



Trade Sustainability Impact Assessment in support of negotiations of DCFTAs between the EU and respectively Georgia and the Republic of Moldova

Final Inception Report

Client: European Commission - DG TRADE

Rotterdam, 27 March 2012



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This report was commissioned and financed by the European Commission. The views expressed herein are those of the Contractor, and do not represent an official view of the Commission.

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Preface

The European Commission (DG Trade) awarded a contract to ECORYS, signed in December 2011, to conduct a trade sustainability impact assessment (TSIA) relating to the negotiations of a deep and comprehensive Free Trade Area (DCFTA) between the EU and respectively Georgia and the Republic Moldova.

ECORYS is aware of the important role of this study in providing input into the negotiation process. The study will take place in parallel to the negotiation process, and the planning is discussed with the EC to ensure optimal input in the negotiations on the basis of this study.

This inception report is based on the Terms of Reference, the ECORYS-CASE proposal that was submitted to DG Trade and the subsequent discussions and progressing insights, including the constructive kick-off meeting that was organised on 7 December 2011, the Steering Committee meeting to discuss the draft inception report, and the first inputs from civil society. The kick-off note is added as Annex A. The inputs of civil society are included in Annex B.

An extensive discussion has taken place on the assumptions and specifications of the CGE model, because this has to be agreed upon in an early stage (before the approval of the inception report), to allow implementation of the study in line with the planning. Agreement on the specifications and assumptions was reached on 16 January 2012. After the Inception meeting, some small changes were made that are included in this report.

The study consists of two separate modules, one for Georgia and one for Moldova. In this model, we will present the general parts two times (e.g. a large part of the methodology is shared between the two modules) while then focusing on those parts which are distinct for each module, like the stakeholder consultation plans and country-specific findings. This way the EU-Georgia and EU-Moldova findings can be read independently from each other.

This inception report does not aim to copy our proposal into the inception report, since all that is written in there is still valid and available. Rather, this report summarises the most important methodological components and focuses on the main issues that warrant further attention and focus in order to bring this study to a successful end. These issues centre around the following two points: methodology, including a stakeholder consultation plan, and organisation and planning.

The Ecorys-CASE Team

27 March 2012

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Executive Summary

This is the Inception Report for the TSIA in support of negotiations of the Deep and Comprehensive FTA (DCFTA) between the EU and respectively Georgia and Moldova. According to the Terms of Reference (ToR, p. 12) *'The Trade SIA should assess how the trade and trade-related provisions under negotiation could affect economic, social, and environmental issues in the EU and, respectively, in Georgia and Moldova (as well as in other relevant countries, in particular neighbouring developing countries). Furthermore, it should propose measures (trade or non-trade) to maximise the benefits of the FTAs and prevent or minimise potential negative impacts. It should also include a reference to the EU-Turkey Customs Union and assess the impact of each of the future FTAs on the Customs Union's functioning.'* In line with this clear definition of what is expected of the study, we present here our approach and conceptual framework, quantitative methodological approach, consultation plans for Georgia and Moldova, studied sources (literature, tools, references) and a first preliminary screening of issues that are of importance for this study.

New elements in our approach and conceptual framework

The general approach is based on the TSIA Handbook (2006) of DG Trade and all its core elements are included. In addition to the methodology laid out in the Handbook, we have strengthened our approach for this TSIA in four ways, based on evolved insights and developments of what is (methodologically) possible.

First, we have significantly improved the way we have modelled services-related and other non-tariff measures. With the Steering Committee providing the draft text of the final EU-Ukraine agreement, we have 'translated' this (with some adjustments) into a scenario – at sector specific level – for how the EU-Georgia and EU-Moldova DCFTAs could come to look like. We have also included the potential for MFN spill-overs for Georgia and Moldova to other countries due to the DCFTA with the EU.

Second, the social and environmental quantitative analysis has been further sharpened and developed (without taking any rigour away from the economic impacts). This implies we use satellite account data and supplementary modelling techniques to look deeper into the social and environmental impacts of these DCFTAs, including the use of household surveys to obtain more disaggregated income distributional insights that could follow from the DCFTAs.

Third, the human rights impact assessment approach has been strengthened and added in line with the requirement of the ToR. Based on a crucial scoping analysis, the sectors and issues most linked to HR issues will be flagged and potential effects presented and interpreted.

Four, the consultation side of this study has been significantly strengthened compared to earlier (similar) studies and the Handbook. Firstly because of the fact that we present already in the Inception Report Consultation Plans for both Georgia and Moldova in order to prepare early, identify key stakeholders early and start the discussion early, and not when we envisage going to the TSIA workshops in those countries. Second, because of the use of online media that we aim to employ. This will happen mainly through an updated interactive section on the TSIA websites (www.tsia.ecorys.com/moldova and www.tsia.ecorys.com/georgia) and through the possibility to use LinkedIn groups to start online discussions in parallel.

Quantitative methodological approach

Our quantitative approach consists of three elements. First, we will use a computable general equilibrium model (CGE model) to determine general equilibrium effects of the potential DCFTAs with Georgia and Moldova. Second, in addition to the CGE model, via complementary social and environmental quantitative impact analyses, we can strengthen the social and environmental quantitative outcomes in this study. Third, it is possible to employ a partial equilibrium tool to look deeper into (up to) two specific products for further analysis if needed.

Computable General Equilibrium model

The CGE model is a multi-sector multi-country dynamic CGE model, which is one of the most elaborate available at the moment. For the specific details we refer to the chapter, but some elements are worth mentioning as they are key to our approach. First, we single out 10 countries or country groupings, including the EU27, Georgia, Moldova, Turkey (to look at the DCFTA impacts on EU-Turkey Customs Union), Ukraine, Russia, Azerbaijan, Armenia, China, and Rest of World (ROW). Second, a scenario is built compared to a baseline (2010), based on anticipated changes in tariff lines, services related regulatory approximation and other types of regulatory approximation. Third, we calculate a short-run (static) set of results and a long-run (including dynamic investment effects) set of results. We will report the findings without the DDA in the baseline in the main report, while we will present the findings with DDA in the baseline in the Annexes;

Social and environmental quantitative analyses

In addition to the CGE modelling, which provides the general frame of effects, we emphasise social and environmental effects more strongly by adding quantitative analyses in these two fields, building on the GE outcomes, but going into more detail regarding the sustainability aspects. Social aspects focus on the effects of the DCFTA on consumption, prices for consumer goods and labour income effects (by employing additional literature sources, SPS measure information and household survey data). The environmental quantitative analysis focuses on effects on airborne emissions, greenhouse gasses and the effects of these on climate change and other external costs using default damage factors.

Partial equilibrium modelling

In order to be able to look deeper into product specifics if needed, we can employ the SMART partial equilibrium model. The advantage of this model is that it allows for analysis at a much more disaggregated product level. The choice of the specific products can be made later, depending on where it is most interesting to analyse further. One could think of wine or walnuts, for example, given the DCFTAs with Georgia and Moldova. The SMART model is based on the World Integrated Trade Solution (WITS), software developed by the World Bank in close consultation with major international organisations. It includes trade figures, tariff data and non-tariff measures data of various sources.

In-depth analysis of detailed issues

The quantitative approach (CGE and social/environmental modelling) provides the starting point for a more detailed analysis of specific issues and aspects related to the DCFTA negotiations that jump out.

Often, in addition to the modelling outcomes, detailed analyses that take into account Georgian, Moldovan or EU specifics need to be added to understand what is truly going on. That is why – in line with the ToR - we will employ a screening/scoping analysis together with subsequent Causal Chain Analysis to structure our analysis around the largest and most important impacts we envisage, coming up with useful detailed insights, as well as flanking, enhancing and/or mitigating policy measures. It is in this stage, where we separate clearly the economic, social, environmental and human rights qualitative impacts that could result from these DCFTAs.

Selection criteria for in-depth analysis

Based on four criteria (see table below) we aim to select sectors and horizontal issues that matter most and focus this study in the right direction to be of direct relevance to the negotiations. Using these criteria and by supplementary partial equilibrium analysis (see above), we will be able to have a more specific selection of the key sectors affected by the DCFTA. In addition, the final selection of the sectors for the EU, Georgia and the Republic of Moldova will be done in close consultation with civil society and the Steering Committee.

Selection criteria applied in screening and scoping exercise

Number	Criterion
Criterion 1	Initial importance for economy (GDP, employment, trade shares)
Criterion 2	Economic impact from DCFTA
Criterion 3	Social / environmental importance / impact
Criterion 4	Stakeholder issues of special importance

In-depth analysis using Causal Chain Analysis

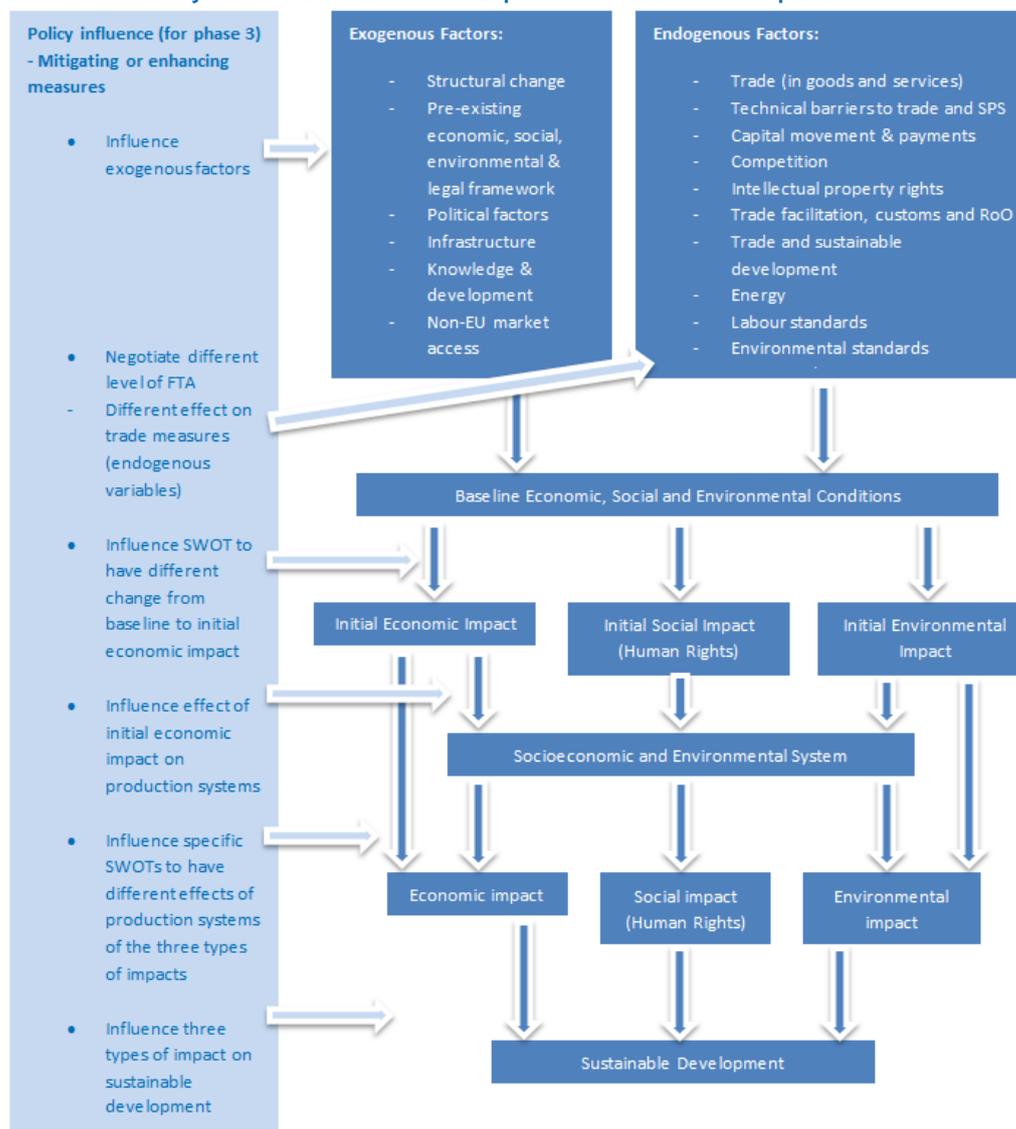
Once the selection has been done, we will conduct a detailed assessment using Causal Chain Analysis of – for example – the following issues for the sectors concerned:

- Identification and analysis of the NTMs hindering trade and investment;
- Effects on Small and Medium Enterprises (SMEs) specifically the potential effects of the DCFTA on their competitiveness and on Georgian and Moldovan policies regarding export promotion and competition policy;
- Cross-sectoral effects for these selected sectors;
- Sectoral economic, social and environmental consequences from the DCFTA.

The Causal Chain Analysis framework that we employ is presented in the figure below. This figure is slightly adapted from Chart 3 of the TSIA Handbook (p. 35).

An illustration of our approach is presented in the table above where the effect of five horizontal issues on n different sector is categorized according to level of intensity.

Causal Chain Analysis: from trade measure to impact on sustainable development



Cross-cutting issue analysis

In addition to the detailed sector-specific analysis, cross cutting issues for the overall economy will be analysed. Cross cutting issues such as public procurement, establishment and investment, labour mobility or trade facilitation have an effect in the overall economy but selected goods and services can be disproportionately affected.

Effects of cross cutting issues for different sectors (example only)

	Public Procurement	Establishment and investment	Labour mobility	Trade facilitation	Etc.
Sector 1	√√√	√	√√	√√√	√
Sector 2	√	√√	√√√	√	√√
Sector 3	√√	√	√√√	√√	√
....					
Sector n	√	√√√	√√	√	√√√
Overall economy	√√	√√√	√	√√	√

Note: √= slightly affected; √√= directly affected; √√√ = greatly affected

Consultation plan and stakeholders

We present a consultation plan and lists of relevant stakeholders as well as an overview of upcoming events that may be relevant for this study and /or the DCFTA process in general. For Georgia and Moldova, we have kept these processes separately, while keeping the approach and structure the same. For this part, we work together intensively with the local representations of CASE and we are in close coordination with the EU Delegations in the two respective countries. The main elements of the consultation plan are the following – carried out for each of the two countries (Georgia and Moldova) separately.

First we have identified a preliminary list of the main relevant stakeholders, with the help of our local partners and local experts, the Steering Committee, the EU Delegations and own research (presented in Annex A). Also for the EU, important stakeholders have been identified.

Second, mapping the civil society landscape in Georgia, we find that there is a limited culture of consultation, especially outside government, and that they have very little impact on society, but also that – given the large number of civil society organisations (CSOs) – there is much scope for consultations, and that the Georgian government is increasingly opening up to cooperation with CSOs. There are also some peculiarities with respect to the different civil society actors that we elaborate upon shortly in this report, including the fact that many CSOs represent middle class, while there is an underrepresentation of less affluent groups as well as ethnic minorities.

Third, looking at the civil society landscape in Moldova, we find that also in this country there is a limited culture of consultations with and influence of CSOs. A process to accommodate and involve civil society has been underway since 2008 (Civil Society Development Strategy for 2008-2011). Also, the Moldovan government (Ministry of Economy) has set up the DCFTA Task Force, in which various NGOs participate, and active participation (for Moldovan standards) took place between government representatives and civil society, throughout 2011. The participation and inclusion of the Transnistrian stakeholders in particular and region in general is a major issue of concern however, requiring specific attention, the more since NGO activity in Transnistria is considered very weak.

Fourth, from these consultation mappings in the two countries, we distil the major risks to the stakeholder engagement plan. These relate to lack of participation of CSOs due to unawareness, political sensitivity, and/or lack of capacity. These also relate to the fact that certain stakeholders may be underrepresented due to the CSO structure in the countries, or because of other reasons (e.g. Abkhazia, South Ossetia in Georgia and Transnistria in Moldova).

Fifth, consultation activities will consist of electronic consultation and documentation (www.tsia.ecorys.com/moldova and www.tsia.ecorys.com/georgia), two public meetings in the EU for EU civil society, TSIA Workshops in Georgia and Moldova (flanked by face-to-face meetings), and attendance of other relevant conferences, workshops, meetings, etc. in the EU, Georgia and Moldova relevant to this study.

Preliminary screening on key sustainability issues (criterion 4)

Even though the formal screening and extensive scoping can only take place after the modelling and in coordination with the key stakeholders, especially civil society representatives, we feel that –

for an early focus of the study – a preliminary screening of sustainability issues – to be kept in mind from then onwards – is important in this TSIA. Some of our core sustainability findings from exploratory conversations with key stakeholders and CSOs are the following. First, the importance of regulatory approximation is high in light of already significant tariff-related market access for Georgia and Moldova. Second, implementation issues regarding SPS, TBT, IPR and Competition are going to be important for the de facto benefits that may result from these DCFTAs, the more when also looking at spill-over effects beyond the EU-Moldova and EU-Georgia. Third, implementation issues regarding specific environmental and social topics like human rights issues, like the implementation progress on ILO Conventions or implementation of international fisheries agreements. Fourth, certain product specific issues that are important to keep in mind and analyse further. This could include the products of wine, textiles, fisheries for example.

From this preliminary screening, we already draw (preliminary) conclusions; conclusions that have already in part been worked out in this Inception Report. First, detailed sector-level modelling of TRQs, NTM reductions and services liberalisation (asymmetric across sectors) is needed. Second, specific additional analysis on expected impacts in the field of social, environmental and human rights issues is needed. Third, Phase 2 should keep in mind potential impacts, among others from working on regulatory approximation (mainly TBT and SPS) that cannot be captured (entirely) by the quantitative modelling. For example, the existence of informal rules in the Georgian or Moldovan societies, the presence of a parallel informal labour force, or the existence of bribery practices – that are not captured by the model but could influence the specific outcomes of regulatory approximation. Fourth, ensuring a balanced input in the consultation process from several stakeholders (e.g. for Moldova: including Transnistrian stakeholders) should be sought.

Conclusions

We believe that this Inception Report that presents our more detailed approach, combined with the management structure and team expertise we have put in place provides the cornerstone for successfully carrying out this study. We also believe that at any time, we need to be aware of the potential risks that may come looking around the corner. Having carried out this type of studies before, we are, however, confident we will succeed.

1 Approach and conceptual framework

This chapter provides an overview of our proposed approach to the study, including a presentation of the conceptual framework of the sustainability assessment analysis. In addition, we provide an overview of the overall and sectoral analysis (key methodological elements), as well as presenting an outline of the contents for both the interim technical and final reports.

