

REPUBLIC OF MOLDOVA

CEFTA

**Work Programme of the
Subcommittee on Customs and Rules of
Origin**

JANUARY - DECEMBER 2014

1. INTRODUCTION

1.1. Background

There are two main objectives which are set by Article 14 of the CEFTA Agreement in the field of customs. The one is directly related to diagonal cumulation and lays down the objective to ensure effective and harmonised application of the origin protocols of the Agreement. The second objective that is equally underlined by the same Article is to simplify customs procedures and reduce the formalities imposed on trade for the sake of facilitating trade.

The CEFTA Subcommittee on Customs and Rules of Origin has so far taken substantial steps forward in undertaking those above mentioned objectives in the previous years.

Regarding rules of origin, and the application of diagonal cumulation, the CEFTA Parties have agreed to modify Annex 4 of the Agreement to replace the existing CEFTA Origin Protocol with the Origin Protocol of the Pan-Euro Mediterranean Convention. The relevant Ministerial Decision was adopted by the CEFTA Joint Committee on November 20, 2013. The application of that decision is to start from April 1, 2014. Furthermore, the process of modification in the bi-lateral free trade agreements which are signed between CEFTA Parties, and the EU, EFTA States, and Turkey are also underway. Having those modifications completed, the CEFTA Parties would be able to benefit from a single diagonal cumulation zone under the PEM.

In relation to trade facilitation related agenda of the CEFTA Subcommittee on Customs and Rules of Origin, a number of substantial and concrete steps have been taken under the previous Chairmanships of Albania, Bosnia and Herzegovina, and Macedonia. In short, discussions and technical preparations proceeded to develop joint risk profiles in the regional trade, to create a CEFTA AEO Programme, and to map the data submission requirements in order to eliminate the redundancies.

From the organisational point of view, CEFTA Working Group on Customs Risk Management has been created and become fully operational. Besides, AEO Contact Points in Customs Administrations of CEFTA Parties have been appointed in 2013. Lastly, the CEFTA Origin Experts Network has continued for being functional since 2011.

1.2. CEFTA Ministerial Conclusions of 2013 in relation to Subcommittee on Customs and Rules of Origin

In its latest meeting of the CEFTA Joint Committee in 2013, the CEFTA Ministers reconfirmed the economic importance of adopting a decision in CEFTA for establishing a link between the implementation of diagonal cumulation of origin in the framework of the Agreement and the Pan-European Mediterranean (PEM) Convention which will merge the variable diagonal cumulation zones under the Convention. The Ministers also noted that the start of the application of diagonal cumulation of origin according to the PEM Convention in 2014 would strongly promote investment and thus support integrating our economies into global supply chains.

Regarding the trade facilitation related agenda of the Subcommittee on Customs and Rules of Origin, the CEFTA Ministers underlined the core role of exchange of information between all the parties involved in trade for the purpose of facilitating trade. Furthermore, the Ministers confirmed commitment of the Parties to make joint efforts to strengthen the implementation of risk analysis in all clearance stages by all governmental agencies therein, to eliminate the data submission requirements which are redundant or in contradiction with the Agreement, and grant simplifications in customs procedures and facilitations of customs controls related to security and safety to the economic operators functioning in full compliance with customs and other relevant laws and procedures.

There are also two other important conclusions made in the Joint Committee of 2013 which would directly affect the work programme of the Subcommittee.

Firstly, the Ministers emphasise the strong interaction between the implementation of the Agreement and the priorities agreed in the Integrated Growth Pillar of the South East Europe 2020 Strategy.

Secondly, the Ministers endorsed the creation of CEFTA High Level Task Force on Trade Facilitation as part of the Chairmanship priorities of Macedonia. Given the leading role of the Customs Authorities in trade facilitation, creating such task force would substantially facilitate coordination between the Subcommittee and other CEFTA Structures.

