



The European Union's Neighbourhood Programme

*Assessment of the Agriculture and Rural
Development Sectors in the Eastern
Partnership countries*

The Republic of Moldova



Funded by the European Union



Implemented by FAO



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FAO Project No. GCP/RER/041/EC

EU Project No. ENPI 2012/298-262

Start date: 16th July, 2012

End date: 31st December, 2012

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Acronyms and Abbreviations

ACSA	National Agency for Rural Development
AIPA	Agency for Intervention and Payments in Agriculture
ARD	Agriculture and Rural Development
CIB	Comprehensive Institution Building
DCFTA	Deep and Comprehensive Free Trade Area
DG SANCO	Directorate-General for Health and Consumers
EBRD	European Bank for Reconstruction and Development
EGPRSP	Economic Growth and Poverty Reduction Strategy Paper
ENPARD	European Neighbourhood Programme Agriculture and Rural Development
ENRD	European Network for Rural Development
EU	European Union
EUHLPAM	High Level Policy Advice Mission to the Republic of Moldova
FDI	Foreign Direct Investments
FVI	Fruit and Vegetable Industry
F&V	Fruits and Vegetables
FSA	The Sanitary-Veterinary and Animal Origin Food Safety Agency
FSP	Food Security Programme
GAP	Good Agricultural Practice
GDP	Gross Domestic Product
Ha	Hectare [unit of land]
HVA	High Value Agriculture
HVPP	High Value Processed Products
IFAD	International Fund for Agriculture Development
IFC	International Finance Corporation
IFI	International Financial Institutions
IPARD	Instrument for Pre-Accession Assistance for Rural Development
LPA	Local Producer Association
MAFI	Ministry of Agriculture and Food Industry
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation
MDL	Moldovan Leu (MDL:EUR 16.07)
MIEPO	Moldovan Investment and Export Promotion Organization
MoE	Ministry of Economy and Trade
MRL	Maximum Residue Limit
MSIF	Moldova Social Investment Fund
NBS	National Bureau of Statistics
NCVQAP	National Centre for Verification of the Quality of Alcoholic Products
NIVW	National Institute for Viticulture and Wine
RISP	Rural Investment and Services Project
RM	Republic of Moldova
SAPARD	Special Accession Programme for Agriculture and Rural Development
SITA	System for Identification and Traceability of Animals
SME	Small and Medium Enterprises
SPS	Sanitary and Phyto-Sanitary
SPSs	Single Payment Scheme
STI	State Tax Inspectorate
SWG	Regional Rural Development Standing Working Group in SEE
TBT	Technical Barriers to Trade
USAID	US Agency for International Development
WB	World Bank

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1. Introduction

1.1 Context and objective of the sector analyses

Many of the Eastern Partnership countries have a rural population, classified as self-employed, relying to some extent for their livelihoods on small, and divided land plots, and communal or state owned pasturelands. These small-holders have very limited resources with little growth potential. The products from these lands are often only for subsistence purposes. The selling of any surpluses is made difficult by limited links to organised markets, and limited access to, or complete lack of, any processing, storing, handling, packing or distribution facilities, constraining availability, quality and value adding.

There are already donors providing assistance, including EU and FAO, but the current global crisis with soaring food prices among other consequences, have demonstrated the need of EaP countries to further enhance the formulation of agriculture policies aimed to support small-scale farmers and farmers' associations, support private and public stakeholders in the agricultural sector, increase agriculture production on a sustainable basis, and modernize both, agriculture and rural areas.

A general assessment of the agriculture and rural areas is crucial for developing proper strategies for the agriculture and rural development sector. These studies will contribute to assess the situation in the sector, prioritise and target sub-sectors, areas of intervention and beneficiaries in consultation with the local public and private stakeholders.

The overall scope of the project is in line with the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) an EU initiative built in the EU's best practice experienced in developing agriculture and rural areas. Based on the results of this project, ENPARD programs and activities could be identified, elaborated and implemented in interested EaP countries.

1.2 Study Team

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1.3 Acknowledgements

The authors would like to thank all partners participating in the preparation of this study and in particular:

- Ministry of Agriculture and Food Industry of the Republic of Moldova
- The European Commission, with especial thanks to Jesus Laviña, Isabelle Combes, and Dominik Olewinski
- The EU Delegation to Moldova
- FAO National Correspondent in Moldova
- The Agency for Intervention and Payments in Agriculture
- The National Agency for Rural Development, ACSA
- High Level Policy Advice Mission to the Republic of Moldova in the MAFI
- The Agency for Intervention and Payments in Agriculture
- Economic Stimulation in Rural Areas - the EU ESRA BSP
- National Bureau of Statistics and other state institutions
- The Field Programme Unit in REU, with special thanks to Eszter Bartha, Aghasi Harutyunyan, Raimund Jehle, Javier Sanz, and Goran Stavrik

2. Background and key figures

2.1. General context and economic indicators

Moldova is mostly a landlocked country, except for a 200m direct sea/river-borne transshipment and distribution point to and from the Republic of Moldova at the Giurgiulești International Free Port, in very south where the Danube forms part of the border. Located in SE Europe, between Ukraine and Romania, endowed with rich agricultural black soils and a temperate climate, the country has relied heavily on agriculture throughout its history. Most of the territory is a moderate hilly plateau cut by many streams and rivers, part of the Moldavian Plateau, originating from the Carpathian Mountains, which has an average of elevation of 200m, maximum 250m, divided into the Bălți Steppe and the Middle Prut Valley. Extensively deforested for agriculture during the 19th and 20th centuries and Moldova has the lowest forest cover in Europe, 11.4% (0.38m Ha).

Diagram 1: Administrative map of the Republic of Moldova



Total area: 3,38 million ha
Agricultural lands: 2,48 mill. ha
Arable land 1,82m Ha
Perennial plantations 0,3m Ha
Meadows & pastures 0.36m Ha
Structure of agricultural production:
Private holdings 73.8%
State holdings 26.2%

Population: 3.56m (excl. Transnistria)
Population: 4.18m (incl. Transnistria)
Births: 1990, 77,085; 2011, 39,182
Rural population 54% (1.92m)
Population engaged in:
Agriculture 27%
Processing industry 15%

Agriculture share GDP: 16.2%
GDP PPP (2011): \$11.93 billion
GINI¹ (2010): 33.03
GNI PPP² (2011): \$3,400 per capita
HDI: 0.649 Rank (2011) 111th

37 x first tier units: 1 x autonomous territorial unit (Gagauzia, Population 160,700)
 1 x territorial unit (Transnistria, Population 518,700); 3 x municipalities
 (Chisnau, Balti, Bender). 32 x districts (raions)

1,681 localities: 982 incorporated localities (5 municipalities, 60 cities, 917 communes)
 699 villages without administration (40 part of cities, 659 part of communes).

¹ A GINI index of 0 represents perfect equality, while an index of 100 implies perfect inequality

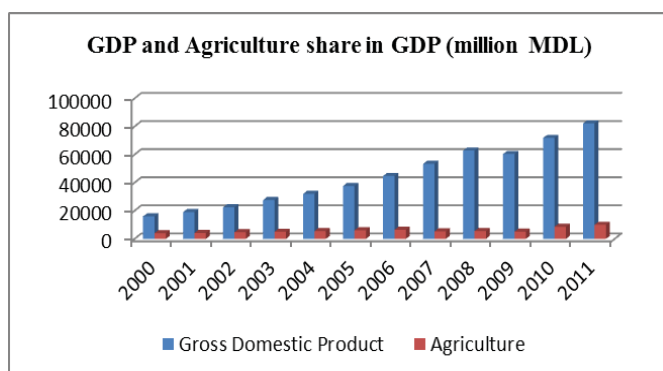
² PPP GNI is gross national income (GNI) converted to international dollars using purchasing power parity rates

Agriculture and agri-industry combined represents about 36% of GDP, accounts for 27.52% of employment and about 41% of exports in 2011. Agricultural production amounted to roughly 1,4billion Euro in 2011 (in current prices) an increase of 4,6 % on the previous year. In 2012, the population was estimated at 3,56 million (excluding Transnistria), a predominantly rural society, about 54% of the population live in towns and villages and approximately 22% in the capital, Chisinau.

Agriculture Sector	2008	2009	2010	2011
GDP billions USD (official exchange rate)	5.54	5.32	5.23	6.51
GDP billions MDL	57.6	59.1	64.7	76.5
Budget expenditure billions USD	2.51	2.47	2.37	2.73
Budget expenditure billions MDL	26.1	27.4	29.3	32.1
Agriculture % of total budget expenditure	2.9%	2.7%	3.1%	2.6%
Agriculture % of GDP	8.8%	8.5%	12.0%	12.3%

National Bureau of Statistics, Moldova

Between 2000-2011, Moldova's GDP grew an average of 6% per year. In 2011 due to the real appreciation of the domestic currency, the Moldovan MDL, GDP per capita grew from US \$354 to US\$ 3400³. Moldova's economy is agro-industrial, but with a high reliance on remittances. Services were the main driver of Moldova's economic growth over this period accounting for 63,5% in 2011. The agriculture share of GDP has shrunk from 31% in 2000⁴ to around 16.2% (PPP 2011⁵). However, when the agricultural sector is combined with the agro-processing sector, the importance of agriculture to the Moldovan economy as a combined sector, accounts for approximately 36% of GDP.



In recent years remittances spent on consumption have been the driver of GDP growth in Moldova, especially in services, (the 4th highest in the World). In 2006-2012, remittances also became a source of investment growth, primarily into housing, accounting for 23% of GDP in total (WB 2009). Budget expenditures over 1999-2010 were relatively stable, averaging 19% of GDP. A particular feature of

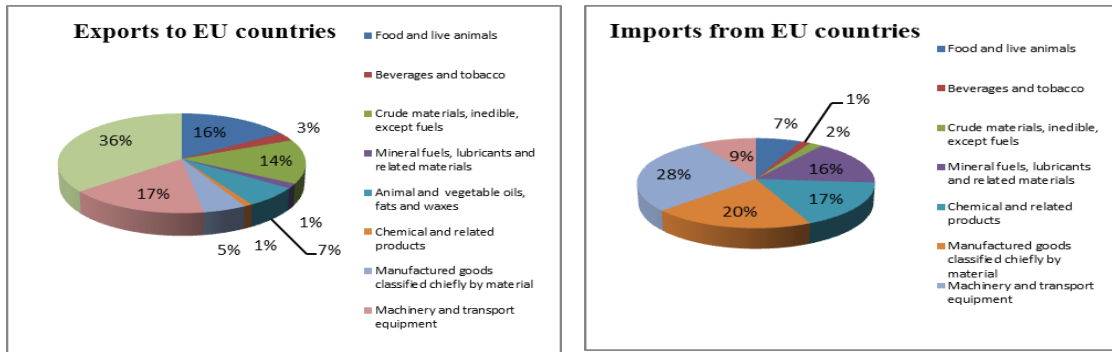
Moldova's economy is a persistently high negative net export balance. Trade deficits have been a constant issue since 1997, with their share of GDP growing steadily since 2000.

Moldova's main trading partners are the EU and CIS, which together account for 90% of the country's foreign trade. In 2011, the volume of bilateral trade between the EU and the Republic of Moldova increased by 27.9%. In 2011 the Republic of Moldova exports to EU countries constituted 1,083 million US\$, while imports from the EU represented 2,256 million US\$. The main products trade is as follows:

³ Moldova Economy Profile 2012 http://www.indexmundi.com/moldova/economy_profile.html

⁴ <http://motherearthtravel.com/moldova/economy.htm>

⁵ http://www.indexmundi.com/moldova/economy_profile.html



Moldova is dependent on imports to cover 97% of its energy needs. In 2007, energy import costs amounted to approximately US\$645 million, equivalent to 14.6% of GDP or 17.5% of total imports. One quarter of Moldova's electricity imports come from the Kuchurgansk Hydroelectric Station (HES) in Transnistria. Whilst Moldova is a part of the EU Energy Community, nearly all of its natural gas is imported from Russia as Gazprom is the main gas provider to Moldova. The cost of gas supply is of major national importance, and the implementation of the EU Energy Agreement is a major issue.