1.1 General approach

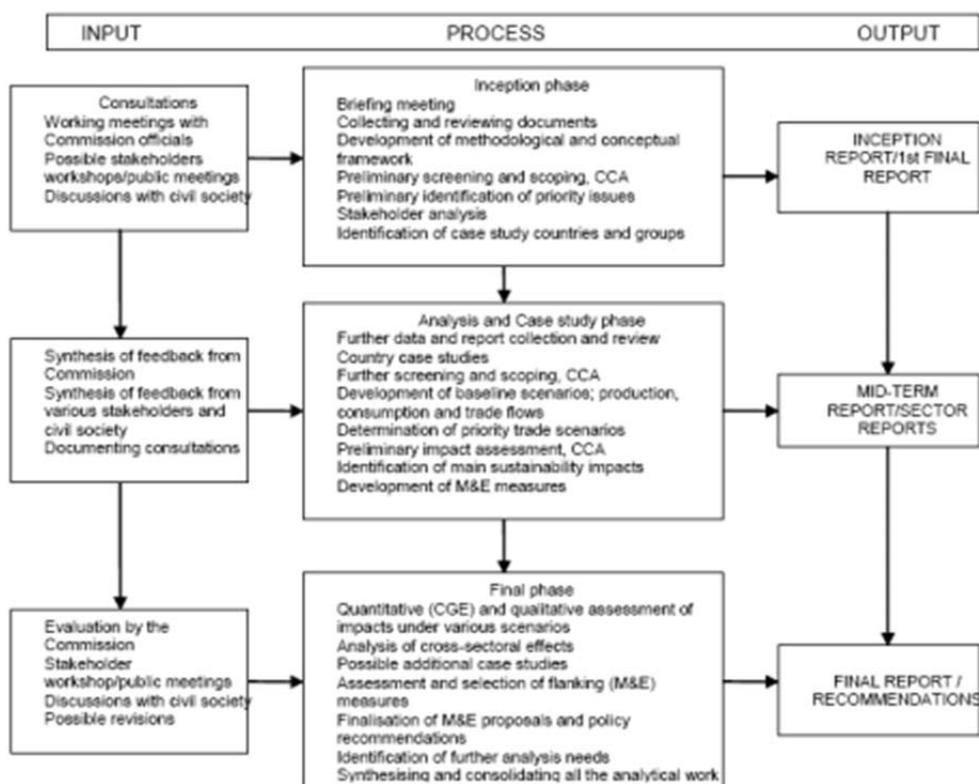
Our general approach follows the outline as described in the ToR in **three phases**:

1. *Overall analysis of the sustainability impacts arising from the negotiations of a EU-Georgia and EU-Moldova DCFTAs;*
2. *Sectoral analysis of impacts of the EU-Georgia and the EU-Moldova DCFTA;*
3. *Proposals for policy recommendation and accompanying measures.*

These phases are preceded by an inception phase (phase 0).

Our approach is based on both **quantitative and qualitative analysis** and throughout the three phases we will engage in **continuous feedback and consultation** with key stakeholders. These two components of the project are equally important and intertwined.

Figure 1.1 Input, process, and output of the Trade SIA



Source: Trade SIA Handbook, page 12 (from Indufor, 2004)

As such the approach draws clearly on the general TSIA approach as developed by DG Trade (see Figure 1.1) with some important additions and aspects that we have come to appreciate and seen as valuable over time (e.g. with respect to the consultation process).

This methodology has been used by our team (and members of our team) for example for the TSIA of the EU-Central America, EU-India, EU-ASEAN, EU-Korea, EU-Ukraine, EU-Andean, and EU-Libya FTAs.

However, we also note that this specific study should put increased emphasis on social effects, environmental effects and also human rights impact of the potential FTAs as compared to previous studies, in line with the Terms of Reference, and this is also reflected in our approach. The different phases will result into a number of deliverables, as shown in Table 1.1 below.

Table 1.1 Deliverables associated with different phases of the study

Phase	Deliverable
Phase 0: Inception	Inception report
Phase 1: Overall analysis	Interim report
Phase 2: Sectoral analysis	Final report
Phase 3: Recommendations on policies and measures	

1.2 Methodology: key elements

Within the phases of the study mentioned, we will apply a methodology that consists of six main pillars developed on the basis of previous TSIA, the TSIA handbook, the Terms of Reference, and our own experience with this type of study. These six pillars are:

- Screening and scoping analysis;
- Scenario analysis and CGE modelling;
- Additional quantitative and qualitative analysis;
- Sectoral Analysis;
- Causal Chain Analysis (CCA);
- Dissemination and consultations with key stakeholders, including civil society.

This section briefly summarises what will be done with respect to these six pillars. Table 1.2 specifies in which phases the different pillars are used.

Table 1.2 Use of pillars in different phases of the study

Phase	Pillar 1 Screening/ scoping	Pillar 2 Scenario/ CGE	Pillar 3 Add. analysis	Pillar 4 Sectoral analysis	Pillar 5 CCA	Pillar 6 Consultation &Dissem.
Phase 0: Inception	X				X	X
Phase 1: Overall analysis	X	X	X		X	X
Phase 2: Sectoral analysis			X	X	X	X
Phase 3: Policy recommendations and flanking measures					X	X

1.2.1 Screening and scoping analysis

In order to identify the sectors and issues that are important for a successful conclusion of the DCFTA and that therefore warrant more detailed analysis in the remainder of the study, a screening and scoping analysis is done. This consists of a preliminary screening in the inception phase (see

Chapter 1), and a further screening and scoping exercise, after the first phase of the report, based on the outcomes of the overall analysis at that point and on the input of stakeholders.

At the end of Phase 1, we will select up to five sectors or horizontal issues in total that are most relevant for further analysis in Phase 2. This selection will be done in close consultation with the Steering Committee, and based on the following selection criteria:

1. Criterion 1: Initial importance of a sector / issues for the economy;
2. Criterion 2: Impact as a result of the DCFTA;
3. Criterion 3: Social / environmental importance or impact;
4. Criterion 4: Stakeholder issues of special importance.

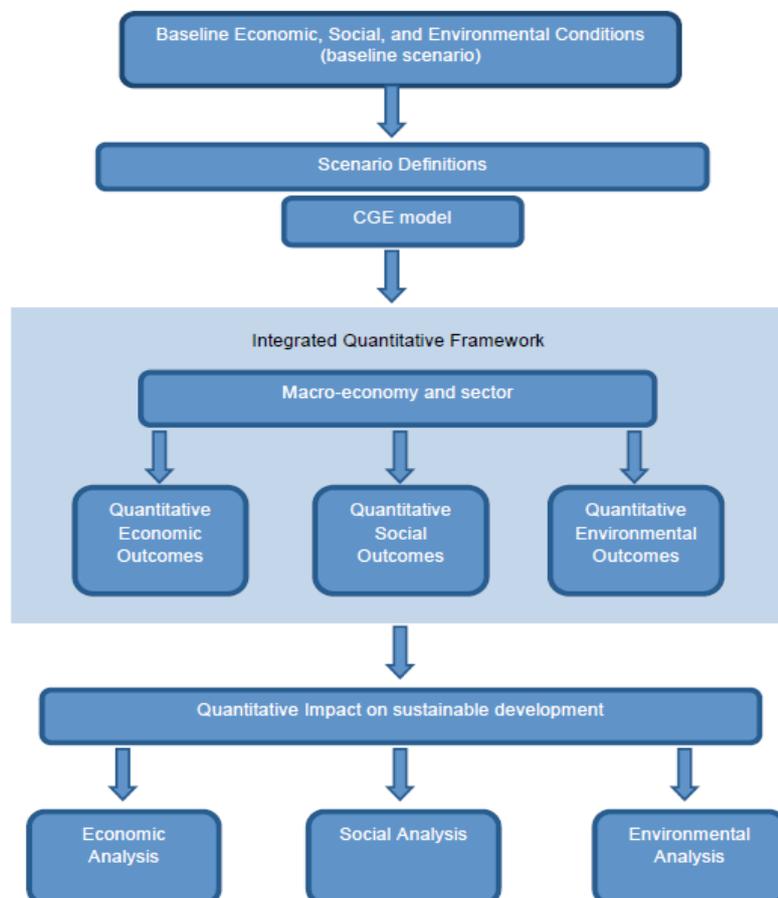
A further elaboration on these criteria and the preliminary screening can be found in Chapter 1.

1.2.2 Scenario analysis and CGE modelling

Scenarios have been developed based on the assumptions regarding the likely outcomes of the negotiations (with EU-Ukraine as the most likely template example) and these will be compared to the baseline scenario of a continuation of recent trends in Georgia and Moldova, using a CGE model. This is a dynamic and non-linear CGE model. Data used in this model are based on the most recent version 8.0 of the GTAP dataset, which contains data benchmarked to 2007, but which will be projected to 2010 using actual macro-economic data. The agreed assumptions and result indicators of the CGE model are presented in Chapter 2.

A schematic figure of the CGE methodology is presented in Figure 1.2.

Figure 1.2 CGE methodology



1.2.3 Additional social and environmental quantitative and qualitative analysis

For assessing the impacts of DCFTAs additional quantitative and qualitative analyses will be performed, to complement the CGE results.

Social quantitative analysis

The social impact of the DCFTA depends on the structural characteristics of the economies involved, of its population and the specific trade reform put into place. Literature identified that the most important transmission channels between trade and welfare are the consumption effect (related to prices of consumer goods) and the labour income effect. We will look at these two effects by combining 1) the results of the CGE model; 2) literature-based estimates of possible food price changes resulting *inter alia* from preconditions related to sanitary and phytosanitary measures and 3) the analysis of household level data. Our focus will be on the share of food consumption in consumption baskets of different households and on the analysis of consumption responses.

Environmental quantitative analysis

In assessing the environmental effect of the DCFTA, we will focus on airborne emissions and greenhouse gasses. The inputs for the environmental analysis will be the CGE results, which include predictions of CO₂ emissions and sector output, and Eurostat data on air pollution per sector. We will then calculate the external costs associated with airborne emissions and climate change impact, based on default damage factors as derived by a recent EU-funded FP6 project. The decomposition analysis of the emissions and related external costs include specifically the scale and composition factors due to the fact that the CGE model does not incorporate technological change.

Qualitative analysis

The study will pay particular attention to the interaction between the DCFTA and the effective implementation of the ILO core labour standards, the promotion of the ILO Decent Work Agenda, the situation of the natural environment beyond air pollution (that is addressed by quantitative analysis tools) – e.g. water pollution, waste generation and treatment, use of chemicals , etc. as well as the implementation of multilateral environmental agreements. In addition, it will address fundamental rights issues, and specifically for Georgia its legislation and position in the fisheries sector.

The main elements of the approach to this qualitative analysis are: 1) literature review; 2) analysis of official reporting schemes inscribed on respective international conventions; 3) interviews with key informants and stakeholders.

The *human rights analysis* deserves some further explanation as this is a relatively new explicit element of the TSIA. With the expected economic, social and environmental impacts on the basis of the previous steps, we will analyse the expected effects of the DCFTA on human rights. We start from a broad overall analysis, and through screening and scoping we will be looking at a number of sectors/area in more detail. For these specific areas, we will analyse : 1) fundamental rights likely to be affected by the DCFTA; 2) the degree of interference with the right(s); and 3) the necessity and proportionality of the interference in terms of policy options and objectives.

1.2.4 In-depth analysis of sectors and horizontal issues

Sectoral analysis

The sectoral analysis aims to provide more details on the impact of the DCFTA on the sectors, where it concerns economic effects (including the impact on SMEs), social effects (e.g.

employment, other decent work issues, human rights) and environmental effects. The analysis will start from the results of the CGE modelling and the additional quantitative and qualitative analysis, and will be complemented with causal chain analysis, literature review, interviews, inputs from sector experts and partial equilibrium (PE) analysis (for PE analysis, see Chapter 2).

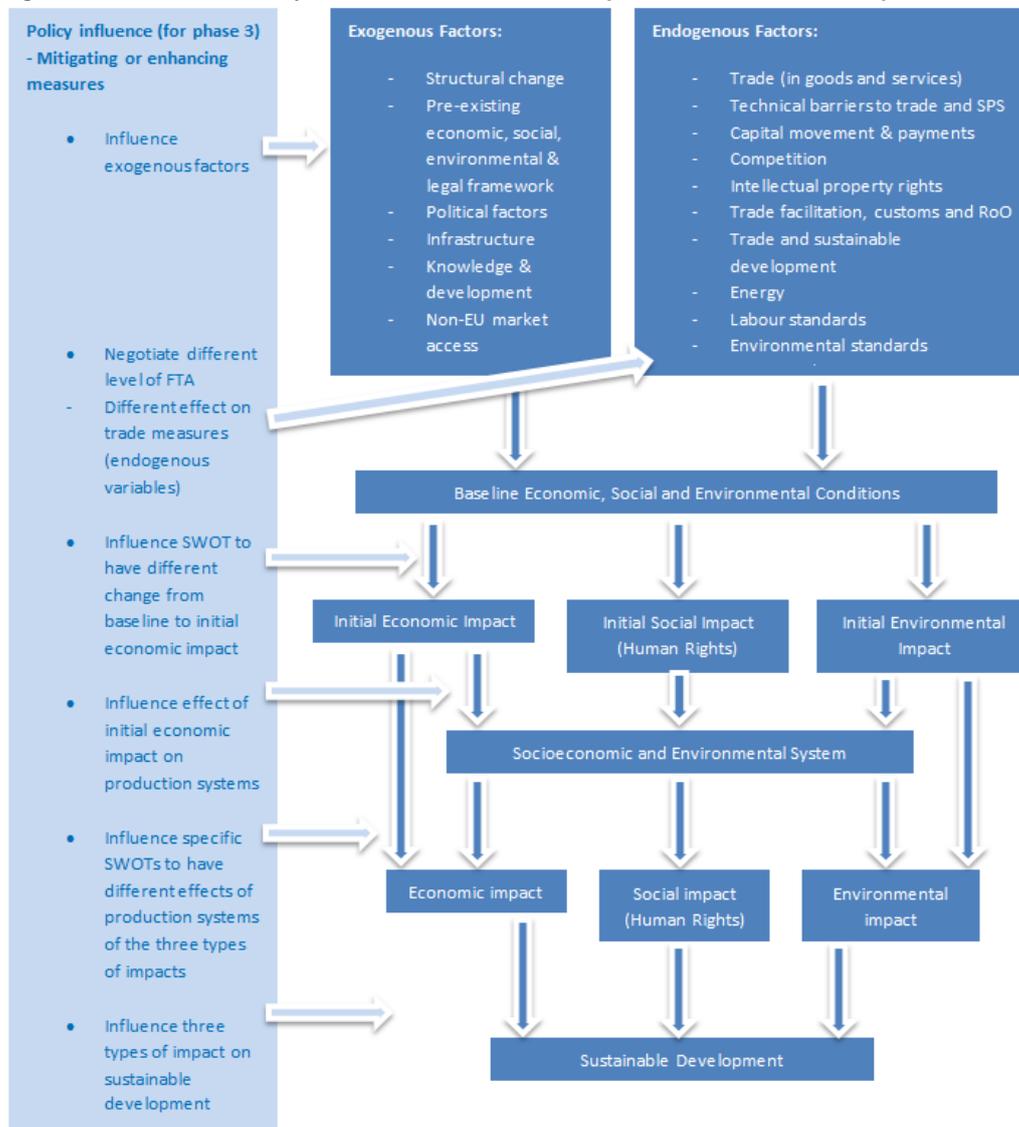
Horizontal issues analysis

The horizontal issues that can be chosen, will look at the most important elements affected by a potential DCFTA across multiple sectors. This analysis will also start with the CGE outcomes, and compares them across sectors. An example of an important horizontal issue could be SPS measures or TBT measures.

1.2.5 Causal chain analysis

Causal chain analysis (CCA) is a conceptual tool used to identify the relevant cause-effect links between the trade measures proposed and the economic, social and environmental impact this trade measure may have. What is imperative for a realistic impact assessment is that the CCA is applied to significant links between trade negotiations and their impacts.

Figure 1.3 Causal Chain analysis: from trade measure to impact on sustainable development



Source: Trade SIA Handbook, chart 3 (from Indufor, 2004)

Figure 1.3 shows how we view the way CCA should be applied within the TSIA framework. This is a slightly adapted version of chart 3 of the TSIA Handbook. The effects of the DCFTA on sustainable development run through the dark blue arrows, while the light blue arrows show how policy measures taken can influence the various cause-effects. Thus the figure illustrates how and at what stages flanking policy measures may increase the positive and mitigate the negative impacts of the DCFTA between the EU and Georgia and Moldova.

1.2.6 *Dissemination and consultation*

Consultation is a key element of the study, as the inputs of all stakeholders (from business, administration and civil society) are needed to identify the main issues in relation to the sustainable development effects of the DCFTA. These stakeholders will therefore be actively involved in the study. As part of the inception phase, we have developed a consultation plan, which is presented in Chapter 1.

1.3 Outline of interim technical and final reports

After this inception report, two more reports will be delivered: an interim technical report and a final report. We will deliver separate reports for Georgia and Moldova. This section shows what the main elements of these reports will be.

1.3.1 *Outline of the interim technical report*

1. A short executive summary in which the preliminary results are presented;
2. The CGE model (general equilibrium) and its results. Also the assumptions will be presented and their implications for the results;
3. The additional quantitative analysis and its results at the overall level, with a focus on social and environmental impact;
4. The additional qualitative analysis and its results at the overall level, with a focus on the interaction between the DCFTA and the effective implementation of the ILO core labour standards, multilateral environmental agreements, the promotion of the ILO Decent Work Agenda, and fundamental rights issues;
5. An overview of the activities related to consultation and dissemination and their results, in particular:
 - The development and implementation of the stakeholder consultation plan;
 - Consultations and dialogue with external experts from civil society;
 - Social partners and other targeted consultation: summary of comments and suggestions received (via e-mail, website comment function, ordinary mail, meetings etc.) and the use made of these;
 - Development of the network of Trade SIA experts: contacts undertaken, information supplied and comments received;
 - Overview of the use made of the website for the Trade SIA.
6. A final screening exercise to define the sectors and horizontal issues to be analysed in-depth in the final phase;
7. A summarising progress briefing, in which we describe the main activities undertaken so far.
8. A roadmap for the work necessary to complete the final report.

Each report will be maximum be 200 pages long.

1.3.2 *Outline of the final report*

1. A short executive summary in which the final results are presented;
2. A description of the TSIA methodology used;

3. Outcomes and results of the TSIA assessment, of both the overall analysis and sectoral analysis;
4. Proposals of flanking measures and policy recommendations;
5. An overview of the activities related to consultation and dissemination and their results, in particular:
 - Outline of contacts with stakeholders (including social partners and other targeted consultation) in the EU;
 - Outline of contacts with stakeholders (including social partners and other targeted consultation) in Georgia and Moldova, respectively (as well as in other countries if relevant);
 - Minutes of the two Public Meetings in Brussels, outlining key stakeholder positions and points of views, the programmes and list of participants.
 - Minutes of the local workshops in, respectively, Georgia and Moldova outlining key stakeholder positions and points of views, the programmes and list of participants.
6. Conclusions, including recommendations and flanking measures;
7. References and key resources.

As requested in the ToR, the final report will be accompanied by a Briefing document (2 pages maximum);

1. the objectives, scope and purpose of the Trade SIA;
2. the main trade measures identified for impact analysis;
3. the liberalisation scenarios considered;
4. other key assumptions and hypotheses;
5. the most significant economic, social, environmental and human rights impacts identified;
6. the most important complementary policy measures recommended in order to minimise negative impacts and maximise positive impacts of the trade measures proposed;
7. the sources of evidence, and the qualitative and quantitative evidence gathering techniques used;
8. details of the consultation process undertaken for the Trade SIA;
9. limitations in the design or the execution of the Trade SIA in meeting the project aims and objectives;
10. suggestions (where relevant) of issues or aspects for further investigation, including ex post analysis of the impacts of any agreement reached at the conclusion of negotiations.

