

Regulatory cost: How to calculate the issuance fee for environmental permitting acts?

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List of abbreviations

AGMR	Agency for Geology and Mineral Resources
NAFS	National Agency for Food Safety
NAPH	National Agency for Public Health
EA	Environment Agency
NEF	National Ecological Fund
GIES	General Inspectorate for Emergency Situations
IEP	Inspectorate for Environmental Protection
MARDE	Ministry of Agriculture, Regional Development and Environment
SCM	Standard Cost Model
OECD	Organization for Economic Co-operation and Development
SHFM	Society of Hunters and Fishermen of the Republic of Moldova
EU	European Union

Introduction and methodological guidelines

The regulation of economic activity is applied by the state to reduce any potential negative effects it may have on the population and the environment. In the Republic of Moldova, economic activities, including the ones with impact on the environment, are regulated by authorization - a procedure that involves issuing permitting acts that grant to the applicant several rights and imposes certain obligations. The specific features of the permitting acts are mentioned and described in detail in various special laws, depending on the environmental component to which they refer. Also, most of them fall under the provisions of Law no. 160/2011 on the regulation of entrepreneurial activity through authorization. Thus, the Nomenclature annexed to the law mentions the list of permitting acts, the manner of issuing/re-issuing/suspending and withdrawing the permitting acts, the related fees as well as the principles of state control for issuing these acts.

Permitting acts in the field of environment are stipulated in several laws, depending on the category of the agent to which they relate. The Nomenclature of permitting acts annexed to the Law no. 160/2011 mentions 17 acts in the field of environment, of which 15 are issued by the Environment Agency and 2 by the Agency for Geology and Mineral Resources. However, these are not the only permitting acts in the field of environment, since the state seeks to regulate other activities with a potential negative impact on the environment, which are not necessarily entrepreneurial activities. These are various permitting acts granted to individuals for fishing and hunting activities, or permitting acts issued to different entities for scientific, cultural, educational, tourist, health, aesthetic, or sports purposes. Also, the process of allocating the subsoil areas for use provides for specific regulations, including the issue of various documents for carrying out activities in the field.

Obtaining permitting acts frequently involves certain compliance costs to be in line with environmental protection requirements. Currently, the classification and the estimation of such costs are not fully carried out by authorities, the issuance fees not being based on a clear calculation methodology. For example, according to Law no. 160/2011, it can be deduced that the approval of fees for issuing permitting acts is the responsibility of the Parliament, which can lead to financial losses when updates are carried out at long intervals. On the other hand, a large number of permitting acts are granted either free of charge or with fees that are unrelated to the costs incurred by the issuing authorities in the respective process.

This study aims to evaluate the way of establishing the issuance fees for environmental permits, including the permitting acts stipulated in the Nomenclature annexed to the Law no. 160/2011. The aim is to identify and describe a rational mechanism for setting fees based on provisions of the current regulatory framework and the government's commitments in this respect. As a result of this analytical exercise, a series of proposals and recommendations were formulated in the study, which, when used in a systemic way, can justify the application of a reasonable level of such fees, from the perspective of covering both the effort made by authorities and the compliance costs for beneficiaries. Also, the proposed mechanism can be extended to all environmental permits, taking into account that the issuance process of any such permit is based on the provision of a public service delivered by a state authority.

The document is structured in five chapters, as follows:

- Chapter I. It establishes the general framework of environmental economic instruments applied in the Republic of Moldova with emphasis on permitting acts. In addition, Chapter I presents the concept of regulating entrepreneurial activity and the vision of the state in the field.*
- Chapter II. It analyses the conceptual framework of the costs that appear in the process of regulating the entrepreneurial activity. This chapter presents the classification of regulatory costs as well as models for calculating the fees for issuing permitting acts. Also, it is presented the Standard Cost Model for the evaluation of compliance costs of the business environment with the regulatory provisions.*
- Chapter III. It presents the current process of issuing environmental permits and establishes the optimal mechanism for determining the issuance fees. This chapter focuses on different components of the regulatory costs incurred by issuing authorities.*

Chapter IV. It evaluates the current process of issuing permitting acts that do not necessarily refer to the entrepreneurial activity and are not mentioned in the Nomenclature annexed to Law no. 160/2011. This chapter establishes the optimal mechanism for calculating fees for permitting acts issuance.

Chapter V. It presents several recommendations to be pursued by authorities with competencies in the field of environmental protection in order to implement a rational, balanced, and fair fee setting mechanism for issuing permitting acts.

The study presents a conceptual approach to estimating fees for issuing environmental permits, being required an additional effort to determine the precise amount of the fee for each separate permit. The large number of permits and the large number of institutions involved is a constraint in working out the exact estimate of a fee for each act. In this case, a targeted effort is required for each environmental component and a deeper involvement of the relevant institutions. Moreover, the research highlights some shortcomings in the issuance process for several permitting acts, which makes it difficult to determine and quantify all costs incurred by the issuing authorities. However, efficiency analysis of the stages of the issuance process does not fall within the scope of the study and it requires a separate evaluation.

Executive summary

The national environmental policies are mainly focused on the implementation of some coercive instruments aimed at fostering responsible behavior among economic operators and the population. Thus, economic activities with potentially adverse environmental impacts are regulated by applying various mechanisms, also defined as *environmental economic instruments*. For most environmental components (water, air, soil, subsoil) the environmental economic instruments can be grouped into 4 pillars, each with a specific purpose and specific objectives, namely:

- i. *Permitting acts*
- ii. *Taxes and tax charges*
- iii. *Fines and penalties*
- iv. *Indemnification procedures*

This study focuses on the first pillar - the environmental permits, including those included in the Nomenclature annexed to the Law no. 160/2011 on the regulation of entrepreneurial activity through authorization. The initial assumption is that "fees for issuing environmental permits are too low compared to the potential negative environmental impact some economic activities are likely to generate." In this context, the purpose of the study is to substantiate the methods of calculating fees for environmental permits, including by testing the assumption of whether their cost should cover the environmental impact. There is a necessity to obtain a balance between such fees and the compliance costs borne by business, but also fairness in terms of the governments' administrative effort of issuing permitting acts. The proposed mechanism can also be extended to cover all environmental permits, taking into account that the process of issuing any permit relies on the provision of public service by a state authority.

By developing the Nomenclature, the state has concentrated all documents in an official list, which specifies their expiry date, the fee to be charged, and the issuing authorities. However, the Nomenclature does not include the conditions of issuance, which are detailed in different special laws covering the specific environmental components. While being a useful tool for businesses, the approval of the Nomenclature by law imposes certain limitations, in particular, the impossibility to adjust frequently the document issuance fee. For instance, the latest adjustment of issuance fees for environmental permits were made in 2017, when several relevant laws were amended. Thus, the correlation with the recent years' inflation level only requires an indexation by at least 10%.

The research focuses on 17 permitting acts, issued by the Environment Agency and the Agency for Geology and Mineral Resources. Most of them (15) are issued by the Environment Agency - the administrative authority responsible for regulating and authorizing activities likely to affect the quality of the environment and for issuing permitting acts, including authorizations, agreements, certificates, and notices. However, this is not the complete list of environmental permitting acts, as the state also seeks to regulate other activities generating environmental impact that do not necessarily represent entrepreneurial activities. These are various acts issued to individuals allowing them to carry out fishing and hunting activities or acts issued to various entities for scientific, cultural, educational, tourism, health, aesthetic, or sports purposes. The process of allocating subsoil areas for use also provides for specific regulations, including the issuance of various acts.

The current issuance fees for environmental permits seem to be quite low, many of them being issued free of charge. However, the state should not pursue to obtain the earnings from the issuance of permitting acts, but only compensation of efforts made in the process of providing a public service, i.e. the process of issuing such acts. Therefore, the main purpose of the permitting acts is to ensure economic operators' compliance with environmental legislation, while there are other environmental economic instruments used for the accumulation of budget revenues, sanctioning of pollution-causing activities, and indemnification for environmental damage (e.g. tax charges and payments for environmental pollution, fines/penalties and damage calculation/indemnification procedures).

The general approach to permitting act fees is that they represent a financial cost of the regulatory activity and must compensate the issuing authorities' administrative efforts. This statement derives from the practices promoted by the Organization for Economic Co-operation and Development (OECD) regarding the total business regulatory costs, which are divided into: (i) direct financial costs; (ii) compliance costs; and (iii) long-term structural costs. Thus, the permitting

act fees are included in the first component, i.e. *the direct financial costs*. This cost results from the economic operator's obligation to transfer a certain amount of money to a public authority or institution, responsible for the regulated field. Moreover, the highest costs borne by businesses are those of complying with regulations that require additional capital investment, as well as administrative efforts of data collection and reporting. This effort is quantified using the Standard Cost Model, which must be applied at the regulatory impact analysis stage and taken into account when setting permit fees.

The basic principle to be applied in establishing permitting act fees, including the fees for environmental permits, must be self-sufficiency. According to this principle, the cost of a permit must offset the authority's efforts in issuing it. For most environmental permits, adding other costs related to the use of natural resources or a possible environmental impact is not recommended, as this is the role played by other economic instruments included in pillars II-IV. Also, it is imperative that the fees to be calculated based on methodologies approved by the Government, as is the case with provisions applicable to public services. The general formula applicable for the calculation of permit fees can be presented as follows:

$$Cost_i = Cost_i^{direct} + Cost_i^{indirect}$$

Where:

$Cost_i$ - Total cost of issuing the permit i

$Cost_i^{direct}$ - Direct costs of issuing the permit i . These are the staff- and non-staff costs directly attributable to the issuance of a permit (e.g. salaries of staff involved in this process)

$Cost_i^{indirect}$ - Indirect costs of issuing the permit i . These are the costs not attributable to the process of issuing the permit (e.g. building maintenance costs etc.).

Applying an approved methodology for the calculation of an environmental permit fee is a more complex task that should consider several institutional and fiscal factors. Firstly, the issuance of several environmental permits is a process involving several institutions, which means that the methodology for the fee calculation needs to be applied in all such institutions simultaneously. The costs borne by third party institutions will be counted as indirect costs the institution directly responsible for issuing the permitting act, proportional to their effort. The indirect costs will also include para-fiscal payments (actual payment for the use of natural resources), currently applicable to some environmental permits. Last but not least, the calculation mechanism of the permitting act fee should allow for periodic adjustment to reduce the impact of inflation and reflect the incremental budgets of public institutions.

Chapter 1. Environmental economic instruments

1.1. Environmental economic instruments

Human behavior and business activity may have a significant impact on the environment by causing pollution, resource depletion, and the destruction of protected areas. Such actions are influenced by the fact that both the population and the business have their own, often narrow interest, which is not necessarily directed to environmental protection. In this context, the public interest in environmental protection can only be ensured comprehensively by the state, by intervening through policies aimed at regulating activities with environmental impact. The accelerating climate change and public awareness of the negative impact of human activity on the environment have led to a significant development of sectoral policies, focusing on smart mechanisms and tools to prevent the negative impact, mobilizing the required capital, and recovering any eventual losses or the caused damage.

The Republic of Moldova has a rather comprehensive legal framework regulating environmental protection, while policies are especially based on fiscal and para-fiscal instruments that are also defined as *environmental economic instruments*.¹ From the perspective of the financial impact on economic agents and indirectly on end consumers, these are divided into:

- i. *coercive* – permitting acts, taxes, penalties, or other acts and regulatory forms aimed at ensuring compliance with legal requirements;
- ii. *incentive* – subsidies, loans, or other mechanisms aimed at fostering change in activity and behavior towards the environment and the implementation of environmental investments.

