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DCFTA benefits for the private sector

from the Republic of Moldova



EU-Moldova Stronger Together

This brochure was developed within the European Union founded project "Strategic communication and support to mass-media in the Republic of Moldova"

The overall objective of the project is to support the successful implementation of democratic reforms in the Republic of Moldova, through increased visibility of EU and EU assistance provided to the Republic of Moldova, thus ensuring a stable, prosperous and democratic future for all its citizens. The communication and visibility activities undertaken in the framework of this project should make reference to the

Association Agreement (AA) and the Deep and Comprehensive Free Trade Agreement (DCFTA).

This publication aims to raise awareness among the citizens of the Republic of Moldova and especially of the business environment about the opportunities and benefits resulting from the harmonization of national legislation with the provisions of the DCFTA. In this regard, the success stories of Moldovan companies that have already benefited from the results of the implementation of the Agreement since its signing are illustrated.

Introduction

The private sector has benefited from the implementation of the **Deep and Comprehensive Free Trade Agreement (DCFTA)** mainly through the liberalization of trade in goods and services between the Republic of Moldova and the European Union. The liberalization of customs duties on imports, the provision of tariff quotas for the import / export of goods for a limited number of sensitive products, the prohibition of export duties has contributed to the significant increase of Moldova's bilateral trade with the European Union. Statistical data (Tables 1 and 2) show a steady increase in both exports and imports since the signing of the DCFTA (in 2014), with the exception of 2020, which was negatively impacted by the Covid Pandemic and hydrological drought, both severely affecting the economy of the Republic of Moldova.

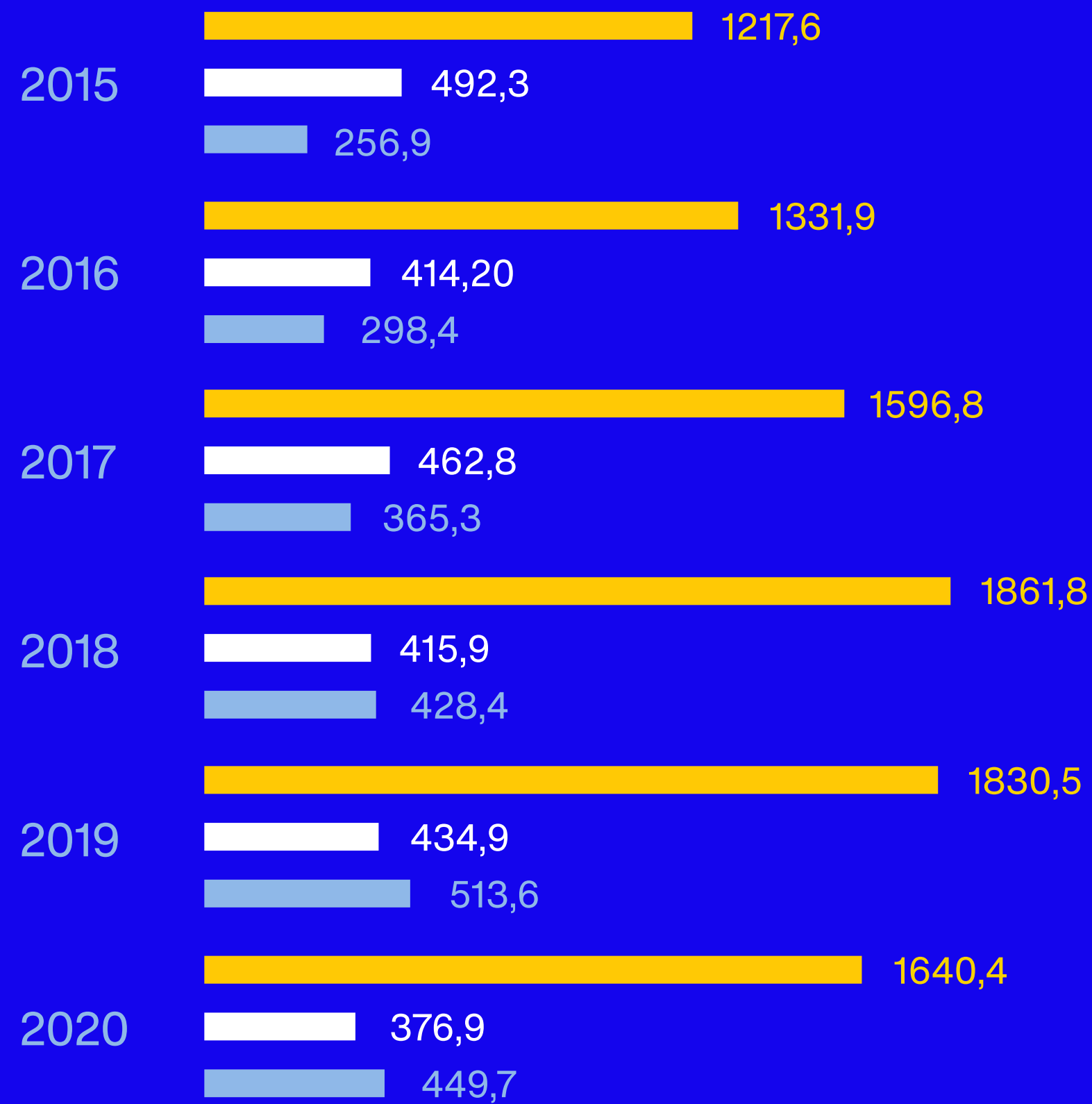
At the same time, the compliance with quality requirements, European standards and food safety regulations for any domestic product gives it a degree of safety and offers to Moldovan producers the opportunity of their products free movement on the EU and other international markets. In this respect, an important role belongs to the customs procedures, which as a result of the adjustment to the provisions of the DCFTA have been simplified, in particular through the concept of Authorized Economic Operator. Moreover, in order to facilitate trade with the EU, the number of permits required for export and import has been reduced.