1.3. Mandate and scope of the Subcommittee and Working Group on Customs Risk Management

1.3.1. Mandate of the CEFTA Subcommittee on Customs and Rules of Origin as determined by the Decision of the Joint Committee 4/2007

The following areas have been determined as the main mandate of the CEFTA Subcommittee on Customs and Rules of Origin which was established by the Joint Committee Decision No. 4/2007:

- Exchange and discuss information on a regular basis on measures to simplify and facilitate customs procedures in the region;
- Facilitate for customs authorities to cooperate in setting up integrated border management systems, single windows and data harmonisation in the region;
- Exchange information on measures to maintain the integrity and the efficiency of the respective customs services;
- Cooperate with on-going and future international programmes to ensure their full benefit;
- Ensure harmonised implementation of common rules of origin with a view to inter alia enabling diagonal cumulation of origin;
- Exchange information on a regular basis on the implementation of rules of origin;

- Monitor and discuss how the Parties implement provisions regarding rules of origin and administrative co-operation;
- Discuss measures to control and ensure the validity of certificates of origin;
- Further dialogue with appropriate business organisations so traders are informed of procedures involved in obtaining certificates of origin.

The same decision stipulates that the senior civil servants responsible for customs issues from the CEFTA Parties hold one meeting per year, but can meet on an ad hoc basis, if needed.

1.3.2. Mandate of the CEFTA Working Group on Customs Risk Management as determined by the Decision of the Joint Committee 1/2012

According to the Decision 1/2012, the main tasks of the Working Group on Customs Risk Management would be as follows:

(i) Cooperation in the field of customs risk management:

- To exchange information on the existing or any amendment adopted in the national rules and regulations on customs risk management, and its implementation,
- To share best practices in customs risk management, particularly with regard to its implementation, training of staff, administrative organisation and decision making processes, inter-agency and intra-agency cooperation and coordination, and cross-border cooperation,
- To cooperate, assist each other and exchange views and experiences on legal reform to be adopted by the CEFTA Parties in the context of relevant EU integration process,
- To discuss the implementation of regional or national projects in the field of or which may have a direct impact on customs risks management, in particular EU financed project on Systematic Electronic Exchange of Data (SEED), with an aim to develop common regional positions regarding the issues deemed to increase the relevance, efficiency, effectiveness, and impact of the projects concerned for customs risk management.

(ii) Explore possibilities for creating and applying joint risk profiles

- To prepare a work program planning the activities need to be taken to create and apply joint risk profiles for risks which are deemed common throughout the region,
- To discuss common risks in the field of customs, and the most appropriate level of action to cope with those common risks,
- If justified according to the point above, to initiate the preparation process for developing joint profiles,
- In this task, priority to be given on developing non-risk areas on which a number of non-risk profiles could be developed with a view to facilitate the regional trade through simplification of customs procedures and reduce the formalities imposed on trade.

1.3.3. Priorities of Multi-Annual Work Programme

The priorities of the Multiannual Program of the Subcommittee which set a three year perspective for the activities of the Subcommittee on Customs and Rules of Origin are also taken into account by the Republic of Moldova. The multiannual priorities are as such.

- 1) Coordination with other CEFTA Subcommittees through contributing to their work;
- 2) Developing regional approach in the areas of risk management through using available electronic data exchange capabilities between the CEFTA Parties with an aim to facilitating intra-regional trade by fully taking into account the requirements of the EU acquis;
- 3) Preparing transparent, efficient and effective procedures to ensure sustainable and reliable information exchange between customs and the regional trading community to simplify customs rules with a view to facilitating legal trade;
- 4) Strengthening the level of regional coordination in the field of rules of origin with an aim to sustain the proper implementation of the CEFTA Origin Protocol, and respond to any upcoming need for its modification;
- 5) Preparing responses to the common administrative capacity development challenges at the regional.

2. OBJECTIVES OF THE CHAIRMANSHIP

The objectives of the Republic of Moldova's chairmanship work programme are as follows:

- to simplify customs and other trade related procedures in the Regional trade, to the possible extent, in particular for the operators which are functioning in full compliance with customs and other relevant laws and procedures.
- to facilitate the Regional trade through promoting and increased use of risk management in customs and other border agencies, to the possible extent,
- to strengthen capacity in smooth functioning of diagonal cumulation between the CEFTA Parties and other trading partners in the framework of the Pan-Euro Mediterranean Convention
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In order to follow up on the initiative started last year regarding the cooperation with transport as a cross-cutting issue in trade facilitation, the Subcommittee will also be in active interaction with SEETO and all other regional initiatives and projects on transport.

