

Case Study // Round Table SDG 12: Towards a circular economy: innovation for sustainable value chains

Responsible consumption and production in the Republic of Moldova – Organic Agriculture

Republic of Moldova

Level: national

Summary

The Republic of Moldova's favourable climatic conditions endow the agricultural sector with a comparative advantage for organic farming. Coupled with the country's competitive advantage as GMO (genetically modified organism) free, and the sector's role in shaping the livelihoods of half of the population, the development of this sector is critical for achieving the 2030 Agenda.

This case study provides an overview of the Government's efforts to develop organic agriculture in a manner that is consistent with the requirements of achieving sustainable production and consumption. It highlights key reforms for creating goods and services using processes and systems that are non-polluting; conserve energy and natural resources; economically viable; safe and healthful for workers, communities, and consumers and socially and creatively rewarding for the industry's working force.

Situation

The prospects of developing organic agriculture cannot be understood in isolation of the economy's growth dynamics. Despite the government's consistent liberalization efforts, the economy is yet to register the expected structural transformation towards increased specialization in high value-added activities. The economy continues to be dominated by the services sector, which accounted for 60 percent of gross domestic product (GDP) and absorbed more than 50 percent of the country's labour force in 2015.

Reforms to date have set in motion a structural transformation away from agriculture. However, the move away from agriculture was underpinned by dwindling productivity, even as this sector constituted the main livelihood source for 57 percent of the population.¹ National statistics show that following a significant decrease (from 51 on 2001 percent to 28 percent in 2011), the share of agriculture in employment increased to 32 percent in 2015, while its share in GDP stagnated at 10 percent since 2011 (down from 25 percent in 2001). The manufacturing sector remains dominated by low value-added activities. The sector's contribution to job creation increased by 1 percent over the period 2001-2014 (from 11 to 12 percent), while its share in GDP decreased by 2 percent (from 27 to 25 percent), reflecting weak technological capabilities (understood as the accumulated knowledge and skills to identify, appraise, utilise and develop technologies and techniques to modernize production processes).

These structural weaknesses are well pronounced in the farming and food processing industry. Over 80 percent of the cultivated land is used for growing low value products, such as crops, oil plants and sugar beet. Fruit and vegetable farms cover less than 6.5 percent of total agricultural lands, despite the

¹ National Bureau of Statistics of the Republic of Moldova. The statistics do not include data on enterprises and organizations on the east bank of the river and the municipality of Bender. Unless otherwise mentioned, all the statistics in this section are derived for the National Bureau of Statistics of the Republic of Moldova

favourable climatic conditions, and yield around 1 million tons of produce annually with apples, potatoes and tomatoes accounting for the bulk of the sector's total output. Moreover, the majority of the lands are small, with 80 percent specialized in semi-subsistence activities. These farms rely on Commonwealth of Independent States (CIS) countries for selling their produce, particularly the Russian Federation that have historically accounted for 97 percent of agricultural exports in volume terms. The challenge is how best to address the economy's deep-seated structural weakness. Priority is accorded to improving the productive capacity of farmers and enterprises engaged in organic agriculture, and to making their products traceable from the field to the trader.

Strategy

Efforts to develop organic products commended in 2000 with the adoption of "the National Concept of Organic Farming, Production and Trade of Environmentally Friendly and Genetically Unmodified Foods" pursuant to Government Decision No. 863. Further guidance was provided by the Law "On Organic Food Production" (Law No, 115) of 2005 and the "National Strategy for Agricultural and Rural Development 2014-2020". The two documents aim at bringing the industry into compliance with the European Union (EU) quality standards and regulatory requirements. The strategy also attaches great importance to financing and promoting innovation in agriculture, thereby providing new impetus to the green subsidies initiative that was launched in 2007.

Since 2014, the development of this industry has also been guided by the new wave of economic reforms that were launched following the signing of the Association Agreement (AA) and the Deep and Comprehensive Free Trade Area (DCFTA) with the European Union. With their emphasis reflecting the *EU acquis communautaire* in national legislation as well in institutional arrangements pertaining to standards, technical regulations, metrology, market surveillance, accreditation and conformity assessment systems, these reforms provide a powerful tool for addressing the agricultural sector's deep-seated structural weaknesses.

At present, the Ministry of Agriculture and Infrastructure, working closely with relevant agencies, is developing a market surveillance and control system to ensure traceability of organic food products. The Government is also in the process of transposing EU Regulation (EC) No. 834/2007 of the Council regarding the organic production and labelling of organic products, so as to create a favourable environment for organic farming, increase the consumption of bio-products and, thereof, reduce the amount of chemical waste.