Given the limited budget resources, the national environmental policies are mostly focused on the implementation of coercive instruments for economic operators, taking different forms, in particular fiscal and para-fiscal payments. For most environmental components (water, air, soil, subsoil), the fiscal and para-fiscal payments can be grouped into 4 pillars (Table 1), each with a specific purpose and specific objectives, namely:

Pillar I. Environmental permitting acts – the state regulates and authorizes economic activities with impact on the quality of the environment by issuing permitting acts to economic operators (authorizations, environmental agreements, permits, certificates, notifications, notices, and coordination certificates). Most of them are included in the Nomenclature of permitting acts and provide for some payments either as a fee for public service or by meeting some prior compliance requirements.

Pillar II. Environmental taxes – the state imposes certain taxes to finance public spending on environmental protection measures. According to international practice, these taxes fall into several categories and include taxes on energy, transport, use of natural resources, and payments for environmental pollution.² Depending on the category, they have different purposes – ranging from boosting responsible behavior of the population and economic operators, to finance public spending on exploration, conservation, and restoration of natural resources.

Pillar III. Fines and penalties – the state punishes cases of non-compliance with environmental legislation and provides incentives for the responsible behavior of both the population and economic operators. The liability for environmental damage is determined based on the "liability for environmental pollution" principle. There are several types of penalties, including the application of fines, withdrawal of the permitting act, or, in serious cases, deprivation of liberty according to the provisions of the Criminal Code.

Pillar IV. Indemnification – the state pursues environmental indemnities when the damage to the environment can be proven and assessed. The damage is assessed based on specific guidelines and methodologies depending on the degree of damage, by applying formula and indicators specific to the environmental component (water, air, soil, etc.).

¹ For the purposes of this document, para-fiscal instrument or payment is any payment that is not stipulated in the tax legislation, but is functionally equivalent to taxes and duties.

² Environmental taxes - A statistical guide, Eurostat, 2013 edition, <https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-GQ-13-005>

Table 1. Classification of environmental economic instruments

	Pillar I	Pillar II	Pillar III	Pillar IV
Type of payment	Issuance fee for environmental permitting acts	Taxes and payments for environmental pollution	Fines and penalties for the violation of the environmental legislation	Indemnification procedures
Authority	• Environment Agency • Agency for Geology and Mineral Resources	• Ministry of Finance • State Fiscal Service	• Inspectorate of Environmental Protection	• Inspectorate of Environmental Protection
Payment purpose	• Compliance by economic operators and indirectly by end consumers with regulatory requirements concerning the environment; • Keeping records of economic operators practicing activities with impact on the environment.	• Accumulation of budget revenues for the implementation of environmental policy; • Fostering responsible behavior	• Punishing cases of non-compliance with environmental legislation; • Fostering responsible behavior both of the population and economic agents	• Indemnity for environmental damage caused by pollution or other actions affecting the environment
Legal framework	• Law on the regulation of entrepreneurial activity through authorization no. 160/2011; • Law on waters no. 272/2011 • Law on atmospheric air protection no. 1422/1997; • Law on the animal kingdom no. 439/1995; • Law on the vegetal kingdom no. 239/2007; • Law on wastes no. 209/2016; • Law on environmental impact assessment no. 86/2014; • Law on environmental expertise no. 851/1996; • Law on fish stock, fishing, and fish farming no. 149/2006; • Law for the approval of the Regulation on the commercial regime and regulation of the use of halogenated hydrocarbons harmful to the ozone layer, no. 852/2002. • Etc.	• Tax Code of the Republic of Moldova no. 1163/1997; • Law on environmental pollution no. 1540/1998; • Law on the animal kingdom no. 439/1995 • Law on the vegetal kingdom no. 239/2007.	• Code of Administrative Offences of the Republic of Moldova no. 218/2008; • Criminal Code of the Republic of Moldova no. 985/2002.	• Order of the Ministry of Ecology, Constructions and Territorial Development no. 163/2003 on the approval of the "Methods for assessing the environmental damage as a result of the violation of water legislation"; • Order of the Ministry of Ecology, Constructions and Territorial Development no. 206/2003 on the approval of the Guidelines for assessing the damage caused to fishery resources; • Guidelines of the Ministry of Environment no. 381/2004 on the assessment of the damage caused to atmospheric air as a result of pollution by stationary sources; • Guidelines of the Ministry of Environment no. 383/2004 on the assessment of the damage caused to soil resources; • Guidelines of the Ministry of Environment no. 384/2004 on the assessment of the damage caused to the atmospheric air by waste management; • Forestry Code of the Republic of Moldova no. 887/1996; • Civil Code of the Republic of Moldova no. 1107/2002;

Source: Authors' compilation according to the national environmental regulatory framework

1.2. Regulation of entrepreneurial activity through authorization

1.2.1. Regulation principles

To carry out certain activities, the entrepreneurs need different documents issued by state authorities proving compliance of their economic processes with the legal requirements. In other words, in order to prevent damages and not to harm the interests of the consumers, of the state, or other economic operators, the state regulates and authorizes certain types of economic activities. The basic principles of entrepreneurship regulation are laid down in the Law no. 235/2006, according to which "a business activity shall be initiated and/or carried out based on authorization...", competent government authorities issuing permitting acts to economic operators in the form of license and/or authorization.³

Law no. 235/2006 on the basic principles of entrepreneurial activity regulation

Art.10. Transparency of documents required for the initiation and/or conducting of a business activity

(1) A business activity shall be initiated and/or carried out based on an authorization if the law provides so.

(2) The authorization is an action by which the government authority or the institution empowered by law to perform regulatory and control duties allows the applicant to start and/or carry out a business activity, by issuing a permitting act in the form of a license...and/or an authorization...

(3) The term authorization includes authorizations, permits, certificates, opinions, approvals, coordination certificates, patents, qualification certificates issued by government authorities or by the institutions empowered by law with regulatory and control functions.

1.2.2. The authorization procedure

The procedure of regulation of the entrepreneurial activity through authorization is implemented in accordance with the Law no. 160/2011, which also includes the Nomenclature of permitting acts⁴. Permitting acts, i.e. documents granting a set of rights and assigning obligations in performing a business activity, are a central element of this law. Thus, the law sets out the list of permitting acts, the procedures of issuance/amendment/suspension and withdrawal of a permitting act, the related fees, and the principles of state control required for issuing the permitting act. This study uses the term "permitting acts" for all environmental permits, the objectives, and particularities of which are similar to those indicated in the Law no. 160/2011, regardless of whether they are expressly mentioned in this law or not.

Art.2 of the Law no. 160/2011 on the regulation of entrepreneurial activity through authorization

General definitions

Permitting act – document or written conclusion by which the issuing authority ascertains certain legal facts and compliance with the conditions laid down by law, certifying the rights and obligations assigned to the applicant for starting, carrying out, and/or ceasing an entrepreneurial activity or some actions related and indispensable to such activity. These documents include licenses, authorizations, permits, certificates, notices, approvals, patents, certificates of qualification (hereinafter referred to as permitting acts).

1.2.3. State's vision about the regulation of entrepreneurial activity

The state's vision of business regulation can be identified based on several strategic documents on economic and social development. The recent years' actions in this regard have been anchored in the National Development Strategy "NDS-Moldova 2020", which refers to the need to have the regulatory framework reformed by establishing "clear rules of the game" for starting, conducting, and liquidating businesses.⁵ The details of the reform are set out in a sectoral

³ Law no. 235/2006 on the basic principles of entrepreneurial activity regulation, https://www.legis.md/cautare/getResults?doc_id=107358&lang=ro

⁴ Law no. 160/2011 on regulation of entrepreneurial activity through authorisation, https://www.legis.md/cautare/getResults?doc_id=97971&lang=ro

⁵ National Development Strategy „Moldova 2020”, approved by the Law no.166/2012, https://www.legis.md/cautare/getResults?doc_id=48696&lang=ro

planning document, the "Strategy for the reform of the regulatory framework of entrepreneurial activity for 2013-2020".⁶ What concerns the documents regulating entrepreneurial activity, the **Strategy aims at reducing the time and costs of starting a business by modernizing the process of issuing permitting acts**. It also provides for a reduction of the number of permitting acts, issuance thereof based on a one-stop desk, and cutting of compliance costs based on the widely used internationally Standard Cost Model (SCM).⁷

State vision about permitting acts according to the Strategy for the reform of the regulatory framework of entrepreneurial activity for 2013-2020

- *reducing the number of permitting acts by at least 20% by 2015 and by at least 40% by 2020;*
- *reducing the cost of obtaining permitting acts by at least 20% by 2015 and by at least 40% by 2020;*
- *issuing at least 30% of all permitting acts based on the one-stop desk by 2017;*
- *increasing the share of permitting acts issued based on an affidavit up to 20% by 2015.*

Some targets concerning the number and the on-line service delivery set out in the Strategy have already been achieved. As of the end of 2020, 151 of permitting acts issued by 30 issuing authorities were included in the Nomenclature of permitting acts, i.e. with 200 acts less than at the time of approving the Law no. 160 in 2011. Out of these, 131 documents have been configured and are available through the one-stop desk. However, much less progress has been achieved in reducing the cost of permitting act issuance. Even if the assessment of the cost borne by entrepreneurs to obtain permitting acts has become mandatory, too few issuing authorities can develop and subsequently implement the SCM, as well as to determine the number of elements that determine the final cost of a permitting act.⁸

⁶ Government Decision no. 1021/2013 approving the Strategy for the reform of the regulatory framework of entrepreneurial activity for 2013-2020, https://www.legis.md/cautare/getResults?doc_id=93148&lang=ro

⁷ The Standard Cost Model determines the costs and time needed by businesses to comply with the provisions of the selected regulations.

⁸ Government Decision no. 307/2016 approving the Methodology for estimating administrative costs by applying the Standard Cost Model https://www.legis.md/cautare/getResults?doc_id=109791&lang=ro#

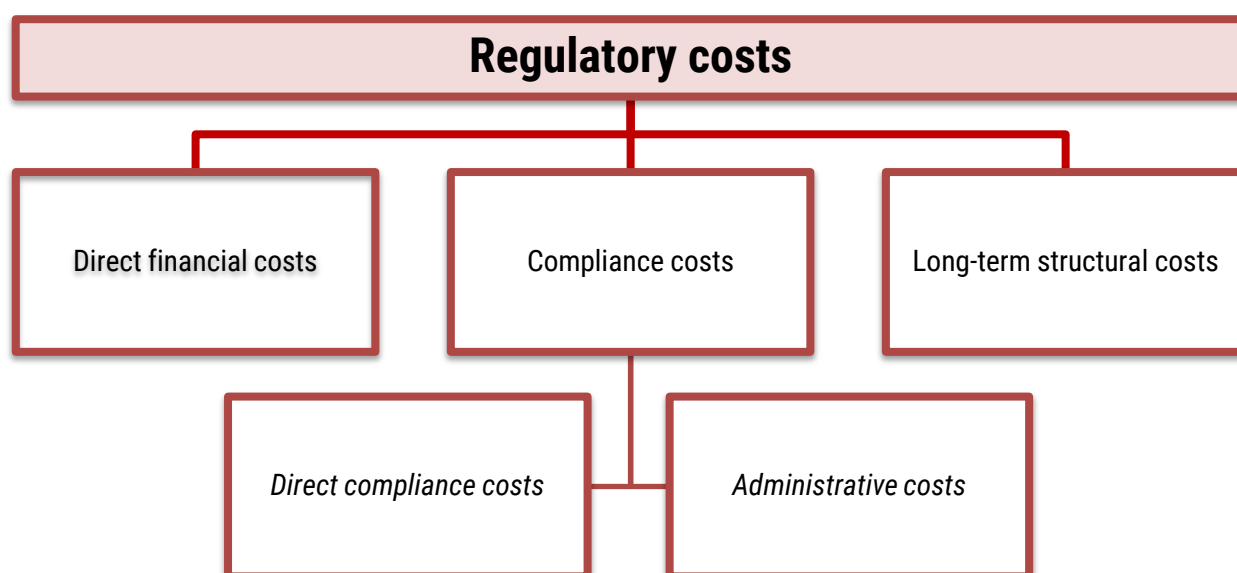
Chapter 2. Fee for issuing permitting acts

2.1. Classification of regulatory costs

The regulation of entrepreneurial activity, including in the field of environment, is essential for excluding or reducing negative externalities. At the same time, the increase in complexity and the number of regulatory acts leads to an increase in the burden on the business environment, which has negative consequences on economic growth. For this reason, controlling and reducing the administrative burden on the business environment is one of the development priorities of many governments. In order to achieve both goals at the same time, it is important to choose the most cost-effective regulatory options for both companies, the society, and the environment. Thus, the process of adopting increasingly restrictive standards and requirements for environmental protection and exploitation of natural resources must be accompanied by reduction and optimization of related regulatory costs, including administrative ones.