In order to ensure a higher competitiveness of Moldovan products with European ones, domestic producers benefit from EU quality systems recognized as geographical indications, part of the intellectual property system. The geographical indication recognition enables consumers to trust and distinguish quality products while also helping producers to market their products better.

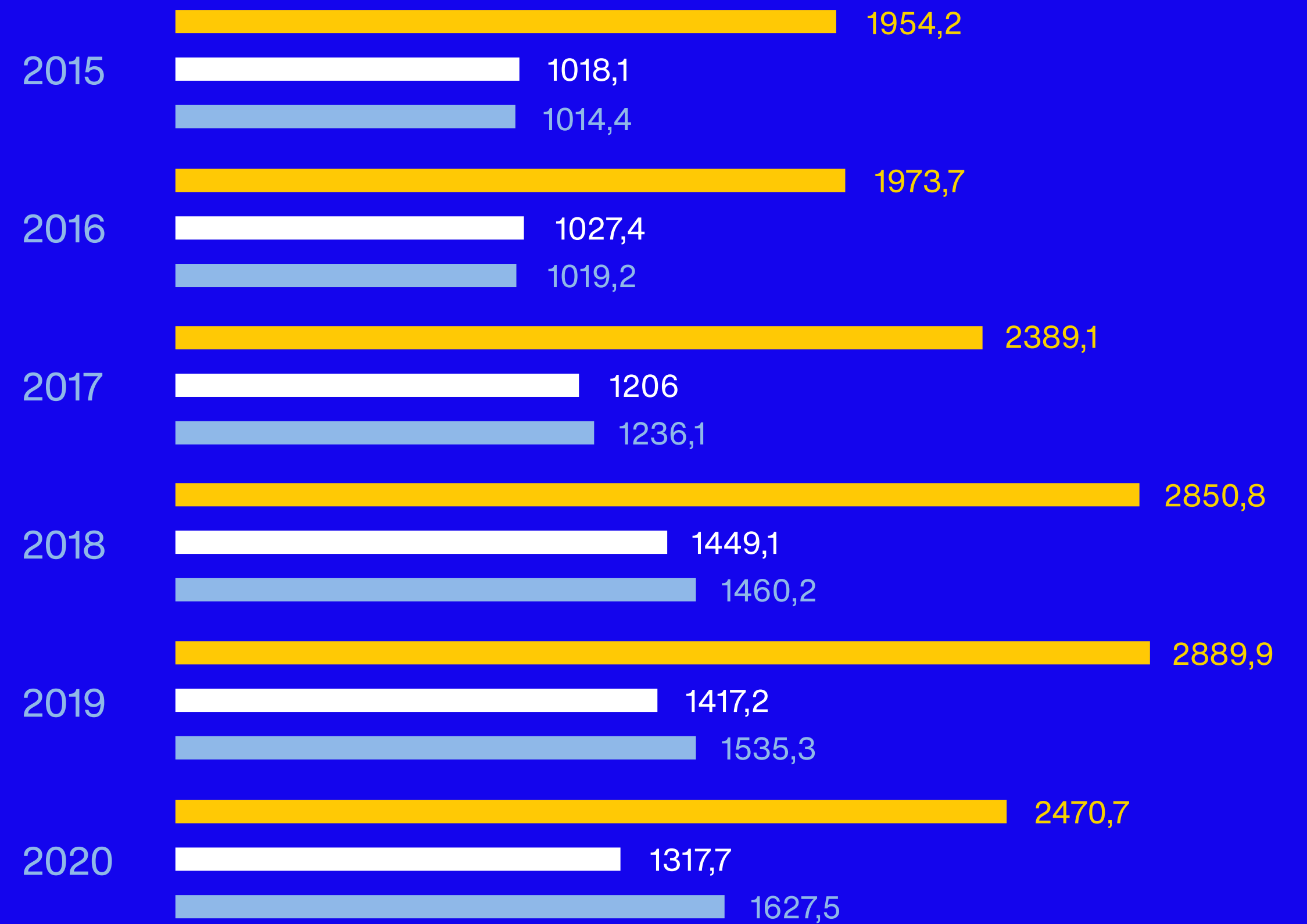
The DCFTA provides clear rules for a sustainable and eco-friendly development of the country by promoting the potential of renewable energy in the Republic of Moldova and energy efficiency of the private sector, the use of which significantly reduces the company's expenses.