Current description of the rural economy sector

Employment in agriculture

The overall unemployment rate declined to 6.6% in 2011 (from 7.4% in 2010) driven by job creation in industry and agriculture. The agriculture sector employs more than 27,52% of the working population, and generates 12% of the country's GDP. Of the agriculture work force 25% (80,7 thousand) are directly employed by agri-enterprises, while the other 75% (242,3 thousand) are classified as self-employed.

Income from agricultural activities is low. Household income from agricultural activities has been decreasing over the years, down to 19.1% in 2010, from 28.4 % in 2007. At the same time, income from remittances represented 22.8% of household income in 2010. Encouragingly a recent study⁶ indicates that more than 10% of remittances are spent on investments on farms such as the acquisition of new land, farm buildings or farming machinery.

Rural infrastructure remains in a dilapidated condition. Roads, energy and water for household and irrigation needs have the greatest negative impact on agricultural income.⁷ It is reported that more than 90% of the rural water supply systems are either in need of capital repairs or need to be reconstructed. The Government, with World Bank support, is developing a comprehensive program of national reform that aims to optimize the network of schools and improve efficiency and effectiveness of education. Waste collection services⁸ are to be provided for each town. In urban areas waste collection has 100% coverage whereas in rural areas there are no such services available. Furthermore, in Moldova there are only 180 hectares of land for recycling, while the landfill area is 1800 hectares.⁹

⁶ Rural Out Migration and Land Use in Moldova, 2011 <http://pdc.ceu.hu/archive/00006465/01/cps-research-report-rural-out-migration-moldova-2011.pdf>

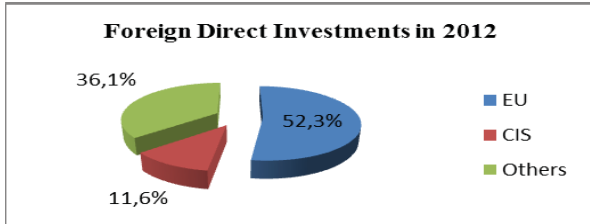
⁷ Analiza pe Țară, Națiunile Unite – Moldova, 2011 http://www.un.md/un_res_coord_sys/docs/Country%20Analysis%20-%20UN%20Moldova_ROM.pdf

⁸ Moldova turns into Europe's landfill, Pravda, October 23, 2012

⁹ Strategia de gestionare a deeurilor, Regiunea de Dezvoltare Sud, <http://www.primaria.causeni.org/2011/11/12/>

Foreign direct investment

The Republic of Moldova is active in seeking foreign direct investment (FDI). FDI inflows amounted to € 274 million in 2011, which was a 44.5% increase on 2010. FDI represented 3.91% of the country's GDP in 2011. In spite of this the agriculture sector remains an unattractive target for FDI; This is due in part to the long-term nature of investment in agriculture and related industry and a need for political and economic stability and predictability.

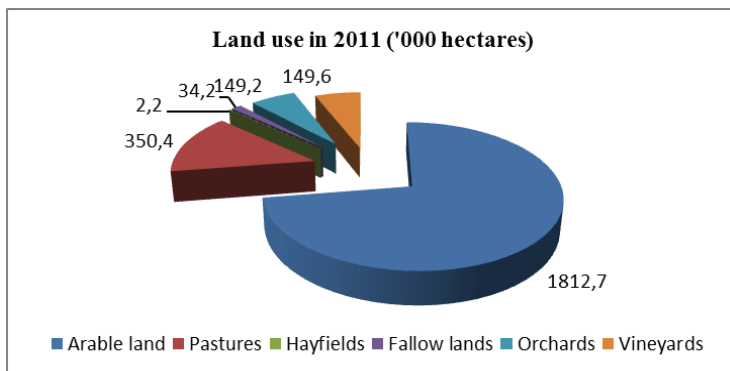


2.2 Agriculture and rural sector

Agriculture has traditionally been a major component of the Moldovan economy. The impact of the transition to a market economy and the associated breakdown of collective and state farms negatively impacted on the agricultural sector.

Land use

Moldova has always been known for its fertile lands and agriculture, the backbone of the economy. The black soils (*chernozem*) of Moldova are amongst the most fertile soils in the world. Arable land accounts for around 74% of total land area equal to 3384,6 thousand hectares, the highest percentage in Europe.

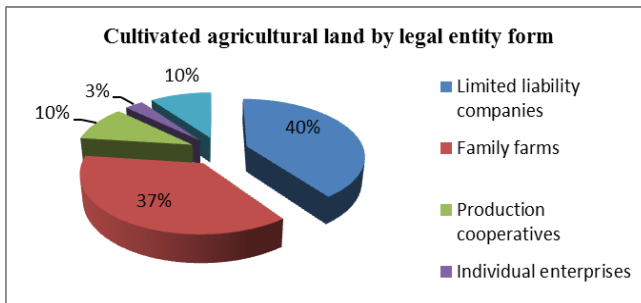


Land ownership and tenure pattern

As a result of the land reform, the structure of agriculture land use has changed. After privatization in the 1990s, a large share of land remains as small individual plots. The privatization process has resulted in an average landholding of 1.4 ha, further sub-divided into separate plots based on land type (arable, orchard, vineyard), to around 1m title holders. In many cases it is not possible to use these small plots efficiently. Production of many traditional crops such as grain, sunflower or sugar beet is dependent on scale and mechanization, and therefore can be performed only on larger, field scale operations. In addition, the farmers / peasants lack the experience, technical skills and finance to develop such production successfully.

Of the total agricultural land 0.66mHa are under a public form of ownership (26.2%) held by: research institutes, colleges, communal grazing and reserve land. A further 1.84mHa is held under a private form of ownership and / or use (73.8%)¹⁰.

A land market is developing and agricultural land is being further consolidated, although at a rate and pace that is not described in any available analyses.



State and profitability of farms and holdings. The agricultural sector is characterized by a total of 1580 agricultural enterprises (as legal persons) in 2010. Agriculture employment accounts for 27.5% of a labour force of 1.27 million

The net (declared) profit of the above mentioned agricultural enterprises registered in 2010 was \$US82,1 mil¹¹.

Soil fertility, erosion, nutrition and productivity, and biodiversity

Agricultural ecosystems, the *chernozem*, cover some 75% and natural ecosystems 15%, of Moldova's land surface. It is the natural wealth of the country, its primary asset. Moldova has one of the smallest forestry sectors in Europe (9,6%). Pastures are degraded due to a lack of management and overgrazing.

Data on current soil fertility show a low humus content, 3.6% in average (and only 2% on 13% of soils), down from the 5,5% at the end of the last century. The macronutrient content is depleted - phosphorus and potassium. The eroded area is expanding by 0.86% a year, an annual loss of fertile soil of about 22 million tonnes, more than 30 tonnes per ha. Orchards, vineyards and arable land are the most eroded.

In 1992-2012 the distribution of land was not accompanied by measures for the conservation and enhancement of soil fertility. Simultaneously the volume of organic fertilizers applied in agriculture decreased 30-40 times (from 6.5 t/ha to 0.2 t/ha), minerals - 11 times. Crop rotations were distorted, perennial grasses decreased by 4-5 times, arable crops increased to 65%, secondary agricultural production is not used as fertilizer. As a result, the humus balance went negative, by 1.1t/ha - the rate of mineralization of organic matter per year.

By the late 1990's humus content decreased to 3.0-3.5%. At a level of 3.1% it is possible to obtain yields of about 2.5t/ha winter wheat and 3.4 t/ha maize grain. The forecast, on current projections, is that by 2025 the humus content in soils in Moldova will reach a critical level of 2.5-3.0%. With this level of fertility it will only be possible to achieve yields of 2.t/ha of winter wheat and 2.8 t/ha maize grain.

The impact of a (fragmented) land ownership pattern on efficiency, production and soil

The fragmentation of agriculture land is limiting the implementation of sustainable and effective methods of agriculture and soil conservation. However, even the larger farms/cooperatives are

¹⁰ Social-economic situation of the Republic of Moldova 2011, NBS

¹¹ Net profit (losses) in agricultural enterprises, in territorial aspect (2008-2010), NBS

not organized to address soil conservation issues, which include soil erosion, landslides and degradation.

Climate change and food security

Food security is recurrently affected by weather conditions. Drought, floods and other extreme events (heavy rain, hail, wind and frost) regularly occur and have a significant impact on rural livelihoods and the economy as a whole. Recent droughts in 2000, 2003, 2006, 2007, 2010 and 2012 have severely affected food security and rural livelihoods and create significant economic shocks. The latest drought, 2012, was severe, with widespread reductions in yields and crop failures. Temperatures in June were 3.7-5.1°C higher than the national average. Precipitation was 15-60% of the average and soil temperatures reached record highs. The effects of the temperatures on the vegetation resulted in a 20% reduction in the area covered by active vegetation, increased prices for animal feed, and a 15-20% reduction in the cattle population. The most impacted regions are in the south

The existence of a disaster risk preparedness and awareness system could have accounted for improved management of the crisis, including reducing destocking, while agricultural producers having improved knowledge and awareness could have contributed to a reduced impact on yields¹².

According to a study on poverty in Moldova conducted by the Ministry of Economy for 2010, poverty declined by 4.4% in 2010, from 26.3% in 2009 to 21.9% in 2010. This is mainly due to increased remittances and higher agricultural prices. The proportion of extremely poor also decreased from 2.1% in 2009 to 1.4% in 2010. The reduction in poverty has mainly happened in rural areas where 80% of the poor live.

One of the basic goals of many development programmes, is to achieve food security for the population., This encompasses the Millennium Development Goals (MDG) and the World Summit on Food Industry (WSFI), aimed to reduce by half the number of hungry people by 2015. A time series of publications from the EU/FAO Improved Global Governance for Food Production are available, including a range of indicators for measurement¹³.

Good Agricultural Practices is a core development measure

Agriculture production

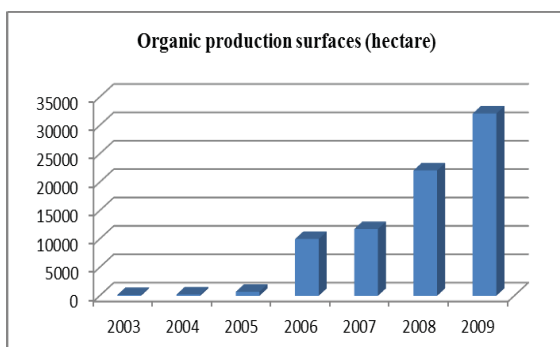
The climatic conditions and high indigenous fertility of soils in Moldova are well suited to the growing of most temperate fruits and vegetables, potatoes, cereals and oilseeds. The value of agricultural production in the national economy for 2011 was 1.4 billion EURO, an increase of 4.6 % compared to 2010. Plant production contributed 68.5% to the overall value, while animal production and services contributed 29.1% and 2.4%, respectively. The State Statistical Service distinguishes between: (i) agricultural enterprises and large-scale farms (10ha and over), and; (ii) Households and small farms (under 10ha).

¹² MAFI: Comprehensive assessment to evaluate the impact of the 2012 drought in Moldova, August 2012

¹³ http://typo3.fao.org/fileadmin/user_upload/eufao-fsi4dm/docs/Moldova_Highlights_April-June_2012_.pdf

In terms of volume households and small farms (less than 10Ha) account for 72% of total agricultural production and 80% of all horticultural products, defined as high value agricultural products, categorised into three main groups:

- (i) Vegetables, including fresh/chilled, frozen and dried vegetables;
- (ii) Fruits and nuts, including fresh/chilled, frozen and dried fruits, and;
- (iii) Processed fruits and vegetable products, including juices and canned fruits and vegetables.