An important step in the process of optimizing regulatory costs is their classification and estimation by relevant authorities. The documents regulating the entrepreneurial activity, including permitting acts, impose some compliance costs on the business environment with the requirements specified in these documents. There are various types of such costs and they are both of a direct and an indirect nature for the entrepreneur that falls under the incidence of the regulatory document. According to the approach of the Organization for Economic Cooperation and Development (OECD), regulatory costs can be classified into three main components: (i) direct financial costs; (ii) compliance costs; and (iii) long-term structural costs (Figure 1).⁹

Figure 1. Classification of the regulatory costs for the entrepreneurial activity



Reference: International Standard Cost Model Manual

The direct financial costs results from the obligation of the economic agent to transfer a certain amount of money to a public authority or institution, responsible for the regulated field. Usually, this payment is made to obtain a permitting act, which can have different titles (authorization, permit, licence etc.). In the case of many permitting acts, the *direct financial cost* for economic agents is the amount of payment indicated in the Nomenclature of the Law no. 160/2011 on the regulation of entrepreneurial activity through authorization. In most cases, this financial cost covers the efforts of

⁹ SCM Network, "International Standard Cost Model Manual. Measuring and reducing administrative burdens for businesses", 2004. <https://www.oecd.org/regreform/regulatory-policy/34227698.pdf>

public authorities to manage and implement the issuing process of the permitting act. This process may include the efforts of the public authority to analyze and approve the applications submitted for obtaining the permitting act, to develop or adjust procedures for granting permitting acts, to check out and audit existing processes, but also state controls at the stage of issuing the permitting act etc. Thus, the *direct financial costs* of economic operators should cover the efforts of the state to regulate and manage the respective area.

The compliance costs are derived from the entrepreneur's commitments to transpose in its activity the requirements and standards included in the permitting act or in the general or sectoral regulatory framework. The commitments undertaken can be grouped into (i) an *administrative component* and (ii) a *direct compliance component*. The administrative component of the commitments generates costs for the economic operator through the need to compile, maintain, and report a minimum volume of information on how it complies with the obligations covered by the permitting acts. For example, this information may include periodic reports on how the operator complies, to be submitted to the relevant public institution, or the need to collect and store such data, which may be solicited at any time. However, the direct compliance component relates to the capital and personnel expenditures necessary to meet the requirements set out in the permitting acts or the regulatory framework. In the field of environmental protection, such costs may include, for example, the purchase/installation of filters and the hiring of experts. In fact, the cost of complying with regulations can be significant, but such payments do not go into the public budget as in the case of direct financial costs. The *standard cost methodology* is applied to estimate the compliance costs, which can help to quantify and optimize such costs.

The long-term structural costs for companies are related to long-term changes that take place in the market, as a result of implementing the regulatory provisions. For example, the implementation of stricter environmental protection provisions can lead to higher production costs and a loss of competitiveness for companies, as compared to companies in other countries, where such standards are more flexible. To decrease the risk of competitiveness loss, companies will have to increase capital and personnel expenditures, promotion etc. While such costs are difficult to quantify, some long-term consequences can be estimated for the sectors affected by the new regulations.

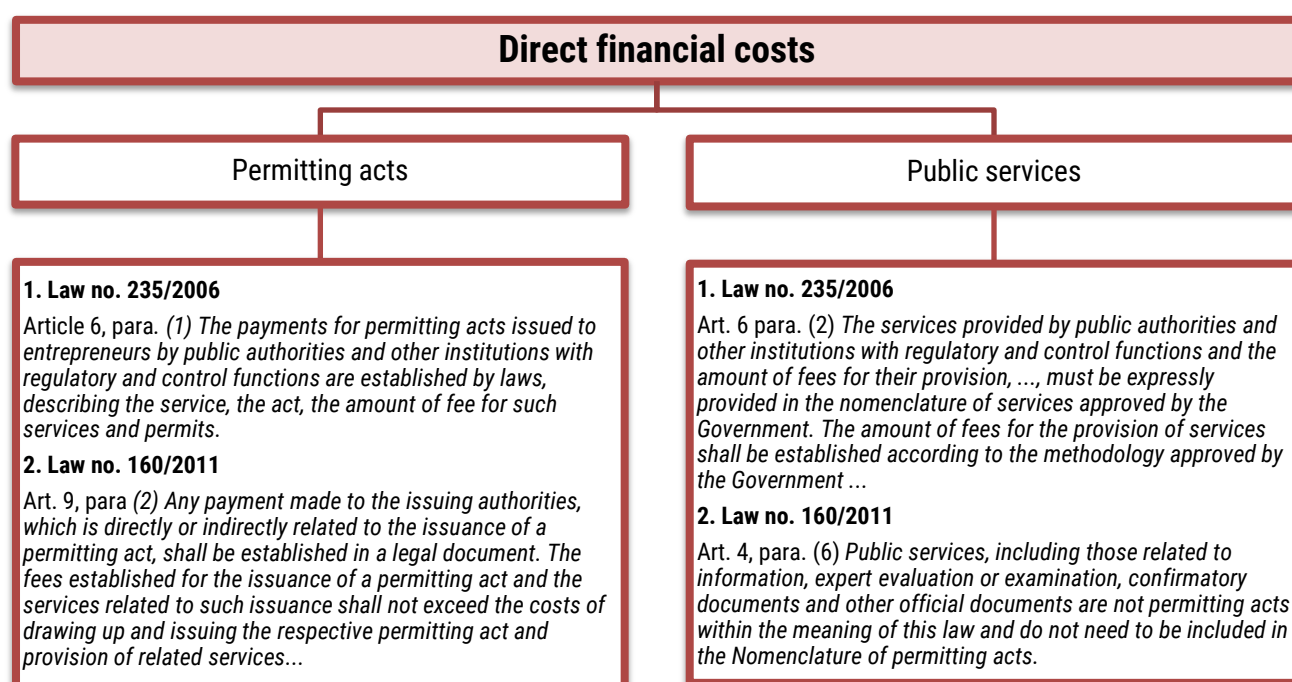
2.2. Direct financial costs

In the Republic of Moldova, the direct financial costs for companies include both the payment for a permitting act and the expenses for accessing public services provided by authorities or institutions with regulatory functions. The regulatory framework in force establishes a clear separation of permitting acts and services related to the issuance of these acts from other public services, which are provided by authorities or institutions with regulatory competencies (Figure 2). In both cases, however, the principle of "predictability" shall be applied, which is stipulated in Law no. 235/2006 (Section 1). The principle consists in the obligation to include all permitting acts and public services in the respective nomenclatures, as well as in the calculation of fees based on approved methodologies. The express stipulation of this principle in the legal and regulatory framework, as well as the transposition into practice of such provisions, is different for permitting acts and public services, despite the fact that the emission of the permitting act is actually a public service.

In the case of permitting acts, including most acts related to environmental protection, the Nomenclature was developed and included in Annex 1 to Law no. 160/2011. However, the legal and regulatory framework does not explicitly mention that the size of fees for permitting acts must be calculated based on a methodology approved by the Government, and in such a manner not being observed the predictability principle. Hypothetically, it can be argued that this principle is observed because Law no. 160/2011 expressly states that "*fees set for issuance of a permit and for services related to such issuance must not exceed the costs of drafting and issuing the respective permitting act and provision of related services or the total income from such payments shall not exceed the costs related to the issuance of permitting acts*" (art. 9, paragraph (2)). The amounts of the fee for permitting acts have been and still are established discretionary, without any methodological substantiation. Thus, hypothetically, such fees may be higher than the costs of issuing the permitting acts, although it is unlikely.

Generally, the legal provisions related to the calculation of the cost of public services comply with the predictability principle, but the development of the regulatory framework has not been completed. Law no. 235/2006 (art. 9, paragraph (2)) and Law no. 98/2012 (art. 15, paragraph (4)) expressly mention that public services provided by public authorities or institutions with control functions must be included in the respective nomenclature and the value of fees must be calculated based on a methodology. Both the nomenclature of services and the methodology for calculating the fees must be approved by the Government. Following the provisions of the Public Service Reform Program for the years 2014 - 2016, approved by Government Decision (GD) no. 122/2014, the draft Law on Public Services and the framework Methodology for setting fees for public services which are provided against cost have been developed, but they have not yet been approved.¹⁰ Only in 2020, a step in this direction was undertaken with the approval by GD no. 670/2020 of the *Integrated Nomenclature of public administrative services and associated life events*, which includes public services for the issuance of permitting acts in the field of environment.¹¹ Also, the approval of the integrated Nomenclature did not solve the problem of the dichotomy between public services and permitting acts, as well as the method of calculating the cost based on a methodology, with some sectoral exceptions.¹² This legal gap also exists in the field of environmental protection.