This brochure presents the success stories of Moldovan companies that have benefited from the opportunities offered by DCFTA and have managed to improve and extend their business by applying these provisions.

MOLDOVAN EXPORTS IN 2015-2020 (MILLION USD)



MOLDOVAN IMPORTS 2015-2020 (MILLION USD)



● EU ● CSI ● other countries

Benefits of standardisation, metrology, accreditation and conformity assessment

1

Mandatory technical regulations for products and their production methods (terminology, symbols, packaging, marking or labeling requirements)

2

Voluntary application of harmonized European standards to demonstrate that local products comply with EU technical requirements and as a result simplify Moldova-EU trade

3

Assessing the conformity of the product, service, management system in accordance with specific EU requirements

Monicol

Monicol company is one of the leading wholesale and retail supplier of organic and conventional walnuts/walnut kernels and dried fruits from the Republic of Moldova. The Company was established in 2001 and over the years has gained a reputable image along with trust and recognition from its customers.

To obtain the highest quality Monicol invested in modern technologies and equipment such as optical and laser sorting machines. Also, the company fully benefited out of DCFTA provisions related to the quality requirements and standards. In this respect, Monicol and its products are certified in accordance with European standards, such as IFS Food, BRC Food and Kosher Standards. The organic products are certified in accordance with EU and USDA Organic, Bio Suisse and KRAV standards. Monicol company is a member of BSCI and Sedex/Smeta social responsibility organizations.

Owing to an excellent quality and competitive prices, the company's products are exported in most European countries such as Germany, Switzerland, Netherlands, UK, Austria, France, Denmark, Sweden, Romania, Poland, Lithuania, Latvia, Poland, Belgium etc. as well as in the USA, Singapore and China.

■ **NUMBER OF EMPLOYEES:**

constant – 120 persons,
temporary – 150-200 persons

■ **ANNUAL TURNOVER:**

grew in dynamics and at the moment
there is an **annual growth of 10 to 15%**.



Benefits of sanitary and phytosanitary measures

1

Protecting human health from unsafe food

2

Protecting crops and livestock from the dangers of pests and diseases

3

Alignment with EU rules and standards on the production, packaging, storage and transport of food of animal and non-animal origin

4

Application of general and specific hygiene measures throughout the food chain

Regina Naturii

Regina Naturii was founded in 2014, being a tangible example of turning a hobby into a business. The company produces acacia, linden and polyflower honey, as well as coriander or lavender honey. Every year the company produces tons of honey but also buys honey from other producers. Regina Naturii is the only company in the Republic of Moldova that provides the consumer with „natural honey in sachets”.