Organic based production

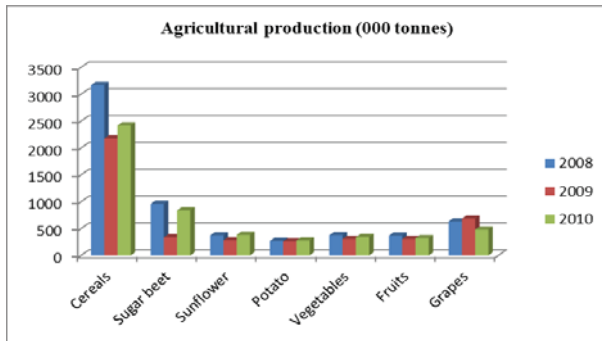
The Republic of Moldova has favourable conditions for the cultivation of a large spectrum of organic value-added agricultural plants. Proximity to the EU market and a demand for organic products may provide opportunities in this sector. The regulatory framework for organic agriculture was set in 2005 with the approval of the Law on Organic Agro-Food Production and a series of

Government regulations and action plans on organic food production, marketing methods, inspection and certification systems, and import and export rules.

The estimated value of all plant- based production in 2010 was 13,6 billion MDL.

Production	National	National	Households & small
	Thousands Hectares	Thousands Tons	%
Sown area	1,460		
<i>Households</i>	735		50%
<i>Farms</i>	725		50%
Cereals and leguminous crops	920	2,421	63%
<i>Wheat</i>	328	744	29%
<i>Barley</i>	133	208	36%
<i>Grain maize</i>	416	1,420	84%
<i>Other cereals</i>	43	49	49%
Industrial crops	388	1,376	19%
<i>Sunflower seeds</i>	252	382	30%
<i>Sugar beet</i>	26	838	13%
<i>Tobacco</i>	4	8	25%
<i>Rape</i>	40	37	8%
<i>Soya</i>	59	111	22%
Forage crops	75		
Potatoes	28	280	83%
Vegetables	38	341	81%
Melons and gourds	10	103	98%
Fruits, berries and nuts	116	322	60%
Grapes	145	482	86%

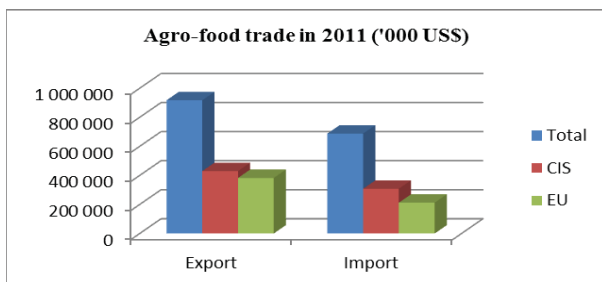
Statistics Yearbook 2011



Main arable: winter wheat, spring and winter barley, oats, soya, peas, sunflower seeds, grain maize, sugar beet, tobacco
Main vegetables: Tomatoes, onions, cabbage, cucumbers, pumpkins, peppers, carrot, red beet, garlic, squash, aubergine, potherb, green peas
Main fruits: apples, plums, sweet and sour cherries, pears, peaches & nectarines, quinces, apricots, soft fruit, walnuts, Table and technical grapes

In particular production of high-value crops, fruit and vegetables, offers the best potential for increased income. Weak and underdeveloped agricultural markets for inputs and outputs keep producer prices depressed, while input prices increase at a faster rate. Between 2009 and 2012, the prices of agricultural inputs increased by 55% for diesel, 50% for seeds and 45% for fertilisers. On the supply side, the low and inconsistent quality of agricultural produce is responsible for the poor marketing opportunities presently available to Moldovan growers. Farmers in Moldova also lack institutional arrangements in the form of voluntary membership organizations to facilitate marketing and other services to better integrate them in vertically coordinated supply chains.

Agro-food exports account for a significant part of total exports. The most export-oriented products are wine and spirits, as well as, both fresh and processed fruit and vegetables. These two categories alone account for nearly 40% of exports. To achieve stable growth in agro-food exports, there is a need to diversify and increase access to high value markets. Increasing exports to the EU would help achieve this diversification and provide access to higher-value markets. Meeting the requirements of global food supply chains is the challenge facing the agro-food sector. The figure below provides information on agro-food trade in 2011, reflecting exports and imports of agro-food products in CIS and EU.



Over the last number of years the net trade in agro-food products has been reducing, while the negative net trade in non-agricultural products has remained constant (at minus 60%). This is an alarming indicator signalling urgent action is needed to improve local production to substitute for imports and strengthen exports.

Issues:

- Low competitiveness due to inefficient structure of production and processing with many small farms and unconsolidated land resources.
- Outdated production and processing equipment and technology
- Limited appropriate infrastructure in rural areas
- Lack of appropriate diversification in rural economy for non-agricultural activity
- Access to Credit, further constrained by a lack of collateral and high interest rates

Animal and animal products

The pattern of animal ownership is highly fragmented. There are very few organised animal based production units in Moldova. Mixed farming (animals and crops) is not practiced, nor are forage crops included as part of normal arable cropping rotations. The net effect is that the availability of grass, forage and concentrate feeds for livestock is constrained and disorganised, exacerbated in the event of extreme weather events. It is up to individual animal owners to organise feeding regimes for their livestock, in part from a right of use of common grazing land and also for production or procurement of winter forage and bedding materials. The legislative basis for common rights and obligations is unclear. It is unclear what responsibility Village Councils have towards taking any actions regarding the management or improvement of communal grazing land. Decisions relating to real property on the local authority (Primaria) balance are confined to majority decisions of the Council to lease, rent or sell parcels of real property.

In 2010 the value of animal production in Moldova was 4.8billion MDL as compared to 13.6billion MDL for plant-based production. Significantly, of the estimated 591,000 tons of milk produced in 2010, households and small holders produced 576,000 tons *or 97% of the total*. The estimated number of cattle per 100 households /small-holdings is 25, of which 18 are milking cows.

Live Animal Populations 2011 (000's)				
Species	Total	Enterprises	Farms	Households
Bovine	216	11	1	204
- Cows	154	4	0.4	150
Sheep & Goats	478	137	2	339
Pigs	905	18	2	885
Horses	52	1	0.0	51
	1651	167	5.4	1479
%		<i>10.1%</i>	<i>0.3%</i>	<i>89.6%</i>

Beef and veal is predominantly from culled cows (cow beef) and unwanted calves (veal). The numbers of livestock on holdings¹⁴ or exploitations shows that the biggest concentration is holdings with less than 5 animals in total excluding poultry. There are only 49 holdings in Moldova that have more than 50 milking cows.

Number Milking Cows	Number of exploitations
>2	31614
>10	245
>20	121
>50	49

Essentially there is no significant commercialised dairy or meat industry. There are practically no mechanised, large scale dairy or meat producers. Most milk comes from small family holdings, where cows are hand milked. Any surplus milk that enters the formal supply chain is supplied in small quantities, with high bacteria counts, through an inefficient collection and distribution system. Average milk prices paid by dairies to producers in 2009, 3.2 lei per litre (€ 0.20), did not cover the estimated real producer cost of 3.5 to 4.0 lei per litre. Most milk is used for domestic use and local direct sales (raw and processed). Only about 10% of the total

¹⁴ SITA - System for Identification and Traceability of Animals

supply of 1.5MT, with a strong summer milk bias, goes to the dairies. The same applies to pork and lamb where producer production costs of 56Lei per kilo (pork) and 33.5Lei per kilo (lamb) do not cover the estimated production costs of 56lei per kilo for pork and just cover lamb production costs at 34.5Lei per kilo¹⁵. Milk and grape production are the highest value agri-products, underlining the importance of milk as a means of nutrition, cash flow and valuation for rural households.

Processed products

Wine and Spirits

With a production of 124,200 tons of wine (as of 2009), Moldova has a well-established wine industry. It has a vineyard area of 148,500Ha of which 107,800Ha are used for commercial production. The remaining 40,700Ha are vineyards planted in villages around the houses used to make home-made wine. In 2009, Moldova was the twenty-second largest wine producing country in the world. Most of the country's commercial wine production is for export.

A significant investment in the wine sector is being provided by the European Investment Bank (EIB), which includes €75 million to finance the development of the quality of the Moldovan wine industry. The loan will address the structural weaknesses of the Moldovan wine industry, from vineyard to final packaging and distribution of wine and will finance projects of small and medium sized enterprises that are active in this sector. This includes local growers, winemakers and associated industries such as bottle production. The EIB funds will be exclusively available for investments related to the production of bottled quality wines of "*Protected Designation of Origin*" or "Protected Geographical Indication". The funding will not to be used for any expansion of the Moldova's wine growing area. This project will be implemented between the beginning of 2011 and the end of 2014.

Food Processing

Agro-industrial activity currently accounts for about 36% of GDP. Food processing, based on local raw materials, is a major industry accounting for 43.5% of industrial output and more than two thirds of exports.

More than 90% of production is destined for export. The fruit and vegetable processing sector comprises of 6 large operators and about 25 small and medium-sized enterprises which employ 19,000 people. The main fruit and vegetable crops processed in Moldova are field tomatoes and apples. Together these comprise more than 70% of all processed output. Various processors convert tomatoes into different products, primarily paste. In addition to these bulk products, other tomato products include tomato ketchup and canned whole tomatoes. Other products include apple pulp processed fruit and vegetables, jams and preserves, and specialty products.

The processing industry is rapidly becoming more competitive through the introduction of new technology to optimise product quality and production efficiency. The product line is diverse. Besides apples and tomatoes, it includes natural juices (clarified and with pulp), nectars, fruit butters, jam and preserves. Processed vegetables include peas, green beans, carrots, beets, sweet peppers, onion, cucumbers, and squash — as either finished or semi-finished products.

The Walnut Industry

Moldova is the 4th largest exporter of shelled walnuts in the world behind the USA, Mexico and China. Moldova is the largest European exporter of shelled walnuts with a volume of 9,163 tons

¹⁵ MAFI, Zootechnical Direction

and a value of € 29.8 million. There are plantations throughout the country in the form of field windbreaks, small household plantations and commercial orchards. The total area of walnut plantations is approximately 6,000 ha. The Walnut Law, 1999, has led to a National Development Program for Walnuts between 2006-2015. The program calls for the sector to expand commercial-size orchard area by 1,000 ha annually and reach 10,000 ha of new orchard by 2015.

The Sugar Industry

The sugar industry in Moldova comprises two branches: sugar beet producers and nine sugar beet processing factories. In this industry which has a season of 100-110 days annually the total processing capacity of the existing is 2.9-3.1 million tons of sugar beet and 350,000-370,000 tons of sugar. The industry employs over 40,000 people.

Honey Production

Moldova's honey production varies from 2,000 to 2,500 tons annually. Moldova exports over 50% of its production annually. The EU and Russia constitute the major market destination for Moldovan honey and beekeeping products. Honey is currently the only animal origin product eligible for export to EU markets.¹⁶

The Tobacco Industry

The cultivation of semi-oriental tobacco is well established in Moldova, a basic ingredient of American cigarettes. A change from seasonal fermentation to non-seasonal (industrial) fermentation in the 70's provided a significant increase in output of fermented tobacco. Moldova is one of the leading Eastern European producers of raw tobacco

Exports and Imports of Fruits & Vegetables 2006-2009, million USD

Category	2006		2007		2008		2009	
	Export	Import	Export	Import	Export	Import	Export	Import
Vegetables, edible (HS2002 - 07)	5.69	10.38	2.65	19.08	3.98	27.33	4.5	24.86
Fruit, edible (HS2002 - 0803-0814)	64.58	20.48	92.85	28.65	43.9	23.73	125.42	40.25
Processed Fruit and Vegetables (HS2002-20)	42.73	14.47	79.48	20.85	51.4	30.13	50.11	20.00

Source: UN Comtrade Database

The CIS remains the biggest market for exported fruit and vegetable products, accounting for 70% in total. EU-27 and other European countries account for the other 30%, mostly in the form of semi-finished products.