Also these reports will have a maximum of 200 pages, excluding annexes.

2 Methodological developments

This section contains an overview of additional information regarding the quantitative and qualitative analysis, both at the overall and sector level, based upon initial research and the first discussions with the steering committee. It also includes an identification and definition of indicators that we will apply in this study. As much as possible we aim to generate the indicators presented in the DG Trade Handbook for TSIA. For those variables in the Handbook that the quantitative methods described in this chapter do not provide, we will add qualitative analyses (e.g. poverty, decent work, human rights).

Please note that this does not include anything on the stakeholder consultation process, as this is separately discussed in the next chapter.

2.1 CGE modelling specification

The CGE modelling approach has been extensively discussed with the Steering Committee during the inception phase to allow for timely modelling to meet the time schedule for this study, and the modelling approach agreed with the Steering Committee is presented in this section. The discussions have been as follows:

1. A first discussion on the modelling approach during the Kick-off Meeting on 7.12.11;
2. A first draft methodological note (version 1.0) sent to the EC on 12.12.11 upon which comments were received on 20.12.11;
3. A second draft methodological note (version 2.0) sent to the EC on 6.1.12, upon which two meetings with Ecorys' Team Leader took place for further clarification (leading to version 3.0) and upon which EC sent a final note discussing at sector level the reality of the assumptions made (leading to version 4.0);
4. Approval of methodological note version 4.0 on 16.1.12. This finally approved version of the methodological note is exactly replicated in this chapter of the Inception Report as agreed with the Steering Committee. We made one addition to the original methodological note in that we also present an overview of the indicators and variables that constitute the output generated by the model (section 2.1.5).

2.1.1 Country specifications

After checking in GTAP 8.0, it proves possible to separate Azerbaijan and Armenia out. This is why we can offer them separately, with a total of 10 countries: EU27, Georgia, Moldova, Russia, Turkey, Ukraine, Azerbaijan, Armenia, China, ROW. The 10 countries we will specify in the CGE model are going to be:

- | | |
|---------------|----------|
| a. EU27 | i. China |
| b. Georgia | j. ROW |
| c. Moldova | |
| d. Russia | |
| e. Turkey | |
| f. Ukraine | |
| g. Azerbaijan | |
| h. Armenia | |

2.1.2 Sector specifications

Below is Table 2.1 comparing the original 58 sectors to the more aggregated and focused set of sectors for this TSIA. These sectors have been chosen based on the negotiations (making those sectors as separate as possible), while aggregating sectors where less focus lies. This still leaves us with a significant number of 37 sectors.

Following in-depth discussions within the (modelling) team, the following issues are important with respect to the sector disaggregation:

1. It is not possible to separate postal and courier services;
2. It is possible to separate banking from financial services, but not advisable because the data split is inaccurate and not consistent – we propose to keep it together in CGE- we take a trade weighted average of liberalisation in this combined sector. We therefore do not envisage this;
3. It is possible to separate insurance from financial services, but not advisable for the same reason as the previous point. We therefore do not envisage this;
4. It is not possible to treat telecommunication services separate;
5. It is not possible to treat telecommunication services and postal and courier services separately.

Table 2.1 GTAP sector comparison and aggregation for this TSIA

Nr.	Abbrev.	Sector content (58 sectors)	Nr.	Abbrev.	Sector content (TSIA Adapted)
1	PDR	Paddy rice	1	GRN	Paddy rice, Wheat, Cereal grains nec
2	WHT	Wheat			
3	GRO	Cereal grains nec			
4	V_F	Vegetables, fruit, nuts	2	V_F	Vegetables, fruit, nuts, oil seeds
5	OSD	Oil seeds			
6	C_B	Sugar cane, sugar beet	3	OCR	Sugar cane, sugar beet, Plant-based fibers, Crops nec
7	PFB	Plant-based fibers			
8	OCR	Crops nec			
9	CTL	Bovine cattle, sheep and goats, horses	4	ANP	Bovine cattle, sheep and goats, horses, animal products nec, Raw milk, Wool, silk-worm cocoons
10	OAP	Animal products nec			
11	RMK	Raw milk			
12	WOL	Wool, silk-worm cocoons			
13	FRS	Forestry	5	FRS	Forestry
14	FSH	Fishing	6	FSH	Fishing
15	COA	Coal	7	EGY	Coal, Oil, Gas
16	OIL	Oil			
17	GAS	Gas			
18	OMN	Minerals nec	8	OMN	Minerals nec
19	CMT	Bovine meat products	9	MPT	Bovine meat products, meat products nec
20	OMT	Meat products nec			
21	VOL	Vegetable oils and fats	10	VOL	Vegetable oils and fats
22	MIL	Dairy products	11	MIL	Dairy products
23	PCR	Processed rice			
24	SGR	Sugar	12	SGR	Sugar

Nr.	Abbrev.	Sector content (58 sectors)	Nr.	Abbrev.	Sector content (TSIA Adapted)
25	OFD	Food products nec	13	OFD	Processed rice, Food products nec
26	B_T	Beverages and tobacco products	14	B_T	Beverages and tobacco products
27	TEX	Textiles	15	TWL	Textiles, Wearing apparel, Leather products
28	WAP	Wearing apparel			
29	LEA	Leather products			
30	LUM	Wood products	16	LUP	Wood products, paper products, publishing
31	PPP	Paper products, publishing			
32	P_C	Petroleum, coal products	17	P_C	Petroleum, coal products
33	CRP	Chemical, rubber, plastic products	18	CRP	Chemical, rubber, plastic products
34	NMM	Mineral products nec	19	MPN	Mineral products nec
35	I_S	Ferrous metals	20	FMN	Ferrous metals, Metals nec
36	NFM	Metals nec			
37	FMP	Metal products	21	FMP	Metal products
38	MVH	Motor vehicles and parts	22	MVH	Motor vehicles and parts
39	OTN	Transport equipment nec	23	OTN	Transport equipment nec
40	ELE	Electronic equipment	24	ELE	Electronic equipment
41	OME	Machinery and equipment nec	25	OME	Machinery and equipment nec
42	OMF	Manufactures nec	26	OMF	Manufactures nec
43	ELY	Electricity	27	UTI	Electricity, Gas manufacture, distribution, Water
44	GDT	Gas manufacture, distribution			
45	WTR	Water			
46	CNS	Construction	28	CNS	Construction
47	TRD	Trade	29	TRD	Trade
48	OTP	Transport nec	30	TSP	Transport nec.
49	WTP	Water transport	31	WTP	Water transport
50	ATP	Air transport	32	ATP	Air transport
51	CMN	Communication	33	CMN	Communication
52	OFI	Financial services nec	34	FIS	Financial services nec, Insurance services ¹
53	ISR	Insurance			
54	OBS	Business services nec	35	OBS	Business services nec
55	ROS	Personal and recreational services	36	ROS	Personal and recreational services
56	OSG	Public Administration, Defense, Education, Health	37	OSG	Public Administration, Defense, Education, Health, Dwellings
57	DWE	Dwellings			

2.1.3 Base year

We propose the base year to be 2010. Explanation: This base year is based on 2007 (GTAP 8.0) brought forward using actual IMF figures on trade and growth (i.e. it is not a linear projection, but an

¹ We will refer to this sector as financial services throughout this report, and this sector thus includes insurance services.

adjusted actual projection). That means that 2010 thus includes the crises (until 2010). This reflects far best the current situation under which the FTAs are negotiated and since the crises are not likely to be over very soon, it is also a possible longer-run scenario.

2.1.4 Scenarios

- a. The quantitative summary of the scenario presented in detail in the various points below is attached in Annex E.
- b. We propose to model similar scenarios at sector level for EU-Georgia and EU-Moldova (as discussed during KoM on 7.12.11 and Inception Meeting on 16.2.2012). The scenarios differ a little in services between Georgian and Moldova and are not symmetrical in terms of imports and exports.
- c. In the EU-Georgia FTA we will assume the FTA between EU-Moldova and vice versa.
- d. *Baseline*
 - I. The baseline is modelled including and without DDA. In the report we will only report the non-DDA effects. The DDA inclusive outcomes are delivered alongside the report in the Annex – these will not be presented or written up in the report, but delivered:
 - i. In an additional Annex if main results differ significantly;
 - ii. In table-format only alongside the report, but not in the report or Annexes;
 - iii. With a short note explaining the differences with the non-DDA scenario.
 - II. The baseline will include all FTAs until now, including the Georgia-Turkey and Georgia-Ukraine FTAs, as well as Russia's accession to the WTO. Also in the baseline of the EU-Georgia FTA we will include the EU-Moldova FTA and vice versa. There will be no separate reporting of any of these inputs for the baseline or the baseline itself, but the focus will be on reporting the effects of the FTAs.
- e. *Tariffs*
 - i. We propose to model: Tariff reduction EU into Georgia and Moldova: a full 100% liberalisation of all sectors for Georgia and Moldova.
 - ii. Tariff reduction Georgia and Moldova into the EU: A full 100% liberalisation of all sectors and a TRQ for the 5 most important sensitive products (for the two FTAs) for the EU.

We propose to model a full 100% liberalisation of all scenarios because: a. there is not much difference with 99% or 97%; b. it shows the upper limit on tariff liberalisation; and c. we also introduce TRQs as an alternative upper limit.

This means that we will reduce all tariffs that are currently left to zero for each separate sector. Calculating the exact tariffs left depends on the chosen sector aggregation (see Table above) and will be done as part of the beginning of the modelling phase. For the 5 most important products, we will model TRQs for EU-Georgia and EU-Moldova (based on info available on TRQs).

f. *Services non-tariff measures*

This scenario is adapted from the final negotiating text of the EU-Ukraine FTA as discussed with the Steering Committee, but with changes in the scenarios as it comes to binding of existing commitments, for example in services.

- i. Services NTM reduction EU to Georgia and Moldova:
 1. Liberalisation is envisaged for all services sectors, depending on the degree of reservations this will be 7% reduction for Moldova and 6% reduction for Georgia to reflect binding of commitments, except for the following:
 2. 95% preferential liberalisation for communication (telecommunication, postal & courier services) into EU, but only 70% into G/M;

3. For other nations towards Georgia/Moldova (exports and imports) – due to services alignment – we also model MFN spill-overs worth 25% of the liberalisation level with the EU.
- ii. Services NTM reduction for Georgia and Moldova to the EU:

The same as for Georgia and Moldova (unless indicated above);

The services related NTM liberalisation is explicitly modelled as close to symmetrical because EU firms gain as much access into Georgia/Moldova from regulatory approximation (i.e. de facto market access) as Georgia/Moldova firms to the EU.
- iii. Other services NTM reductions for Georgia and Moldova: based on the argument of NT/MFN spill-overs, we will assume that Georgian and Moldovan barriers with other trading nations will go down 25% of the assumed scenario liberalisations at sector level as presented above. The rationale (also applied to the EU-Japan study modelling) is that if Georgia and Moldova adhere to EU standards, upping their own, this leads to higher standards and thus higher degrees of market access to third countries. Hence the spill-over effect.

g. *Other non-tariff measures*

We take into account the following assumptions:

- i. The EU is focusing on SPS and TBT approximation (based on the discussion during the KoM);
- ii. The standards of Georgia/Moldova need to approximate those of EU – not an average somewhere in between;

Based on the assumptions outlined below, we propose to model a sector specific reduction in NTMs – but an asymmetric reduction (Georgia/Moldova double than EU) as discussed in the Kick-off Meeting. EU reductions are, however, not zero because regulatory approximation also means further access for EU firms, even if EU standards are higher from the outset (it is differences in standards that matter, not the level of standards):

- i. Other NTMs from EU to Georgia and Moldova:
 1. 4% point reduction in TCE (based on literature) for those EU sectors affected heavily by SPS and TBT differences with GM;
 2. 2% point reduction in TCE (based on literature) for those EU sectors affected more lightly by SPS and TBT differences with GM;
 3. 0% reduction in TCE for other EU sectors;
 4. 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation.
- ii. Other NTMs from Georgia and Moldova to the EU:
 1. 16% point reduction in TCE (based on literature) for those GM sectors affected heavily by SPS and TBT – but 50% is taken off to compensate for higher production costs to meet the higher standard = de facto 8% point reduction;
 2. 8% point reduction in TCE (based on literature) for those GM sectors affected more lightly by SPS and TBT – but 50% is taken off to compensate for higher production costs to meet the higher standard = de facto 4% point reduction;
 3. 0% reduction in TCE for other GM sectors;
 4. 2% point reduction in TCE for all agriculture & manufacturing sectors due to trade facilitation;

For other nations towards Georgia/Moldova (exports and imports) – due to services alignment – we also model MFN spill-overs worth 25% of the liberalisation level with the EU.

Example NTM of SPS: if we look at SPS standards for cereal production – standards diverge heavily leading to only minimal exports from Moldova to the EU. If this sector is heavily affected by SPS (and it is because in this example we assume minimal exports), a drop of 8% in trade costs is assumed – based on the Ecorys EU-US NTM study. That means this barrier is reduced (as explained in the spreadsheets and explanatory note). For the total Moldovan reduction in TCE on average (just for scenario definition, not for calculation) we say:

$$\text{Average TCE} = \frac{\sum_{i=1}^n (\theta_i \rho_i)}{n}$$

Where sigma is the trade weight and rho the sector, with n the total number of sectors.

- iii. Other NTM reductions for Georgia and Moldova: based on the argument of NT/MFN spill-overs, we will assume that Georgian and Moldovan barriers with other trading nations will go down 25% of the assumed scenario liberalisations at sector level as presented above. The rationale (also applied to the EU-Japan study modelling) is that if Georgia and Moldova adhere to EU standards, upping their own, this leads to higher standards and thus higher degrees of market access to third countries. Hence the spill-over effect.

2.1.5 Outputs from the CGE model

The following variables constitute the output of the CGE model.

Table 2.2 Indicators generated by the CGE model*

Theme	Indicator	Measurement
1. Aggregate results	a) Wages (skilled and unskilled)	a) Percent change
	b) GDP	b) Percent change
	c) Total exports	c) Percent change
	d) Total imports	d) Percent change
	e) National income	e) Billions of dollars
	f) Terms of trade	f) Percent change
2. Sector results	a) Bilateral exports	a) Percent change
	b) Output	b) Percent change
	c) Value added	c) Percent change
	d) Employment - (un)skilled	d) Percent change
3. Environment variables	a) Emissions	a) % change in CO2 emissions
	b) Agricultural	b) 1. % change in output 2. % change in land use
	c) Fisheries	c) % change in fish catch
4. Social variables	a) Unskilled wage changes	a) % change in household income
	b) Labour displacement	b) % of workers required to move jobs
	c) Measure of inequality	c) Change in share of unskilled workers in total income.

* If necessary also base values are provided to understand the impact of percentage changes

2.1.6 Limitations

Limitation 1: If trade flows at present are zero because of some regulatory barrier that is totally prohibitive, CGE cannot model anything because it does not have a base to start from – this will have to be added qualitatively (e.g. based on shares in similar markets) after the CGE.

Limitation 2: It is impossible to make cost adjustments for approximation – in terms of domestic cost levels. We have used very conservative NTM liberalisation effects (e.g. 8% instead of 15% for ambitious liberalisation; 4% instead of 7.5% for limited liberalisation) to take this cost increase effect into account to some extent.

2.2 Partial equilibrium modelling

In the sectoral analysis, we may apply partial equilibrium (PE) modelling for up to two products. The advantage of PE modelling is that it allows for analysis at a more disaggregated product level. The choice of the specific products can be made later, depending on where it is most interesting to analyse further. One could think of wine or walnuts, for example. In fact, the specific products will be decided upon in the discussion on the Interim Technical Report and calculations added in the in-depth analysis phase. We propose to use the SMART model for this.² The SMART model is based on the World Integrated Trade Solution (WITS), a software developed by the World Bank in close consultation with major international organisations. It includes trade, trade and non-tariff measures data of some of these organisations, like UNCTAD (TRAINS), ITC, UNSD (UN COMTRADE) and the WTO (IDB and CTS databases).

Table 2.3 present the main indicators resulting from this model at product level, and explains what they entail. They can be expressed both in absolute values and percentages.

Table 2.3 Indicators for Partial Equilibrium analysis

Indicators	Definition
Trade creation	The increase in trade (from exporter's) due to the additional income coming from the reduction in the tariffs
Trade diversion	Additional trade (from exporter's view or third country's view) coming from the relative advantage acquired by the members of the FTA vis-à-vis other exporters
Change in trade	Sum of trade creation and trade diversion
Government revenue	Change in government revenue as a result of tariff reduction, calculated as the final tariff multiplied by the final import value minus the initial tariff multiplied by the initial import value
Economic welfare	Change in economic welfare, looking at the impact on consumers (lower prices), the government (decrease in revenue) and overall efficiency. In economic terms, it is calculated as the difference between the increase in consumer surplus due to the decrease in the tariff minus the loss of government revenue and the deadweight cost due remaining tariff.

2.3 Social quantitative analysis

Aggregate effects of the DCFTA may translate differently to social situation of various groups of the population, affecting measures of poverty and the distribution of welfare among individuals and households. These social effects will depend both on the aggregate macroeconomic effects (e.g. changes in relative prices) and the characteristics of the analysed economies, specifically the distribution of income and expenditure shares among economic sectors and particular products.

² An alternative to the SMART model is GSIM. This alternative model will only be applied if a similar analysis for a specific product in SMART would not be possible.

The key effects that are typically analysed in the literature include the consumption effect and the labour income effect. The consumption effect arises due to changes in relative prices of the basket of goods and services purchased by households. For instance, higher food prices will – other things being equal – particularly negatively affect poorer strata of the population that spend a higher proportion of their total expenditures on food. As an illustration, in Moldova, the share of foodstuff products and non-alcoholic beverages exceeded 50% of household expenditures for the two lowest quintiles. Income effects arise when relative wages and/or prices of goods sold by households (e.g. agricultural products) change.

The analysis will follow the methodology presented in de Janvry and Sadoulet (2008) and Chen and Ravallion (2003) that allows estimating changes in welfare caused by changes in relative prices³. The approach using the CGE results for carrying out household-level simulations in the following way. The relative price changes induced by the analysed trade policy intervention (here, DCFTAs) are obtained from the CGE model (see Section 2.1). We then take these results to household level data and simulate responses at the household level. The assumptions for this simulation exercise are consistent with the CGE model, and in particular households are price takers and all markets clear. This approach allows for a detailed analysis of distributional effects among various groups of the population, including vulnerable groups and in particular effects on occurrence and severity of poverty and on inequality. Thus, this method significantly enriches the information obtained from the CGE model results. For more details we refer to Annex D.

We plan to rely on the following sources of household-level data. For Georgia, the primary source is expected to be the Household Integrated Survey Database for the year 2009. The sample size is around 22,000 households, representative for the whole country, but not including Abkhazia and South Ossetia. The quality of the survey data is deemed satisfactory, and large sample size is a strength. For Moldova we plan to use the data from the 2009 Household Budget Survey. The sample size is just below 10,000 households, representative for the whole country but not including the territory of Transnistria, comprising some 15% of the total population. Following the methodological improvements in mid 2000s the survey is considered to be of satisfactory quality.