As a result of the harmonization of the national system according to the EU sanitary, phytosanitary and veterinary requirements, as it is provided in the DCFTA, the export of honey to the EU market has increased significantly. Regina Naturii has benefited from the opportunities offered by DCFTA and to meet EU quality standards and sanitary requirements, the company invested in the development of its business by building in 2019 a modern factory for processing and packaging natural honey, equipped to European standards. Also, it installed in 2021 an automatic honey packaging line in a jar.

Moreover, the company's product is tested and certified by accredited laboratories in Germany, Italy, Romania and the Republic of Moldova, as being of the highest quality. Currently, the company exports honey to such EU countries as Romania, Poland, Germany, the Netherlands, France.

- **PRODUCTION CAPACITY**
has increased from 80 tons in 2014 to **1,000 tons in 2021**;
- **THE NUMBER OF EMPLOYEES**
has increased from 6 in 2014 to **20 in 2021**;
- **TURNOVER**
has increased 5 times in 2021 compared to 2014.



Benefits of the intellectual property rights

1

Providing added value to Moldovan products and services, including those intended for export

2

Access for companies to the Intellectual Property Protection System in the EU

3

Increasing the competitiveness of local products

ATU Winery

ATU Winery was founded in 2016 by the Vutcarău family who turned their hobby into a family business. The artisanal wines produced by ATU are of high quality and are produced in limited batches of 1000-3000 bottles.

Due to the harmonization of the national legislation in the field of intellectual property rights to the European Acquis, provided in AA / DCFTA, ATU Winery, following the obtaining of the necessary European certification, could export in one year after its foundation (in 2017) to EU markets such as Romania, Germany, Austria, Luxembourg, Belgium, Netherlands, as well as to Japan and Canada. Given that the company's plantations are located in the area of the Protected Geographical Indication „Codru”, ATU wines are competitive with European wines, offering to the consumers a credible quality guaranteed by the producer. The PGI Index regulates the origin of the grapes, so consumers can be sure that the wine they consume was made from grapes of a certain quality, reputation or other characteristics that can be attributed to that geographical origin.

At the same time, the quality of ATU wines was confirmed by the medals obtained – 8 Premium wines and 10 international medals. The most appreciated wine is Codrinschii Saperavi which obtained the 2nd place out of 100 wines from Moldova, with 94 points offered by JAMIE GOODE- wine judge.

- **TURNOVER** increased by 100% in 2021 compared to 2017
- **PRODUCTION** has increased from 22,000 bottles in 2016 to **45,000 in 2021**;
- **EXPORTS** have diversified and constitute 35% of total production, **increasing by 210% in 2021** compared to 2017.



BIOCĂMARA

BIOCAMARA was founded in 2012, next to the Zăbriceni Monastery with the aim of promoting ecological products, especially herbal mixtures. The whole production process takes place exclusively on the territory of the monastery. The company has an area of 30 ha of agricultural land, of which 15 ha are certified organic and are processed without the use of chemicals, taking into account the benefits for health and the environment.



In 2013 the company obtained the ecological certification, later in 2017 the geographical indication „IGP Zăbriceni”. The registration of the geographical indication gives Biocamara teas the quality of an original product, specific to the area of Zăbriceni. And it offers the consumer the certainty that the given product is one of a superior quality, given that the company uses raw material only from the indicated geographical area, ensured by a more rigorous control by the competent bodies.

At the moment the company produces a wide range of herbal teas and mixtures: Bioceai, Zăbriceni, Moldovan Basil which are mixtures of plants, but also individually packaged plants such as: Ivan-tea, chamomile, marigold, lavender, mint, etc. Biocamara brand products are currently present only on the domestic market.

The company’s vision for the future is the emphasis on quality, not quantity, which is why the volume is gradually increasing. In the future, export is also planned, but only as a finished products.