Infrastructure

Business environment and infrastructure

Tax legislation in Moldova provides for various benefits, including VAT refund on tangible assets and services, related to long-term investments; exemption from VAT and customs duties on assets included in authorized capital; avoidance of double taxation in accordance with international agreements.

¹⁶ (Other animal products, including poultry, fish and dairy, are still subject to a positive evaluation of the system for food safety and animal health by the DG SANCO as part of the 3rd country process for access to EU markets, initiated in 2002.

The Public-Private Partnership mechanism allows provision of services, partially or fully, by private companies with transfer of the construction, operation and financing risk to the private sector (Law on public-private partnership No. 179-XVI of July 10, 2008).

Free Economic Zones provide significant benefits for manufacturers (Law on Free Economic Zones No. 440-XV of July 27, 2001). In 2010 there were 7 FEZ, 159 enterprises registered. i. To date, the total investment in the development of FEZ for is \$129m; \$12.3m of this is was in 2010. Tax and customs regimes, similar to the regime of the free economic zone are also provided for Giurgiulesti International Free Port and the Free International Airport “Marculesti”.

The adoption of the new *Law on Industrial Parks* (No. 182 of July 15, 2010) created new conditions for attracting investment in the development of the industrial sector The law provides for state support in obtaining authorizations to operate (the principle of “single window”), It also legislates for special benefits associated with the use and redemption of assets, official inspections, and a support mechanism for investment projects of national significance. In addition, three research and technology parks and an innovation incubator have been established, in energy and electronics as well as intensive agriculture.

Market Infrastructure

Government Decision no. 741, 17 August 2010, launched the “Food Products' Market Infrastructure Development Programme” This programme includes the identification of a suitable market location and the establishment of a market company. This Governmental Decision was based on a law of 2006 on the operation and organization of agricultural and food markets and the sustainable national development strategy for the agro-industrial complex (2008-2015). The action plan included detailed steps for the development of a wholesale market for Chisinau as well as for local and regional markets.

Irrigation and high value agriculture

The total are of water resources which is economically available is 5.6km³, comprising 4.3km³ of surface waters and 1.3km³ of ground waters. The water quality of the two main rivers, the Prut and Dniester, is considered suitable for drinking and irrigation purposes. The quality of small internal rivers and streams belongs, in general, to the class of “polluted” or even “very polluted”. In addition, some of the internal rivers, especially in the southern part of the country, cross-cut rock masses with high salt content which makes their waters unsuitable for direct use. Natural wetlands on floodplains have been drained for agriculture and irrigation, together with the construction of levees to protect land and settlements against floods.

The two main rivers are the prime source of irrigation water for agriculture. The topography requires water to be pumped uphill from the river valleys. In soviet times over 200,000ha were irrigated, with pumping heights of up to 400m, in 3-4 levels. The current economic pumping height is approximately 70metres above river level, which constrains the irrigable area to around 25,000-30,000Ha.

The soviet era systems are dilapidated and inappropriate for the post privatisation distributed land holding pattern. The outdated irrigation infrastructure has emerged as a critical issue for future successful development of the fruit and vegetable sector. Irrigation is essential in vegetable production, and is highly recommended for orchards and vineyards. Recent statistical data reveal that only between 5 and 10% (or approximately 10,000-20,000 hectares) of previously (pre-1990) irrigated land is currently irrigated. The poor and constantly deteriorating pumping plants and deficient distribution systems do not encourage the private sector to invest in new small-scale irrigation equipment.

The central hot semi-humid and south hot-arid zones are the most vulnerable to extreme climate conditions, now increasing in incidence. Provision of irrigation in appropriate areas within these two zones would provide significant benefits even under current conditions. According to some estimates, 1,237 million hectares out of 2,682 million hectares of arable lands, about are suitable for irrigation. Suitability is limited by both land and water characteristics, and degradation processes have further reduced the land areas which can be irrigated.

Food Safety, Animal and Plant Health

The success of agriculture and agricultural producers of Moldova depends on compliance with international standards and quality systems. Modernization of the Moldovan system of management of quality, food safety, animal and plant health is critically needed to maintain access to profitable market segments, as well as to acquire and increase access to new export markets through diversification, especially in the expanding EU. Replacement of the present system of mandatory standards and overlapping inspections by one based on fewer mandatory regulations, voluntary standards, and streamlined inspections will reduce costs, increase competitiveness and improve food safety and agricultural health.

A national strategy for the period 2011-2015, aimed at strengthening the food safety system has been approved by the Government. The aim of the strategy is to avoid fragmented legislation and vague distribution of responsibilities between ministries, food control services and food business operators. In this way it will protect public health, prevent fraud and deception and facilitate trade. The Moldovan population will be provided with information and receive education on food safety and quality and healthy nutrition as part of the national education programmes.

In accordance with recommendations of EC the Single Authority on Food Safety (Sanitary-Veterinary and Animal Origin Food Safety Agency, ANSA), will be created in 2013. Also in accordance with the stipulations of the new food safety law “Regulation for establishing general principles and requirements of food safety”, adopted by the Parliament on 18.05.2012, all responsibilities for food safety in all aspects lie with the Ministry of Agriculture and Food Industry.

"Farm to fork" infrastructure

Moldova began the application process for third country status (milk, fish and poultry products) in 2002. Since then there have been assessments by DG SANCO of the system of animal health and food safety in the country. To date honey is the only animal product which may be exported to EU member state markets.

The EU “Farm to fork” principle has become a subject of serious discussions in the GoM after initiation of negotiations with EU on the Association Agreement, including a DCFTA. Consequently, the GoM has a radical reform agenda in the sector, including the adoption of a new set of legal acts on food safety, necessary institutional arrangements, including establishment of the new Food Safety Agency and further reforms of the laboratory testing system.

The Association Agreement and DCFTA negotiations should be completed by Autumn 2013¹⁷. Core to this agreement are the SPS issues, the infrastructure, including establishing the FSA, further upgrades to the laboratory network and establishing the digital registers and control systems. These further reforms and investments are estimated at € 20m, of which € 9m has been secured (World Bank). It is likely that a substantial part of the outstanding developments will be supported under CIB allocations (currently in preparation). The success of these upgrades will be further contingent on the appropriate state budget structures, and amounts available, and funded under state budget provisions to maintain and administer the system. State resources, to date, have been limited.

An example is the IT / e-agriculture domain¹⁸, which includes registers and veterinary control systems. The cost and impact of the required and envisaged upgraded and additional information system modules within the e-Agriculture structures are significant, and further need to function under the new regime of the Food Safety Authority, ANSA, which comes into effect from 1st January 2013.

A strong political resolve is required in the reforming of the system for food safety and animal and plant health and in ensuring provision for adequate budget structures to enable their efficient operation. To date the process has been mainly driven by donors.

Availability of extension, advisory and training services

Agricultural extension services are currently well developed through a network of non-state institutions, private companies, technical assistance projects, and farmer organizations. The foundations for the extension system were established with technical assistance from the World Bank Rural Investment and Services Project (supported by EC TACIS). Extension services are offered by the National Agency for Rural Development (ACSA), which employs 425 consultants across the country; the UniAgroProtect network of 17 regional Agricultural Producers Associations; the National Farmers Federation, and the National Federation Agro-Inform. Farmers' advisory services provide ad-hoc consultations, seminars, and training on a wide range of topics promoting good agricultural practices.

These organisations are driven by agendas predominantly set by donor and support organisations using the networks for implementation of outcomes, indicated by actions in regions. The conception was, and remains, that ACSA, as a budget organisation (NGO status), would never achieve more than 60% cost cover through donor / client contracts, and would rely on continued state budget support.

¹⁷ A point of issue is the position of Transnistria in joining the DCFTA. Any benefits enjoyed by the region would be deprived under the EU Autonomous Trade Preferences (ATP) on agreement of a DCFTA

¹⁸ e-Agriculture portal, which is an integral part of the Strategic Program for Governance Technological Modernization (E-Transformation), approved by Government Decision no. 710, 20 September 2011.

3. Government Policy for the agriculture and rural development sectors

National Policies

The National Development Strategy "*Moldova 2020, "7 Solutions for Economic Growth and Poverty Reduction"*", approved in 2012, is the primary strategy at the national level articulating a vision of cohesive long-term sustainable economic growth, focused on the following development priorities:

1. Aligning the education system to labour market needs in order to enhance labour productivity and increase employment in the economy.
2. Increasing public investment in the national and local road infrastructure, in order to reduce transportation costs and increase the speed of access.
3. Reducing financing costs by increasing competition in the financial sector and developing risk management tools.
4. Improving the business climate, promoting competition policies, streamlining the regulatory framework and applying information technologies in public services for businesses and citizens.
5. Reducing energy consumption by increasing energy efficiency and using renewable energy sources.
6. Ensuring financial sustainability of the pension system in order to secure an appropriate rate of wage replacement.
7. Increasing the quality and efficiency of justice and fighting corruption in order to ensure an equitable access to public goods for all citizens.

On the basis of the Government's Activity Program, *European Integration: Freedom, Democracy, Welfare 2011-2014*¹⁹, the Ministry of Agriculture and Food Industry has developed "*Strategic priorities for the activities of the Ministry of Agriculture and Food Industry of the Republic of Moldova in the years 2011 – 2015*"²⁰. This is a strategic paper that sets the main priorities of the sector for a period of 4 years and serves as a basis for policies promoted by the MAFI. The priorities cover 8 areas that represent the most critical and important aspects for development of the agricultural sector in Moldova.

The National Strategy for Regional Development, refers to the North, Central and South regions of the country, as opposed to greater Chisinau, Gagauzia and Transnistria where priority actions are not yet taken. The National Development Strategy also aims to promote so-called secondary growth-poles - towns located in the rural areas such as: Ungheni, Orhei, Hincesti and Cahul and Floresti – as engines for rural development.

'*Rethink Moldova*' is a government communiqué presenting the vision of the Government of the Republic of Moldova for achieving its five-pillar reform priorities: European integration, economic recovery, rule of law, administrative and fiscal decentralization and reunification of the country. Included is a framework for development of the (rural) infrastructure and high value agriculture.

Agriculture Policy

The development potential of the agricultural sector is one of the key areas of economic policy of the Republic of Moldova. The Ministry Agriculture and Food Industry has adopted *Strategic priorities for the activities of the Ministry of Agriculture and Food Industry of the Republic of*

¹⁹ <http://www.gov.md/doc.php?l=en&idc=445&id=3729>

²⁰ <http://maia.gov.md/doc.php?l=ro&idc=48&id=14595>

Moldova in the years 2011 – 2015. The general goal is to ensure agro-industrial sector sustainable growth and rural area living standards' improvement through increase of sector's competitiveness and productivity under the general scope of environment protection, and divided under a number of headline activities under which actions are proposed.

1. Food Safety Strategy 2011-2015
2. Development of modern market infrastructure and import substitution
3. Conservative / low till agriculture
4. Milk and meat production sector
5. Support development of renewable energy from agricultural raw materials
6. Reorganisation of the agricultural subsidy system to support the implementation of policies for modernisation of strategic sectors
7. Basic information systems to support the functioning of the food chain
8. Support the development of high value agricultural production

It is within this framework that the MAFI utilises state budget funds for agriculture support, including EU Budget Support. The Economic Stimulation in Rural Areas, Sector Policy Support Programme (the ESRA SPSP) is in the process of implementation. This is an EUR 45 million programme, which will receive an additional Euro14 million top-up from EaPIC in 2013. This top-up is intended to be used through an ENPARD style programme, developed by the MAFI, focusing on enterprise modernisation. The ENPARD style measures that would be attached to the ESRA policy framework in the areas are

- Supporting horizontal cooperation and vertical integration of producers groups through direct investments in shared production, storage, processing and logistic infrastructure
- Support the development of production of GI and Traditional Specialities in rural area
- Support in the development of organic production, marketing and certification
- Support the implementation of EU food quality and safety standards in the milk, fruit and vegetable sectors
- Support in creation of a system of farmer's markets in rural areas

In general the economic stimulation aspect of the ESRA²¹, focused on SME development, falls much within the authority and control of the Ministry of Economy; the agriculture and rural development aspect under the MAFI. This division of competence also represents political arenas in competition for budget support funds. The competence issue underlines a need to get the rural development space defined and related policy determined, and strategy and action plan developed.