Figure 1. Typology of the direct financial costs in the Republic of Moldova



Reference: Compilation by authors based on the legal framework on regulating entrepreneurial activity through authorization

The methods for calculating fees for public services that have been developed in previous years can be extended to the permitting acts. In the draft Framework Methodology for setting fees for public services provided against payment which has been developed over the period 2014 to 2016 and which has not been approved, the principle was included that the fees shall be set to cover the costs for providing the service. As mentioned above, the same principle applies to permitting acts (art. 9, paragraph (2) of Law 160/2011). Thus, the following formulas for calculating service fees can also be applied to permitting acts, including in the field of environmental protection:

¹⁰ Government Decision no. 122/2014 on Public Service Reform Program for the period 2014-2016, <http://lex.justice.md/md/351705/>

¹¹ Government Decision no. 670/2020 on approval of the Integrated Nomenclature of administrative public services and of the List of life events associated to them, https://www.legis.md/cautare/getResults?doc_id=123053&lang=ro

¹² By GD no. 90/2019 the Methodology for calculating fees for services provided by the National Agency for Food Safety (ANSA), as well as the Classification of services provided by ANSA and related fees, <http://www.ansa.gov.md/uploads/files/Ordinele%20ANSA/Dispozitii%202019/dispozitie%208%20.pdf>

Formula 1. Average cost of one service provided or one permitting act granted

$$Cost_i^{avr} = \frac{Cost_i}{N_i}$$

Where:

$Cost_i^{avr}$ – Average cost of a service provided or of a permitting act granted

$Cost_i$ – Total cost to provide the service or issuance of the permit i (e.g. CITES permit/certificate)

N_i – Number of i services provided or of i permitting acts issued over one year

Formula 2. Total costs for provision of a service or issuance of a permitting act

$$Cost_i = Cost_i^{direct} + Cost_i^{indirect}$$

Where:

$Cost_i$ – Total cost for providing a service i or issuing of a permitting act i (e.g. CITES permit/certificate)

$Cost_i^{direct}$ – Direct cost for provision of the service i or issuance of the permitting act i

$Cost_i^{indirect}$ – Indirect cost for provision of the service i or issuance of the permitting act i

Formula 3. Direct costs for provision of a service or issuance of a permitting act

$$Cost_i^{direct} = Cost_i^{remun} + Cost_i^{mater} + Cost_i^{other}$$

Where:

$Cost_i^{remun}$ – Costs related to labour remuneration which can be allocated to the process for provision of the service i or issuance of the permitting act i (e.g. CITES permit/certificate)

$Cost_i^{mater}$ – Costs related to expenses on materials used in the process of provision of service i or issuance of permitting act i

$Cost_i^{other}$ – Costs related to other expenses which directly contribute to provision of service i or issuance of permitting act i

Formula 4. Costs related to labour remuneration for a service or a permitting act

$$Cost_i^{remun} = Cost_{total}^{remun} * \frac{NT_i}{NT_{total}}$$

Where:

$Cost_{total}^{remun}$ – Total labour remuneration costs of the authority or institution with regulatory functions

NT_i – Time needed for provision of service i or issuance of permitting act i , expressed in minutes

NT_{total} – Total time needed for provision of all services or issuance of all permitting acts within the authority or institution with regulatory competences expressed in minutes.

Formula 5. Total time needed for provision of all services or issuance of all permitting acts

$$N_{total} = B_{hours} * 60 * P$$

Where:

B_{hours} – Annual time balance, expressed in hours/person, based on an 8-hour work day, determined as total per authority or institution with regulatory competences (number of workdays in a year multiplied by 8 hours)

P – Total staff number of the authority or institution with regulatory competences

Formula 6. Time needed for provision of a service or issuance of a permitting act

NT_i - Time needed for provision of service i or issuance of permitting act i , expressed in minutes, is established based on a questionnaire or expert observation in line with provisions of GD no. 98 of 04.02.2013 on approval of Regulation on organising time of work in sectors of national economy.¹³

Formula 7. Indirect costs for provision of a service or issuance of a permitting act

$$Cost_i^{indirect} = Cost_{total}^{indirect} * Weight_i$$

Where:

$Cost_{total}^{indirect}$ - Total costs per institution, which cannot be allocated directly to one service or permitting act

$Weight_i$ - weight of time allocated for provision of service i or issuance of permitting act i in total work time in the institution. This weight is calculated as $\frac{NT_i}{NT_{total}}$.

2.3. Compliance costs from the perspective of the Standard Cost Model

Permitting acts impose certain requirements on economic operators, who are obliged to invest in pursuing and complying with these requirements. As mentioned above, the costs of complying with the requirements included in the regulatory acts can be classified into *direct* costs (e.g. capital investment) and *administrative* costs (e.g. preparation of compliance reports). Administrative compliance costs can be estimated by regulatory authorities using the Standard Cost Model (SCM), applied in several OECD countries.¹⁴ Also, in the Republic of Moldova, the SCM was transposed by GD no. 307/2017 on approval of the *Methodology for estimating administrative costs by applying SCM*.¹⁵ This Methodology describes the method for calculating costs for companies arising from their information obligations, which are defined as "obligations consisting in obtaining, storing or submitting information to public authorities or third parties, stipulated in regulations. Information obligations are interpreted broadly, i.e. they include labelling, reporting, registration, monitoring, and evaluation". SCM application is recommended, at least in the case of performing the Regulatory Impact Assessment, but in the Republic of Moldova, this is an annual obligation. The purpose of using the SCM is to reduce the regulatory burden, and the total administrative cost is estimated using the formula below:

Formula 8. The general formula for SCM

$$Administrative\ cost = Price * Quantity = (Time * Fee) * (Number\ of\ economic\ operators * Frequency)$$

Where:

Price - The price of an administrative activity is calculated as the product of the time spent performing the administrative activity and the fee rate per unit of time.

Fee - The economic operator may use internal and/or external resources to carry out the administrative activity. In the case of internal resources use, the fee per unit of time (internal fee) is the salary cost per unit of time of the employee who performs the administrative activity.

Frequency - Frequency shows how many times per year a certain informational obligation needs to be performed.

¹³ Government Decision no. 98/2013 on approval of Regulation on organising time of work in the national economic sectors, https://www.legis.md/cautare/getResults?doc_id=18573&lang=ro

¹⁴ OECD (2014), "OECD Regulatory Compliance Cost Assessment Guidance", OECD Publishing, https://www.oecd-ilibrary.org/governance/oecd-regulatory-compliance-cost-assessment-guidance_9789264209657-en

¹⁵ Government Decision no. 307/2017 on approval of Methodology for estimating administrative costs by using Standard Cost Model, https://www.legis.md/cautare/getResults?doc_id=109791&lang=ro#

Chapter 3. Environmental permitting acts: Law no. 160/2011

3.1. Permitting acts included in the Nomenclature of the Law no. 160/2011

The state aims to have a balanced regulation of business activity, both from the perspective of the economic impact and the impact on the environment. In this respect, economic activities with a potential negative impact on the environment are regulated by a series of permitting acts and other compliance instruments. Most of them are listed in the Nomenclature of permitting acts annexed to Law no. 160/2011 and which aims to include all permitting acts in an official list specifying their validity, the fee to be collected, as well as the issuing authorities. Thus, the Nomenclature contains 17 environmental permitting acts issued by the Environment Agency (15 documents) and the Agency for Geology and Mineral Resources (2 documents). Also, other environmental permitting acts are not included in the mentioned Nomenclature, these being presented in Chapter 4 of this study. These ones do not refer to entrepreneurial activity and are issued either to individuals for leisure and recreational activities (e.g. sport fishing, hunting) or to various institutions, companies, or individuals for scientific, cultural, educational, tourist, health, aesthetics, and sports purposes.

The Environment Agency (EA) is the administrative authority in charge of implementing public policies in the field of environmental protection.¹⁶ In addition to many competencies on different components of the environment (e.g. water, air, soil, waste, etc.), the EA is in charge of *"regulating and authorizing activities with an impact on the quality of the environment through issuing to individuals and legal entities of permitting acts for the undertaking of entrepreneurial activities with an impact on the environment, which are included in the Nomenclature of permitting acts, approved by Law no. 160/2011 regarding the regulation of entrepreneurial activity by authorization"*. According to the mentioned Law, the Environment Agency is responsible for issuing a number of 15 permitting acts of several types, namely: (i) authorizations, (ii) agreements; (iii) permits; (iv) certificates; (v) notices. In addition to the above, the Agency for Geology and Mineral Resources (AGMR) issues two environmental permitting acts related to the subsoil, namely the acts confirming the geological and the mining perimeters (Table 2).¹⁷

Table 2. List of environment permitting acts included in Law no. 160/2011

		Permitting acts	Issuance fee
ENVIRONMENT AGENCY	1.	Agreement for the export of wild animals	0.5 – 20 MDL/kg and 2 – 500 MDL/piece
	2.	Agreement for the export of plants	0.3 – 3 MDL / kg
	3.	Agreement for the import of wild animals and/or plants	Free of charge
	4.	Authorization for the collection of objects of the plant kingdom (spontaneous plants, including natural medicinal plants)	500 MDL – individuals 2,000 MDL – legal entities
	5.	Authorization for the collection of non-game and fishing animals (snails, frogs, lizards, snakes)	3,000 MDL
	6.	CITES permit/certificate	300 – 500 MDL
	7.	Environmental permit for waste management	Free of charge
	8.	Authorization for the export/transit of waste	Free of charge
	9.	Authorization for the import, export, or re-export of ozone-depleting substances, products, and equipment containing such substances	Free of charge
	10.	Environmental agreement	Free of charge
	11.	Authorization for the emission into the air of pollutants from fixed sources	500 – 4,000 MDL

¹⁶ Regulation on the establishment, organization and functioning of the Environment Agency was approved by Government Decision no. 549/2018, https://www.legis.md/cautare/getResults?doc_id=119162&lang=ro

¹⁷ The permitting acts confirming the geological or mining perimeters shall only be issued after the entrepreneur has concluded a contract with the Ministry of Agriculture, Regional Development and Environment (MARDE) on the use of the subsoil sector. Such contracts are not included in the list of permitting acts, but they actually have the purpose and functions of a permitting act.

	12.	Environmental permit for special use of water ¹⁸	Short-term – 1,000 MDL Long-term – 3,000 MDL
	13.	Authorization for felling in the forest and of the forest vegetation outside the forest	Free of charge
	14.	Notice of the state environmental expertise	2,000 / 5,000 MDL
	15.	Certificate for the allocation of commercial fishing quota	9,000 MDL/per quota/per ton
AGMR	16.	Act confirming the geological perimeter for exploring the subsoil	Free of charge
	17.	Act confirming the mining perimeter for: - extraction of useful mineral substances; - extraction of groundwater; - construction and operation of underground constructions not related to the extraction of useful mineral substances.	Free of charge

Source: Nomenclature of permits annexed to the Law no. 160/2011 regarding the regulation of entrepreneurial activity through authorization

In the process of issuance of environmental permitting acts, other institutions are involved along with the EA, which issue notices within their specific field of competence. Thus, depending on the document concerned, the following institutions are involved in the issuance process:

- i. Agency “Apele Moldovei”;
- ii. Agency for Geology and Mineral Resources (AGMR);
- iii. National Agency of Public Health (NAPH);
- iv. General Inspectorate for Emergency Situations (GIES);
- v. National Agency for Food Safety (NAFS);
- vi. Forestry Agency “Moldsilva”;
- vii. Academy of Sciences of Moldova;
- viii. Inspectorate for Environmental Protection (IEP).