■ PRODUCTION

During its activity, the company increased its production from a few hundred kilograms of dry finished products produced in 2014, to **about 2 tons in 2021**;

■ NUMBER OF EMPLOYEES

Due to the increase in production but also the diversification of products, the number of permanent employees has also increased from 2 in 2014 to **4 in 2021**; And seasonal workers **up to 20**;

■ TURNOVER

The company’s turnover increased from 200,000 MDL in 2014 to **600,000 MDL in 2021**.



Benefits of the national treatment and market access for goods

1

Liberalization of trade with the European Union by eliminating customs duties

2

Offering tariff quotas for sensitive products

3

Non-discrimination of imported products with local products

4

Maintenance or establishment of customs unions or other free trade areas

ZERNOFF

ZERNOFF was established in 2001 as one of the first ethanol producers in Moldova. Ethanol, also known as ethyl alcohol, was first exported to the EU after the signing of the Association Agreement. For its export, the DCFTA provided tariff quotas, which were increased from 2,500 tonnes to 5,000 tonnes in 2020. Despite the fact that the annual export quota is used quite quickly, the Company benefits from the anti-circumvention mechanism, which provides an average annual volume of exports that can be exceeded if the Republic of Moldova can argue the increase of its exports.



Following massive investments in the new Zernoff plant in 2015, the company became a leader in the local market and in the entire Black Sea region.

After the modernization, the most advanced equipment available on the market was installed, which allowed the company to obtain quality products that meet the highest European standards. ZERNOFF is certified according to the international quality and safety system ISO 9001. The company is audited annually by independent certification authorities from Germany and Romania, ensuring the best quality for its products and safety for the environment.

■ **EXPORTS**

of ethanol increased from 7.2 M liters in 2015 to **27.4 M liters in 2021**, out of which the exports to EU increased from 3 M liters in 2015 to 12 M liters in 2021;

■ **NUMBER OF EMPLOYEES**

has been constantly growing and has increased from 190 people in 2015 to **210 people in 2021**;

■ **TURNOVER**

increased from 149 M MDI in 2015 to **688 M MDL in 2021**.



Benefits of the customs and trade facilitation

1

Simplification and modernization of customs procedures and other import and export related procedures and requirements

2

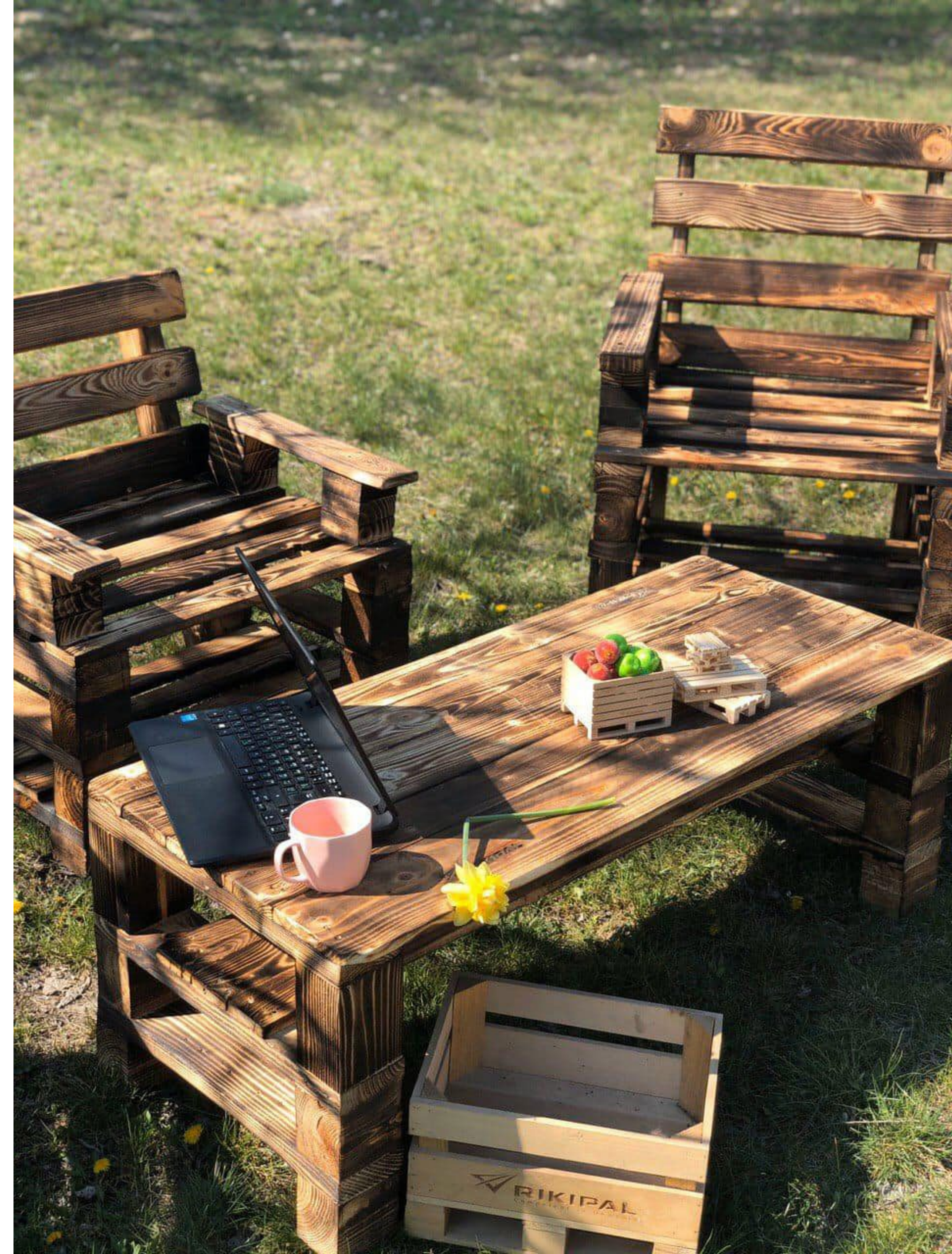
Facilitating traffic to avoid delays in customs and automating customs procedures