3.1 Description and assessment of the state of the art in national regulations

Multilateral context

Moldova has been a Member of the WTO since 26 July 2001. Moldova is also a member of the Commonwealth of Independent States (CIS) since 1994. The CIS does not have supranational powers, but promotes cooperation in various fields. Moldova is also a party to the amended and enlarged Central European Free Trade Agreement (CEFTA), which entered into force on 26 July 2007. Moldova has concluded 16 agreements on market access within the CIS and the Pact on Stability in South-Eastern Europe.

²¹ The ESRA programme helps to implement the EU Moldova Action Plan, especially regarding art. 22 "promote balanced regional development, reduce economic and social disparities across the country, promote growth of SMEs in regions and rural areas", and art. 43 "developing appropriate infrastructure for SMEs".

Autonomous Trade Preferences for Moldova

In the ENP Action Plan for Moldova the EU agreed to consider granting Moldova additional Autonomous Trade Preferences (ATPs) beyond the GSP+ preferences, provided that some substantive progress was made in the area of customs control. In January 2008 the Council adopted Regulation (EC) No 55/2008 on ATPs for Moldova (as amended by Reg. (EC) 1210/2008) by giving unlimited and duty free access to the EU market for all products originating in Moldova, except for certain agricultural products. To avoid overlapping systems of preferences, Moldova was removed from the list of GSP beneficiaries. The ATP Regulation was again amended in 2011 (entry into force on 1 July 2011) to increase tariff rate quotas from wine (from 2011), wheat, barley and maize (as from 2013), and to extend the validity by 3 years to December 2015. Once, and if agreed, the DCFTA provisions will replace the GSP.

Deep and Comprehensive Free Trade Area, DCFTA

In line with the Joint Declaration of the Prague Eastern Partnership Summit of 7 May 2009, negotiations on a deep and comprehensive FTA (DCFTA as a core element of the new Association Agreement) were launched in February 2012. The EC provided in December 2009, a comprehensive questionnaire to assess the situation in the country on matters covered by the DCFTA. Among the key economic and trade interest of Moldova regarding the agricultural sector would be the market access of cereals and oilseed crops, sugar, fruits and vegetables, wine and spirits, milk and milk products, cattle, sheep and goats, poultry and eggs, pork, honey and other agricultural products.

The defined Comprehensive Institution Building Programme (CIB) for Moldova, 2011 to 2013, regarding support in developing the DCFTA, built around an institutional framework including:

- Ministry of Economy, MoE.
- National Agency for the Protection of Competition, NAPC.
- The State Agency of Intellectual Property, AGEPI.
- Ministry of Agriculture and Food Industry, MAFI.
- General Inspectorate for Phyto-sanitary Surveillance and Seed Control, GISC.
- The Sanitary-Veterinary and Animal Origin Food Safety Agency, FSA.
- Ministry of Health Public Health Service, in charge of non-animal food products, PHS.

As of Autumn 2012, 23 of the 25 DCFTA chapters have been negotiated, leaving 2 chapters including agriculture to finalise. It is expected that the negotiations for the Association Agreement and DCFTA will be finalised in 2013.

3.2 Description and assessment of the current and planned Governments agriculture and rural development policy interventions and/or strategies

State provisions for agriculture and rural development

The Government Programme '*European Integration: Freedom, Democracy, Welfare*' provides a policy framework for 2011-2014, including goals for the development of the agro-food sector. For 2012 expenditure provisions for the group "Agriculture, forestry, fishing and water management" amounted to 961.9 million MDL (approximately € 60m). Budget allocations for agriculture increased in 2012, reversing a trend of budget decreases, by approximately 14.8% or by 121 million MDL. The value expressed as a percentage of GDP increased from 1.02% to 1.05% in 2012, less than the level reached in 2008 when they were 1.82%²².

²² http://www.expert-grup.org/library_upld/d419.pdf

This budget increase is a signal that the Government is placing greater priority on agriculture and rural development. Only roads, environment and energy enjoyed greater increases in the share of total state budget expenditures, sectors that indirectly also contribute to rural development.

Strategies and planned interventions and their status and importance

Based on the current situation in agriculture and rural development, and having analyzed internal and external conditions in the sector, the Ministry Agriculture and Food Industry has adopted the *Strategic priorities for the activities of the Ministry of Agriculture and Food Industry of the Republic of Moldova in the years 2011 – 2015*. The Strategy links the development of agricultural policy with the broader policy of European integration and sets out the need for changes to Moldovan agriculture to remain competitive on both domestic and European markets. The priorities to be achieved in the medium term, including key measures envisaged, are following:

Priority areas		Key measures envisaged
1	Promote food safety reform	Action Plan for operations of the Food Safety Agency; Drafting and promoting legal and normative acts; Adopting Action Plans for re-introduction of BIPs; Action Plan for re-organizing food safety laboratories.
2	Restructure and modernise the wine sector	Set-up of the Wine and Vine Office (PPP initiative); Revise legislation on wine; Develop a Wine Strategy; Develop a Wine and Vine Register Concept (co-participates the Competitiveness Enhancement and Enterprise Development -II Project by USAID); Finalise the National Brand “Vin Moldova”; Continue implementing the EIB financial agreement; Promotion of GI schemes.
3	Support the development of modern market infrastructure	Set-up Chisinau Wholesale Market: Elaborate bankable Business Plan; Develop Feasibility Study; Prepare the Operational Plan; Develop Wholesale Market Design; Operations of the Wholesale Market Company SA; Transfer of land to the WM Company SA. Set-up regional wholesale markets; Post-harvest infrastructure and quality assurance
4	Reorganise education and research resources	Define constraints of the current system; Develop the Strategy on reforming education - research - innovation system, based on integrity (value chain aspects, clusters etc.); Strategy on Development of Rural Extension Services.
5	Reorganise the agricultural subsidy system	Multifunctional analysis of the current measures. Proposals for revised measures for 2012 and 2013. Set-up long-term objectives/measures.
6	Implement a conservative / low-till agriculture and irrigation systems	Food Security. Technological efficiency. Positive impact and environment sustainability.
7	Support development of	Livestock.

	strategic sectors with emphasis on added value production – fruits and vegetables, milk and meat, and genetic resources	Fruits and vegetables. Milk, including genetic resources. Meat, including genetic resources.
8	Explore the biomass potential	Identify technical and technological potential of biomass processing. Develop a national Register for energetic crops eligible for cultivation on agricultural land in RM. Elaborate the legal basis on eligibility of agricultural land destination for energetic crops. Facilitate the farmers' access to renewable resources.
9	Implement basic information systems needed to support the functioning of the food chain	Agri-food Information System needs analysis Develop the Integrated Concept and feasibility study Evidence (farm register, perennial crops, agricultural machinery etc.) Traceability (animal and non-animal origin products).
10	Prepare for DCFTA negotiations	Product analysis as input into negotiating position. SPS (Sanitary and Phytosanitary measures). Prioritization of legislation on the basis of policies. Legislative Action Plan.

3.3 How correspondent Government programs fit into the ENPARD approach

The MAFI is developing a system that is 'ENPARD compliant, by developing a policy framework and structure designed to accommodate classic arrangements for transacting structural adjustment funds. It is seen that an ENPARD would an opportunity for the development and modernization of agriculture and the rural environment.

Besides financing arrangements, ENPARD would also support the transfer of models and practices working in states that have recently acceded to the European Union. Furthermore, ENPARD would support agricultural stakeholders, in particular incorporated enterprises and approved establishments, in order to benefit from improved access to the European market, especially once the DCFTA will be completed.

Government programmes in agriculture are tailored to fit an ENPARD approach, formulated in many regards with EU integration as a primary goal. The approach was presented by the Minister for Agriculture and Food Industry to a Senior Officials Conference on the ENPARD in June 2012, 'Tailoring ENPARD to national challenges and needs – view of a neighbouring country'. The mid-term priorities for agriculture and rural development within the context of the objectives of the ENPARD Programme are to:

- Improve rural livelihoods by facilitating inclusive economic growth and sustainable – economically, socially and environmentally – development of rural areas.
- Contribute to food security and food safety benefiting the whole populations of the countries.
- Develop and strengthen the capacities of both public administration and civil society fostering an inclusive process.

by support and interventions in four main areas:

- Area 1: Economic growth and improved livelihoods in rural areas.
- Area 2: Food safety and Food security.
- Area 3: Rural infrastructure development.
- Area 4: Public administration and civil society capacity development.

The mechanism for support would be as treasury allocations transacted through the AIPA, the Agency for Intervention and Payments in Agriculture, the Paying Agency. The Agency is subordinated to the MAFI, already established with a large staff (reported as 64 as compared to 95 in the MAFI), and responsible for all state funded support and subsidy payments in agriculture. The AIPA will be integrated within the newly established 'Agriculture Information Centre', as an e-Agriculture facility.

3.4 Policy and Strategy critique

There is a clear and defined strategy in place for the MAFI, 2011-2015, with arrangements for payments and intervention in agriculture, a key element of the institutional structure regarding a future ENPARD programme. There have been many policy and strategy documents, general and sector specific, over the years. The current strategic priorities has been developed under the direction of the Minister, with advice from the EU High Level Policy Advice Mission to the Republic of Moldova - UNDP. The priorities are not adopted by Government Decision, rather it is a 'road-map' for the targeting and use of available resources.

1. Competence in the area of rural development: there is no definition of scope or competence regarding rural development. Taking guidance from Council Regulation (EC) No. 1698/2005, rural development policy (2007 to 2013) is focused on three themes:

- improving the competitiveness of the agricultural and forestry sector;
- improving the environment and the countryside;
- improving the quality of life in rural areas and encouraging diversification of the rural economy.

The rural area is a wide space encompassing diverse interests. A very large number of the rural population have livelihoods orientated to some extent on the production of agricultural products. The strategic priorities set out by MAFI do not currently address this rural development space from a 'bottom-up', or local governance perspective. The decision making process is centralised within the institutional arrangements, as they relate to upgrading the sector to take advantage of the opportunities afforded by wide access to EU markets, subject mainly to overcoming TBT / SPS barriers.

There is need for a 'bottom up' perspective developed from the point of view of local decision making, and orientated at the issues identified in the analysis of the sector for Rural Community Development and Livelihoods Enhancement. This is a current and significant 'gap' in the strategic outlook. The MAFI have recognised this gap in their strategic framework and are now in the process of developing a 'rural development' strategy and establishing a Department responsible for rural development.

2. Budget resources available to the sector for reforms and systems development: the EU Association Agreement, including the DCFTA, requires considerable reforms and investments in systems, both in the state and the private sector, to achieve the required levels of quality, safety and assurance. The application for third country status for access to EU markets for animal and animal products began in 2002. This process is still underway, not least because the resources made available for investment in systems and human resources are inadequate.

Whilst at central level there is a highly significant level of approximation in legislation and regulation, at the level of regional authorities, central responsible agencies and agro-enterprises, the situation is quite different. It is predominately business as usual.

The cost of undertaking these reforms is highly significant. There are insufficient funds of the magnitude needed to bring these plans into effect and to manage the existing systems to the full, intended extent. This highlights the 'gap' in availability of adequate resources, human, financial, needed to achieve the stated objectives and outcomes.

Commonly there are too many priorities for the budget resources available. Ambitious schemes that are without available budget - **Prioritise the Priorities**, within the scope of available resources.