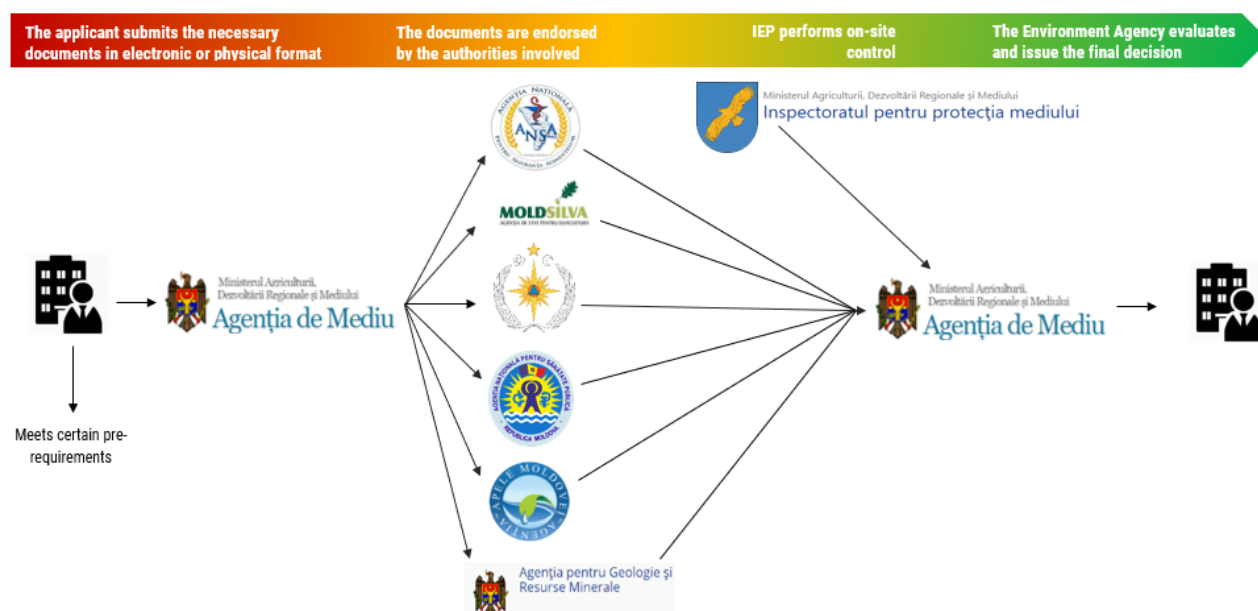
EA is also involved in the process of issuance of permitting acts by other authorities. Thus, the Agency participates in the evaluation of the documentation and issues the necessary notices for licenses granted by the National Agency for Energy Regulation (NAER) in the field of energy and various acts in the field of construction issued by local public authorities. The same is true for the AGMR, which issues, for example, notices on the existence or absence of useful mineral substances in the territory intended for construction. Figure 2 shows schematically the issuance procedure of permitting acts according to the relevant regulatory framework.

For some permitting acts, it is necessary to perform specific actions beyond the mere evaluation of the submitted documents. This is the *state control for the issuance of permitting acts* with the subsequent issue of *the control act*. This activity is carried out by the IEP in cooperation with the EA or other institutions as appropriate and involves travel costs of officials on the spot and other costs necessary for control/inspection. Even so, the current mechanism is quite complicated, especially from the perspective of quantifying the effort. According to Law no. 131/2012, the IEP must plan the controls it will carry out during a year and draw up *annual control plans* for which a certain budget is established.¹⁹ Given the fact that it is not known how many entrepreneurs will apply for permitting acts, IEP cannot include in the list of planned controls those that must be performed in the authorization procedure. Therefore, this type of control is considered unanticipated, and the costs incurred for its performance are difficult to quantify to be included in the final cost of the permitting act. At the same time, when estimating the fees for issuing permitting acts, the historical data will be taken into account (e.g. from the previous year), so the number of controls performed will be taken into account, regardless of their type. This approach will reduce the uncertainty of the control factor in estimating the costs of permitting acts.

¹⁸ The provisions of the Law no. 160/2011 on the cost of the environmental permit for special use of water contradict the Law on water resources no. 272/2011, which in Art. 27 (1) provides that “the environmental permit for special use of water, including for a long term, is issued free of charge by the competent authority”.

¹⁹ Law no. 131/2012 on the state control over entrepreneurial activity, https://www.legis.md/cautare/getResults?doc_id=96045&lang=ro

Figure 2. The usual issuance of environmental permitting acts



Source: Authors' compilation based on the regulatory framework on the issuance process of permitting acts

3.2. Environmental permits with additional cost components

The issuance process of certain permitting acts includes additional actions besides the actual evaluation of the application file and the relevant state control. These are specific documents that are issued for the use of flora and fauna, which involve regular assessments of the state of biological resources, such as in the case of the collection of animals and plants, but also the *parafiscal* component in the case of export of plants or animals.²⁰ In fact, there is lacking the fiscal component for these plant and animal natural resources (column 2 of Table 1, detailed in Annex 1). Thus, the state aims to regularly assess the condition of biological resources to determine a reasonable number of permits to be issued over a period of time and to recover the public spending on exploration, conservation, and restoration of natural resources in the process of their collection, felling, and export.

3.3.1. Periodic assessment of the state of biological resources

This is necessary upon authorization of the collection of plants and animals and the allocation of commercial fishing quotas. According to the regulatory framework, these assessments must be carried out annually and should determine the quantity and places of collection of animals and plants (Table 3).²¹ This fact determines the one year period for which the permitting act is issued, but also the number of documents to be issued depending on the state/quantity of biological resources (animals and plants). Depending on the assessment outcomes, the central authority empowered to manage natural resources and protect the environment, namely the Ministry of Agriculture, Regional Development and Environment (MARDE) may temporarily or permanently prohibit the collection of animals and plants in certain areas to maintain ecological balance or establish some available quotas within the limits of which the corresponding permitting acts are issued. The establishment of quotas is also applied for other permitting acts, such as those issued for hunting or tree felling based on periodic inventories.²² However, the institution in charge of performing annual assessments does

²⁰ Parafiscal instrument or charge is defined in this study as any charge that is not stipulated in the fiscal legislation, but is functionally equivalent to a tax or levy.

²¹ Order of the Ministry of Environment no. 20/2005 on the authorization of activities related to the use of natural resources and the prevention of environmental pollution, https://www.legis.md/cautare/getResults?doc_id=49829&lang=ro

²² Government Decision no. 418/2019 on hunting activity during the hunting season 2019-2020, https://www.legis.md/cautare/getResults?doc_id=116456&lang=ro

not have the required capacity and such assessments are not carried out, and the EA is forced to approve all the applications submitted.

Table 3. List of environment permitting acts involving periodic assessment of the state of biological resources

	Permitting act	Periodic assessment of the state of biological resources
4.	Authorization for the collection of objects of the plant kingdom (spontaneous plants, including natural medicinal plants)	<i>Authorization of the collection of spontaneous plants is made based on annual assessment surveys of the state of biological resources, which establish the quantity and places of collection, as well as on the recommendations of the Academy of Sciences of Moldova.</i>
5.	Authorization for the collection of non-game and fishing animals (snails, frogs, lizards, snakes)	<i>Authorization of the collection of animals is made based on annual assessment surveys of the state of biological resources, which determine the quantity and places of the animal collection.</i>
15.	Certificate for the allocation of commercial fishing quota	<i>Authorization of commercial fishing in natural bodies of water is carried out based on information on sectors and quotas for commercial fishing in natural bodies of water within the territorial limits of the Republic of Moldova.</i>

Source: Authors' compilation based on the regulatory framework on the issuance process of permitting acts

3.3.2. Parafiscal component

Payment of a fee (parafiscal component) is required when the agreement for the export of plants and animals from the country's wild flora and fauna is to be issued. This permitting act is valid for a single transaction, and the payment is made depending on the quantity and type of plants exported, respectively the quantity, type, and the number of animals exported (Table 4). Similar to the natural resources fees stipulated in the Tax Code, these payments represent a monetary compensation paid by the beneficiary to offset public expenditures for exploration, conservation, and restoration of usable natural (respectively biological) resources, as well as state efforts to preserve them.²³ According to Law no. 439/1995 on the animal kingdom and Law no. 239/2007 on the plant kingdom, the amounts collected shall be used to finance programs, strategies, action plans on the rational use of animal and plant kingdom objects, and are transferred to the National Ecological Fund (NEF). However, this is not the case, as several legislative discrepancies remain unresolved, namely those related to the allocation of money to the NEF and the financing of environmental expenditures. Currently, these resources are accumulated in the state budget along with other revenues and are distributed for programs and policies according to the priorities set by the Government, and not in a directed way (whatever is accumulated from animal and plant taxes is used for programs related to biodiversity conservation).

Table 4. List of environment permitting acts containing a parafiscal component

	Permitting act	Parafiscal component
1.	Agreement for the export of wild animals	<i>According to the Law on the animal kingdom no. 439/1995</i>
2.	Agreement for the export of plants	<i>According to the Law on the plant kingdom no. 239/2007</i>

Source: Order of the Ministry of Environment no. 20/2005 on the authorization of activities related to the use of natural resources and the prevention of environmental pollution

3.3. Issuance fee for environmental permitting acts

The current cost of the environment permitting acts was established arbitrarily, without a methodological substantiation, and has not been updated for several years. For example, the last adjustment of fees for environmental permitting acts was made in 2017 along with the revision of several laws in this field. Thus, the inflation level in recent

²³ Tax Code of the Republic of Moldova no. 1163/1997, Title VIII – Taxes on natural resources, https://www.legis.md/cautare/getResults?doc_id=122989&lang=ro#

years alone justifies the need for an increase of at least 10%. Most likely, the cost of issuing a permitting act does not cover the expenses incurred by the issuing authorities (and other authorities involved) in the process of issuing the concerned document, and some documents are issued free of charge. The approach proposed above, in Chapter 2, involves the implementation of the following steps to establish the costs of permitting acts, including those in the field of the environment:

The basic formula applicable to the calculation of the issuance fee for environmental permitting acts should be as follows:

$$Cost_i = Cost_i^{direct} + Cost_i^{indirect}$$

Where:

Cost_i - Total cost for issuing the permitting act *i*

Cost_i^{direct} - Direct costs related to the issuance of permitting act *i*. These include staff and other expenses directly related to the process of issuing a permitting act (e.g. salaries of staff involved in the process)

Cost_i^{indirect} - Indirect costs related to the issue of permitting act *i*. These include expenses not directly related to the process of issuing a permitting act (e.g. maintenance expenses of the building, etc.). The expenses that must be recovered by the state for the permitting acts with a parafiscal component can be included in this category.

- 1) **The cost of environmental permitting acts shall be methodologically substantiated.** It is important that the cost of permitting acts be computed based on a methodology approved by the Government, similarly to public services. By approving and publishing such a methodology, the authorities would ensure transparency and certainty as to the manner of formation of the price for permitting acts, including those in the field of environment.
- 2) **The cost of environmental permitting acts shall cover the effort of their issuance.** The basic principle for setting the price for environmental permitting acts must be that of self-sufficiency, namely to cover the expenses of the public authority or institution for issuing such documents. Deviations from this principle are possible in the case of certain public policy decisions, e.g. support for small and medium-sized enterprises. Decisions to set the price of permitting acts below or above the self-sufficiency threshold must be based also on the calculations obtained from the application of the SCM. For example, some regulations and requirements that generate high compliance costs in the short term can be offset by measures to reduce the cost of permitting acts.
- 3) **All environmental permitting acts shall be issued for a cost.** The application of the self-sufficiency principle implies that all public services and permitting acts are delivered or issued on a cost basis. This approach will cover public sector maintenance costs, while the burden on the business community can be decreased by optimizing the number of permitting acts and information requirements, estimated with the help of the SCM.
- 4) **All additional and indirect cost formation factors shall be taken into account.** In order for the final cost of the permitting acts to correspond to the principle of self-sufficiency, it is important that all indirect efforts required for the issuance of the permitting acts are to be taken into account. These factors include controls performed at the preliminary stage of the issuance of the permitting acts, assessment surveys (e.g. hunting) etc. Many such activities are carried out by different institutions, which make it compulsory to compute the costs throughout the institutional chain of issuance of the given permitting act.
- 5) **Regular adjustment of the cost of environmental permitting acts.** Regular adjustment of the cost of environmental permitting acts is necessary to compensate for the inflation factor and the increase in the budgets of public institutions and authorities. The mechanism of regular cost adjustment must be simultaneous for all permitting acts, considering that several institutions are involved in the issuance of most of them. One option would be an annual adjustment according to a Government Decision, and the mechanism itself to be stipulated in Law no. 160/2011.