Broader directives for guiding the development of organic agriculture are also spelled out in the Government's Action Program for 2016-2018, which seeks to achieve the following objectives: (i) consolidate a conducive business and investment climate; (ii) prioritize private sector development initiatives; (iii) remove administrative barriers to export and trade in general, with a special emphasis on supporting small and medium manufacturers; (iv) establish structured and permanent mechanisms for supporting public-private sector consultations on horizontal and vertical economic policies and associated measures; (v) develop a continuous dialogue with civil society organizations; and, (vi) improve customs and tax management, including pricing, economic and fiscal-budgetary policies, so as to curb the shadow economy in Moldova

Complementing the strategy is the National Action Plan for Trade Facilitation. The Action Plan was adopted by the Government in December 2017 pursuant to Government Decision No. 1065, in order to fulfil the country's commitments under the World Trade Organization Agreement on Trade Facilitation.² The plan, which integrates the recommendations emerging from ECE Study on Regulatory

² The Plan is available at: <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=373269>



and Procedural Barriers to Trade³, covers behind and at the border constraints, with an estimated budget of over Euro (EUR) 137,1 million. It comprises 35 chapters, with 91 actions, which will be implemented by fourteen State agencies in collaboration with the private sector under the guidance of the National Trade Facilitation Committee that brings together public and private sector stakeholders. The organic farming industry also stands to benefit from the Moldova Social Innovation Hub (MiLab), which provides a multilateral platform for supporting experience sharing between the public, private, non-profit, and market support institutions.

Results and impact

- The wine industry has registered an impressive performance record. Over 80 percent of wine producers are equipped with modern machinery and technology, with secondary wine units reassembled almost entirely with modern bottling lines. The volume of grape processing and wine production from raw material increased to 500,000 tons (approximately 250 million liters of wine). Today, Moldova is home to the biggest wine collection in the world with over 1.5 million bottles of quality wines, included in the Guinness Book in 2005. The so-called “Golden Collection” is stored at over 80 meters depth, in the underground galleries of Milestii Mici, which is over 200 kilometres in length.
- The Agriculture Sciences Section of the Moldovan Academy of Sciences presented several important innovations in the agricultural sector, with a view to support the development of organic agriculture and the sector as a whole. The technologies are being used to develop new types and new species of fruits, chicken and sheep.
- Moldovan scientists consider that the quality of soil is critical for ensuring the efficiency and quality of agricultural products, and are developing digital maps to determine the appropriate types of products for farmers. In 2016, digital maps allowed producers from the Ungheni region to avoid serious losses, by postponing seed planting and germination in the region that was under risk of landslides. The estimated costs of research and digital mapping of 100 thousand hectares in Moldova is approximately USD 100,000.

Challenges and lessons learned

- *Organic food producers must sign a contract with a private certification body that is accredited with the EU, which inflates their transaction costs. For example, a farmer who cultivates 50 hectares of grain and 10 hectares of fruit pays a fee equivalent to 692 euro per year to the Certification Body to obtain a certificate that will allow him to export to the European Union.*
- *Organic production, which is a voluntary scheme, requires substantive investments that are beyond the farmers’ and food processors’ means. Organic seeds are expensive, just like fertilizers and in some cases buffer zones may be needed to avoid contamination. Enterprises that are not registered in the national certification system cannot access green subsidies.*
- *Conformity assessment results issued by Moldovan conformity assessment bodies (CABs) are not recognized in the EU, as MOLDAC is yet to join the European Cooperation for Accreditation (EA) Multilateral Recognition Arrangement (MLA) and International Laboratory Accreditation*

³ The Study is available at: <https://www.unece.org/tradewelcome/studies-on-regulatory-and-procedural-barriers-to-trade.html>



Cooperation (ILAC) mutual recognition agreement (MRA). MOLDAC should develop competence in new areas, including certification of persons and verification bodies and further improve existing competences as follows: Proficiency testing according to the general requirements for the competence of providers of proficiency testing schemes and for the development and operation of proficiency testing schemes (ISO/IEC 17043); inspection according to the requirements for the competence of bodies performing inspection and for the impartiality and consistency of their inspection activities (ISO/IEC 17020:2012) ; and, product certification according to the requirements for bodies certifying products, processes and services (EN ISO/IEC 17065:2012).

- For a country like the Republic of Moldova, where the Government is struggling with persistent current account and trade deficits, and where the enterprises are still labouring under the lingering impact of the economic crisis in the Eurozone, financial resources and technical assistance are critical for ensuring the successful implementation of major reforms.

Potential for replication

If there were one lesson to draw from the experience of the Republic of Moldova, it would be the establishment of broad based public-private sector consultations to inform reform decisions. The fashioning of evidence-based analysis is another important lesson that could be replicated along with the industries' experiences. Each industry had to overcome specific challenges and growth constraints in a lengthy process of learning by doing. It is these processes that should be replicated because they are born out of the daily realities and specific needs of the enterprises.

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