In calculating consumption effects we plan to focus our attention on the share of food in consumption baskets of different households and analyse the consumption responses to price changes. This selection is motivated by a high share of food in household consumption baskets, particularly close to the bottom of the income distribution. We plan to incorporate income effects in the simulation exercise by the analysis of changes in in-kind revenues from subsistence farming and sale of agricultural products.

We plan the following outcomes of this analysis:

1. Calculations of changes in poverty indicators.
2. Calculations of changes in inequality indicators.
3. A more detailed analysis of selected vulnerable groups based on a subset of Laaken indicators.

Table 2.4 provides more details on specific indicators that we currently foresee to calculate as part of this analysis.

³ Alain de Janvry, and Elisabeth Sadoulet (2008). Methodological Note: Estimating the Effects of the Food Price Surge on the Welfare of the Poor, mimeo, UC Berkeley. Shaochua Chen, Martin Ravallion (2003). Household Welfare Impacts of China's Accession to the World Trade Organization, The World Bank Policy Research Working Paper 3040.

Table 2.4 Indicators generated in the additional quantitative social analysis – preliminary list

Theme	Indicator	Measurement
1. Poverty	a) Poverty headcount b) Poverty gap (depth) c) Squared poverty gap (severity)	a) Change in percentage points b) Change in percentage points c) Change in value
2. Inequality	a) Gini coefficient b) Decile (and quintile) dispersion ratio	a) Change in coefficient b) Change in the ratio
3. Vulnerable groups	a) Poverty headcount by place of residence b) Poverty headcount by type of household c) Poverty headcount by education level d) Poverty headcount by age groups	a) Change in percentage points b) Change in percentage points c) Change in percentage points d) Change in percentage points

2.4 Environmental quantitative analysis

Our quantitative environmental analysis will focus mainly on the effect of DCFTAs on airborne emissions and greenhouse gases. We will use the same methodology as was applied in one of the first environmental impact assessment performed for the FTA between the EU and Russia (see Dabrowski et al., 2009 ; Maliszewska et al., 2010⁴). The basic idea of our approach is based on a soft-link between i) CGE modelling, ii) an index-based statistical decomposition analysis (Ščasný and Tsuchimoto, 2011⁵), and iii) external costs assessment based on the impact pathway approach. For more details we refer to Annex D.

Specifically, we plan the following outcomes of this analysis:

1. predictions on the effect of the DCFTA on air pollutants such as SO₂, NO_x and particulate matters in Georgia and Moldova for each scenario analysed from the economic perspective in the in the CGE model;
2. computed values of external costs (welfare changes due to effects on human health, ecosystems, materials) associated with changes in air emissions and CO₂ emission released in Georgia and Moldova;
3. decomposition of changes in air pollutants, CO₂ emissions and associated external costs into the scale effects and the composition effects. The scale effect arises from the simple fact that higher (lower) GDP is associated with higher (lower) production and consumption of goods and services, while the composition effect arises, ceteris paribus, as the structure of the economy also changes.
4. qualitative examination of effects on resource efficiency through the effect on output and imports of material-intensive goods and effect on energy use.

⁴ Dabrowski, M., Dyker, D., Emerson, M., Izryadnova, O., Jarocińska, E., Kudina, A., Maliszewska, M., Ščasný, M., Volkov, Y., Volovik, N. (2009), Free Trade Agreement between the European Union and the Russian Federation Economic, Social and Environmental Implications. Report prepared by CASE for DG TRADE, European Commission. Maliszewska, M., Jarocińska, E., Ščasný, M. (2010), Modeling Economic, Social and Environmental Implications of a Free Trade Agreement Between the European Union and The Russian Federation, No 93, CASE Network Reports.

⁵ Ščasný, M. & Tsuchimoto, F. (2011) Index-based Decomposition of SO₂, NO_x, CO and PM Emissions Stemming from Stationary Emission Sources in the Czech Republic Over 1997-2007. In: Valeria Costantini, Massimiliano Mazzanti, Anna Montini (eds) 'Hybrid Economic- Environmental accounts', Routledge.

Table 2.5 provides more details on specific indicators that we currently foresee to calculate as part of this analysis.

Table 2.5 Indicators generated in the quantitative environmental analysis – preliminary list

Theme	Indicator	Measurement
1. Environmental variables	a) Emissions of CO ₂ , SO ₂ , NO _x and particulate matters	a) 1. Percent change 2. Change in tonnes per year 3. Percent contribution of the scale and the structure effect
	b) Environmental benefits (external costs attributable to those pollutants)	b) 1.Percent change 2.Billion Euro
2. Environmental and social variables	a) Health effect (mortality and morbidity) due to change in emissions	a) a) billion Euro

2.5 Indicators for human rights in the sectoral analysis

As indicated in section 1.2, for the human rights analysis we will start with an overall analysis of the human rights situation to the extent relevant for the TSIA. After the screening and scoping exercise we will looking at a number of sectors/area in more detail. For these specific areas, we will analyse 1) fundamental rights liable to be affected by the DCFTA; 2) the degree of interference with the right(s); and 3) the necessity and proportionality of the interference in terms of policy options and objectives. This would result in a table with indicators on different human rights as presented in Table 2.6, where the results from the overall analysis at sectoral level will be linked to the ensuing impact on human rights(human rights affected, degree of interference), using causal chain analysis.

It should be noted that sectoral results indicated in the first column of Table 2.6 are hypothetical and inserted for purely illustrational purposes. Sectoral effects to be covered by the analysis will be the ones identified by the CGE model using also inputs from stakeholder consultations.

Table 2.6 Summary table human rights impact on sectors and policies, degree of interference, and necessity and proportionality

Sectoral / cross-cutting or policy effect	Fund Right 1	Fund Right 2	Fund Right 3	Fund Right 4	etc
Growth in output of agricultural sector	Y H N/P	Y L nN/P	N	N	
Strong decrease in textile production	N	Y M N/P	Y H nN/P	Y H N/P	
Etc.					

* Y = yes, N = no; H = high; M = medium; L = low; N/P = necessary and proportional; nNP = not necessary and proportional

3 Consultation plan and stakeholders

The ToR request the development of a stakeholder consultation plan. During the inception phase, we have developed this plan, in consultation with our local partners and the EU Delegations in Georgia and Moldova. We consider the consultation plan as a “living document” that may be further adjusted during the course of the project, depending on the feedback from CSOs, new insights or unexpected developments. Although the consultation plans for Georgia and Moldova each have their own distinct features, they also share a large number of commonalities. We will therefore present one consultation plan in this chapter, and wherever there are differences between the plans for EU-Georgia and EU-Moldova we indicate these explicitly.

3.1 Relevant stakeholders

We identified potential stakeholders in Georgia, Moldova and the EU through a number of channels:

1. The Steering Committee suggested a number of relevant stakeholders in the EU and in Georgia and Moldova during and after the kick-off and inception meeting;
2. Contacts were established with the EU Delegations of Georgia and Moldova who provided further suggestions;
3. The local partners of the ECORYS-CASE consortium in Georgia and Moldova identified a large number of civil society players;
4. The ECORYS-CASE consortium identified relevant EU stakeholders based on its past experience in TSIA consultation processes, and identified a number of additional stakeholders that are especially relevant for, respectively, EU-Georgia and EU-Moldova relations.
5. A number of stakeholders asked to be included in our mailing list after we sent out the first newsletter.

This has resulted in a list of relevant stakeholders by country. As the lists have become quite long, the different stakeholders are grouped by category and the full list is included in Annex A.

Although we already identified a number of stakeholders (e.g. trade unions, business associations and employers' organisations for important sectors) which are crucial to involve at this stage, we will not make a final selection at this stage. Only after our first awareness and dissemination activities (e.g. launching of website, sending out newsletter), civil society meeting in Brussels, and further discussions with our local experts as well as with the local EU Delegations in Georgia and Moldova we will be able to identify which ones are the ones most important for the TSIA, and the most interested and active in the DCFTA debate. The extent to which certain organisations will be involved will also depend on the outcomes of the first phase, depending on specific sector or social, environmental or human rights issues that come out as being affected by the DCFTA.

3.2 Nature of the civil society landscape

What is important to realise is that in both Georgia and Moldova, consultation with civil society is not yet a very common phenomenon, although this seems to change gradually in Moldova, where recently a consultation group for the DCFTA negotiation was established as well (see below).

The following two sub paragraphs present a number of key characteristics of the nature of the civil society landscape in both countries.

3.2.1 *Civil society landscape Georgia*

Apart from government institutions that are involved in analysis and policy decisions related to the DCFTA, several other institutions and individuals can be listed as stakeholders that either are already involved in some DCFTA related activities or can be mobilized or encouraged to do so. From our initial analysis, it is however clear that there is a limited culture of consultation in Georgia. There have been very limited public awareness campaigns of the government on the DCFTA during its preparatory process, and no broad consultation has taken place.

Given the number of civil society organisations (CSOs) in Georgia, there would be scope for broad consultation: there are some 10,000 registered CSOs in Georgia. However, less than 10% of them are active. In addition, there are 62 registered charities that can accept tax-deductible donations, and most of these are active.⁶ The largest and most active organisations are concentrated in Tbilisi, while the strength of CSOs in the regions is far weaker.

There are also problems related to the capacity of CSOs to influence the policy debate. Recent research on the CSO sector in Georgia has identified the following sector's weaknesses: a low impact on society, low levels of organisation and a difficult external environment due to the concentration of power with the authorities⁷. Georgian CSOs rely mostly on foreign donors, and lack financial support from the government, local businesses or a membership base. The mechanisms for ensuring accountability of CSOs and their transparent operation are weak, and integrity mechanisms are virtually non-existent. Thus, the ability of CSOs to hold the government accountable and to influence the formulation of its policies is constrained by internal weaknesses, including a shortage of capable professionals and lack of a broad social base, as well as the general political environment in which they operate.

On the positive side, the study identified a recent trend where the government has been signalling its increasing openness to cooperation with CSOs in various fields, although at the same time the ability of CSOs to adequately respond to such demand from the side of the government has become more problematic.

In contrast to the somewhat weak participation in institutionalised forms of activities, non-institutionalised community participation is higher in general. One possible explanation to this is that while official structures have been historically little trusted in Georgia, neighbourhood and community groups and other similar informal associations, such as within groups of friends, have traditionally enjoyed high levels of trust⁸.

Table 3.1 shows the survey-based estimates of 2009 public trust in different institutions including trade unions and various CSOs. It generally shows low degree of trust in all types of organisations, including environmental CSOs and trade unions.

⁶ CSOs fall under the category of "non-commercial legal entities", although the law also provides for the operation of unregistered unions. Registration is managed by the Public Registry under the Ministry of Justice, while registration for charity status is managed by the Ministry of Finance. Most grants are exempt from taxation, although CSOs pay taxes on salaries at the same rate as businesses - 20 percent.

⁷ See CIVICUS, An Assessment of Georgian Civil Society. Report of the CIVICUS Civil Society Index 2010. Caucasus Institute for Peace, Democracy and Development (CIPDD). Tbilisi 2010.

⁸ See CIVICUS, An Assessment of Georgian Civil Society. Report of the CIVICUS Civil Society Index 2010. Caucasus Institute for Peace, Democracy and Development (CIPDD). Tbilisi 2010.

Table 3.1 Extent of public confidence in different institutions in 2009 (% of answers in survey)

Level of public confidence	Very high	Quite high	Low	Absent	No answer
Church	62	25	4	1	6
Charities	7	34	28	9	20
Environmental organisations	4	32	33	10	21
Women organisations	4	28	28	9	31
Trade unions	2	16	32	16	32
Political parties	1	15	45	28	10

Note: Survey methodology followed the Global values Survey.

Source: CIVICUS, An Assessment of Georgian Civil Society. Report of the CIVICUS Civil Society Index 2010. Caucasus Institute for Peace, Democracy and Development (CIPDD). Tbilisi 2010.

Between 2006 and 2009 public trust in political parties has decreased, while trust in CSOs has improved. Another study documenting generally low level of public trust in CSOs has also tried to identify two main reasons for this⁹. First, lack of information on CSOs activities seems to be a problem. Second, people think that NGOs waste too much time watching the elections, media, and democracy issues and devote less time to social issues. CSOs response to this last point indicated the reasons for such perception in insufficient media coverage of NGO activities.

Some remarks on specific civil society players relevant to the TSIA consultation process

Business associations

Companies are important direct stakeholders in the DCFTA process. There are some 39,000 companies¹⁰ in Georgia and 99 percent of these companies fall in the micro category. Given the direct impact of the DCFTA on business, business associations are an important target group in the consultation process, but they suffer from the general problems of CSOs (lack of structure, fragmentation, capacity). There is no business association that plays a leading role in representing companies. The ones that represent big companies seem more influential in the policy/legislation making process. Farmers and food processing companies are a special category of important stakeholders in the DCFTA debate, as new rules related to sanitary and phytosanitary (SPS) measures will have an important and direct effect on their business. Especially small farmers (and potentially also small food processors) will be impacted, while there is no representative organisation of small farmers in Georgia.

Employers' associations

The employment-related issues are among key concerns for Georgian social partners and are also of specific relevance in the context of the DCFTA process. The major association of employers is the Georgian Employers Association (GEA). GEA was established in 2000, currently has around 1000 members across different sectors of the economy. It holds six regional offices, apart from the Tbilisi headquarter. It has been active in the areas such as labour relations, linkages between the labour market and education etc. Since 2009 GEO has got involved in developing the trilateral dialogue in Georgia following the ILO consultations and support.

Trade unions

The Georgian trade unions landscape has some peculiar features. The unionisation level as measured by the share of trade union members among all employees is very high, with Georgian Trade Unions' Confederation (GTUC) membership (some 260,000 people) amounting to around 45% of employees. This feature is characteristic for several former Soviet Union countries and largely reflects legacy of the past. However, this high unionisation level does not translate into high

⁹<http://www.ewmi-gpac.org/en/news/1-news/183-2011-12-05-08-20-05>

¹⁰ Source; Geostat

levels of influence or public trust in trade unions. Indeed, unions are generally weak and little trusted¹¹. Still, GTUC that currently embraces 25 organisations (two regional and 23 sectoral ones) has been gradually improving its capacity and transparency. Given the prevalence of self-employment among Georgian working population, creation of the Union of Self Employed and Commercial Workers in 2007 was an important development.

Some features of the Labour Code and its implementation are widely perceived as impeding the free functioning of trade unions in Georgia.¹² The social dialogue has been developing slowly, with the support, inter alia from the ILO. Georgia has a National Social Dialogue Commission.

Other

Consumers are also important stakeholders, as the DCFTA will impact on prices and quality of several goods and services. However, consumers' issues are not among the priorities of the government, and consumer organisations are weak and not considered to be very representative.

A final observation relevant to the TSIA stakeholder process is that many CSOs represent middle class, while there is an underrepresentation of less affluent groups as well as ethnic minorities.

3.2.2 Civil society landscape Moldova

As was noted for Georgia as well, Moldova has a relatively limited culture of consultation and civil society involvement in the policy making process. The DCFTA debate and the stakeholder involvement in that debate in Moldova is mainly concentrated around the Ministry of Economy, being the chief negotiator. In addition, for example the Ministry of Agriculture and stakeholders around it are also central in the debate given the focus in SPS measures. Nonetheless, there seems to be a gradual change in public consultation attitudes in Moldova, witnessed by the several recent initiatives both from the governmental and non-governmental side.

There are around 8,000 registered NGOs in Moldova. Not all of them are active (the percentage of active NGOs is estimated at 25 percent), but there are few villages that do not have at least one NGO. Still, NGOs are not very popular in Moldova, at the backdrop of the history of the country. According to opinion polls, by far the most trusted institution is the Church (credibility of around 80 percent), followed by mass media (press, tv, radio), the army and local governments. Trust in NGOs and trade unions are more or less at par with the justice sector (courts) and the central government, but more trusted than politicians. The latest opinion poll shows a credibility of NGOs of 26 per cent.

Moldova has a Civil Society Development Strategy for 2008-2011, with most elements formulated by civil society. After the last parliamentary elections in 2009, a number of initiatives have been taken to contribute to a better enabling environment for civil society. In 2010, several new laws were adopted such as amendments on public benefit status, a law on volunteering, and a law on social services. Other initiatives under discussion are a Law on Accreditation and possibly a law on allowing citizens to channel a small percentage of their taxes to NGOs. After taking office, the new government also established a National Participation Council (NPC) in 2010. It consists of 30 members representing NGOs and the private sector (the traditional trade unions do not participate). The NPC should provide expert opinions on draft policies and contribute to monitor the

¹¹See Transparency International Georgia, The Georgian Trade Union Movement, Tbilisi February 2010.

¹² These issues have become subject of complaints to the ILO (given ratification of relevant ILO conventions by Georgia)¹². Effective implementation of these conventions is among preconditions for the possibility of Georgia to benefit from the GSP+ status.

implementation of the Law on Transparency in Decision-Making. The NGOs have also formed a National NGO Council, elected by the NGOs themselves.

DCFTA consultation

With respect to consultation around the DCFTA, the Ministry of Economy has included in the DCFTA Task Force, the working group nr. IV (WG4): Government dialogue with the private sector and civil society, in order to ensure a regular dialogue of the Moldovan Government with the private sector and the civil society on the DCFTA. WG4 includes a nominal list of 22 persons (these are included in the stakeholder list in Annex A), reuniting various NGOs and business associations. This list is open and others can join. The WG meets at least every 2 months or more often, and can include additional experts if needed (e.g. representatives of key factories, if needed at a particular stage in the negotiations). The Ministry of Economy has organized regular meetings of the four sub-groups which are part of the Working Group on DCFTA, which has created the necessary framework to discuss progress in meeting the EC recommendations and determine steps to be taken to prepare the DCFTA negotiations.

Throughout 2011, extensive action and active participation took place between for Moldovan standards between representatives of the Ministry of Economy and civil society and development partners within the participatory framework created. However, there are still several issues left to be desired in the cooperation with the private sector, either because of passivity of private sector representatives, or because government representatives on certain sensitive areas do not rush to engage with companies affected by future trade liberalization.

The participation of Transnistrian stakeholders in the DCFTA consultation process remains somewhat politically burdened and hence a matter of specific attention. During the reporting of this report, there was some stagnation in the trend of strengthening relations with Transnistria because of presidential elections in the region. Nonetheless, the newly-elected president of the region has declared to be in favour of free movement of goods and cooperation between the two sides, which has e.g. resulted in immediate lifting of internal duties.

NGO activity in Transnistria is considered very weak, and much less elaborate on the left bank than on the right bank of the Nistru. There is some activity recorded by NGOs in the social sector. With respect to businesses, all companies that want to qualify for trade preferences under the ATP for Moldovan import to the EU or that want export through the Ukrainian border, need to be registered with the Moldovan authorities, implying presence (at least on paper) of those companies on the right bank. The Chamber of Commerce and Industry of Transnistria is seen as an important stakeholder in the Transnistrian region.