3

Application of modern customs techniques, including risk assessment, post-clearance controls and business audit methods

Rikipal

RIKIPAL started its activity in 2009. The company operates in the sector of production and sale of wooden packaging, being also the largest wooden pallet recycling company in the Republic of Moldova. Of the total RIKIPAL activities, over 65% of the pallets sold are recycled. Also, over 95% of the timber used by the company is imported from Ukraine, Belarus, and Russia (which have developed forest industries), as well as from Greece.



Respectively, the simplification of customs procedures at the legislative level allowed the company to obtain the status of Authorized Economic Operator and to benefit from the Customs Clearance Procedure, due to which the duration of customs procedures was significantly reduced, the human factor and any possibility of corruption were excluded. Moreover, the costs of customs procedures have been reduced by tens of thousands of euros annually. Both statutes have helped the company to maintain its market-leading position, expand its product range, contribute to the state budget by paying taxes, and increase its revenue.

RIKIPAL is a company with a high degree of social responsibility. In the first 10 years of activity, the company recycled over 2 million pallets, saving over 120 thousand trees from felling, i.e. over 100 hectares of forest.

■ **PRODUCTION**

capacity **has increased 2.5 times in 2021** compared to 2014;

■ **NUMBER OF EMPLOYEES**

4 permanent and 12 seasonal;

■ **TURNOVER**

increased from 1 M EUR in 2014 to **2.8 M EUR in 2018**.



Benefits of trade-related energy

1

Free trade in the electricity, natural gas and crude oil sectors

2

Promoting renewable energy

3

Setting energy prices for the supply of natural gas and electricity to industrial consumers only on the basis of market prices

Zaw Energy

Zaw Energy Company was founded in 2016, from an ambitious idea to contribute to the development of the renewable energy sector in the Republic of Moldova, the main activity of the company being the consultation, design and installation of photovoltaic systems. In 2017, the first project was completed - the photovoltaic plant with a capacity of 10kW, this being exceeded in 2021 and reaching over 7 MW.

The adjustment of the energy legislation to the European Acquis has created favorable conditions for the establishment of Zaw Energy and the development of its activity by capitalizing on the potential of renewable energy in the Republic of Moldova.

■ NUMBER OF PROJECTS

has increased from 1 in 2017 to **over 100 in 2021**;

■ NUMBER OF EMPLOYEES

has been constantly growing and has increased from 1 person in 2017 to **19 people in 2021**.