- 6) **Standardization of the cost of environmental permitting acts that include a fiscal component.** For some categories of natural resources, for which various fees or charges are applied for the use or pollution of such resources (Pillar II), it is not reasonable to apply different categories of permitting acts. For example, the environmental authorization for the special use of water, which is issued for short-term (1,000 MDL) and long-term (3,000 MDL), can be merged into a single permit, regardless of the term. The rationale is that the price of the permitting acts shall include the efforts of the issuing authority or institution, and the beneficiary will subsequently pay for the use of aquatic resources. The adoption of a methodology for calculating the fees for issuing permitting acts will enable the authorities to issue permitting acts with different validity periods because the cost of these will be automatically established depending on the effort put into issuing them.
- 7) **Clear identification of the cost base and the parafiscal component.** In the case of environmental permitting acts, for which the cost reflects the consumption of natural resources (parafiscal component), the final cost of the permitting acts must include the cost of its issuance. For such permitting acts, the final cost shall contain two distinct elements - (i) the cost of the permitting act computed based on an approved methodology and (ii) the parafiscal component, which is the de-facto fee for the consumption of the resources concerned. There are two options for regulating the parafiscal components for such permitting acts. One option is to include them in the Fiscal Code, so that they have a status equivalent to a Pillar II fee. Another option is for the parafiscal component to include the expenditures incurred by the state with the maintenance of the infrastructure necessary for the regeneration of flora and fauna resources. These costs shall automatically count as indirect ones in the formula for calculating the fee for issuing the permitting act.
- 8) **Merging the concept of public service and permitting act.** Permitting acts are the product of a public service. For this reason, the regulatory framework should eliminate the existing distinction between permitting acts and public services. In this case, the cost of a permitting act will automatically reflect the cost of the public service for issuing thereof. In this respect, the approval by GD no. 670/2020 of the *Integrated Nomenclature of administrative public services and life events associated with them* did not remove the distinction between permitting acts and public services, because the relevant definitions remained unchanged in the Law no. 235/2006 and the Law no. 160/2011. Moreover, the approval of the mentioned Nomenclature did not solve the problem of setting the issuance fee in the absence of a relevant methodology.

Chapter 4. Environmental permitting acts not included in the Law no. 160/2011

In addition to the permitting acts included in the Nomenclature annexed to the Law no. 160/2011, there are other ones with an impact on the environment that do not concern entrepreneurial activity. These are permitting acts issued to individuals for recreational and leisure activities (such as hunting and fishing), or acts issued to individuals, institutions, or entrepreneurs for scientific, cultural, educational, tourism, health, aesthetic, or sports purposes. Similarly, the process of allocating the subsoil areas for utilization provides specific regulations for carrying out activities in the field. Starting from the concept of determining the fees for issuing permitting acts, we will further set out the vision that should underlie the other regulatory acts in the field of environment.

4.1. The hunting activity

The hunting activity can be carried out only upon the issuance of specific permitting acts and under specific conditions provided by the law. Currently, hunting is regulated by the Law on animal kingdom no. 439/1995 and the Regulation on hunting farms, annexed to the mentioned law. In March 2021, the Law on hunting and the hunting stock (no. 298/2018) shall come into force, which will develop the existing regulatory framework. According to the new law, the territory of the Republic of Moldova is to be divided into *hunting domains*, supervised by MARDE, and assigned for management to a *manager* who meets certain conditions set by law.

The permitting acts related to the hunting activity are issued by several entities, and some of them are private/non-commercial entities, such as the Society of Hunters and Fishermen of Moldova (SHFM).²⁴ Public authorities only issue *Contracts for the management of hunting domains* and *arms licenses* (Table 5). All other required documents (hunter card, hunting permit, and hunting dog ID card) are issued by SHFM according to conditions and fees set by this entity.

Table 5. Documents required for hunting activity

Permitting acts		Issuing authority	Cost
1.	The contract for the management of hunting domains	Ministry of Agriculture, Regional Development and Environment	Free of charge
2.	Hunter card	Association of Hunters and Fishermen of Moldova	Fees established by SHFM
3.	Hunting permit	Association of Hunters and Fishermen of Moldova	Fees established by SHFM
4.	Hunting dog ID card	Association of Hunters and Fishermen of Moldova	Fees established by SHFM
5.	Arm license	Ministry of the Interior, General Inspectorate of Police	260 MDL

Source: Current regulatory framework

The state assigns the hunting domains (which include land surfaces and the animals located in these domains) to managers, such as the Forestry Agency "Moldsilva" in case of forested areas or hunters' associations in case of areas covered by forests less than 50% (currently only SHFM manages such areas). While the managers collect certain revenues from the organization of hunting activities, the state does not collect any payments from the leasing of hunting domains. Basically, the public property is assigned free of charge into the management of private/non-commercial entities, while the state incurs certain administrative, research, and surveillance expenses on fauna.²⁵ Moreover, such arrangements infringe the legislation in force, namely the Law on natural resources no.1102/1997, which stipulates that

²⁴ Society of Hunters and Fishermen of Moldova (SHFM). Currently, SHFM is the only hunters' organization entitled to manage hunting domains in the Republic of Moldova. Its monopoly shall be maintained once the Law on hunting and the hunting stock no. 298/2018 comes into force, and SHFM shall have a priority right when the hunting domains are assigned. According to its charter, SHFM is entitled to set membership fees, thus collecting financial resources from the hunting activity.

²⁵ The Law on hunting and the hunting stock no. 298/2018 provides that "the hunting stock is public property, a unitary and indivisible system, which is not subject to privatization or transfer to any form of ownership other than public".

one of the fundamental principles in the management of natural resources is “the use for a fee of the natural resources”. While the managers collect such fees, the owner, namely the state, receives none of those.

The public interests are harmed because the state does not receive a part of the financial means collected from the management of hunting domains. The managers of the hunting domains have revenues from the following sources: fees they collect for issuing hunting permitting acts, recovery of damages caused to the hunting domains, confiscated vehicles, weapons, ammunition, and other means used in illegal hunting. Only 25% of the reparations for damages caused to wildlife are transferred to the MARDE.²⁶

In this context it is reasonable to set a regular “fee” for the management of hunting domains, taking into account the profitability of each hunting domain, which shall offset the effort put by the state into managing and supervising these domains. Such “fees” can be included in the cost of permitting acts, and constitute a parafiscal component, similarly to other documents regulated by the Law no. 160/2011. In addition to the administrative costs of assigning into management, it should comprise the following:

- i. the state future efforts to conserve and restore the biological resources;
- ii. the effort to regularly assess the state of biological resources (including the quantity);
- iii. the costs of state supervision (state control) on compliance with the provisions of the legislation in the field of hunting.

The formula for setting the price of the permitting acts (Contract for the management of hunting domains) should be as follows:

$$Cost_i = Cost_i^{direct} + Cost_i^{indirect}$$

Where:

$Cost_i$ - Total cost of the permitting act (Management Contract)

$Cost_i^{direct}$ - Direct costs for the issuance of the permitting act (Management Contract), to include only the administrative effort

$Cost_i^{indirect}$ - Indirect costs for the issuance of the permitting act (Management Contract), to include the state efforts put into conservation and restoration of the biological resources, regular assessments etc. (parafiscal component).

As an example, the Romanian model can be followed, where there is a management fee, which is distributed as follows: 81% go to the landowners, 16% to the state budget, and 3% to the Ecological Fund.

4.2. Sport and recreational fishing activity

Sport and recreational fishing activity can be carried out in natural bodies of water only upon holding a fishing permit issued by the Environment Agency. The fee for issuing a fishing permit was set in 2017 at the level of 30 MDL/day or 300 MDL/year, with certain discounts for pensioners (Table 6). The fishing activity can be carried out only under the conditions set by the Law no. 149/2006, which aims at protecting the environment, including aquatic biological resources.²⁷ To achieve this, the law establishes a series of limitations related to the periods in which fishing is allowed, the tools that can be used, and a daily limit on the catch of fish (not more than 5 kg per day).

In addition to sport and recreational fishing, Law no. 149/2006 regulates through authorization the fishing for scientific, control, and breeding purposes. The fishing authorization for scientific purposes is granted free of charge and only under the programs/plans coordinated with the Ministry of Education, Culture, and Research. The fishing authorization for breeders is also granted free of charge to create a genetic pool for fish under controlled conditions, which is necessary for the artificial reproduction of fish to restore natural populations.

²⁶ The amount of reparations for damages inflicted to game animals within the hunting domains through actions that constitute criminal or administrative offences is set in Annexes 3, 4 and 6 to the Law on animal kingdom no. 439/1995.

²⁷ Law on fish stock, fishing and fish farming no. 149/2006, https://www.legis.md/cautare/getResults?doc_id=121476&lang=ro#

Table 6. Permitting acts for fishing activity (excepting commercial fishing)

	Permitting acts	Current cost
1.	Sport and recreational fishing permit	300 MDL/year or 30 MDL/day*
2.	Fishing authorization for scientific purposes	Free of charge
3.	Fishing authorization for control purposes	Free of charge
4.	Fishing authorization for breeding purposes	Free of charge

Source: Law on fish stock, fishing, and fish farming no. 149/2006

*discounts for pensioners – 150 MDL/year or 15 MDL/day

Available evidence-based on fish market prices, the level of poaching, and the authorities' effort to manage the field shows that current fees do not cover the public spending on surveillance, conservation, and restoration of aquatic biological resources. Unlike in other countries, in the Republic of Moldova sport and recreational fishing is not necessarily a leisure activity, and the biological resource acquired is not returned to its natural habitat, but used for consumption. Moreover, frequently the aquatic resources acquired using a sport and recreational fishing permit exceed the daily limits and are sold at market prices. Finally, in the absence of adequate state supervision, the poaching and the use of prohibited tools fuel this phenomenon and amplify the negative impact on the environment by depleting the biological resources.

Determining a reasonable fee for issuing a permitting act for sport and recreational fishing has some limitations. The quantity of fish extracted from natural bodies of water cannot be accurately traced. Therefore, a fee covering the actual damage to the State can only be set with certain approximations. These can be done based on regular surveys and measurements of the state of aquatic biological resources, which could be quite difficult and expensive to perform.

Therefore, taking into account all the elements underlying the formation of the issuance cost of permitting acts, in addition to the direct effort to issue them, the cost thereof should include at least the following elements:

- i. the state efforts to conserve and restore the aquatic biological resources;
- ii. the efforts to regularly assess the state of biological resources (including the quantity thereof);
- iii. the costs of state control on compliance with the provisions of the legislation in the field of fish stock, fishing, and fish farming.

The formula for setting the price of authorization documents for sport and recreational fishing (as well as other documents included in Table 6) should be as follows:

$$Cost_i = Cost_i^{direct} + Cost_i^{indirect}$$

Where:

$Cost_i$ - Total cost of the permitting act (fishing permit and authorizations)

$Cost_i^{direct}$ - Direct costs for the issuance of the permitting act (fishing permit and authorizations), to include only the administrative effort

$Cost_i^{indirect}$ - Indirect costs for the issuance of the permitting act (fishing permit), to include the state efforts put into conservation and restoration of the aquatic biological resources, regular assessments etc. (parafiscal component).

The annual number of available permitting acts should depend on the state of aquatic biological resources (including quantity thereof), and be limited to actual natural capacities. The cost of permitting acts can also be set at a lower level for certain categories, such as pensioners or people with disabilities.