Some remarks on specific civil society players

Business associations

Several business associations are active in Moldova. They often cooperate on issues of general interest, including on matters relevant for the DCFTA process. For instance, in November 2011 more than 30 business associations and chambers of commerce held a meeting with the Minister of Finance and other representatives of the government and civil society to present priorities for reform outlined in the National Business Agenda (NBA) for 2012-2013, a third such document prepared by business associations. Among other topics the current NBA highlights several issues related to the functioning of Moldovan customs.

Employers' associations

Founded in 2006 by a group of employers' associations, the National Confederation of Employers Organizations (CNPM) has been a member of International Organisation of Employers since 1997. It currently represents around 2500 companies employing some 220,000 people. Among its objectives the CNPM lists establishing a dialogue with the government and trade union, promotion of principles of sustainable economic development, and social progress. It represent employers and businesses in the tripartite social dialogue. There are some other employers' associations, of which the largest ones include the National Federation of Employers from Agriculture and Food Industry with 15 regional branches and some 2000 enterprises.

Trade unions

Trade union membership in Moldova is close to 500,000, a relatively large number given the size of employed population of around 1,150 thousand. National Confederation of Trade Unions (NCSM) has been working on improving its public image and also engaging in national level campaigns highlighting the problems of the Moldovan labour market. There are numerous other trade union organisations. Two largest sectoral unions are the Federation of Education and Science, and the Federation of Agro industry, both with above 100,000 members representing around 80% of total employment in these sectors.

The tripartite social dialogue system is in place, although it is not free from complications due to political instability, among other problems. During 2011, the National Commission for the Consultancy and National Bargaining assembled seven times.

3.3 Risks to the stakeholder engagement plan

There are a number of shared risks for the TSIA consultation process in Georgia and Moldova, some of which stem from the nature of the civil society landscape in both countries. Table 3.2 below identifies the main risks to the stakeholder consultation process and how they will be dealt with. It clearly indicates whether the risks are relevant for the consultation process in both countries, or only one of them.

Table 3.2 Risks to TSIA consultation process and ways to mitigate them

	Risks	Relevant Georgia	Relevant Moldova	Approach to mitigate risks
1.	Lack of participation of CSOs in the consultation process, due to unawareness, fear for political sensitivity or other reasons.	X	X	The first step to address this risk is to increase awareness of the TSIA and the DCFTA negotiations more general. This includes a careful planning of the consultation process and presentation of a clear message on its mandate, objectives, full transparency of the process, etc. Dissemination activities described in the next section (e-mails, website, etc.) will be an important tool for this. If this proves not to be sufficient, more targeted activities (personal mailings, telephone calls) will be considered. Early engagement with key stakeholders in the field (e.g. institutions that are already involved in the DCFTA-related debates) should help in persuading other, potentially initially hesitant stakeholders.

	Risks	Relevant Georgia	Relevant Moldova	Approach to mitigate risks
2.	Lack of capacity of stakeholders to actively engage in debate	X	X	<p>Although the lack of capacity cannot be solved by this study, this problem can at least partly be addressed in the following ways:</p> <ul style="list-style-type: none"> - we will present the background of our study and preliminary results in a clear and understandable (i.e. non-technical) way, and as much as possible in the local language. - we will send information to relevant stakeholders as early as possible, to give them sufficient time to digest the information and prepare a response. - If needed, we can develop questionnaires for certain stakeholders that will help to develop their position.
3.	Underrepresentation of certain stakeholders, e.g. due to non-existence of representative organisations	X	X	<p>If important stakeholders are underrepresented, we will adopt a mix of talking to independent experts (e.g. university professors) and individual stakeholders.</p> <p>More local workshops have been suggested by the EU Delegation and our local contacts to address possible underrepresentation of e.g. small farmers/rural poor, and can be considered if additional budget is made available. We will identify relevant events of other organisations also outside the capital cities and consider participation.</p>
4.	Related to 3 for Georgia: Difficulties in engaging stakeholders from the de facto parts of Georgia (Abkhazia, South Osetia) into the consultation process, given that there is very little communication between organisations in these regions and other part of Georgia.	X		<p>There are a few NGOs (e.g. Charity Humanitarian Center "Aphxazeti" /Abkhazia/; Foundation for the Future of Abkhazia) which work with internally displaced population. These organisations may help in contacting stakeholders in Abkhazia and South Osetia regions. Also the use of online communication tools will facilitate contacts with organisations in this region.</p>
5.	Related to 3 for Moldova: Lack of willingness and responsiveness from private sector and/or civil society from Transnistria for consultation on DCFTA issues.		X	<p>In the consultation plan, two workshops are foreseen for the EU-Moldova TSIA, one in Chisinau and one in Tiraspol. The separate workshop in Tiraspol should help create a low threshold for engagement of stakeholders from the region.</p> <p>Identification of key stakeholders and direct interaction with those will also help get Transnistrian views on the DCFTA impacts.</p>
6.	Political sensitivity of the trade negotiations that may	X	X	<p>When doing the workshops in Georgia and Moldova, careful notice and specific attention from</p>

	Risks	Relevant Georgia	Relevant Moldova	Approach to mitigate risks
	affect the workshops in Georgia and Moldova			the side of civil society and local governments is to be expected with respect to the trade negotiations and this TSIA. In order to optimise involvement of stakeholders, we will make sure there is close cooperation with local parties and careful managing of government involvement.

3.4 Consultation activities

The main activities that will be used to involve civil society in the consultation process are described in the proposal and are briefly summarised below. The results of each of these activities will be carefully reported in the interim and final report, or separate documents.

1. Electronic consultation and documentation

During the inception phase, two dedicated website have been developed (one for Georgia and one for Moldova) that are linked to the existing TSIA websites of ECORYS that were developed for previous TSIA studies. Links exist between the DG TRADE website and the project websites to facilitate accessibility of information.

The website for the TSIA EU-Georgia is available at:

<http://tsia.ecorys.com/georgia/>

The website for the TSIA EU-Moldova is available at:

<http://tsia.ecorys.com/moldova/>

The project websites are an essential part of the consultation process and provide a meeting place for the consultants and all stakeholders and facilitate dissemination of information. The websites contain the following main features:

- a discussion forum;
- a mechanism for feedback;
- links to the websites of main stakeholders that are involved in the process;
- a section on the background of the study;
- a section containing relevant documentation, including 1) background material on the TSIA methodology, 2) documents that are relevant for the negotiations/our study, and 3) the reports/minutes of meetings/presentations produced for this study;
- a section with new items.

Figure 3.1 Example front page of the TSIA EU-Georgia website



ECORYS and CASE will encourage and promote the website among its own and its partners' networks so as to achieve continuous feedback through this website throughout the project. This will facilitate validation of results and improvement of the impact analyses. The list of stakeholders identified in the previous chapter will be used for this (e/g/ launching of the websites, newsletters, etc.). Such activities have in fact already started. For instance, January edition of CASE e-newsletter (around 8,000 recipients worldwide) contained brief information about the start of the project and already this resulted in feedback and expressions of interest in cooperation from some stakeholders and experts.

In addition to the website, we look at other social networks (e.g. linked in, facebook) to be used effectively if the involvement of civil society will be lower than expected.

2. Public Meetings

We will – together with the Commission Services – organise two public meetings in Brussels to meet and engage with EU civil society and key stakeholders on the findings, methodologies, assumptions and choices made during the TSIA study. A first meeting will take place following submission of the draft inception report and a second will take place following submission of the draft final report. Additional meetings may be set up on an ad hoc basis. At each stage we will present and explain the work completed and ask for constructive criticism on (parts of) our work in order to stimulate in debates regarding the methodology used and outcomes generated.

3. Workshops in Georgia and Moldova;

Three workshops will be organised: two in Moldova (Chisinau and Tiraspol, Transnistria) and one in Georgia (Tbilisi) after Phase 1. These workshops are intended to validate the results of the overall

analysis and are also important in the screening and scoping exercise for the selection of sectors and horizontal issues for the second phase of the project. These workshops will each be attended by some 20 to 40 participants. The contents of the workshop and the list of participants will be developed in close consultation with the EC.

4. Attendance of other relevant conferences, workshops, meetings, etc. preferably including a presentation of the results of the study

In order to reach a wider audience and to achieve efficiencies, we will link up to other conferences, workshops or meetings planned, both in the EU but especially in the partner countries Georgia and Moldova. We have been in contact with ECOSOC to inform them about our study and they informed us about their plans with respect to events they intend to organise in the EU (May 2012) and Moldova (March 2012) that are relevant to this study. Also our local partners started a search for this kind of events. An interesting example that was already identified is the roundtable discussion in Moldova on the DCFTA (organised on the 4th of February jointly by the Chamber of Commerce and Industry and the Ministry of Economy). The identification of these events will be an ongoing activity.

5. Personal interviews with individual representatives of civil society & key stakeholders

Personal interviews and possibly small surveys will be used in the project, but given the scope of the project, this will only be done selectively. This instrument will thus be applied very targeted, to receive feedback from crucial stakeholders in the TSIA process or on specific issues or topics. We envisage individual meetings to take place especially in the margins of the local TSIA workshops.

4 Literature, tools and references

As input to the TSIA, we have identified several references and relevant literature. A list of literature and websites identified is presented in Annex B. A distinction is made between materials relevant in general, for Georgia, for Moldova or for materials or references important for the modelling specifically. The modelling tools (e.g. CGE model) are discussed in Chapter 2 and the tools applied in the consultation process in Chapter 1.

5 Preliminary screening key sustainability issues

5.1 Screening and scoping throughout the study

In line with the overall analytical framework of this TSIA, an elaborate screening and scoping exercise will be performed as part of the study at the end of Phase 1 (overall analysis). This analysis serves to identify for which trade measures and/or in which areas the DCFTA under negotiation is expected to have significant impacts. Based on this identification, sectors and/or issues of expected significance under the DCFTA can then be selected for more detailed analysis in Phase 2 of the study.

At this stage nonetheless, a preliminary screening exercise is already performed in anticipation to the broader exercise at the end of Phase 1. This is done in order to ensure that attention and resources are focussed on the main issues as early as possible. The preliminary exercise is also used in order to design appropriate modelling specifications for Phase 1. This preliminary analysis is provided in section 5.3.

5.2 Criteria used for screening and scoping

The screening and scoping exercise will be mainly based on the results of the overall analysis of impacts in Phase 1 from the CGE model, additional analysis and stakeholder inputs. The main criteria used for screening and scoping are listed in the table below. These criteria will be directly applied to select up to five sectors or horizontal issues that will be analysed in more detail in Phase 2 (how these five sectors or horizontal issue will be divided between the two countries will be discussed with the steering committee at the end of phase 1). This selection will be done in close consultation with the Steering Committee.

Table 5.1 Selection criteria applied in screening and scoping exercise

Number	Criterion	Main sources of information
Criterion 1	Initial importance for economy (GDP, employment, trade shares)	GTAP data
Criterion 2	Economic impact from DCFTA	CGE modelling; causal chain analysis
Criterion 3	Social / environmental importance / impact	CGE, additional social / environmental modelling; causal chain analysis
Criterion 4	Stakeholder issues of special importance	Stakeholder consultation; additional documentation

Criterion 1: Initial importance for economy

The initial importance of sectors for the economies under consideration are assessed making use of output, employment and trade share figures (i.e. sector shares in total GDP, share of sector employment in total employment and of sector trade in total trade). Such figures provide a first filter by indicating the relative importance of sectors – and hence for which areas even small (percentage) impacts from the DCFTA can have significant implications for the country / region. The mirror image and risk of (over)analysing impacts in areas that are only of very small absolute size and hence of limited importance for the economy as a whole, is also avoided through this criterion.

For reasons of consistency, the analysis will be based on the GTAP data used in the CGE model for the same sectors as specified for the modelling.

Criterion 2: Impact from DCFTA

This criterion assesses the expected economic impact on sectors or issues as a result of the DCFTA. This is done making direct use of the outcomes of the analysis in Phase 1, mainly from the CGE model and causal chain analysis. By using the dynamic CGE model outcomes directly, it is ensured that 'enabling industry' nature of some sectors is also taken into account (for example for transport or energy).

Combined with criterion 1, this information provides clear insights in where the main impacts from the DCFTA are likely to occur. Whereas this criterion is mainly focussed on economic impacts from the CGE model, it also provides an indication of where issues of social nature, environmental nature and /or human rights will be significant, because often in an FTA context, yet not always, such impacts go hand in hand.

Criterion 3: Social / environmental impact

This criterion assesses in which areas and sectors specific direct and indirect effects on social, environmental and human rights issues are expected. Such effects can e.g. be impacts in sectors induced by changes in production structures, or impacts in areas where specific issues are already at play.

The outcomes of the additional environmental and social modelling and causal chain analysis in Phase 1, focussed on airborne emissions/GHG and poverty/income distribution, respectively, are used for this criterion.

Criterion 4: Stakeholder issues of special importance

This criterion aims to flag the issues of specific importance for the various stakeholders involved in the DCFTA process. This can include issues of special political or policy importance or issues of significance for the relations between the EU and Moldova or Georgia (e.g. energy). In addition, it can include areas that are considered as important for various reasons by a large part of the stakeholder community and/or in the public opinion.

Comments and feedback obtained from stakeholders, civil society and experts through the consultation process is an important input for this assessment. In addition, additional literature (including information from the relevant feasibility studies, fact finding missions, action plans and progress reports) will be used.

5.3 Preliminary screening of key issues Georgia

Criterion 1: Initial importance for economy

Table 5.2 and Table 5.3 provide the top 15 export sectors from Georgia to the EU and from the EU to Georgia, respectively. The data are based on GTAP 8.0 and represent 2007 figures, as these are the most recent available trade data at this level of (sector) detail. During the next Phase of the study, extrapolations and estimations will be made towards 2010, the baseline year for this study. In the screening exercise in the next phase, the results from that extrapolation will be used in the more detailed screening exercise.

For Georgia, the sector *other minerals* is by far the largest export sector to the EU, followed – on a distance – by *other transport, primary metals* and *vegetables, fruits, nuts, oilseeds*. When adding

the trade shares of these top 15 sectors, it shows that they together represent 93 percent of total export to the EU.

For the EU, the four main export sectors to Georgia are *other machinery and equipment*, *petrochemicals*, *chemicals*, *rubber*, *plastics* and *motor vehicles*. The top 15 sectors together account for 88 percent of total exports from the EU to Georgia.

Table 5.2 Top 15 export sectors Georgia to EU (2007)

Sector	EU import from Georgia, share of total
Other minerals	30.3%
Other transport	8.9%
Primary metals	8.3%
Veg, fruits, nuts, oilseeds	7.0%
Water transport	6.0%
Beverages and tobacco	5.9%
Public and other services	5.6%
Air transport	5.3%
Chemicals, rubber, plastics	3.8%
Utilities	2.9%
Other machinery and equipment	2.3%
Business and ICT	1.8%
Personal and recreational services	1.6%
Other processed food	1.5%
Communications	1.4%

Source: Elaboration based on GTAP 8.0.

Table 5.3 Top 15 export sectors EU to Georgia (2007)

Sector	EU export to Georgia, share of total
Other machinery and equipment	19.2%
Petrochemicals	13.5%
Chemicals, rubber, plastics	11.8%
Motor vehicles	10.4%
Electronics, computers	4.9%
Primary metals	4.2%
Wood, paper, publishing	3.8%
Financial services	3.1%
Fabricated metals	2.8%
Air transport	2.6%
Other transport	2.5%
Other manufacturing	2.4%
Textiles and Clothing	2.3%
Business and ICT	2.1%
Other processed food	2.0%

Source: Elaboration based on GTAP 8.0.

Table 5.4 and Table 5.5 below present the most important sectors for Georgia in terms of value added (GDP) and skilled / unskilled labour employment, respectively, ranked on the basis of the sector share of total in the Georgian economy. These data are again 2007 figures taken from GTAP 8.0.

Public and other services and *trade* followed by *animal products*, constitute the most important sectors based on share of value added to the Georgian economy.

Also with respect to labour shares, *public and other services* rank as largest sector. For skilled labour, this sector is followed by *personal and recreational services*. For unskilled labour on the other hand, the *animal products* sector ranks second. *Trade* ranks third for both unskilled and skilled labour.

It can be noted from these tables that while there is quite some overlap in the rankings for share in GDP and share in employment, this is not necessarily the same for share in export. For example, the best performing export sector of Georgia, *other minerals*, only generates 0.7 percent of total value added, 0.3 percent of skilled labour employment and 0.8 percent of unskilled labour employment.

Table 5.4 Top 15 sectors, share in GDP, Georgia (2007)

Sector	Value added, % of total Georgia
Public and other services	28.0%
Trade	14.8%
Animal products	10.0%
Other transport	6.8%
Veg, fruits, nuts, oilseeds	5.9%
Construction	5.6%
Personal and recreational serv.	3.5%
Utilities	3.3%
Business and ICT	3.1%
Financial services	2.5%
Communications	2.2%
Beverages and tobacco	1.9%
Grains and Crops	1.7%
Other processed food	1.1%
Primary metals	1.0%

Source: Elaboration based on GTAP 8.0.

Table 5.5 Top 15 sectors, skilled and unskilled labour, Georgia (2007)

Sector	Skilled labour, % of total	Rank sk labour	Unskilled labour, % of total	Rank unsk labour
Public and other services	66.0%	1	22.2%	1
Personal and recreational serv.	6.7%	2	3.4%	8
Trade	4.6%	3	12.5%	3
Utilities	3.6%	4	3.9%	7
Financial services	3.5%	5	1.8%	12
Communications	2.7%	6	1.4%	14
Business and ICT	2.4%	7	1.2%	16
Other transport	2.0%	8	5.3%	5
Construction	1.7%	9	5.1%	6
Other processed food	0.9%	10	1.8%	11
Beverages and tobacco	0.8%	11	2.4%	10
Animal products	0.6%	12	15.5%	2
Livestock and Meat Products	0.4%	13	1.4%	13
Primary metals	0.4%	14	1.3%	15

Sector	Skilled labour, % of total	Rank sk labour	Unskilled labour, % of total	Rank unsk labour
Chemicals, rubber, plastics	0.4%	15	0.6%	22

Source: Elaboration based on GTAP 8.0.

As mentioned, the data presented above provide 2007 figures, because these are the most recent reliable data available at this level of detail. Nonetheless, in order to assess what have been the main trends over the most recent years (including the economic crisis), Table 5.6 below provides data on value added and employment shares for the years 2007 and 2010 (note: at a different level of aggregation). As is clear from this table, especially the share of value added to the Georgian economy from the agricultural sectors has diminished, from 10 percent in 2007 to 8 percent in 2010. Employment in those sectors has however decreased at a much lower pace. The manufacturing and services sectors have in contrast increased their share over the same period of time.