■ TURNOVER

increased from 200 thousand MDL in 2017 to **35 M MDL in 2021**.



Benefits of the establishment, trade in services and electronic commerce

1

The right of juridical and natural persons to carry on business in the territory of the other Party through the acquisition of branches or representative offices, and self-employment or through the creation of undertakings

2

Cross-border provision of services from the territory of one Party to the territory of another Party;

3

Providing the possibility for the contractors of one party to employ natural persons of the other party in their units for a specified period

4

Liberalization of IT and electronic communications services

DAAC Digital

DAAC Digital was founded in 1995 and is currently a leading Moldovan company in the field of information and communication technologies, acting as a developer and implementer of innovative solutions for digital support for the information development of society, government and the business environment.

With the liberalization of IT and electronic communications services, the company has invested in business process development, software development, project management, being audited and certified according to European standards, demonstrating a high quality of services provided and a work ethic and corporate integrity. Its services are offered to clients in the Republic of Moldova, European Union and other countries. In 2018, DAAC Software Systems was established as a resident of Moldova IT Park.

- In 2020, DAAC Digital **expanded its business** by opening branches in Tashkent (Uzbekistan) and Bucharest (Romania).
- The **NUMBER OF EMPLOYEES** only in DAAC System Integrator (from which increased the international group of IT companies DAAC digital) increased from 70 in 2014 to **160 in 2021**;
- **TURNOVER** increased from 7 M USD in 2014 to **12 M USD in 2021**;



Benefits of the trade and sustainable development

1

Corporate responsibility in the environmental protection

2

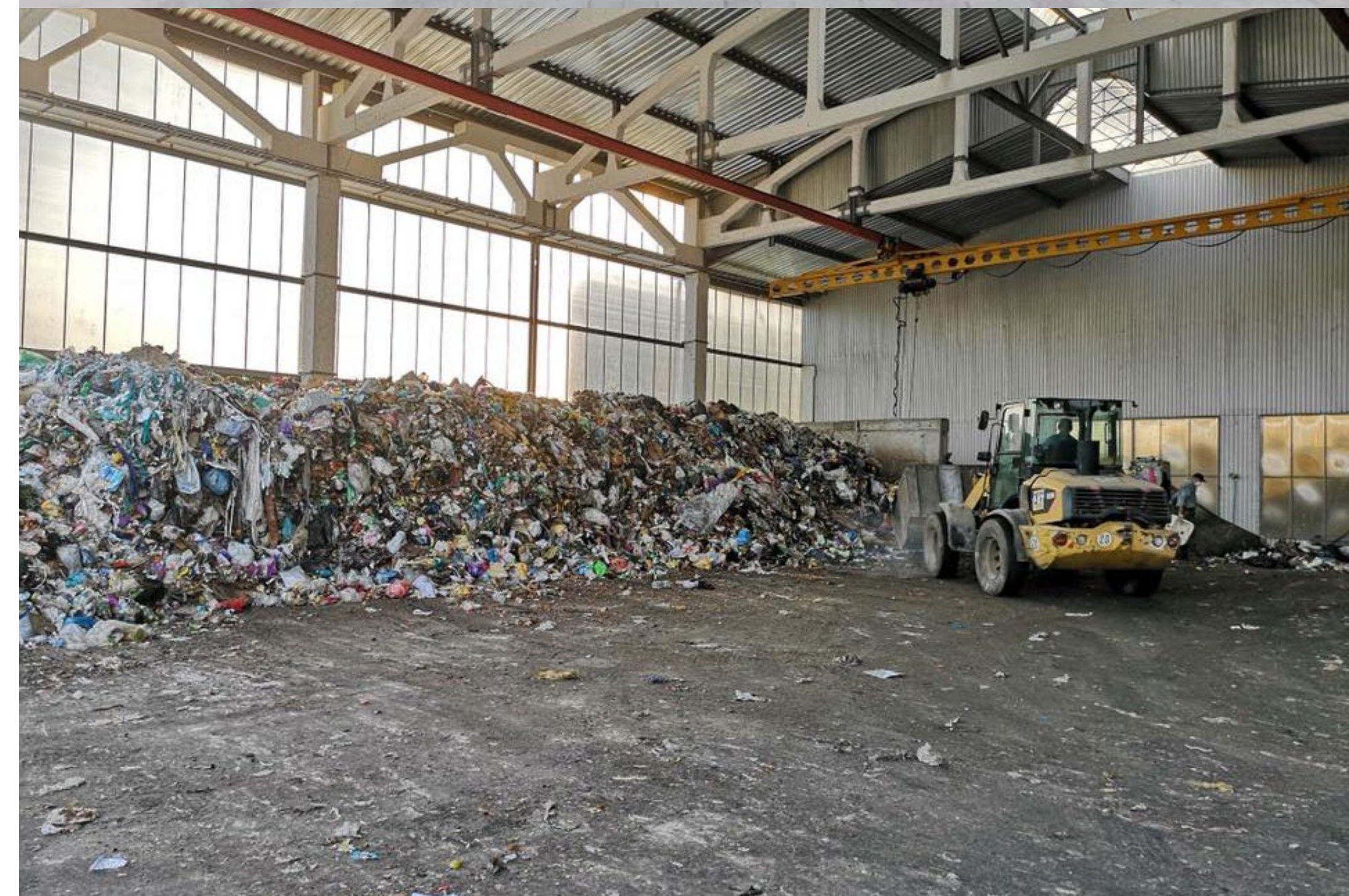
Promotion of the investment in environmental goods and services, through addressing related non-tariff barriers