4. Assessment of institutional capacity and gap analysis

4.1 Assessment of government institutions for managing, implementing and monitoring an ENPARD approaches

Possible institutional arrangement for implementing ENPARD instruments in **the agriculture and rural development sector** is made up of:

1. Ministry of Agriculture and Food Industry.

Ministry of Agriculture and Food Industry mission is to develop and promote state policy in the field of sustainable development of agro-food sector by raising the sector's competitiveness and productivity, rural development, as well as ensuring food safety and security of the country to create premises for continuous growth of citizens' welfare. Being the central body responsible for agriculture and rural development, in order to implement the ENPARD instruments provided for Moldova, the Ministry of Agriculture and Food Industry will define the relevant policies, priorities and multi-annual programmes to be developed and implemented, including negotiating of terms and conditions. The Ministry need support and capacity building and further assistance to increase the capacity to define policies as needed, in order to manage on its own efficient implementation of the development programs. There are three advisors, in place since 2010, providing close support to the MAFI

2. Ministry of Finance.

The Ministry of Finance is the central body of the public administration, which develops and promotes the policy of formation and management of public finances, application of financial levers in accordance with the requirements of market economy. Through implementing ENPARD instruments, the Ministry of Finance will be responsible for approval of financial agreements, accreditation of paying agency and auditing expenditures.

3. Agency for Intervention and Payments in Agriculture (AIPA).

The Agency for Intervention and Payments in Agriculture, established by Government Decision no.60 of 4 February 2010, is an administrative body, subordinated to the Ministry of Agriculture and Food Industry, responsible for the efficient management of the financial resources intended to support agricultural producers, their monitoring and evaluation in relation to qualitative and quantitative measures of the impacts generated by supporting farmers by the State.

In the past, agricultural subsidies provided were managed by several institutions – the Ministry of Agriculture and Food Industry, the Ministry of Finance, IS Moldresurse, and Moldova's Water Agency – but there were no common criteria for subsidies distribution. The irregularities in distributing the subsidies, especially the lack of transparency in subsidies provision, were the main reason of the AIPA creation.

The AIPA has a central body and nine territorial entities, covering the whole of Moldova. From the creation, besides the provision and monitoring and control of subsidies, the AIPA collaborated and participated in implementation of various programmes and projects implemented in the agriculture and rural development with the participation of international organizations and donors, commercial banks, saving and credit associations of citizens etc.

The design and development of AIPA is being guided by sector payment systems principles and procedures used by similar agencies established in the EU, in particular in the new

accession countries. The system and procedures of AIPA continue to be developed to allow for integration within a broader planned e-agriculture data system, including a digitised Farm Register. The system is currently hosted by the 'Animal Register' SITA (System for Identification and Traceability of Animals), in the process of reform to become the 'Agriculture Information Centre'. These structures, systems and procedures aim to provide a modern, transparent and administrative platform for the management of both domestic and international funds in support of the sector.

AIPA background²³

The AIPA was established in February 2010 as a result of recommendations to the Moldovan Government, through an Agriculture Policy Project (USAID 2006 and 2009). The main goal was the management of the Agricultural Subsidies Fund, in the amounts of 560 million MDL, nearly \$50m, in 2008, 760 million in 2009, and 400 million in 2010, financed from the state budget and covering yearly 9,800 investment projects of different agricultural and food-processing business units.

Starting in 2011 AIPA developed its own Administration and Control System, similar in function to those in EU member states. A collaboration with USAID, World Bank and other international organizations in November 2010 allowed AIPA to set up and implement the first part (core) of the IT transactional system for the state subsidy system to the agri-food sector: the *AIPA-online Subsidy Management System*. It is currently used by all the regional offices of the AIPA and centrally. This allows for an improved investment impact, accountability of beneficiaries, performance and tracking.

AIPA's main EU counterpart, the Paying and Rural Development Agency of Romania, have significantly contributed to the capacity building of AIPA, starting in 2010. AIPA also signed cooperation Protocols with the paying agencies from of Romania, Lithuania, Hungary and Bulgaria. In this context AIPA will initiate in 2013 twinning projects with paying agency from Lithuania and Hungary, aimed to promote good agricultural practices for farmers, and support the agricultural funds application for young entrepreneurs from Moldova.

The Moldova Agricultural Competitiveness Project (MAC-P) grant delivery mechanism (across two important components) will, from 2013, use the AIPA for disbursements, financial management and monitoring of grant implementation. A WB assessment of AIPA at the end of 2011 concluded that it has strong and reliable operating procedures.

²³ Details on working procedures of Agency for Intervention and Payment in Agriculture (AIPA), Annex 3

4.2 Assessment of agriculture and rural economy stakeholders for managing, implementing and monitoring an ENPARD approaches

An important role in the development of the agriculture and rural development sectors in Moldova is realized by extension and farmers organization at the national level, through the policies and programmes established to support the population engaged in agricultural activities. All these bodies rely on the patronage of third party organisations and donors for financing of activities. Currently, the nationwide extension and farmers' organizations are represented by:

- National Agency for Rural Development (ACSA) - is a non-governmental organization, which has the mission to sustainable development of rural communities through setting-up and developing a professional network of information, consultancy and training service providers for agricultural producers and rural entrepreneurs. ACSA ensures the access of the rural population to knowledge, experience and abilities related to a wide range of fields oriented to economical development of villages in Moldova. Presently ACSA manages a network of 35 service providers, employing about 425 consultants, out of which 75 regional and 350 local consultants. The advisory, information and training services are available to over 60% of the rural population. The advisory network is established through public tender organized yearly by a special committee National Union of Agricultural Producers Association (UniAgroProtect) comprises 17 Agricultural Associations, reuniting 2238 medium enterprises and 24,307 small farmers, labouring all together 800 903 ha (50% of the farmland in Moldova). The UniAgroProtect objective is to provide information and consultations to its members; attract investment and implement new technologies; promote the image of the members in relationship with potential investors; develop marketing; and strengthen efforts to negotiate product prices;
- National Farmers Federation of Moldova (NFFM) is a non-governmental organization established in 1998. NFFM's goal is to improve the welfare of the rural population, through the realization and protecting the civil, economic, social and cultural rights of all land owners and persons practicing agricultural businesses and services. At present, NFFM numbers 11 regional organizations, 9 Centres for Information and Consultancy, over 700 local organizations that include over 27 000 farmers.
- National "AGROinform" Federation is a network of regional non-governmental organizations oriented to support the private agricultural producers from Moldova by providing informational assistance and professional advisory services. At present, the National AGROinform Federation comprises 27 regional non-governmental member organizations.

The extension and farmers' organizations are participating actively in the process of decision making on agriculture and rural development policies, influencing governmental or local authorities decisions aimed to support the rights and legitimate interests of farmers, agricultural producers in promoting and developing the agricultural sector of the country.

Project Implementation Units

PIUs are the usual mechanism for development fund implementation - including the UNDP and the World Bank. Examples in the sector include the CAPMU (Consolidated Agriculture Project Management Unit) and the UNDP PIU for the EU Moldova Biomass Project.

Even though the capacity should exist within the state institutions the budget regulations governing remuneration, allowable expenses and operating premises do not allow for effective, or attractive organisation within ministry structures. The PIU structure avoids these major restrictions, especially for operations that require the implementation of a methodological approach to local operations.

4.3 Assessment of the need for training of the agriculture and rural economy stakeholders

Agricultural extension services represent an important role in the agriculture and rural development sector, through provision of consultancies, training and information on good agricultural practices. Agricultural extension and advisory services are provided by the National Agency for Rural Development (ACSA); the National Union of Agricultural Producers Association (UniAgroProtect); the National Farmers Federation, and the National "AGROinform" Federation.

5. Review of existing on-going programmes

5.1. Collection and comparison of results from different data sources

Foreign donor agencies play a particularly important role in the development of national economy, especially the agriculture and rural sector development. A large number of international and donor organizations including the EU, World Bank, FAO, IFAD, UNDP, USAID, JICA, DFID, SIDA, organizations from Poland and the Netherlands, etc, are providing assistance and finances for supporting agricultural activities, including investments, grants, loans, technical assistance, etc.

Major projects and programmes 2010-2012

EU

The European Union is a major donor to the Republic of Moldova and has allocated more than €500 million to Moldova since 1991. For the period 2010-2013 a further €500 million is provided to support EU integration objectives.

An amount of €273.14 million was allocated to Moldova for its 2011-13 National Indicative Programme (NIP) financed under the European Neighbourhood and Partnership Instrument (ENPI). This includes the €41.16 million earmarked for the Eastern Partnership Comprehensive Institution Building programme (CIB), which is an 'Agreement-driven' programme intended to assist Moldova with institution building for a number of core institutions that are central in preparing the ground for and implementing the future EU-Moldova Agreement. In addition, €6.98 million have been reserved for Cohesion Policy. The overall objectives of bilateral EU assistance for Moldova are agreed in the Country Strategy Paper Country Strategy Paper (2007-2013).

Annual EU assistance from its bilateral programmes for Moldova are €40 million from ENPI 2007, €62.3 million from ENPI 2008, €57 million from ENPI 2009, €67 million from ENPI 2010, and €78 million from ENPI 2011.

Sector budget support operations, including technical assistance and pilot project components, are currently on-going, or in advanced preparatory stages:

- ENPI 2007 social assistance sector support programme with a budget of €21.0.
- ENPI 2008 health sector support programme with a budget of €46.6 million.
- ENPI 2009 water sector support programme with a budget of €50 million.
- ENPI 2010 policy support programme for economic stimulation of rural areas with a budget of €45 million (including a €3 million technical assistance component).

The sector budget support instrument has proven to be effective in the Moldovan context and it is also the preferable assistance instrument for the Government as it offers flexibility for and strengthens the ownership of the Moldovan authorities over support provided, making the assistance more efficient.

FAO

In 2009, FAO and the Republic of Moldova have signed the National Medium-term Priority Framework (NMTPF) 2009 to 2011. The priorities identified by the NMTPF reflect those included in the United Nations Development Assistance Framework (UNDAF) 2007-2011. The NMTPF document describes the priority areas of FAO technical assistance:

Transformation from subsistence to market orientated agriculture

- Land reform and management.
- Animal health.
- Aquaculture.

Management of natural resources and livelihood threats

- Pasture and grazing land management and improvement.
- Climate change and disaster risk management.
- Increasing capacity for monitoring the quality of natural resources.

Governance and regulation of public good functions that support market orientated agriculture, value addition, trade and economic integration

- Assistance to EU integration.
- Food safety, pesticide management and plant quarantine systems.
- Assistance to the 2010 GAC.
- Seed sector development.
- Plant genetic resources.
- Agriculture biotechnology and bio safety - organic agriculture / co existence.

The FAO TCP (Technical Cooperation Programme) is a reflection of the NMTPF and the definition of priorities by the MAFI. TCPs have included:

- TCP/MOL/3203(D): “Preparatory Assistance for the Census of Agriculture - GAC”²⁴
- TCP/MOL/3302 Moldovan Seed Sector Development in the scope of Climate Change and Disaster Risk Mitigation, 2012-2013, \$475K
- GCP /INT/062/GFF Capacity building on Obsolete and POPs Pesticides in EECCA countries (FSP), 2009-2012, \$1m
- GCP /MOL/001/AUS Emergency Assistance to Flood Affected Rural Farming Households 2009-2012, 0.4m
- GCP /MOL/003/ROM Assistance to the general agricultural census of Moldova, 2012-2013, \$0.7m
- GCP /RER/040/EC Improving capacities to eliminate and prevent recurrence of obsolete pesticides as a model for tackling unused hazardous chemicals in the former Soviet Union, 2012-2015, \$8m
- GCP /RER/041/EC Assistance to assess the agriculture and rural development sector in the Eastern Neighbourhood Partner countries, 2012, \$0.374m
- GCP /GLO/275/EC EC/FAO Programme on information systems to improve food security decision-making in the ENP-East Area, 2010-2013, - \$4.2m

WORLD BANK

1.