4.3. Documents for the use of subsoil areas

The manner how the access to mineral resources is regulated differs conceptually from the method of granting permitting acts for other natural resources. The permitting acts for the use of natural resources specified above is issued only on a request from an economic agent or a natural person to the competent authority. The permitting acts are issued when requirements are met. In the case of mineral resources, the main form of access granted for exploration or exploitation is competition, which involves competition between applicants to obtain that right. The procedure for the organization of the competition are stipulated in the *Regulation on the allocation of subsoil areas for use* and *Regulation on the organization and conduct of competition for the right to use subsoil areas for prospecting and exploration or the extraction of useful mineral substances*, both approved by GD no. 570/2009.²⁸ The winner of the competition concludes a Contract for the use of the subsoil area with MARDE, and the contract itself is free for the economic agent. Some payments are made during the tender – (i) tender participation fee of 200 MDL, (ii) payment for the purchase of the package of documents (3000 MDL) and (iii) compensation of expenses for geological exploration works performed from the state budget funds.²⁹ These payments cover to some extent the administrative efforts to prepare and conduct the competition.

The method of allocation of subsoil areas for use on a competitive basis excludes the option of applying the method of calculating the cost of permitting acts in terms of self-sufficiency. The value of the contract with MARDE is recommended to remain free of charge because administrative costs are partially offset by payments made by economic agents for participating in the competition. Also, the purpose of the competition is to attract as many offers as possible, and imposing higher costs would create barriers for some economic agents to enter the competition. By all means, the existing costs of the competition, in particular the payment for the purchase of the package of documents must be methodologically substantiated and the existing competition procedure must be adjusted, due to several existing regulatory shortcomings.³⁰ In the light of these arguments, it is recommended that permitting acts relating to the subsoil, which are included in the Nomenclature of the Law no. 160/2011 and in the one approved by GD no. 670/2020, to be an exception to the general rule applicable to the competition. Therefore, the issuance of permitting acts (documents confirming the geological and mining perimeters) should be compensated through payment, as mentioned above.

4.4. Other regulatory documents (biodiversity)

In addition to the permitting acts on flora and fauna mentioned in the Nomenclature of the Law no. 160/2011, there are other acts. There are some 13 permitting acts issued by the EA, as follows: (i) permits; (ii) decisions; (iii) authorizations, (iv) agreements, (v) certificates. These do not refer to entrepreneurial activity, and the need to obtain them is mentioned in sector-specific laws, such as the Law no. 439/1995 relating to the animal kingdom or Law no. 239/2007 relating to the vegetal kingdom. At the same time, activities for which such documents are issued do not harm the relevant population of animals or plants, respectively the state does not seek to compensate the damages or to compensate certain costs for the regeneration of biological resources. Therefore, these permitting acts are currently issued free of charge without taking into account the direct and indirect costs incurred by the issuer for the analysis of relevant documentation.

A first step towards quantifying the effort made in issuing such documents was made upon the development of the list of public administrative services, including those provided by the EA.³¹ Thus, in the issuance process, the EA performs a public service, the cost of which must take into account the arguments and the concept of substantiation of costs mentioned in Chapter 2, respectively as in the case of permitting acts mentioned in the Nomenclature of the Law no. 160/2011.

²⁸ Government Decision no. 570/2009 relating to the approval of some regulations in order to implement the provisions of the Subsoil Code https://www.legis.md/cautare/getResults?doc_id=110132&lang=ro

²⁹ The payment for the purchase of the package of documents is not stipulated in any regulation and the price is not substantiated <http://www.ccrm.md/hotariri-si-rapoarte-1-95?idh=638>

³⁰ D. Budianschi, I. Morcotilo, V. Ciobotaru, E. Ghilechi "The capitalization of useful mineral resources in the Republic of Moldova: plus or minus?", Expert - Grup, 2020.

³¹ Government Decision no. 670/2020 on the approval of the Integrated Nomenclature of Administrative Public Services and the List of Related Life Events, https://www.legis.md/cautare/getResults?doc_id=123053&lang=ro

Chapter 5. Conclusions and recommendations

The existing regulatory framework for entrepreneurial activity, including activity in the field of environment, is confusing and is not in line with best practices. In recent years, efforts were made to improve the regulatory framework, with a higher emphasis on permitting acts. Most acts, including those related to the use of natural resources and environmental protection, were included in the Nomenclature of the Law no. 160/2011. The major problem is that the efforts made and the inclusion of all permitting acts in this law did not solve all the problems relating to the regulation of entrepreneurial activity. No solution has been found for issues relating to the calculation and substantiation of the costs of permitting acts, the frequency of adjustment of fees for issuing such documents, as well as the factors to be taken into account for the substantiation of costs. This is a particularly pressing issue for environmental permitting acts, due to the potential impact of many economic activities on the environment.

The determination of the amount of fees for issuing environmental permitting acts must take into account the availability of several environmental economic instruments. In addition to permitting acts, the economic instruments of environmental public policies contain such key components as environmental taxes, fines, and indemnification measures. The main purpose of permitting acts is to set certain requirements for economic agents, and these requirements already generate certain compliance costs. These costs can be estimated using the SCM, and the price of permitting acts should only reflect the effort of relevant public authorities to issue those acts. The impact on the environment can be mitigated, in particular, by using the rest of the environmental economic instruments. Thus, the environmental permitting acts must set certain compliance requirements for economic agents, and when establishing fees for their issuance, the following actions should be implemented:

- 1) **The cost of permitting acts should be methodologically substantiated.** The cost for a permitting act must be calculated based on a methodology approved by the Government, as stipulated for public services. The approval and publication of such a methodology would ensure transparency and clarity in terms of the formation of the price for permitting acts, including environmental permitting acts.
- 2) **The cost of the permitting acts should cover the efforts to issue it.** The key principle for setting the price of an environmental permitting act must be that of self-sufficiency, i.e. it should cover expenses of the public authority or institution for issuing such permits. At the same time, deviations from this principle are possible in the case of well-founded public policy decisions, e.g. to support small and medium enterprises. Decisions to set the price of permitting acts at a level lower or higher than the self-sufficiency threshold must be based, including on the calculations resulting from the application of the SCM. For example, some regulations and requirements that generate high compliance costs in the short term can be offset by measures to reduce the prices of permitting acts.
- 3) **All environmental permitting acts should be issued for a fee.** The application of the self-sufficiency principle entails that all public services and permits should be delivered or issued for a fee. This approach will cover the costs of maintaining the public sector, while reducing the burden on businesses can be achieved by optimizing the number of permits and information requirements, estimated based on the SCM.
- 4) **All additional and indirect price formation factors should be taken into account.** To make sure that the final price of the permitting acts meets the self-sufficiency principle, all indirect efforts to issue the act should be taken into account. Some of these factors are as follows: controls performed before the issuance of the permitting act, preparation of various preliminary studies (e.g. hunting) etc. Many such activities are dispersed across different institutions and this fact makes it imperative to calculate costs in the whole chain of institutions involved in issuing a permitting act.
- 5) **Regular adjustment of the price of permitting acts.** Regular adjustment of the price of permitting acts is required to compensate for the impact of inflation and the increase in the budgets of public institutions and authorities. Also, the mechanism of regular price adjustment must be synchronized for all permitting acts, considering that several institutions are involved in the issuance of many permitting acts. One option would be the annual adjustment based on a GD, while the mechanism itself can be stipulated in the Law no. 160/2011.

- 6) **Standardization of the price for permitting acts involving a tax component.** For some categories of natural resources, for which different taxes or charges are levied on the usage or pollution of such resources (Pillar II), it is not reasonable to apply different categories of permits. For example, the environmental permit for special water use, which is issued for a short term (1000 MDL) and a long term (3000 MDL), can be merged into a single act, regardless of the time frame. This reasoning is based on the fact that the price of the permitting act will cover the efforts of the issuing authority or institution, while the beneficiary will subsequently pay for the use of water resources.
- 7) **Clear division of the base price and the parafiscal component.** In the case of environmental permits, the price of which reflects the consumption of the natural resource, i.e. it is a payment from Pillar II (parafiscal component) and the final cost of the permitting acts should include the cost of issuance. Thus, in the case of these permitting acts, the final cost contains two distinct components - (i) the cost of the permitting act calculated based on the approved methodology and (ii) the parafiscal component, which is the actual tax for the consumption of the respective resource. There are two options to regulate the parafiscal component for such permitting acts. One option is to introduce them in the Fiscal Code. Thus, they will acquire a status equivalent to a Pillar II tax. Another option is to include in the parafiscal component the government's expenditures for the maintenance of the infrastructure for the regeneration of flora and fauna resources. These costs will automatically be included as indirect costs in the formula for calculating the fee for issuing the permitting acts.
- 8) **Merging the concepts of public services and permitting acts.** Permitting acts are the result of a public service. Therefore, it is advisable to eliminate from the regulatory framework the existing dichotomy between permitting acts and public services. In this case, the cost of the permitting acts will automatically reflect the cost of a public service for issuing it. To this effect, the approval by the GD no. 670/2020 of *the integrated nomenclature of administrative public services and related life events* did not solve at all the problem of the difference between permitting acts and public services, because their respective definitions remained unchanged in the Law no. 235/2006 and in the Law no. 160/2011. Moreover, the approval of such Nomenclature does not solve the problem of setting the issuance fee without the approval of a relevant methodology.

Annex 1. Detailed matrix of environmental economic instruments

	I. Permitting acts	II. Taxes and tax payments	III. Fines and penalties	IV. Damages
WATER	1. Environmental authorization for the special use of water Tax: 1000/3000 MDL (2017) Issuing authority: Environment Agency Legal framework: Water Law no. 272/2011	i. Water tax Amount: 0.06 – 16 MDL/m³ Legal framework: Fiscal Code, Title VIII, Taxes for natural resources ii. Payment for pollutant discharges Amount: Standard x Q (conventional tons) Legal framework: Law no. 1540/1998 on the payment for environmental pollution	a) Violation of the water protection system b) Violation of water use rules c) Violation of the rules of economic activity in water protection areas d) Environmental pollution involving damages Legal framework: art.109; 110; 113; 149 of the Code of Administrative Offences	Method of assessing the damage to the environment as a result of violations of the water legislation Legal Framework: Order of the Ministry of Ecology, Constructions and Territorial Development no. 163/2003
AIR	2. Authorization for the emission of pollutants into the air from stationary sources Tax: 500 - 4000 MDL (2017) Issuing authority: Environment Agency Legal framework: Law no. 1422/1997 on the protection of atmospheric air 3. Authorization for the import, export, or re-export of ozone-depleting substances, products, and equipment containing such substances Tax: Free of charge Issuing authority: Environment Agency Legal framework: Law no. 852/2002 for the approval of the Regulation on the trade regime and regulation of the use of ozone-depleting halogenated hydrocarbons; Law no. 160/2011 on the regulation of entrepreneurial activity through authorization.	i. Payment for pollutant emissions from stationary sources Amount: Standard x Q (conventional tons) Legal framework: Law no. 1540/1998 on the payment for environmental pollution ii. The tax for goods that cause environmental pollution while being used Amount: As defined in the law Legal framework: Law no. 1540/1998 on the payment for environmental pollution	a) Violation of the regime and use of ozone-depleting halogenated hydrocarbons b) Environmental pollution involving damages Legal framework: art. 148; 149 of the Code of Administrative Offences	Guidelines on the assessment of damage to atmospheric air as a result of pollution from stationary sources Legal Framework: Guidelines of the Ministry of Environment no. 381/2004 Guidelines on the assessment of damage to the atmospheric air upon the management of industrial and domestic waste Legal Framework: Guidelines of the Ministry of Environment no. 384/2004
WASTE	4. Environmental authorization for waste management Tax: Free of charge Issuing authority: Environment Agency Legal framework: Law no. 209/2016 on waste 5. Authorization for the export/transit of waste Tax: Free of charge Issuing authority: Environment Agency Legal framework: Law no. 209/2016 on waste	i. Payment for waste storage Amount: As defined in the law Legal framework: Law no. 1540/1998 on the payment for environmental pollution ii. The tax for goods that cause environmental pollution while being used Amount: Standard x Q (t) Legal framework: Law no. 1540/1998 on the payment for environmental pollution	a) Violation of waste management rules b) Violation of the rules on the registration, transport, storage, use, and burial of biological and chemical preparations and other toxic substances c) Violation of the rules for conducting nuclear and radiological activities d) Violation of the rules of cleanliness in settlements, as established by the LPA Legal framework: art.154; 155; 155¹; 181 of the Code of Administrative Offences	Liability for damages caused to the environment and public health Legal framework: art. 66 of the Law no. 209/2016 on waste