Table 5.6 Value added and employment shares, Georgia, 2007 and 2010

Sector	Value added, % of total,	Employment, % of total,	Value added, % of total,	Employment, % of total,
	2007	2007	2010	2010
Agriculture, hunting, forestry, fishing (ISIC A-B)	19.0%	14.9%	8.3%	13.3%
- <i>Agriculture, hunting and forestry (ISIC A)</i>	18.7%	14.9%	-	-
- <i>Fishing, pisciculture (ISIC B)</i>	0.3%	0.1%	-	-
Mining, Manufacturing, Utilities (ISIC C-E)	13.2%	13.2%	16.7%	23.4%
- <i>Mining and quarrying (ISIC C)</i>	0.8%	0.6%	-	-
- <i>Manufacturing (ISIC D)</i>	9.1%	8.9%	12.7%	18.8%
- <i>Utilities (ISIC E)</i>	3.3%	3.8%	-	-
Construction (ISIC F)	5.6%	3.4%	6.2%	6,0%
Wholesale, retail trade, restaurants and hotels (ISIC G-H)	14.8%	8.6%	18.8%	16,9%
Transport, storage and communication (ISIC I)	10.4%	6.3%	11.5%	8,8%
Other Services (ISIC J-P)	37.0%	53.6%	38.5%	31,6%
- <i>J Financial intermediation</i>	2.5%	2.6%	-	-
- <i>K Other business services</i>	3.1%	1.8%	*-	-
- <i>L, M, N Public Services</i>	28.0%	44.1%	*-	-
- <i>O,P Personal and Other Recreational Services</i>	3.5%	5.1%	*-	-
Total Value Added	100.0%	100.0%	100.0%	100,0%

Source: Elaboration based on United Nations, Georgia and Moldova national accounts statistics, and GTAP 8.0.

Criterion 2: Impact from DCFTA

This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

Criterion 3: Social / environmental impact

This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

Criterion 4: Stakeholder issues of special importance

Based on inputs received from the Steering Committee, the EU Delegation in Georgia, our local partners and existing literature and documentation, several issues of specific interest for the DCFTA process have been identified in this preliminary phase. In the course of Phase 1, this information will be complemented and fine-tuned based on inputs from stakeholders, civil society and experts during the Public Meeting, Workshops and based on other consultation activities as well as additional literature.

1. *Importance of regulatory approximation*; provided that Georgia already enjoys GSP+ and hence tariffs reductions will be of relatively limited effect for trade flows from Georgia to the EU, NTM reduction and regulatory approximation is of specific importance for the DCFTA under negotiation.
2. *TRQs for sensitive products and NTM reduction in services sectors differ across sectors or products*; the tariffs (in the form of TRQs) for sensitive products are specified at product group level and can differ considerably. Similarly, service liberalisation rates – and the subsequent impact – are expected to be different for different sectors. This needs to be taken into account, also in the detailed qualitative analysis.
3. *Implementation issues regarding SPS, TBT, IPR and Competition, the four areas with preconditions before the start of the negotiations*. With respect to regulatory approximation several issues are of importance, including the level of readiness and capacity of Georgia to implement and especially to enforce consistent further reforms. The EC demands with respect to SPS/food safety are considered as not fully appropriate for the Georgian situation: although there are some obvious advantages, it will have a big impact on small farmers not producing for exports. With respect to IPRs, the main concern is that while according to the current law, public authorities investigate issues about IPR only after court appeal, EU recommendations say something about “proactive” policy, which means detecting the facts of violating of IPR. In addition, there is an ongoing discussion on the proposals for new competition law in response to the EU recommendations, especially related to equality issues and fair and objective treatment of complaints by an independent agency.
4. *Implementation issues regarding specific environmental and social topics*; similar issues as under the previous bullet hold for regulatory approximation of specific environmental, social and human rights issues, like implementation progress on ILO Conventions or implementation of international fisheries agreements.
5. *Minerals, energy, transportation services and several agricultural sectors*; several products and sectors appear to be of special importance for the DCFTA either based on initial importance of these sectors or products for the Georgian economy, or based on specific issues at play in the DCFTA process. These include (note: this is a very preliminary assessment only which will be re-assessed extensively at the end of Phase 1):
 - Minerals and transport of energy to EU (main export sectors Georgia-EU);
 - Agricultural sectors (influenced by SPS and food safety issues).
 - Fisheries (environmental/governance issues);

5.4 Preliminary screening of key issues Moldova

Criterion 1: Initial importance for economy

Table 5.7 and Table 5.8 show the 15 largest export sectors from Moldova to the EU and vice versa. The data are based on GTAP 8.0 and represent 2007 figures, as these are the most recent available trade data at this level of (sector) detail. During the next Phase of the study, extrapolations and estimations will be made towards 2010, the baseline year for this study. In the screening exercise in the next phase, the results from that extrapolation will be used in the more detailed screening exercise.

Moldova's largest export sector to the EU is *textiles and clothing*, followed by *primary metals* and *vegetables, fruits, nuts, oilseeds*. The 15 largest export sectors together represent 91 percent of total export from Moldova to the EU.

Regarding export from the EU to Moldova, the sector *other machinery and equipment*, and *chemicals, rubber, plastics* are the largest two, followed by *textiles and clothing* and *motor vehicles*. The fact that *textiles and clothing* is among the top three import and export sectors between the EU and Moldova implies that there is considerable intra-sector trade in this industry. Adding the top 15 sector trade shares in this case yields 90 percent of total exports from the EU to Moldova.

Table 5.7 Top 15 export sectors Moldova to EU, 2007

Sector	EU import from Moldova, share of total
Textiles and Clothing	31.2%
Primary metals	11.6%
Veg, fruits, nuts, oilseeds	7.4%
Other processed food	5.9%
Communications	5.6%
Ceramics, cement, etc	5.2%
Vegetables oils and fats	4.2%
Business and ICT	3.7%
Other transport	3.2%
Wood, paper, publishing	2.8%
Other machinery and equipment	2.5%
Beverages and tobacco	2.5%
Air transport	2.3%
Trade	1.6%
Chemicals, rubber, plastics	1.5%

Source: Elaboration based on GTAP 8.0.

Table 5.8 Top 15 export sectors EU to Moldova, 2007

Sector	EU export to Moldova, share of total
Other machinery and equipment	14.7%
Chemicals, rubber, plastics	13.5%
Textiles and Clothing	11.8%
Motor vehicles	11.8%
Petrochemicals	7.4%
Fabricated metals	6.2%
Wood, paper, publishing	5.2%
Electronics, computers	4.1%
Business and ICT	2.7%
Other processed food	2.6%

Sector	EU export to Moldova, share of total
Ceramics, cement, etc	2.4%
Primary metals	2.2%
Other manufacturing	1.9%
Air transport	1.8%
Beverages and tobacco	1.7%

Source: Elaboration based on GTAP 8.0.

Table 5.9 and Table 5.10 present the most important sectors for Moldova in terms of value added and labour employment, respectively, ranked on the basis of the sector share of total in the Moldovan economy.

For the Moldovan economy, the sector *public and other services* is the most significant sector, generating 18 percent of total Moldovan value added and hosting more than half of all skilled workers. The top seven sectors in terms of value added are all services sectors, including *public and other services, trade, utilities, other transport, business and ICT and communications*.

Also with respect to labour shares, *public and other services* rank as largest sector. For skilled labour, the top 9 sectors are services sectors that together account for 92 percent of skilled labour. The sectors *public and other services, trade and utilities* also generate most unskilled employment. For skilled labour, *vegetables, fruits, nuts, oilseeds* (not in the table) ranks fourth.

Again there is quite some overlap in the rankings for share in GDP and share in employment, but not also with share of export to the EU. For example, *textiles and clothing*, the largest export sector to the EU, only ranks 12th and 13th in value added share and employment (skilled and unskilled), respectively.

Table 5.9 Top 15 sectors, share in GDP, Moldova, 2007

Sector	Value added, % of total
Public and other services	18,33
Trade	14,93
Utilities	7,89
Other transport	6,91
Business and ICT	6,40
Communications	5,90
Construction	5,79
Veg, fruits, nuts, oilseeds	5,52
Animal products	4,75
Financial services	4,50
Grains and Crops	3,84
Textiles and Clothing	2,53
Ceramics, cement, etc.	1,24
Beverages and tobacco	1,24
Other machinery and equipment	1,12

Source: Elaboration based on GTAP 8.0.

Table 5.10 Top 15 sectors, skilled and unskilled labour, Moldova, 2007

Sector	Skilled labour, % of total	Rank sk labour	Unskilled labour, % of total	Rank unsk labour
Public and other services	54.9	1	15.1	1
Utilities	8.5	2	8.9	7
Business and ICT	7.0	3	3.4	16
Financial services	5.8	4	2.9	12
Communications	4.9	5	2.4	14
Trade	3.7	6	9.8	3
Construction	2.9	7	8.2	6
Other transport	2.5	8	6.7	5
Personal and recreational serv.	1.5	9	0.8	8
other machinery and equipment	0.9	10	1.5	26
Ceramics, cement, etc.	0.9	11	2.4	18
Other processed food	0.8	12	1.6	11
Textiles and Clothing	0.8	13	2.4	31
Beverages and tobacco	0.6	14	1.9	10
Primary metals	0.6	15	1.9	15

Source: Elaboration based on GTAP 8.0.

All tables above again presented 2007 figures. In order to (roughly) assess what have been the main trends over the most recent years, including the economic crisis, Table 5.11 below provides data on value added and employment shares for the years 2007 and 2010 (note: at a different level of aggregation). As is clear from this table, employment in the agricultural sectors decreased considerably between 2007 and 2010, much more than value added of those same sectors for the Moldovan economy. Value added from utilities decreased, whereas the share of value added of most services sectors increased over the same period of time.

Table 5.11 Value added and employment shares, Moldova, 2007 and 2010

Sector	Value added, % of total,	Employment, % of total,	Value added, % of total,	Employment, % of total,
	2007	2007	2010	2010
Agriculture, hunting, forestry, fishing (ISIC A-B)	14.8%	12.3%	10.0%	3.7%
- <i>Agriculture, hunting and forestry (ISIC A)</i>	14.7%	12.2%	9.9%	3.6%
- <i>Fishing, pisciculture (ISIC B)</i>	0.1%	0.0%	0.0%	0.1%
Mining, Manufacturing, Utilities (ISIC C-E)	20.2%	20.8%	15.8%	19.1%
- <i>Mining and quarrying (ISIC C)</i>	0.6%	0.4%	0.5%	0.6%
- <i>Manufacturing (ISIC D)</i>	11.6%	11.7%	12.8%	14.3%
- <i>Utilities (ISIC E)</i>	7.9%	8.7%	2.6%	4.3%
Construction (ISIC F)	5.8%	5.5%	4.3%	3.8%
Wholesale, retail trade, restaurants and hotels (ISIC G-H)	14.9%	6.7%	17.1%	15.8%
Transport, storage and communication (ISIC I)	13.9%	9.0%	14.4%	10.1%
Other Services (ISIC J-P)	30.3%	45.7%	38.4%	47.5%
- <i>J Financial intermediation</i>	4.5%	4.3%	7.2%	4.8%
- <i>K Other business services</i>	6.4%	5.2%	9.8%	8.0%

Sector	Value added,	Employment,	Value added,	Employment,
	% of total,	% of total,	% of total,	% of total,
	2007	2007	2010	2010
- L, M, N Public Services	18.3%	35.0%	18.0%	30.0%
- O,P Personal and Other Recreational Services	1.1%	1.1%	3.5%	4.7%
Total Value Added	100.0%	100.0%	100.0%	100,0%

Source: Elaboration based on United Nations, Georgia and Moldova national accounts statistics, and GTAP 8.0.

Criterion 2: Impact from DCFTA

This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

Criterion 3: Social / environmental impact

This criterion will be analysed based on the assessment of effects made in Phase 1 of the study (Interim Technical Report).

Criterion 4: Stakeholder issues of special importance

Based on inputs received from the Steering Committee, the EU Delegation in Moldova, our local partners and existing literature and documentation, several issues of specific interest for the DCFTA process have been identified in this preliminary phase. In the course of Phase 1, this information will be complemented and fine-tuned based on inputs from stakeholders, civil society and experts during the Public Meeting, Workshops and from other consultation activities as well as additional literature.

1. *Importance of regulatory approximation*; provided that Moldova already enjoys ATP and hence tariffs reductions will be of relatively limited effect for trade flows from Moldova to the EU, NTM reduction and regulatory approximation is of specific importance for the DCFTA under negotiation.
2. *TRQs for sensitive products and NTM reduction in services sectors differ across sectors or products*; the tariffs (in the form of TRQs) for sensitive products are specified at product group level and can differ considerably. Similarly, service liberalisation rates – and the subsequent impact – are expected to be different for different sectors. This needs to be taken into account.
3. *Implementation issues regarding SPS, TBT and other horizontal issues*; with respect to regulatory approximation several issues are of importance, including the level of readiness and capacity of Moldova to implement consistent further reforms. In addition, the time and resources required for such reforms are of interest as well as the long run impacts and short run adjustment implications. These issues are valid for several horizontal issues including TBT (e.g. regarding producer liability of defective products, infrastructure for market surveillance, functional TBT Enquiry Points, etc.) and SPS (Moldova Food Safety Strategy implementation, border check points, accredited laboratories, etc), but also for competition policy, government procurement and IPR.
4. *Implementation issues regarding specific environmental and social topics*; similar issues as under the previous bullet hold for regulatory approximation of specific environmental and social issues. This for example holds for industrial emissions (e.g. international versus domestic effects and readiness for implementing EID including BAT requirements) and pollution fees. Other issues include implementation progress on ILO Conventions.

5. *Wine, textiles, transportation services and several agricultural sectors*; several products and sectors appear to be of special importance for the DCFTA either based on initial importance of these sectors or products for the Moldovan economy, or based on specific issues at play in the DCFTA process. These include (note: this is a very preliminary assessment only which will be re-assessed extensively at the end of Phase 1)
 - Wine (TRQs and GIs);
 - Textiles (main export sector Moldova-EU);
 - Transportation services (enabling nature of sector and issues regarding driving permissions);
 - Agricultural sectors (influenced by SPS and food safety issues).

6. *Transnistria*; with respect to Transnistria, several issues need to be kept in mind. These include the effects of (eliminated) internal duty rates, issues regarding implementation and enforcement of regulation related to the DCFTA as well as specific impacts.

5.5 Implications of preliminary screening

Even though the preliminary screening (previous section) is only broad, it has some implications for Phase 1 of the study, as listed below. These issues are valid for the Phase 1 analysis for both Moldova and Georgia.

1. Detailed sector-level modelling of TRQs, NTM reductions and services liberalisation (asymmetric across sectors – see Chapter 2 for details).
2. Specific additional analysis on expected impacts in the field of social, environmental and human rights issues (see Chapter 2 for details).
3. Focus on regulatory approximation in explaining results from the quantitative modelling in Phase 1.
4. Focus in Phase 2 on potential impacts from regulatory approximation (mainly TBT and SPS) that can not be captured (entirely) by the quantitative modelling through qualitative analysis.
5. Ensuring a balanced input in the consultation process from several stakeholders (e.g. for Moldova: including from Transnistrian stakeholders- see the risk section of the consultation plan for our approach on this).

6 Planning

The planning of the different activities and deliverables is presented in the table below.

Activity	Leaders	Deadline
Kick-off meeting	EC and Ecorys	7 December 2011
Proposal on model specifications	Ecorys	12 December 2011
Minutes KoM for Steering Committee	Ecorys	21 December 2011
Approval model specifications by EC	EC	13 January 2011
Draft Inception Report	Ecorys	23 January 2012
Online publication of draft Inception Report 10 days before CSD	Ecorys	6 February 2012
Steering Committee meeting (2 weeks after reception of report)	EC and Ecorys	16 February 2012 morning
Send draft inception report to Civil Society and/or summary (format to be defined with Ecorys) 10 days before CSD	EC and Ecorys	6 February 2012
Civil Society Dialogue	EC and Ecorys	16 February 2012 afternoon
Minutes SteeCo and CSD	Ecorys	23 February 2012
2nd draft inception report (final version)	Ecorys	1 March 2012
Approval Inception Report	EC	8 March 2012
1st Draft Interim Technical Report	Ecorys	16 April 2012
Online publication of draft Interim Technical Report	Ecorys	27 April 2012
Steering Committee meeting (3 weeks after reception of report)	EC and Ecorys	14 May 2012
Minutes Steering Committee	Ecorys	22 May 2012
TSIA workshop Moldova (Chisinau, Tiraspol)	Ecorys	5 June 2012 Tiraspol 7 June 2012 Chisinau
TSIA workshop Georgia (Tbilissi)	Ecorys	14 June 2012 Tbilisi
Minutes TSIA workshops	Ecorys	18 June 2012
2nd draft interim technical report (final version)	Ecorys	27 June 2012
Approval interim technical report	EC	11 July 2012
1st Draft Final Report	Ecorys	20 August 2012
Online publication of draft final report 10 days before CSD	Ecorys	4 September 2012
Steering Committee meeting	EC and Ecorys	14 September 2012
Send draft final report to Civil Society and/or summary (format to be defined with Ecorys) 10 days before CSD	EC and Ecorys	4 September 2012
Civil Society Dialogue	EC and Ecorys	14 September 2012
Minutes of SteeCo and CSD	Ecorys	21 September 2012
2nd Draft Final Report (final version)	Ecorys	5 October 2012
Approval Final Report (EC has 45 days for approval of report)	EC	before 20 November 2012

Annex A List of identified stakeholders

Stakeholders in EU

Organisation name
Government
Delegation of the European Union to Georgia
Delegation of the European Union to Moldova
European Economics and Social Committee
Private sector and business representative organisations
Eurochambers
International Trade Union Confederation
European Services Forum
The Confederation of European Business
Foreign Trade Association
European Association of Fashion Retailers
European Trade Union Federation; Textiles, Clothing and Leather
Confederation of the food and drink industries of the EU
European Industrial Minerals Association
European Association of Mining Industries
European Association of Metals
Association for European Transport
CEEP - European Centre of Enterprises with Public Participation and of Enterprises of General Economic Interest
BusinessEurope
UEAPME - European Association of Craft and Small and Medium-Sized Enterprises
Civil society organisations
UNI europa - Union Network International – Europe
ETUC - European Trade Union Confederation
Oxfam International
WWF
Human Rights Watch

Stakeholders in Georgia

Organisation name
Government
Ministry of Economy and Sustainable Development
Ministry of Energy
Ministry of Regional Development and Infrastructure
Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees
Ministry of Labour, Health and Social Affairs
Ministry of Justice of Georgia
Ministry of Environment Protection