The World Bank began working in Moldova in 1993, and in the span of nearly 20 years, three quarters of its lending has been to two main areas: general budget support against economic policy reforms (46%) and industry infrastructure (20%). The remaining lending has been towards the rural development sector (14%), human development (11%), and the financial and private sector (8%). According to a World Bank report, published in 2010 subsidies, grants, and

Issue is the development of national definition of agricultural holding for the census, including:

- **Hobby farming.**
- **Kitchen gardens** many are bigger than EUROSTAT definition of kitchen gardens and may be contributing significantly to economy and food security.
- **Agricultural holdings below the EUROSTAT cut-offs:** large in number and contribute substantially (perhaps 30%) to Agriculture GDP
- **Agricultural holdings above the EUROSTAT cut-offs**

other social benefits in Moldova amounted to 12.97 billion MDL in 2009²⁵. Currently, the WB is financing and implementing the following projects:

1. **Moldova Rural Investment and Services Project II** (on-going 2006-2012, total financing US\$ 44.5 million).
2. **Moldova Soil Conservation Project** (on-going 2006-2015, US\$ 5.44 million).
3. **Moldova Agriculture Competitiveness Project** (2011-2014, US\$18.0 million), focused on supporting the modernization of food safety and quality management systems.

The World Bank's current support to the sector comprises three projects. **Moldova Rural Investment and Services Project II** (on-going 2006-2012, total financing US\$ 44.5 million) is the second phase of a two phase Program aimed at providing long-term support to accelerate agricultural recovery and growth through enhanced access to land, finance and advisory services.

Moldova Soil Conservation Project (on-going 2006-2015, US\$ 5.44 million) has the objective to restore a total of 20,000 hectares of degraded agricultural land to productive uses for rural communities and to build capacity for community-based management of 5,400 hectares of these lands. The project's forestation activities also support, through restored productivity and soil conservation, the global objectives of carbon sequestration and reduction of atmospheric greenhouse gas concentrations (estimated emission reductions of 1.9 million tons of CO₂ by 2015).

Moldova Community Forestry Project (on-going 2009-2014, US\$ 13.6 million) has the objective to restore degraded land through forestation to increase economic and environmental use for the benefit of rural communities. The Project sets out to create community forests and protective forest belts on an area of at least 8,157 hectares, with ensuing estimated emission reductions of 2.8 million tons of CO₂ over 30 years. In addition, the project is providing technical assistance to participating communities for improving forest and pasture management.²⁶

Moldova Agriculture Competitiveness Project US\$18.0 million equivalent, a GEF Grant of US\$4.4 million, and a SIDA Grant of approximately US\$4.0 million equivalent) Duration: 2011 – 2014. Project objective is to enhance the competitiveness of the country's agro-food sector by supporting the modernization of food safety and quality management systems, facilitating market access, and promoting agro-environmental and sustainable land management practices.

USAID

USAID/MCC, Agriculture Competitiveness and Enterprise Development {Project, 2011-2016

The Agricultural Competitiveness and Enterprise Development Project (ACED) will work on improving the competitiveness of Moldovan high value agriculture (HVA) by addressing binding constraints in targeted fruit and vegetable value chains at the marketing, production and policy levels. Complementing the upcoming Millennium Challenge Corporation (MCC) investment in irrigation system rehabilitation, ACED will provide critical market development and technical assistance support needed by beneficiaries as they transition to irrigated HVA production. ACED will also represent USAID's first substantial enterprise development effort in

²⁵ Subsidies and other transfers in Moldova <http://www.tradingeconomics.com/moldova/subsidies-and-other-transfers-current-lcu-wb-data.html>

²⁶ World Bank, Moldova Partnership Country Program Snapshot April 2012 <http://www.worldbank.org/content/dam/Worldbank/document/Moldova-Snapshot.pdf>

Transnistria and will focus on helping micro-, small and medium-sized enterprises (MSMEs) in the Transnistrian region grow and become more competitive.

MCA MOLDOVA

Compact Program - Transition to High Value Agriculture Project, 2010-2015.

- Essential support to the agricultural sector is provided by Millennium Challenge Account, which is financing the development of the irrigation sector through the Compact **Program - Transition to High Value Agriculture Project, 2010-2015**. This seeks to act as a catalyst for the investments in high value production by establishing a successful and sustainable model for irrigation systems and water resources management and creating a conducive institutional and policy environment for irrigated agriculture and to increase rural incomes by stimulating growth in high value agriculture.²⁷

The Transition to High Value Agriculture Project of the Compact seeks to act as a catalyst for the investments in high value production by establishing a successful and sustainable model for irrigation systems and water resources management and creating a conducive institutional and policy environment for irrigated agriculture and to increase rural incomes by stimulating growth in high value agriculture. The major activities meant to facilitate the transition to high value agriculture are:

- Rehabilitation of up to 11 irrigation systems.
- Irrigation Sector Reform, including the legal transfer of the management of the rehabilitated systems from the Government to 11 Water Users Associations, established with Compact assistance.
- Facilitation of access to agricultural finance through the Post-Harvest Infrastructure Credit Facility.
- Growing high value agricultural sales.

Expected Results:

- o 11 Water Users Associations established for about 6000 agricultural producers
- o Access to water for irrigation for over 15 500 hectares of farmland
- o Training in advanced agriculture technologies for about 5 thousand farmers.
- o Centralized irrigation Systems to be rehabilitated.
- o Beneficiary communities within irrigation systems areas.²⁸

JICA

Increase of food production / Underprivileged Farmers (2KR), 2001 – ongoing

Financer: **Government of Japan**

Period: **2000-2012**

Total budget: **22,9 mln USD (9 tranches)**

General objective: Increase food production in the republic of Moldova by means of reducing harvest losses and increasing the quality of basic soil preparation.

- *586 agricultural equipment units* bought within 8 tranches;
- *Partner Fund 2KR* was created (in which the financial resources resulting from equipment purchased within the project capitalization operations are accumulated);
- *National Centre for Agricultural Training* was created.

²⁷ Compact Program, Transition to High Value Agriculture Project
http://mca.gov.md/upload/documents/0607121339055327thva_eng.pdf

²⁸ Compact Program, Transition to High Value Agriculture Project
http://mca.gov.md/upload/documents/0607121339055327thva_eng.pdf

IFAD

The portfolio of 5 programmes financed by IFAS comprises, starting with 2000, about 70 million USD.

IFAD I: Rural Financing and Development of Small Enterprises;

IFAD II: Agriculture Revitalization Project 2006-2013;

IFAD III: Rural Enterprises Development Programme;

IFAD IV: Rural Financial Services and Marketing Programme 2009-2014;

IFAD V: Rural Financial Services and Agricultural Business Development Project 2011-2015.

General objective of IFAD programmes: reduce rural poverty in Moldova, creating favourable conditions for the poorest members of rural society in order to increase their income by enhanced access to markets and jobs.

SIDA

The cooperation between Sweden and Moldova is governed by a Cooperation Strategy for the period of 2011 – 2014 adopted by the Swedish Government in February 2011. Sweden is supporting programmes in Moldova through SIDA (Swedish International Development Cooperation Agency) within a country allocation of around 110 million SEK per year and through a special allocation to NGOs which amounts to around 5 – 7 million SEK per year. The list includes on-going projects, as well as indicative or planned contributions.

Investment Climate Reform Project

Duration: 2011 – 2014

Swedish Contribution: SEK 14 000 000

The programme objective is to improve the investment climate of the Republic of Moldova as well as to increase the export capacity of the agricultural sector, by assisting the GoM and the private sector to remove the impediments for the potential investors through implementing reforms in the business sector and to increase the investments and exports capacity of the agricultural sector through addressing the regulatory and quality constraints. The programme goes in line with the Moldova's preparation for the negotiation of the future Deep and Comprehensive Free Trade Agreement.

General Agricultural Census

Duration: December 2010 – December 2012, Agreement valid until: September 2013.

The General Agricultural Census (GAC) was carried out in Moldova in the period 2010 - 2012. Sweden contributed to the implementation of the GAC with approx. 51 percent of the total budget. The objective of programme is to contribute to the strengthening of the competitiveness in rural areas. The GAC will provide data to support the formulation of agriculture sector policies and the preparation, monitoring and the evaluation of development plans and projects related to food, agriculture and rural development (approximately 880,000 records). The information on the size of holdings, land tenure, land use, crop area harvested, irrigation, livestock numbers, labour and other agricultural inputs is also of importance for the Government of Moldova in the future process of negotiating the DCFTA with the EU²⁹

²⁹ List of the projects financed by Sweden in the Republic of Moldova
http://www.ncu.moldova.md/public/files/Project_List_April_2012.pdf, April 2012

5.2. Presentation of benchmarks

Cooperation between the EU and its Eastern European partners - the Republic of Armenia, the Republic of Azerbaijan, the Republic of Belarus, Georgia, the Republic of Moldova and Ukraine – is an important part of the Union's external relations. In the field of regional policy, a dialogue has recently been launched and work programme agreed with the Republic of Moldova. Large programmes on regional development are ongoing in Ukraine and Georgia and discussions are ongoing with the governments of Armenia and Azerbaijan.

For Moldova, preparations on the regional development strategies in view of preparing **Pilot Regional Development Programmes (PRDPs)** are at a final stage and the programme will be launched in 2012. To strengthen the cooperation in the field of agriculture with partner countries, the Commission has started work on a general approach to support this sector.

Ministry of Agriculture and Food Industry plans to create a new department which will deal with rural development policy development. On 12 October 2012, the MAFI sent to the Government of Moldova the amendment to the Government Decision nr.793 from 02 December 2009 regarding the rename of the “General Division for Sector Development Policies” into „General Division for Rural Development and Sector Policies”.

As regards **agriculture and rural development**, it is expected that ENPARD would help partner countries to operate more effectively in foreign markets, to benefit fully from the future DCFTA, to stimulate farming domestically and to promote long-term agricultural and rural development strategies.³⁰

The main benchmarks will be the products that gain access to the EU markets under a DCFTA within the constraints of the quotas, SPS requirements and authorisations and the balance of trade that will ensue between the EU and Moldova.

Taking a Rural Community Empowerment and Livelihoods Enhancement approach, including LAGs, and benchmarking this process, will have to relate to a programme, perhaps structured as:

- Develop rural communities by strengthening the capacity of the local administration and facilitating the participation of the local communities in rural development activities.
- Support the identification and implementation of demand-driven agricultural production and post-harvest projects by producer organizations: adding value to village level production and diversifying rural activities and employment opportunities and market access.
- Increasing levels of understanding of opportunities to respond to climate change and reduce the level of risk associated with extreme weather conditions by the development of specific regional and community programmes that focus upon appropriate and good practices.

