations to tackle smuggling.

Concerning mutual administrative assistance with the Member States, due to the pandemic situation the received requests decreased by 20.57% from January till October this year. The requests sent from Moldova also decreased by 36.8%. In spite of this Moldova has a good number of solved cases. The countries with which Moldova has collaborated mostly are: Romania, Lithuania, Germany, and the Netherlands.

During the last year Moldova has investigated various fraud cases like money laundering, counterfeit goods and tobacco smuggling, where Moldova requested OLAF support and assistance. These cases are still under investigation by their competent authorities.

EUBAM raised the issue of the excessive flow of cigarettes to the Transnistrian region of the Republic of Moldova that resumed in February 2020 reporting exact statistical data. Those cigarettes are smuggled to the EU as confirmed by seizures. Moreover, EUBAM informed about several monitoring exercises performed during the year that confirmed the non-compliance of those cigarettes with Moldovan legislation on tobacco control and about the actions taken to inform the Moldovan competent authorities.

In order to increase the awareness of customs officers, EUBAM will facilitate the organization of a joint workshop on the enforcement of legislation on tobacco products delivered to the Transnistrian region to be held on 02 December 2020.

Moldova explained that measures have been taken on this issue and suggested that further discussions take place during the meeting on 2 December.

As regards the FCTC Protocol and the Moldovan accession, the responsible institutions in Moldova are the Ministry of Health, Labour and Social Protection, Ministry of Economy and infrastructure and Ministry of Internal Affairs.

Currently, the accession to the FCTC protocol is included in the action plan of the Ministry of Internal Affairs for 2020 and in the Government action plan 2020-2023. During the VI meeting cluster Meeting between the EU and Moldova of cluster VI on Social Policies, Equal Opportunities, Employment and Public Health between the EU and Moldova, which will take place in the beginning of December, Moldova will present an updated information on the accession of the country to the FCTC Protocol.

Operational conclusion:

- **MD will work towards the accession to the WHO FCTC Protocol**
- **MD has to ensure that Fight against fraud needs to continue by adopting the necessary measures.**

AOB - New Customs and Fiscalis programs, conditions for a full membership of a partner country

The Commission presented an overview on the post-2020 Customs and Fiscalis EU programmes, namely information on the scope of the programmes, with specific details on the options to participate in the programmes' collaboration actions domain.

The presentation built on the Commission proposal on the Multiannual Financial Framework in May 2018. The European parliament, the Council and the Commission are negotiating the proposals on two levels, namely at the level of the Multiannual Financial Framework – budget and some horizontal elements, and at the level of the specific programmes, addressing certain provisions. This means that as long as the new programmes are not adopted nothing can be considered as final. However, the Commission does not expect significant changes in the overall concept and programme set-up.

The Commission also explained that the Customs programme supports the functioning and evolution/modernization of the customs union and the customs policy. The Fiscalis programme addresses the functioning of taxation in the EU in specific tax areas: VAT, excise duties on tobacco and alcohol, energy tax and other taxes, the condition is that they are relevant for the internal market.

The Commission explained that the EU-Moldova Association Agreement confirms the possibility for Moldova to join the programmes under the condition of sufficient approximation of legislation to EU law including its implementation. In order to launch the process, the Moldavian customs and/or tax authority need to express interest in a letter to DG TAXUD asking for a full membership in the programme.

Operational conclusion:

- **Moldova will reflect on the presented information and decide about a membership in the EU customs and fiscalis programs.**

Closing remarks and next meeting

The Commission will prepare a report from the meeting.

The next meeting will take place in November 2021 in Chişinău.