Organisation name
National Association of local authorities of Georgia
Office of the State Minister for Reintegration
Civil society organisations: Social Issues
Agriculture, food, light industry and food processing workers trade union
Association "Open Society - New Kutaisi"
Association of Socially Unprotected Women "Pikris Gora"
Azerbaijani Women's Union
Caucasian Institute for Economic and Social Research (CIESR)
Caucasus Research Resource Centres (CRRC)
Centre for Change and Conflict Management PARTNERS-GEORGIA
Centre for Political Development
Centre for Social Studies
Centre for Training and Consultancy (CTC)
Centre of Social Monitoring and Protection of Civil Interests
Charity Humanitarian Centre "Abkhazeti" (CHCA)
Civil development Agency (CIDA)
Civil Development Institute
CSI Civil Society Institute
Cultural-Humanitarian Fund Sukhumi
Curatio International Foundation (CIF)
Education for democracy
Eurasia Partnership Foundation (EPF)
Foundation for Protection of Mothers and Children
Georgian Union of Educators "Lampari"
Gori Information Centre
Independent Trade Union of Georgian Workers Employed in Health Care, Social Defence, Medical and Chemical Industry
Institute for Policy Studies (IPS)
Institute of Civil Society
International Youth Organization of Science, Education and Culture (UNESCO Center)
Javakheti Civil Forum
Kvemo Kartli Public Information Centre
Leaders for Democracy
Media Club
Professional Association of Teachers and Scientists
Public Union "Bemoni"
Samtskhe - Javakheti Media Centre
School, Family, Society
Society "Biliki"
Society of Democracy and Legal Development
Society of Democrat Wemen - Marneuli
Strategy and Development Fund
UN Association of Georgia (UNAG)
Unity Public Health (UPH)
Women's Association "Parosi"
World Vision
Young Scientists' Club of Ozurgeti

Organisation name
Civil society organisations: Environment
ABC Group - Agro business consulting
Association "KHOMLI"
Association "Flora & Fauna"
Association of Biological Farming "ELKANA"
Assotsiatsia Mtsvane Talgha (Association Green Wave)
CENN Caucasus Environmental NGO Network
Child and Environment
Club Mountain Traveller
CUNA Georgica - Georgian Society of Culture and Nature Protection
Ecocenter for Environmental Protection from Floods and Flashfloods
Ecological Biomonitoring Association
Ecological Center
Ecological Law Club
Ecology and Tourism Association of Georgia
Eko-Samartali (Eco-Law)
Energy Efficiency Centre (EEC)
Energy Efficiency Foundation
Environmental Association "Tsistvala"
Environmental Information and Sustainable Development Centre "RIO"
FocELKANA (Biological Farming Association)
Foundation of Life
GCCW Georgian Center for the Conservation of Wildlife
Georgian Club of Rome
Georgian Ecological Foundation
Georgian Environmental and Biological Monitoring Association
Georgian Geoinformatic Center "G.INFO"
Georgian Greens Movement Gori Regional Affiliation
Georgian Society for the Protection of Animals "Lomisa"
Georgian Youth Ecomovement (GYEM)
Grana
Green Alternative (to protect Georgia's unique biological and cultural heritage)
Green Earth Foundation
Greens Movement of Georgia
Human Ecology Center
Human Environment Development Found "GORA"
Humanitarian - Environmental Association "Men and Biosphere"
InfoCenter "Eco - XXI Centure"
JVARI (Cross)
NACRES - biodiversity conservation and research
Nature Supporters Society "Kolkhety"
Noah's Ark Center for the Recovery of Endangered Species (NACRES)
Nongovernmental Organization "ORCHIDS"
Poseidon
Scientific Wind Energy Centre Karenergo
Society "ARAGVELI"
Society of Friends of Nature "Tskhratskharo"

Organisation name
Sustainable Energy Centre - Sun House
Sustainable Tourism Center
The Ecological Group of Terjola
The greens movement of Georgia
The Youth Ecological Society "The Green Cross"
Transitional Economy and Development Georgian Center
Vakhtang Gorgasali Environment Protection Society for Revival of Tbilisi
World Wide Fund for Nature-Georgia
Civil Society Organisations: Economy
Akhalkalaki Business Centre
Association "Caucasus Meridian"
Association "Peaceful and Business Caucasus"
Association "Woman and Business"
Association CHRONIKONI
Association of Banks of Georgia
Association of Free Development and Human Rights' Protection
Association of Young Economists of Georgia
Association of Young Finances and Businessmen
Association of Young Financial Specialists
Business and Economic Centre (BEC)
Business Association of Georgia (BAG)
Business Law Center
Caucasian Institute for Economic and Social Research (CIESR)
Center for Economic Problem Research
Coalition for the European Georgia
Federation of Economic Development
Georgian Accounting Association
Georgian Agricultural Organisation
Georgian Chamber of Commerce and Industry
German Business Association Georgia
Georgian Employers Association (GEA)
Georgian Foundation for Strategy and International Studies (GFSIS)
Georgian Trade Unions Confederation (GTUC)
Imereti Region Youth Scientific and Information Association
Institute for Economic Initiatives
NGO press-club "SARKE"
Telavi English Teachers' Association
The Economic Policy Research Center - EPRC
The International Center for Reformation and Development of Georgian Economy
Civil Society Organisations: Human Rights
Association "Gaenati"
Association "Law for the People"
Association "Metsenati"
Association "New Vision"
Association "Samegrelo Medea"
Association and the Radio "Green Wave"
Association for Protection of Cultural Heritage and Rights of Georgians' and Minorities' living in Georgia

Organisation name
Association for Protection of Human Rights' and Fighting Against Corruption (Imereti)
Association for Protection of Landowners Rights
Association For The Defence of Children And Large Families
Association for the Protection of Conscripts Rights Georgia
Association of "Kartlis Deda"
Association of Civil Development - Momavlis Korpusi
Association of Free Development and Human Right's Protection
Association of Free Movement
Association of Professional Psychologists
Association of Socially Unprotected Women "Pikris Gora"
Association of Teachers' Dignity
Caucasus Institute of Peace, Democracy and Development
Caucasus Women Network
Center for Democracy and Reforms
Center for Democratic Development and Conflict Regulation
Center for Federal Development of Georgia
Center for Protection of Constitutional Rights
Center of Social Monitoring and Protection of Civil Interests
Center for Strategic Research and Development of Georgia
Central Union for the Veterans of War, Labour and Military Forces
Change and Conflict Management Centre "Partners - Georgia"
Charity Centre of Rehabilitation and Development - "Tanaziani"
Citizens Union "MUKHIANI"
Civic Movement (Coalition) - Solidarity to illegal prisoners
Club ORI GURAMI
Civil development centre "Alternative"
Coalition - the Civic Development
Coalition of Georgian NGOs
Coalition of Shida Kartli
Community Development Center
Community of Georgian prisoners
Consumers Society of Ozurgeti
Consumers Union of Georgia
Creative Union of Journalists of Georgia
Daisi ("The Democratic Choice for Georgia ")
Democratic Women's Union
Eurasian Foundation
Farmer's Rights Protection Association of Georgia
Farmers' Rights Association
Former Political Prisoners for Human Rights
Former Political Prisoners for Human Rights
Foundation for the Future of Abkhazia
Free Choice
Georgian and South Ossetian Women's Union for Peace and progress
Georgian Committee Against Torture (GCAT)
Georgian Committee of Helsinki Citizens' Assembly
Georgian Insurance Institute

Organisation name
Georgian Trade Union Confederation (GTUC)
Georgian Young Lawyers' Association (GYLA)
Global Initiative on Psychiatry (GIP)
Healthy World
Help yourself
Helsinki Citizens' Assembly Georgian National Committee
House of Free Opinion
Human Rights Center
Human Rights Education Centre (HREC)
Human Rights Priority
Human Rights protection and international organization for Prisoners Welfare
Human Rights protection and international organization for Prisoners Welfare
IDP Women's Association "Utanxmoeba"
Independent Society "Human Rights in Georgia"
Independent Trade Union of Georgian Workers Employed in Health Care, Social Defence, Medical and Chemical Industry.
Institute of Democracy
International Association - Eurasia Media Centre
International Association "Woman and Business"
International Center for Caucasus Journalists
International Center of Legal Culture
International Centre for Civic Culture
International Centre for Women's International education and Information
International Centre of Conflict Resolution and Negotiation Strategy
International Fund for the support of Afghanistan and other wars warriors
International Society for Fair Elections and Democracy
International Society for Fair Elections and Democracy (ISFED)
International Union for Human Rights Protection and Aid "Ndoeba"
Kartli Regional Organization of All Georgia Godchildren's Association
Kutaisi Region "Multichildren" Mothers and Children Protection Organization
Kvemo Kartli Women's Association "Woman and the World"
Lawyers for Human Rights
League for the Protection of the Constitution
Liberty Institute
National Network for Violence Protection AVNG
Open Society Georgia Foundation
Open Society Georgia Foundaation (OSGF)
Organization for the Protection of Human Rights and Natural Resources
Pacienti +
Peace and Development Academy
Penal Reform International
Psycho-social and medical rehabilitation center for torture victims
Public Movement "Multinational Georgia" (PMMG)
Public Union of Citizens, Association of Zugdidi "Atinati"
Regional Centre for Legal Information and Protection of Human Rights (Adjara)
Research Center for the protection of Human Rights and Social Justice
Research Centre for the Protection of Human Rights' and Social Justice

Organisation name
Rural Women for Human Rights
Russian Cultural-Education Society of Georgia
Russian women in Georgia
Samtskhe - Javakheti Consumers Union
Samtskhe - Javakheti Regional Association "Toleranti"
SME entrepreneurs for the Justice and Dignity
Society "VARKETILI"
Society of Democracy and Legal Development
Society of Democratic Women of Marneuli
Society of Unemployed of Georgia
Strategic Research Centre for the territorial - administrative arrangement
Studio"Re"
Tbilisi International Human Rights School
The United Nations International Youth Association - Network Georgia
Transparency International Georgia
Institute for Democracy and Electoral Assistance
Headquarters, Liaison Team in Georgia – South Caucasus Programme"
Union "Century 21"
Union "sakhli"
Union for protection of Democratic principles and human rights
Union for Protection of the Family Rights of the the Soldiers Fallen for the Georgian Territorial Integrity "Imedi"
Union of Georgian Repatriates - Marat Baratashvili
Union of Hunters and Fisherman
United Nations Association - Network Georgia
Woman and Society
Women Aid international-Caucasus, Women Aid in Georgia
Women for the Future
Women's Information Center (WIC)
Women's Fund in Georgia
Women's Information Center
Women's Initiative for Equality
Women's Initiative Supporting Group
Women's Network "Peoni"
WPRC, Women's Political Resource Centre (WPRC)
Youth's Union of Human Rights "Audak"

Stakeholders in Moldova

Organisation name
Government
Ministry of Economy
Ministry of Labour, Family and Social Protection
Ministry of Foreign Affairs
Ministry of Agriculture and Food Industry
Ministry of Justice
Ministry of Environment
Agency for the Protection of Competition

Organisation name
Public Procurement Agency
Intellectual Property Agency
Sanitary Veterinary Agency and for Safety of Animal Origin Goods
Customs Service
National Bank of Moldova
National Commission for Financial Markets (NCFM)
Civil Society Organisations: Economy
Private sector, business representative organisations
National Confederation of Employers of the Republic of Moldova (NCERM)
National Federation of Employers in Agriculture and Food Industry (NFEAFI)
National Confederation of Trade Unions of Moldova (CNSM)
National Association of Manufacturers (NAM)
National Association of Producers of the Republic of Moldova (ANPM)
Chamber of Commerce and Industry of Moldova
Chamber of Commerce and Industry of Transnistria
Moldovan Investment and Export Promotion Organization (MIEPO)
Union of Manufacturers and Importers of Meat and Dairy Products
Foreign Investors Association (FIA)
European Business Association in Moldova
The American Chamber of Commerce in Moldova (AMCHAM)
REC-Caucasus
Union of Sugar Producers of the Republic of Moldova
Foreign Investors Association
Enterprise Association of Meat Processing Industry
Chamber of Commerce Moldova - Italia
Association of small Wine Producers
Public Association "Expert- Grup", Independent think-tank
Conseil National du Patronat Moldave (CNPM)
CDM (Centre for Development and Management)
National Agency for Rural Development (ACSA)
Association 'Moldova Wine Guild'
Moldovan Association of Poultry
National Association of Tourism Agencies
Moldovan Union of manufacturers and importers of meat and milk products
Association of producers and exporters of table grapes
Association of Importers and Exporters from Moldova
Civil Society Organisations: Social Issues
National Agency for Rural Development (NARD)
Contemporary Woman Society
Social NGOs Network
Institute for Development and Social Initiatives „Viitorul”
Public Association "Women for modern society"
Education Center "Interpret" Tiraspol
Trimetrica
Civil Society Organisations: Environment
Trimetrica
Environment Association „OZON”

Organisation name
EcoContact
National Center for Environmental Ecological Movement of Moldova
NGO "BIOS"
ECO-Tiras - International Association of Ecological River Keepers
Association "European Solidarity Water in Moldova" (SEAM)
Ecological Consulting Center Cahul
Youth Cultural Association "Ormax"
Women Association for Environmental Protection and Sustainable Development (AFPMDD)
NGO "Friends of Animals and Nature"
Ecological Society BIOTICA
Regional Environment Centre Moldova
Civil Society Organisations: Human Rights
Public Association 'Ex-Lege' 'Ex-Lege'
Resource Centre for Moldovan NGOs for Human Rights CREDO
Civil Society Organisations: Academia
State University
Free Independent University of Moldova
Technical University of Moldova
Academy of economic studies of Moldova
State University of Medicine and Pharmacy "Nicolae Testemitanu"
Agrarian State University of Moldova
Comercial Cooperatist University of Moldova
State University from Tiraspol (placed in Chisinau)
State University from Comrat
Institute of international relations of Moldova
State University "Bogdan Petriceicu Hasdeu" in Cahul
State University in Taraclia
Science Academy University in Moldova
State University "Alecu Russo" in Balti

Annex B Literature, tools and references

Literature

General

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Useful links

Besides the literature sources, we have also made a first scan of relevant websites where we, as well as any other stakeholder to this study, can draw upon for more information.

Ecorys Trade Sustainability Impact Assessment websites

EU-Moldova: <http://tsia.ecorys.com/moldova/>

EU-Georgia: <http://tsia.ecorys.com/georgia/>

EU-India: <http://tsia.ecorys.com/india/>

EU-ASEAN: <http://tsia.ecorys.com/asean/>

EU-Ukraine: <http://tsia.ecorys.com/ukraine/>

EU-Central America: <http://tsia.ecorys.com/ukraine/>

DG Trade - General information regarding TSIA's:

<http://ec.europa.eu/trade/analysis/sustainability-impact-assessments/>

EU Neighbourhood Policy (ENP)

European Commission – general: http://ec.europa.eu/world/enp/index_en.htm

European Commission – Moldova: http://ec.europa.eu/world/enp/partners/enp_moldova_en.htm

European Commission – Georgia: http://ec.europa.eu/world/enp/partners/enp_georgia_en.htm

European Union External Action Eastern Partnership

http://eeas.europa.eu/eastern/index_en.htm

EU-Georgia relations

European Union External Action:

http://eeas.europa.eu/georgia/index_en.htm

Delegation of the European Union to Georgia:

http://eeas.europa.eu/delegations/georgia/index_en.htm

Political and economic relations:

http://eeas.europa.eu/delegations/georgia/eu_georgia/political_relations/index_en.htm

Trade relations:

http://eeas.europa.eu/delegations/georgia/eu_georgia/trade_relation/index_en.htm

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/regions/south-caucasus/>

Technical and financial co-operation:

http://eeas.europa.eu/delegations/georgia/eu_georgia/tech_financial_cooperation/index_en.htm

EU-Moldova relations

European Union External Action:

http://eeas.europa.eu/moldova/index_en.htm

Delegation of the European Union to Moldova:

http://eeas.europa.eu/delegations/moldova/index_en.htm

Political and economic relations:

http://eeas.europa.eu/delegations/moldova/index_en.htm

Trade relations:

http://eeas.europa.eu/delegations/moldova/eu_moldova/trade_relation/index_en.htm

<http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/moldova/>

The Republic of Moldova: European Integration

<http://www.moldova.md/en/europa/>

Labour and ILO

Trade and labour: Making effective use of trade sustainability impact assessments and monitoring mechanisms

<http://ec.europa.eu/social/BlobServlet?docId=7220&langId=en>

ILO Assessing and Addressing the Effects of Trade on Employment:

http://www.ilo.org/employment/Whatwedo/Projects/WCMS_118053/lang--en/index.htm

ILO Regional office for Europe and Central Asia:

<http://www.ilo.org/public/english/region/eurpro/geneva/about/index.htm>

ILO Decent Work Team and Country Office for Eastern Europe and Central Asia (Georgia):

<http://www.ilo.org/public/english/region/eurpro/moscow/countries/georgia.htm>

ILO Decent Work Country Programme Document Moldova 2008-2011:

http://www.ilo.org/public/english/region/eurpro/geneva/download/decentwork/moldova_2008.pdf

ILO Decent Work Team and Country Office for Central and Eastern Europe (Moldova)

<http://www.ilo.org/budapest/lang--en/index.htm>

Multilateral Environmental Agreements

UNECE Environmental policies

<http://www.unece.org/env/cep/welcome.html>

EC Environment – Multilateral Environmental Agreements

http://ec.europa.eu/environment/international_issues/agreements_en.htm

Government websites

Republic of Moldova:

<http://www.moldova.md/>

The Chamber of Trade and Industry of the Republic of Moldova:

<http://www.chamber.md/>

Moldovan Investment and Export Promotion Organization:

<http://www.miepo.md/>

Ministry of Foreign Affairs and European Integration of the Republic of Moldova

<http://www.mfa.gov.md/start-page-en/>

Ministry of Labour, Family and Social Protection of Moldova

<http://www.mmpsf.gov.md>

Ministry of Agriculture and Food Industry of the Republic of Moldova

<http://www.maia.gov.md/lib.php?l=en&idc=52&page=2>

Ministry of Transport and Road Infrastructure

<http://www.gov.md/map.php?l=en&idc=540>

Ministry of Labour, Social Protection and Family

<http://www.mpsfc.gov.md/en/start/>

The Government of Georgia:

http://www.government.gov.ge/index.php?lang_id=ENG

<http://www.georgia.gov.ge/?lang=2>

Georgian National Investment Agency:

<http://www.investingeorgia.org/>

Ministry of Foreign Affairs of Georgia

http://www.mfa.gov.ge/index.php?sec_id=74&lang_id=ENG

Ministry of Economic and Sustainable Development of Georgia

<http://www.economy.ge/?lang=eng>

Ministry of Regional Development and Infrastructure of Georgia

<http://www.gov.md/map.php?l=en&idc=540>

Ministry of Health, Labour and Social Affairs (Georgia)

<http://www.moh.gov.ge>

Ministry of Agriculture of Georgia

<http://www.gov.md/map.php?l=en&idc=540>

Moldovan Ministry of Environment

<http://www.gov.md/map.phl?l=en&idc=543>

Annex C Kick-off meeting note

The note that was used to guide the discussions during the Kick-off Meeting is presented below. Please note that many of the issues presented here (e.g. regarding scenarios and other model specifications) have been amended since. The main chapters of this inception report present the most recent state of information.

Issues kick-off meeting Trade SIA EU-GM

1. Overall SIA methodology

The overall TSIA methodology consists of two major parts:

- Trade sustainability impact assessment: economic, social and environmental assessment of trade negotiations
 - o In general (trends and overall impact assessment through quantitative analysis)
 - o In particular for strategic/important sectors (sectoral analysis and horizontal issues)
 - o Experience with multi-country TSIA work – sometimes difficult – clear understanding with EC
- Consultation process
 - o Involve civil society throughout the process of the SIA via consultations, results dissemination, incorporation of feedback

We use the handbook, our experience from TSIA EU-Ukraine, TSIA EU-India, TSIA EU-ASEAN, TSIA EU-CA our modelling experience from TSIA EU-Ukraine, TSIA EU-India, TSIA EU-ASEAN, TSIA EU-Korea, TSIA-EU-CA and TSIA EU-Mercosur and former TSIA studies as the bases – improve on the parts that were critically received and maintain level of parts that were applauded.