6. Authorization to acquire animals which are not the objects of hunting or fishing (snails, frogs, lizards, snakes)**Tax:** 3000 MDL (2017)**Issuing authority:** Environment Agency**Legal framework:** Law on the animal kingdom no. 439/1995*Order of the Ministry of Ecology and Natural Resources no. 20/2005 on the authorization of activities relating to the use of natural resources and the prevention of environmental pollution***7. Authorization for the collection of objects of the vegetable kingdom (spontaneous plants, including natural and medicinal plants)****Tax:** 500/2000 MDL (2017)**Issuing authority:** Environment Agency**Legal framework:** Law on the vegetal kingdom no. 239/2007*Order of the Ministry of Ecology and Natural Resources no. 20/2005 on the authorization of activities relating to the use of natural resources and the prevention of environmental pollution***8. Agreement on the export of wild animals****Tax:** 0.5 - 500 MDL/kg/piece (2017)**Issuing authority:** Environment Agency**Legal framework:** Law on the animal kingdom no. 439/1995**9. Agreement on the export of plants (2017)****Tax:** 0.3 - 3 MDL/kg**Issuing authority:** Environment Agency**Legal framework:** Law on the vegetal kingdom no. 239/2007**10. Agreement on the import of wild animals and/or plants****Tax:** Free of charge**Issuing authority:** Environment Agency**Legal framework:** Law on the animal kingdom no. 439/1995*Law on the vegetal kingdom no.239/2007***11. CITES certificate (2017)****Tax:** 300 - 500 MDL**Issuing authority:** Environment Agency**Legal framework:** Law on the animal kingdom no. 439/1995*Law on the vegetal kingdom no.239/2007***i. Fees for issuing the Agreement on the export of wild animals (included in the permit)****Amount:** 0.5 – 500 MDL/kg/piece**Legal framework:** Law on the animal kingdom no. 439/1995**ii. Fee for issuing the Agreement on the export of plants (included in the permit)****Amount:** 0.3 - 3 MDL/kg**Legal framework:** Law on the vegetal kingdom no. 239/2007

- a) Violation of provisions of regulations relating to the use and protection of the hunting fund
- b) Intentional destruction or deterioration of burrows, anthills, birds' nests, and other wildlife habitats on forest land
- c) Violation of the procedure provided by the legislation on the creation/ completion/ storage/ use/ record/ sale/ purchase or dispatch of zoological collections
- d) Violation of the established procedure for the use of the animal kingdom in nature reserves and other natural areas protected by the state
- e) Collection/ destruction of plants, catching/ destruction of animals included in the Red Book of the Republic of Moldova and in the annexes to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

Legal framework: art. 128; 129; 138; 139; 140 of the Code of Administrative Offences

List of wildlife species included in the Red Book of the Republic of Moldova and fees for damages caused by natural and legal persons through illegal hunting, fishing, acquisition, collection, trade, possession, and export or by the destruction

Legal framework: Law on the animal kingdom no. 439/1995

List of relatively rare systematic fauna species and groups (natural monuments) protected by the state and fees for damages caused by natural and legal persons through illegal hunting, fishing, acquisition, collection, trade, possession, and export or by the destruction

Legal framework: Law on the animal kingdom no. 439/1995

Fees for damages caused by natural and legal persons through illegal hunting, acquisition, trade, possession, and export or the destruction of game animals in the country

Legal framework: Law on the animal kingdom no. 439/1995

FORESTS	12. Authorization for felling in the forest fund and in the forest vegetation outside the forest fund Tax: Free of charge Issuing authority: Environment Agency Legal framework: Law on the vegetal kingdom no. 239/2007 Regulation on the authorization of felling in the forest fund and forest vegetation outside the forest fund, approved by GD no.27/2004	i. Tax for timber sold as standing Amount: 2 - 52 MDL/m³ Legal framework: Tax Code, Title VIII, Taxes for natural resources	a) Carrying out logging operations contrary to the purposes or requirements provided for in the authorization (order) for felling trees or in the forest usage permit b) Illegal felling or damage to trees and shrubs c) Destruction and damage of forest crops/ young trees resulting from natural regeneration, natural self-seeding, and pre-existing crops d) Destruction and damage of seedlings and saplings in nurseries and forest plantations e) Violation of the rules for using forest fund objects Legal framework: art.121; 122; 123; 124; 127 of the Code of Administrative Offences	Guidelines on the amount of payment for the damage to green spaces in urban and rural areas Legal Framework: Order of the Ministry of Ecology and Natural Resources no. 34/2008 Damage to forest space by pollution with domestic and industrial waste, with wastewater and chemicals Legal Framework: Forestry Code, art. 85
ENVIRONMENTAL IMPACT	13. Environmental agreement Tax: Free of charge Issuing authority: Environment Agency Legal framework: Law no. 86/2014 on environmental impact assessment 14. The opinion of the State Environmental Assessment Tax: 2000 - 5000 MDL (2017) Issuing authority: Environment Agency Legal framework: Law no. 851/1996 relating to environmental assessment Law no. 86/2014 on environmental impact assessment	None	a) Failure to comply with the provisions of the legislation on state environmental assessment and environmental impact assessment Legal framework: art.156 of the Code of Administrative Offences)	
FISHING	15. Certificate of allocation of commercial fishing quota Tax: 9000 MDL/ quota/ ton (2017) Issuing authority: Environment Agency Legal framework: Law no. 149/2006 on the fish stock, fishing, and fish farming	None	a) Violation of the rules on the protection of fishery resources and fishing rules Legal framework: art.114 of the Code of Administrative Offences)	Guidelines for assessing the damage caused to fishery resources Legal Framework: Order of the Ministry of Ecology, Constructions and Territorial Development no. 206/2003

SOIL / SUBSOIL	16. Document confirming the geological perimeter for exploring the subsoil <i>Tax: Free of charge</i> 17. Document confirming the mining perimeter for: – extraction of useful mineral substances – groundwater extraction – construction and operation of underground constructions not related to the extraction of useful mineral substances <i>Tax: Free of charge</i> Note: Permits confirming the geological or mining perimeters are issued only after the economic agent has concluded with MARDE a Contract on the use of the subsoil area. This contract is not classified as a permitting act, but its purposes and functions are similar to those of a permitting act.	i. Fee for geological surveys Amount: 2% of the contract value ii. Fee for geological explorations Amount: 5% of the contract value iii. Fee for extraction of useful minerals Amount: % of the cost of useful minerals iv. Fee for the use of underground spaces to build underground facilities, other than those intended for the extraction of useful minerals Amount: 3% of the contract value v. Fee for the operation of underground constructions for entrepreneurial activity, other than those intended for the extraction of useful minerals Amount: 0.2% of the book value of the underground construction Legal framework: Fiscal Code, Title VIII, Taxes for natural resources	Fines for offenses related to the land fund Code of Administrative Offences 2018/2008, art. 947 Unauthorized stripping and destruction of the forest floor/ live cover/ upper layer of fertile soil to be used for purposes other than forestry, art.120 a) Environmental pollution involving damages	Guidelines on the assessment of the damage caused to the environment as a result of non-compliance with the legislation on subsoil Legal framework: Guidelines of the Ministry of Environment no. 385/2004 Guidelines on the assessment of the damage caused to soil resources Legal framework: Guidelines of the Ministry of Environment no. 383/2004
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Source: Compilation prepared by authors further to the legislative and regulatory framework in force

Annex 2. Other environmental permitting acts (not covered by the Nomenclature of the Law no. 160/2011).

	Permitting act	Issuing authority
1.	Agreement for the use of objects of vegetal kingdom for cultural, educational, tourist, health, recreational, aesthetic and sporting purposes	Environment Agency
2.	Agreement for the use of objects of vegetal kingdom in the public property for scientific purposes, with or without the extraction of objects of vegetal kingdom and parts thereof from their growing environment	Environment Agency
3.	Agreement for the introduction and/or acclimatization, for scientific and economic purposes, of the objects of the vegetal kingdom in the wild flora of the Republic of Moldova	Environment Agency
4.	Agreement for the relocation, acclimatization and cross-breeding of animals	Environment Agency
5.	Authorisation for exceptional cases of hunting for scientific, cultural, educational and aesthetic purposes within the time limits and places prohibited for hunting or of animals whose acquisition is limited, as well as keeping them in captivity for the said purposes	Environment Agency
6.	Authorisation for the special use of animals or plants included in the Red Book of the Republic of Moldova for scientific purposes, selection, including reproduction, distribution, cultivation/breeding, acclimatization of each representative, for cultural purposes (circus, zoo shows, aquariums etc.), as well as in the case of epizootics	Environment Agency
7.	Certificate of registration of collections of plants and animals of wild flora and fauna	Environment Agency
8.	Decision to carry out a preliminary environmental impact assessment of the planned activities	Environment Agency
9.	Decision on the import, export, resettlement, keeping in captivity, breeding, acclimatization and cross-breeding of animals for economic and research purposes	Environment Agency
10.	Decision on the introduction of non-native species, interventions on invasive species and reintroduction of native species	Environment Agency
11.	Permit for photographic, video or cinematographic recording of animals during the breeding period (from 1 March to 31 June) near nests, burrows, dens etc., as well as in hibernation areas	Environment Agency
12.	Permit to catch birds and stay near the nest for ringing	Environment Agency
13.	Permit for captive breeding of animal species of hunting interest in a game park	Environment Agency
14.	Contract for the use of the subsoil area	Ministry of Agriculture, Regional Development and Environment
15.	Contract for hunting fund management	Ministry of Agriculture, Regional Development and Environment
16.	Hunting permit	Society of Hunters and Fishermen of the Republic of Moldova
17.	Hunting license	Society of Hunters and Fishermen of the Republic of Moldova
18.	Hunting dog passports	Society of Hunters and Fishermen of the Republic of Moldova
19.	Gun licenses	Ministry of Internal Affairs, General Inspectorate of Police
20.	Hunting authorisation	Moldsilva Agency
21.	Permit for sports, amateur and recreational fishing	Environment Agency
22.	Authorisation for fishing for scientific purposes	Environment Agency
23.	Authorisation for fishing for control purposes	Environment Agency
24.	Authorisation for fishing for breeders	Environment Agency

Source: Compilation prepared by authors further to the Legislation in the field of environmental protection