The Republic of Moldova has decided to adjust the structure of its Chairmanship Work Programme in a way to integrate the relevant dimensions of the Integrated Growth Pillar into its priorities. As a result of such adjusted Subcommittee Work Programme would facilitate establishing linkages between priorities of CEFTA and the SEE 2020 as they are coinciding with each other. Another benefit from such adjustment is to ensure consistency and coherence of the priorities as well as their implementation and proper coordination

among all the relevant stakeholders of the SEE 2020 through strengthening interaction between the Subcommittee work programme and the Strategy.

3. ACTIVITIES PLANNED UNDER THE CHAIRMANSHIP

3.1 Free Trade Area

One of the three key dimensions of the Integrated Growth Pillar of the SEE 2020 is Free Trade Area. Under this dimension, facilitation of trade through simplification of trade related procedures, and improving interconnectivity between customs authorities in the Region are determined as priorities. These priorities are fully in line with the second objective of the Chairmanship of Moldova. Under these priorities, Republic of Moldova will undertake the following activities.

- Facilitation of trade through simplification of trade related procedures

Activity 1: Preparation of document/procedure maps in trade

The Subcommittee aims at continuing preparations for the initiation of the technical process through which all procedures required in the stages of pre-clearance, clearance and post-clearance are mapped in relation to a number of selected products for all CEFTA Parties. After the preparation of such mapping, the CEFTA Parties would consider what type of simplification can be made in the existing procedures. At the regional level the CEFTA Parties would also be able to discuss if any standardisation among procedures and data submission requirements can be made, particularly the ones which might be full in line with the EU acquis and other international agreements.

In 2013, a similar set of activities regarding the mapping of documentary requirements have been undertaken by the IFC Trade Logistics Project. In the regional workshop which was held in Skopje on December 5, 2013, the IFC was invited to develop a matrix for a selected product (suggested: milk and dairy products) listing all types of documents required for pre-clearance and clearance in intra-regional trade, and to make recommendations for the harmonization, simplification and standardization of the documents and procedures required. This analysis would be shared with the CEFTA Structures including the Subcommittees on Customs and Rules of Origin for agreeing and making decisions about further implementation actions.

Depending on the result of that matrix to be prepared by the IFC, a similar exercise can be initiated among the CEFTA Parties to prepare a similar mapping in other products for the aim to extend the scope of such matrix.

It is planned to employ a technical assistance in order to assist the Subcommittee in the framework of this action.

- Improving interconnectivity between Customs Authorities in CEFTA

Activity 2: Developing Joint Risk Profiles

The CEFTA Working Group of Customs Risk Management has become fully operational in 2013. The working programme was prepared at its two meetings the Working Group held last year. According to that working programme, the CEFTA Parties would complete necessary technical preparations to develop joint risk profiles which are to be used in the regional trade. In order to serve this aim, a questionnaire was prepared and circulated to the Working Group members. As agreed at the 7th Subcommittee meeting, a new questionnaire is to be developed in order to receive more specific and detailed information with regard to the existing risk profiles of the Customs Authorities of CEFTA Parties. On the basis of results of that questionnaire, the Working Group will consider the timing of developing joint risk profiles and technical assistance they may need.

Activity 3: Customs Valuation

Customs valuation in the Regional trade has so far been one of the main issues related to trade facilitation. In particular, there are a number of complaints recorded in the CEFTA Market Access Barriers Database with regard to the use of reference pricing for valuation purposes. On the other hand, undervaluation is one of the problems which the Customs Authorities in the Region have to tackle systematically. For this purpose, there will be a TAIEX seminar on customs valuation in February 2014 in Skopje. The required application for that TAIEX Seminar was made by the Macedonian Chairmanship in 2013.

The results of that seminar are to be employed by the Subcommittee to decide further actions to be undertaken in 2014. Those results are also to be discussed by the Customs Risk Management Working Group in relation to their activities of joint risk profiling.

Activity 4: Creating CEFTA AEO Programme

The CEFTA Parties took substantial steps forward in creating a CEFTA AEO Programme which is to be in compliance with the EU acquis. As a follow-up on the activities undertaken last year, a meeting among CEFTA AEO Contact Points will be organised to discuss the further steps as indicated by the Road Map which was presented at the 7th Subcommittee meeting. Accordingly, a strategy document and guideline for creating CEFTA AEO Programme would be drafted. Beside such technical action, a high level conference on AEO among Directors General of Customs Authorities would be organised by the end of 2014 to present such strategy and to increase high-level awareness on AEO.