2. Current situation & general analysis

We will analyse the following:

- Current (economic) priorities of the European Union (put the TSIA in a bigger picture) – regarding enlargement, but also regarding environment, energy and competitiveness;
- Current (economic) relationship between the EU-G and EU-M – current situation and treaties and agreements;
- Current trade intensities between EU and GM (which are the ‘large’ sectors, how complementary are they);
- Current trade policy situation: WTO, current levels of tariffs, export subsidies, NTBs in trade with EU;
- What kind of FTA is foreseen? Part of FTA already taken care of by WTO-membership (e.g. parts of market access or tariff reductions?) – so what issues are important? Tariff reductions? Specific sensitive sectors? Quality and standards – regulatory approximation?

3. Trade policy modelling

- CGE model – what is possible is explained in the proposal: dynamic, non-linear, investment effects, max 58 sectors, etc.;
- We will try to maximise analysis of the social and environmental impacts through also using satellite accounts;
- We will set up one CGE model specification for both the EU-G and EU-M effects (means: in EU-G also Moldova effects and in EU-M also G effects);
- CGE specifications:

- Country split: EU27, Georgia, Moldova, Russia, Ukraine, Turkey, ROW
- Sector split:
 - 1 GRN grains and oil seeds
 - 2 V_F Vegetables, fruit, nuts
 - 3 OCR Other crops
 - 4 FRS Forestry
 - 5 FSH Fishing
 - 5 EGY Energy
 - 6 OMN Minerals nec
 - 7 RMT Ruminant meat products
 - 8 OMT Other meat products
 - 9 VOL Vegetable oils and fats
 - 10 DAR Dairy products
 - 11 SGR Sugar
 - 12 OFD Food products nec
 - 13 B_T Beverages and tobacco products
 - 14 TEX Textiles
 - 15 WAP Wearing apparel
 - 16 LEA Leather products
 - 17 LUM Wood products
 - 18 PPP Paper products, publishing
 - 19 P_C Petrochemicals
 - 21 CRP Chemical, rubber, plastic products
 - 22 I_S Ferrous metals
 - 23 NFM Metals nec
 - 24 FMP Metal products
 - 25 MVH Motor vehicles and parts
 - 26 OTN Transport equipment nec
 - 37 ELE Electronic equipment
 - 38 OME Machinery and equipment nec
 - 39 OMF Manufactures nec
 - 30 UTI Utilities
 - 31 CNS Construction
 - 32 TRD Trade
 - 33 TSP Transport
 - 34 CMN Communication
 - 35 FIN Financial services
 - 36 OBS Business services nec
 - 37 ROS Consumer services
 - 38 OSG Public Administration, Defense, Education, Health
- Scenarios:
 - Baseline: current state of play + non DDA (?) + other FTAs? Base year 2007 or 2010?
 - EU-G FTA: Ambitious scenario: tariffs 100%; serv sect lib 100% (less?); NTMs 2% (quite ambitious) or 5% (very ambitious) – SPECIFICS: ATP, ENP
 - EU-M FTA: Ambitious scenario: tariffs 100%; serv sect lib 100% (less?); NTMs 2% (quite ambitious) or 5% (very ambitious);
- Data for Georgia and Moldova are available in GTAP 8.0;
- Limitations of the modelling outcomes (if possible per issue) – model restrictions;
- Outcomes presented in such a way that they can serve as valuable input for the negotiations and economic relation between EU and GM if wanted;
- Also attention to preference erosion and third country effects – especially looking at effect of EU-Turkey agreement.
- Sectors for in-depth analysis – to be determined in Phase 2 based on CGE (technical interim report) but we can already discuss a general idea in what direction to look (preliminary list that needs to be confirmed first by sound analysis!);
 - EU-Georgia:
 - For trade in agricultural commodities and processed agricultural products: fisheries or processed foods;
 - For trade in industrial products: selection from metallurgy, petrochemicals, energy, construction materials, clothing, pharmaceuticals or medical devices;
 - Business services: business services (or subsectors), financial services sector;
 - Infrastructure: energy, transport & telecommunications
 - Some horizontal issues that we expect to be relevant in the study include:

- SMEs;
- Technical standards;
- SPS;
- EU-Moldova:
 - For trade in agricultural commodities and processed agricultural products: general;
 - For trade in industrial products: choice from machinery, mechanical appliances, electrical equipment, energy, spare parts, TCF;
 - Business services: business services (or subsectors), financial services sector;
 - Infrastructure: energy, transports and telecommunications
 - Some horizontal issues that we expect to be relevant in the study include:
 - SMEs;
 - Technical standards;
 - SPS;

4. Methodology

- General analysis of trends (ITR);
- Trade policy modelling – CGE (ITR) + maybe some GSIM (partial equilibrium modelling) is needed;
- Causal chain analysis (CCA) (IncRep, ITR);
- In-depth sectoral / horizontal issue analysis – making use of CGE and CCA – but also issues like standards, regulatory approximation, in addition to quantitative outcomes (FR);
- Quantitative analysis of social impact and environmental impact (ITR);
- Think of social groups, geographical areas most affected (not just gender equality);
- Written down to allow implications for policy to become clear – make it ‘policy-fähig’ – including advice on mitigating measures (flanking measures) – some basic alternatives (FR);

5. Sector studies, horizontal issues

Out of points 2 and 3 (and 6) will officially follow some sectors and horizontal issues (up to 6 in total) – to be discussed with steering committee before the final phase starts. Sectors and horizontal issues chosen because of:

- Economic importance (sizes of sectors in EU and GM GDPs);
- Impact economically of FTA on these sectors (quantitative and qualitative) – outcomes of ITR;
- Impact socially and environmentally (through change in production structure) of FTA on these sectors;
- Importance of sector / issue for EU-GM relationship (e.g. energy)
- Importance of sector within the general EU focus on energy, agriculture, environment and competitiveness;

Important is that the sector analyses are based on the modelling outcomes and causal chain analyses of ITR. These form one of the two backbones of the study.

6. Consultation phase

The consultation phase is very important for the TSIA EU-GM. As part of this phase – which runs in parallel to Phase 2 and 3 – we aim to do the following:

- Provide EC with a detailed consultation plan that covers at least the following elements:
 - Proposed stakeholder consultation process, including identification and selection of key stakeholders;
 - Discussion of nature of civil society in GM – including relations between social partners;
 - Analysis of risks of stakeholder engagement;

- Forms of interaction with stakeholders: website, meetings, face-to-face interviews;
- Local organisation of Workshops for Civil Society and organisation of Public Meetings in Brussels;
- Draft programmes of the TSIA Workshops (3x);
- A website for this TSIA is currently being built for information dissemination and for attraction of civil society (to be matched with DG Trade website – how to combine for maximum impact); We will separate the EU-G and EU-M FTAs on the website to disentangle responses and interest groups;
- One research assistant at Ecorys is permanently onto this to ensure fast responses and quick reactions;
- CASE Moldova and CASE Georgia will organise the workshops – inviting local civil society and stakeholders in the process – also – when sectors are known – sector experts and representatives
- We plan to organise two online chat and discussion sessions for each of the FTAs for further feedback from stakeholders in different geographical areas.
- We have established to main and clear contact points for the team internally through the local CASE offices:
 - Georgia: Mr. Lasha Labadze
 - Moldova: Mr. Petru Veverita

7. Deliverables

- Phase 1: Model specifications – after KoM on 7/12/2011 (see timeframe)
- Phase 1: Inception Report – after the SC and PM meetings on 31/1/2012 (see timeframe)
- Phase 2: Interim Technical Report (including some first consultation results)
- Phase 3: Final report (including full consultation results, inter alia the TSIA Workshops in Georgia/Moldova).
- Overall deliverable: create validity, transparency and credibility for the TSIA study.

Next to the reports, there will also be meetings in BXL and GM for feedback from steering committee and civil society.

Activity	Deadline or date
Kick-off Meeting	7 December 2011
Proposal on model specifications	12 December 2011
Minutes KoM for Steering Committee	21 December 2011
Approval model specifications by EC	31 December 2011
Draft Inception Report	17 January 2011
Online publication of draft Inception Report	24 January 2011
Steering Committee & Public Meeting Inception Report	31 January 2011
2 nd draft Inception Report (final version)	7 February 2011
Approval Inception Report	14 February 2011
Minutes Steering Committee & Public Meeting Inception Phase	14 February 2011
1st Draft Interim Technical Report	7 April 2011*
Online publication of draft Interim Technical Report	23 April 2011
Steering Committee	10 May 2011
2 nd draft Interim Technical Report (final version)	18 May 2011
Approval Interim Technical Report	25 May 2011
TSIA Workshop Georgia (Tbilisi)	6-8 June 2011
TSIA Workshops Moldova (Chisinau, Transnistria)	11-15 June 2011
Minutes Steering Committee & TSIA Workshops	29 June 2011
1st Draft Final Report	17 September 2011

Activity	Deadline or date
Online publication of draft Final Report	2 October 2011
Steering Committee & Public Meeting	16 October 2011
2 nd Draft Final Report (final version)	23 October 2011
Minutes Steering Committee & Public Meeting	23 October 2011
Approval Final Report	30 October 2011

* This deadline is only feasible if written approval on model specifications are received from EC by 31/12/11.

Annex D Equality, decent work

This annex contains some additional explanation in addition to the proposal on equality and decent work.

Equality

We plan to consider the potential FTA effects on trends in social (in)equality in a broad range of relevant dimensions and among differently defined populations. In particular we plan to consider the scope for effects on equality as regards incomes, employment, employment opportunities, access to public services (including health, education, etc.), access to infrastructure (transport, telecommunication, etc.), civic participation and social dialogue between groups defined by gender, age, ethnicity, geography, place of residence (e.g. rural/urban), family status, etc.

The research will combine a range of tools and approaches:

- the CGE model providing inter alia results on changes in relative share of unskilled workers in total income;
- quantitative analysis merging the CGE results with household survey data allowing for assessment of poverty trends and welfare inequality;
- review of literature; and
- extensive stakeholder consultations that should allow for identification of the probability of expected scale and character of potential FTA effects on equality.

Decent work

We plan to consider potential FTA effects on decent work in a broad perspective taking the ILO's Decent Work Agenda as an underlying framework. We will follow the ILO's approach distinguishing the four dimensions that crucially matter for the agenda as a whole:

- Creating jobs;
- Guaranteeing rights at work;
- Extending social protection;
- Promoting social dialogue.

The analysis of job creation / destruction effects at the aggregate and sectoral levels will be primarily based on the CGE modelling exercise and consultations with stakeholders, especially social partners (employers' organisations and trade unions) and business representatives.

The effects on legal framework and effective implementation of rights at work (including those in disadvantage position) will be studied taking into account the experience of implementation of ILO core conventions that was to a degree related to obtaining EU's trade preference: GSP+ in the case of Georgia and also in Moldova until the latter was granted autonomous trade preferences in March 2008. Key sources of information in this area will include interviews with key informants and stakeholders (researchers, policy analysts, policy makers, social partners (employers' organisations and trade unions), NGOs active in the relevant fields, business associations, etc.), literature review and analysis of official reporting schemes inscribed in respective international conventions. The analysis will cover workers in unregistered employment sector(s), and other vulnerable groups.

The analysis of potential effects on extending social protection to promote both inclusion and productivity will be studied primarily using inputs from stakeholder consultations. The potential heterogeneity of impact on the situation of various population groups will be explicitly taken into account. This in particular applies to the situation of migrant workers and their families, residents of geographic areas not currently controlled by central authorities, minorities, etc.

Social dialogue is the fourth dimension that we plan to explore. Consultation with stakeholders and review of existing research on the subject are expected to provide the guidance on the potential consequences of the FTA implementation on the strengthening of independent workers' and employers' organizations and the intensity and quality of the dialogue between them.

Importantly, gender equality is explicitly considered as a crosscutting objective in the Decent Work Agenda and this will be reflected in our work providing for strong linkages between the labour issues and equality issues discussed above.

Annex E CGE modelling tables

The CGE modelling tables (for the different scenarios) are presented in the Excel file accompanying this Inception Report.

Table E.1 Georgian exports to the EU (= EU side liberalisation)

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
grn	Grains and Crops	100%		33%
vos	Veg, fruits, nuts, oilseeds	100%		33%
ocp	Other crops	100%		33%
anp	Animal products	100%		33%
frs	Forestry products	100%		20%
fsh	Fish products	100%		33%
egy	Energy	100%		40%
omn	Other minerals	100%		17%
mpt	Livestock and Meat Products	100%		18%
vol	Vegetables oils and fats	100%		18%
mil	Dairy products	100%		18%
sgr	Sugar	100%		18%
prf	Other processed food	100%		18%
b_t	Beverages and tobacco	100%		18%
twl	Textiles and Clothing	100%		18%
lup	Wood, paper, publishing	100%		18%
p_c	Petrochemicals	100%		25%
crp	Chemicals, rubber, plastics	100%		42%
nmm	Ceramics, cement, etc	100%		34%
met	Primary metals	100%		50%
fmp	Fabricated metals	100%		50%
mvh	Motor vehicles	100%		63%
otn	Other transport	100%		53%
ele	Electronics, computers	100%		86%
ome	other machinery and equipment	100%		53%
omf	Other manufacturing	100%		30%
uti	Utilities		6,0%	
cns	Construction		6,0%	
trd	Trade		6,0%	
wtp	Water transport		6,0%	
atp	Air transport		6,0%	
otp	Other transport		6,0%	
cmn	Communications		95,0%	
fis	Financial services		6,0%	

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
obs	Business and ICT		6,0%	
ros	Personal and recreational serv		6,0%	
osp	Public and other services		6,0%	
	Total	100%	14,1%	33,4%

Table E.2 EU exports to Georgia (= Georgian side liberalisation)

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
grn	Grains and Crops	100%		20%
vos	Veg, fruits, nuts, oilseeds	100%		20%
ocp	Other crops	100%		20%
anp	Animal products	100%		20%
frs	Forestry products	100%		13%
fsh	Fish products	100%		20%
egy	Energy	100%		40%
omn	Other minerals	100%		17%
mpt	Livestock and Meat Products	100%		11%
vol	Vegetables oils and fats	100%		11%
mil	Dairy products	100%		11%
sgr	Sugar	100%		11%
prf	Other processed food	100%		11%
b_t	Beverages and tobacco	100%		11%
twl	Textiles and Clothing	100%		18%
lup	Wood, paper, publishing	100%		18%
p_c	Petrochemicals	100%		17%
crp	Chemicals, rubber, plastics	100%		25%
nmm	Ceramics, cement, etc	100%		16%
met	Primary metals	100%		34%
fmp	Fabricated metals	100%		34%
mvh	Motor vehicles	100%		37%
otn	Other transport	100%		32%
ele	Electronics, computers	100%		62%
ome	other machinery and equipment	100%		32%
omf	Other manufacturing	100%		20%
uti	Utilities		6,0%	
cns	Construction		6,0%	
trd	Trade		6,0%	
wtp	Water transport		6,0%	

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
atp	Air transport		6,0%	
otp	Other transport		6,0%	
cmn	Communications		95,0%	
fis	Financial services		6,0%	
obs	Business and ICT		6,0%	
ros	Personal and recreational serv		6,0%	
osp	Public and other services		6,0%	
	Total	100%	14,1%	22,1%

Table E.3 Moldovan exports to the EU (= EU side liberalisation)

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
grn	Grains and Crops	100%		33%
vos	Veg, fruits, nuts, oilseeds	100%		33%
ocp	Other crops	100%		33%
anp	Animal products	100%		33%
frs	Forestry products	100%		20%
fsh	Fish products	100%		33%
egy	Energy	100%		40%
omn	Other minerals	100%		17%
mpt	Livestock and Meat Products	100%		18%
vol	Vegetables oils and fats	100%		18%
mil	Dairy products	100%		18%
sgr	Sugar	100%		18%
prf	Other processed food	100%		18%
b_t	Beverages and tobacco	100%		18%
twl	Textiles and Clothing	100%		18%
lup	Wood, paper, publishing	100%		18%
p_c	Petrochemicals	100%		25%
crp	Chemicals, rubber, plastics	100%		42%
nmm	Ceramics, cement, etc	100%		34%
met	Primary metals	100%		50%
fmp	Fabricated metals	100%		50%
mvh	Motor vehicles	100%		63%
otn	Other transport	100%		53%
ele	Electronics, computers	100%		86%
ome	other machinery and equipment	100%		53%

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
omf	Other manufacturing	100%		30%
uti	Utilities		7,0%	
cns	Construction		7,0%	
trd	Trade		7,0%	
wtp	Water transport		7,0%	
atp	Air transport		7,0%	
otp	Other transport		7,0%	
cmn	Communications		95,0%	
fis	Financial services		7,0%	
obs	Business and ICT		7,0%	
ros	Personal and recreational serv		7,0%	
osp	Public and other services		7,0%	
	Total	100,0%	15,0%	33,4%

Table E.4 EU exports to Moldova (= Moldovan side liberalisation)

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
grn	Grains and Crops	100%		20%
vos	Veg, fruits, nuts, oilseeds	100%		20%
ocp	Other crops	100%		20%
anp	Animal products	100%		20%
frs	Forestry products	100%		13%
fsh	Fish products	100%		20%
egy	Energy	100%		40%
omn	Other minerals	100%		17%
mpt	Livestock and Meat Products	100%		11%
vol	Vegetables oils and fats	100%		11%
mil	Dairy products	100%		11%
sgr	Sugar	100%		11%
prf	Other processed food	100%		11%
b_t	Beverages and tobacco	100%		11%
twl	Textiles and Clothing	100%		18%
lup	Wood, paper, publishing	100%		18%
p_c	Petrochemicals	100%		17%
crp	Chemicals, rubber, plastics	100%		25%
nmm	Ceramics, cement, etc	100%		16%
met	Primary metals	100%		34%
fmp	Fabricated metals	100%		34%

(1)	(2) Sector name	PERCENTAGE LIBERALISATION		
		(7) Tariff reductions (%)	(8) Services NTM reductions (%)	(9) Other NTM reduction (%)
mvh	Motor vehicles	100%		37%
otn	Other transport	100%		32%
ele	Electronics, computers	100%		62%
ome	other machinery and equipment	100%		32%
omf	Other manufacturing	100%		20%
uti	Utilities		7,0%	
cns	Construction		7,0%	
trd	Trade		7,0%	
wtp	Water transport		7,0%	
atp	Air transport		7,0%	
otp	Other transport		7,0%	
cmn	Communications		95,0%	
fis	Financial services		7,0%	
obs	Business and ICT		7,0%	
ros	Personal and recreational serv		7,0%	
osp	Public and other services		7,0%	
	Total	100,0%	15,0%	22,1%



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