3

Improvement of the environmentally sound practices through sustainable development activities

ABS

The main activity of the company „ABS” SRL is the integrated management of solid household waste. This involves the collection of solid household waste, sorting it into 12 categories and the recycling of plastic in its own recycling plant, other categories of recyclables are transported to separate recyclers. Thus, in addition to the economic component of the company’s activity, there is also the ecological component, which involves the reduction of burial and pollution with waste.



The development of the company „ABS” contributed to the development of the recyclable waste management sector in the country. The signing of the DCFTA agreement has made it easier for recyclers and plastics manufacturers to enter the European market. The final product of recycling is the raw material for plastics manufacturers using recycled plastic flakes or granules. Thus, the advantageous conditions of the DCFTA agreement have propelled the development of the circular economy and the EU plastic producers use the recycled plastic of “ABS” SRL.

As the DCFTA agreement opened up new opportunities for recycling, the company initiated the EPR process to hold as many businesses as possible accountable for what they place on the market.

The increase in turnover was due to the increase in exports to the EU. Exports to the EU generated higher turnover but also greater investment in equipment and the development of the company which allowed the finished products to be adapted to European requirements and standards.

- In order to increase ecological and economic efficiency, ABS has **invested in a municipal solid waste sorting plant** with a sorting capacity of 500 t / day.
- **NUMBER OF EMPLOYEES**
of the company increased by 30%
- **TURNOVER**
increased fluctuating by 15% annually.



EU support for business financing

In order to increase the access of Moldovan companies to the EU market, as well as to improve the skills of expanding Moldovan business, the EU remains the main donor and development partner of the Republic of Moldova. In this regard, the EU supports SMEs by providing financial support in the form of grants, credit, coaching and advisory support.

EU financial support is in line with the DCFTA objective and provides a favorable framework for increasing exports, the competitiveness of domestic producers, diversifying relations with European and international business partners, increasing the productivity of companies by streamlining production processes and efficient use of natural resources, improving quality infrastructure management of enterprises by increasing the quality of local products / services. Given the context of the Covid pandemic and its negative effects on the private sector in Moldova, the EU provided financial support for the recovery of the economic and business situation of the private sector in Moldova.

The EU's main partner in this regard is the Organization for Small and Medium Enterprises Sector Development, which manages state programs co-financed by the EU such as Pare 1 + 1, Women in Business, Start for Youth, Greening Program of Small and Medium Enterprises, SME Digitization Support Tool, Internationalization - Engine for SME Growth, etc.

Moreover, the EU supports the private sector through the EU4Business initiative, whose total budget in 2020 amounted to EUR 172.69 M. Through EU4Business projects in 2020, 19,105 thousand companies were supported and 11,418 new jobs were created.

The European Union reaffirms its commitment for the continued support of SMEs in the Republic of Moldova.

More information on funding sources can be found by visiting the following web pages:



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