In order to support such activity, the assistance of AEO experts of the EU Member States is to be ensured. The mission of EU experts would be financed by the CEFTA Project Facility. Furthermore, the organisation of high-level CEFTA AEO Conference would also either be financed by TAIEX or the CEFTA Project Facility.

3.2 Integration into Global Economy

The third dimension of the Integrated Growth Pillar of the SEE 2020 is to facilitate the integration of the Region into the Global Economy. In the framework of this dimension, it is aimed to enhance the implementation of diagonal cumulation under the PEM Convention, and to facilitate participation of the Region in global supply chains. The following of activities planned under the Republic of Moldova Chairmanship are coinciding with those measures of the SEE 2020

- Improve market access through completing a single diagonal cumulation zone under the PEM Convention

Activity 5: Measuring and Analysing the Functioning of Diagonal Cumulation

Measuring and analysing the functioning of diagonal cumulation is not only of crucial importance for building capacity and taking actions in customs and private sector to utilise the available opportunities of diagonal cumulation but also for developing positions to promote economic interest of the Region in the revision exercise of the PEM Convention. In this framework, a technical assistance is to be initiated to develop a methodology to measure the functioning of diagonal cumulation, and to prepare an action plan for the relevant capacity building in the public and private sector.

In the framework of such technical assistance there will be a number of CEFTA Origin Network meetings.

The technical assistance is to be financed by the donors and CEFTA Project Facility.

Activity 6: Enhancing interaction between customs and transport

In order to give a support to the integration of the region into the supply chains, the interaction between customs and transport is of crucial importance. Developing sustainable means of such interaction, it is important to organise a meeting at which all the regional and international stakeholders are equally represented. Furthermore, a full-fledged regional modernisation plan for the transport sector to facilitate and promote regional trade requires first consolidated efforts to collect transport and trade related data which is fragmented at the moment. The cooperation between transport and customs would be much more sustainable on the basis of such data once consolidated under the objective of promoting and facilitating the regional trade. Under this purpose a regional workshop is to be organised by the World Bank at which the CEFTA Subcommittee Customs are to be presented. On the basis of outcomes of that workshop, the CEFTA Subcommittee will consider taking further actions to strengthen the interaction between its efforts on trade facilitation and modernisation of transport network in the Region.

4. EXPECTED RESULTS

The results of our Chairmanship are expected to lead to the following outcomes corresponding to four components mentioned above:

1) Free Trade Area

- A list of simplifications to be made in each CEFTA Party
- A list of possible standardisation(s) in data submission requirements throughout CEFTA
- Joint Risk Profiles prepared to be employed by Customs Authorities in the CEFTA Trade
- A regional action plan in customs valuation
- Draft regional strategy and guidelines for mutual recognition of AEO Programmes in CEFTA

2) Integration into Global Economy:

- Action Plan to strengthen capacity of the public and private sector in utilising diagonal cumulation
- Unified data collection of trade and transport

5. RISKS AND ASSUMPTIONS

The Chair foresees that the following issues are out of its control but assumes that any negative development thereon which may endanger the smooth functioning of the Agreement will be prevented by the joint effort of each CEFTA Party.

- Each CEFTA Party remains committed to the CEFTA process and its provisions.
- Customs Authorities and other governmental agencies whose contribution is necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee.
- International donors remain committed to support financially the CEFTA.

6. CALENDAR OF EVENTS

Having taken into account the positive experience of last year and given the heavy work programme of the Subcommittee on Customs and Rules of Origin, the Chair considers organising two meetings of the Subcommittee in 2014.

The tentative calendar for the year 2014 is as follows:

MEETING/EVENT	DATE (INDICATIVE)	Place
CEFTA Workshop on Customs Valuation	5-6 February 2013	Skopje, Macedonia
CEFTA AEO Contact Points Meeting	2nd week of April 2014	Austria
Training Workshop on Risk Management	2 nd Week of May	CEFTA Parties
CEFTA Working Group on Customs Risk Management	2nd week of May 2014	CEFTA Parties
CEFTA Origin Network Meeting	1 st week of June 2014	Chisinau, Moldova
CEFTA Subcommittee Meeting	1 st week of June 2014	Chisinau, Moldova
Project Workshops (on Data Mapping)	September-October 2014	CEFTA Parties
CEFTA Working Group on Customs Risk Management	–1st week of November 2014	CEFTA Parties
CEFTA AEO Conference	1 st week of November 2014	CEFTA Parties
CEFTA Subcommittee Meeting	1 st week of November 2014	CEFTA Parties

Annexe 1: Logical Framework Matrix

LOG FRAME PLANNING MATRIX FOR CEFTA CIO PRIORITIES		Period: January – December 2014	
Overall objective	Indicators of Achievement	Sources of verification	
<ul style="list-style-type: none"> - to simplify customs and other trade related procedures in the Regional trade, to the possible extent, in particular for the operators which are functioning in full compliance with customs and other relevant laws and procedures. - to facilitate the Regional trade through promoting and increased use of risk management in customs and other border agencies, to the possible extent, - to strengthen capacity in smooth functioning of diagonal cumulation between the CEFTA Parties and other trading partners in the framework of the Pan-Euro Mediterranean Convention 	<ul style="list-style-type: none"> - Volume of the intra-regional trade is increased - Exports of CEFTA Parties to the EU and to their FTA partners is increased 	<ul style="list-style-type: none"> - National statistics - CEFTA Statistics Brochure 	
Priorities	Indicators of Achievement	Sources of Verification	Assumptions
<ul style="list-style-type: none"> 1) Facilitation of trade through simplification of trade related procedures 2) Improving interconnectivity between Customs Authorities in CEFTA 3) Improve market access through completing a single diagonal cumulation zone under the PEM Convention 	<ul style="list-style-type: none"> - Ranking of CEFTA Parties in Doing Business Report regarding trade facilitation is improved - Number of non-tariff measures stemming from administrative barriers is decreased - Share of the Regional Trade applying diagonal cumulation is increased 	<ul style="list-style-type: none"> - World Bank Doing Business report - CEFTA Market Access Database - CEFTA Statistics 	<ul style="list-style-type: none"> - Each CEFTA Party remains committed to the CEFTA process and its provisions. - Customs Authorities and other governmental agencies whose contribution is necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee. - International donors remain committed to support financially the CEFTA.
Activities	Results	Means	Assumptions
<ul style="list-style-type: none"> Activity 1: Preparation of document/procedure maps in trade Activity 2: Developing Joint Risk Profiles Activity 3: Customs Valuation 	<p>Free Trade Area</p> <ul style="list-style-type: none"> 1) Facilitation of trade through simplification of trade related procedures <ul style="list-style-type: none"> - A list of simplifications to be made in each CEFTA Party - A list of possible standardisation(s) in data submission requirements throughout CEFTA 2) Improving interconnectivity between Customs Authorities in CEFTA <ul style="list-style-type: none"> - Joint Risk Profiles prepared to be employed by Customs Authorities in the CEFTA Trade 	<ul style="list-style-type: none"> - CEFTA Subcommittee on Customs and Rules of Origin - CEFTA/TAIEX Workshops - Technical Assistance financed by CEFTA Project Facility - Other donors financed Technical Assistance 	<ul style="list-style-type: none"> - Each CEFTA Party remains committed to the CEFTA process and its provisions. - Customs Authorities and other governmental agencies whose contribution is necessary to the work of the Subcommittee will have the sufficient level of resources (human resources and time) available for the Subcommittee. - International donors remain committed to support financially the CEFTA.

<p>Activity 4: Creating CEFTA AEO Programme</p> <p>Activity 5: Measuring and Analysing the Functioning of Diagonal Cumulation</p> <p>Activity 6: Enhancing interaction between customs and transport</p>	<ul style="list-style-type: none"> - A regional action plan in customs valuation - Draft regional strategy and guidelines for mutual recognition of AEO Programmes in CEFTA <p>Integration into Global Economy:</p> <ul style="list-style-type: none"> 3) Improve market access through completing a single diagonal cumulation zone under the PEM Convention - Action Plan to strengthen capacity of the public and private sector in utilising diagonal cumulation - Unified data collection of trade and transport 		
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