³⁰ Eastern Partnership: A Roadmap to the autumn 2013 Summit
http://ec.europa.eu/world/enp/docs/2012_enp_pack/e_pship_roadmap_en.pdf

6. Bottlenecks and SWOT analysis

6.1. Sectors specific SWOT analysis

The agricultural production sector is vulnerable to a series of risks and factors of a natural and anthropogenic character with strong, negative impact on agriculture. Food self-sufficiency is a priority of the Development Strategy of Agro industrial Complex, 2008-2015. The development of this strategy utilised a SWOT analysis:

Strengths:

- *Government has a clear strategy for the strategic development of agriculture as set out in the Government's Activity Program, European Integration: Freedom, Democracy, Welfare 2011-2014 and the progress in the EU Association Agreement and the DCFTA, expected to be finalised in 2013 "The strategic directions of the MAFI and the institutional arrangements for support mechanisms in the agriculture sector are engineered with EU integration and structural adjustment mechanisms in mind*
- *75% of the total land area is arable, the highest in Europe, where over 75% of agricultural holdings are in private property*
- *Production of high value crops, especially fruits and vegetables, is profitable and presents an important potential for increasing revenues*
- *Labour productivity in the agriculture sector has increased in recent years as manpower leaves to other sectors, as well as out of our country*
- *Markets including the land market, agricultural products, financial, are in a continuous development process.*
- *'Moldova' is a well known brand, especially in CIS countries, especially for wines and spirits and fresh produce*

Weakness:

- *While policy for development of agriculture is developed there is no policy, strategy or action plan for rural development, including designation of competence*
- *State budget provisions for agriculture sector are low, especially in areas of TBT and SPS*
- *The approximation process at the centre is not accompanied by implementation in the regions due to budget constraints*
- *The e-Agriculture process, which includes the Paying Agency, is under funded*
- *Productivity is low in comparison with regional countries and varies strongly from year to year*
- *Vulnerability to a number of risks including erosion, land-slides, drought, flood and heavy rain, hail, frosts and earthquake*
- *A semi-subsistence type of agriculture is practiced on small and fragmented land plots, with practically no cooperation amongst growers and farmers*
- *Insufficient promotion of higher value products to the standards and safety demanded by external markets - frequent embargoes by the RF on SPS grounds*
- *No access to EU markets for animal and animal products, except for honey, after 10-years in the 3rd Country process (milk, poultry and fish)*

- *Uncompetitive products*
- *Insufficient market based research and development*
- *Undeveloped market infrastructure including handling, storage, packing, processing, cooling and distribution.*

Opportunities:

- *Opportunity to develop a profitable and productive agri-business*
- *Proximity to developed countries and the EU can allow a rapid transfer of technology that will increase sector productivity;*
- *Consolidation of land use to be managed and administered efficiently will create new opportunities in the agricultural sector*
- *The modernization of quality management is needed to access to new markets, especially EU markets*
- *The improvement of the investment and business climate will allow for an increase of investments in the sector from both local and foreign sources*
- *Improvement of the rural infrastructure by developing the roads and social structures will support business development in the in the rural space and consequently employment and incomes*

Threats:

- *Depopulation and migration trends resulting in significant rural depopulation*
- *Productivity improvement is constrained by old plantations and a dilapidated irrigation infrastructure*
- *Weak linkages in the supply chains and lack of access to markets by the primary producers*
- *Slow progress in transition from GOST standard to international standards*
- *No incorporation of any cross-compliance / good practices requirements into agriculture support mechanisms accompanied by a degrading soil base*
- *Lack of investment in agriculture due to an unfavourable business and investment climate including the ownership of land by companies with foreign capital*
- *Frequency of natural disasters including drought, floods and hail*
- *Lack of a strategy for risk protection³¹*
- *Political uncertainty regarding consistency of policy and strategy*
- *A coalition government with an election due in 2014*

³¹ Scientific Papers Series Management , Economic Engineering in Agriculture and Rural Development Vol.11, Issue 1, 2011, The diminution of the agriculture vulnerability at the risk factors and the environment protection in the Republic of Moldova http://www.managusaamv.ro/fisiere/file/11_1_E.pdf

6.2. List of the most relevant priorities areas

The weaknesses mentioned above have constrained a more sustainable model of development, where economic growth would benefit the wider society, while remaining environmentally-neutral, if not friendly. Time frames tend to be short term and actions speculative.

A more sustainable model of rural development including an agriculture system that is better connected to the markets and offers families and farmers a more rewarding lifestyle and level of income. To develop improved public utilities and services in rural villages and towns as a means of creating a living environment providing at least a minimum comfort level, so that the young see a future and remain, in villages.

Sustainability - the main issues

To decrease vulnerability of the agriculture sector to the various risk factors, risk control may be promoted by means of the following mechanisms and politics:

- **A codex of good agricultural practices:** a sustainable model of production that takes into account the protection of natural resources, norms and standards already in law, the elaboration and adoption of ecological norms and standards of a durable and sustainable agricultural exploitation and landscape;
 - A stable and mixed agricultural system integrating the arable sector with the animal production sector;
 - Promotion of the use of a considered nutrition cycle including organic and inorganic fertilisers;
 - Introduction of the integrated management of plant protection;
 - Re-establishment of good practices for soil management including minimum cultivation techniques;
 - Support in developing agro-production and processing units respecting good practices and in accordance with ecological agriculture regulations;
 - Focusing training education, extension and advisory services toward a form of more sustainable and durable agriculture;
- **A water policy** that allows for more efficient consumption, including a better defined rights of ownership and use.
- **A territorial development policy** that would more carefully balance the interests of rural inhabitants.³²
- **Modernising agriculture production systems** (machines, seeds, fertilizers, fuel, pesticides).

³²Guvernul Republicii Moldova, National Report for UN CSD 2012 Rio+20
http://www.uncsd2012.org/content/documents/782Moldova_Report_RIO20_ENG_12-06-2012_final.pdf

7. Recommendations on actions that could be implemented in a bilateral context

The Economic Stimulation in Rural Area Sector Budget Support Programme, ESRA SPSP, grant of EUR45million is used for budget support (EUR 42 million) and related technical assistance (EUR 3 million). The financing agreement includes a defined policy matrix and outcome indicators against which grant tranche disbursement is determined. The evaluation of performance are benchmarked and assessed against indicators of achievement, specifically:

- Strengthening the entrepreneurial capacities at local level;
- Improving business access to credit and finance;
- Development of the support infrastructure for the enterprise activity;
- Implementation of the gender mainstreaming in the national SME policies;
- Improving entrepreneurship skills training at vocational-education schools;
- Strengthen regional development policies.

Top up funds have been granted to Moldova under the Eastern Partnership Integration and Cooperation -EaPIC, Euro130m. Under the 'More-for-more' principle, the ESRA SPSP will receive a Euro14m EaPIC Top-Up in 2013. The ESRA Top-Up in the 2013 budget year, will go to general treasury, with 80% of the EUR14m fund (EUR11.2million) allocated on the expenditure side to an ESRA reserve, to fund interventions in agriculture and rural development.

An investment framework for the ESRA Top-Up has yet to be agreed, including expected outcomes and tranche release conditions, with competition for funds between the MAFI (agriculture), utilising the proposed ENPARD arrangement, and the MoE (SME development). Once a set of measures has been negotiated and finalised a budget regulation will be developed that sets out the use and application of the ESRA budget reserve. This Top-UP fund will likely be a 'dry-run' for an ENPARD.

A set of proposed areas for intervention were presented by the Minister for Agriculture and Rural Development, June 2012, Senior Officials Conference on the ENPARD. The presentation focused on the two axes for support under an ENPARD, together with horizontal capacity building. The proposal set out six measures under four areas:

Area 1 Economic growth and improved livelihoods in rural areas

Measure 1

- Investment in modernization of primary production, processing, logistics and marketing for (Farms & FBOs)
- Supporting horizontal cooperation of producers and vertical integration along the value chain by direct investments through producers groups into shared production, storage, processing and logistic infrastructure

Measure 2

- Support in the development of production of goods of Geographical Indication and Traditional Specialties guaranteed through identifying registering and producing selected products
- Support in the development of organic production, marketing and certification

Measure 3

- Support in the diversification of rural employment through retraining and micro credits
- Support in the development of agro-tourism and other non-agricultural activities in rural areas

Area 2 Food safety and Food security

Measure 4

- Direct investment in infrastructure and equipment for Primary Producers and Food Business Operators to meet food safety and quality requirements

Area 3 Rural infrastructure development

Measure 5

- Support in the creation of a system of farmers' markets in rural areas through joint investments from producers groups and local authorities.
- Investment in water management infrastructure in rural area.
- Investments in agro-food waste management (including by-product utilisation).

Area 4 Public administration and civil society capacity development

Measure 6

- Capacity building of the Ministry of Agriculture and Food Industry, AIPA and other key institutions for planning implementing and monitoring of rural development policy institutional development and staff training. (Commencing with the preparation / pilot project stage).
- Creation of network of local activities groups linking local authorities with local inhabitants.

Identified gaps for development of agricultural and rural sector in the frame of future actions

The areas and measures identified by the MAFI are biased toward agri-enterprises including those seeking to access EU markets under the preferential trade regimes. There is also a need for a complementary rural development and livelihoods enhancement package to support agriculture related measures at community level, to gain access to services and markets, and an improved infrastructure. This would **produce a balance of elements** that could be included in bi-lateral measures.

1. **A Top-Down 'agriculture' component**, where measures and actions will focus on enterprise modernisation to benefit especially from the DCFTA;
2. **A Bottom-Up 'rural development' component** where measures would be community based, elected on a local development basis, utilising local public administration, civil society and regionalised services (extension, training, veterinary, value adding, communications).
3. An **institution building component** aimed at systems development, mostly human resources and budget provisions, relating to the implementation of harmonised/ revised regulations and standards, monitoring, evaluation and inspection processes at community, local and regional level.

7.1 Pilot actions

Pilot rural development actions could also be included within the extended ESRA activities in 2013-2014, to reflect the conclusions of the regional priorities, framed in the context of the Moldovan situation.

In the first instance work on the development of a Rural Development Policy is being initiated. At the same time the question of competence in rural development is also being pursued, in the context of the MoA's rights and responsibilities. This is an important process given the cross cutting nature of competences including ecology, social infrastructure, energy supply, water and sanitation, SME development, services and other areas. Once competence and policy have been established there follows the measures, means and targeting criteria to support developments in rural communities and develop livelihoods, as related to agriculture and food.

The Moldova ESRA BSP will receive a € 13m EaPIC Top-UP in 2013. The ESRA will include SME development in rural areas and measures to improve the rural infrastructure - local farmer and wholesale markets for example.

This process could form another feedback loop to the Panel on a Rural Infrastructure development Programme. The Moldova ESRA could provide input regarding a regional methodology for the portfolio of measures and the identification and targeting mechanisms for the improvement of rural infrastructure, including:

- The targeting and identification of locations / communities consistent with regional priorities. High Value Agriculture (HVA) targeting measures have been established in the context of beneficiaries of the MCA investment in HVA, eleven locations in Moldova in the plains adjacent to the two main rivers, specialised in the production and supply of fruits and vegetables;
- To determine the involvement of LAGs in the identification of improvements (in the case of HVA and irrigation these could be the Water User Associations);
- The formation of POs for value adding in the post harvest processes of sorting and packing, storage, handling and distribution serving national and export markets;
- The definition of standards and control measures regulating supply to domestic and international markets (technical barriers to trade);
- GAP in production and control of products, irrigation and pest control
- Training, extension and information packages

These actions could be included as part of the Technical Assistance to the MAFI, in the form of capacity building in the ESRA implementation period, 2013-2014, contributing to the Rural Development Policy formulation and issues of competence and supporting measures.

8. Identification of regional gaps and priorities and recommendations for future actions

Cooperation between the EU and its Eastern European partners - the Republic of Armenia, the Republic of Azerbaijan, the Republic of Belarus, Georgia, the Republic of Moldova and Ukraine – is a crucial part of the Union's external relations. The EaP countries form two discrete geographic blocks: the South Caucasian countries of Georgia, Armenia and Azerbaijan, and the Central European countries of Moldova, Ukraine and Belarus.

Eastern Europe (EE)

Belarus, Moldova and Ukraine

Eurasian steppe lands and black soils of Moldova and Ukraine, the marshes, forests and loamy soils of Belarus



South Caucasus (SC)

Armenia, Azerbaijan and Georgia

Trans-Caucasus, the borderlands of Eastern Europe and South-West Asia, defined by the Kura-Aras River Basin, between the Black and Caspian Seas



Platforms are the main tool of the Eastern Partnership (EaP) multilateral track. They reflect the four main areas of cooperation between the Eastern Partner countries and the EU, namely:

- Democracy, good governance and stability (platform 1);
- ✓ **Economic integration and convergence with EU policies (platform 2);**
- Energy security (platform 3) and
- Contacts between people (platform 4).

In accordance with the General Guidelines and Rules of Procedure of the Eastern Partnership Multilateral Platforms (5 June 2009), an “**Eastern Partnership Panel on Agriculture and Rural Development**” has been established. The Directorate General for Agriculture and Rural Development chairs the Agriculture and Rural Development Panel and Directorate General for Development and Cooperation assure consistency of the Panel's proposals with the EU development policies and guidelines.

The Panel objectives shall be the following, as confirmed by the participants of a regional technical workshop on "Agriculture and Rural development in the Eastern Partnership Countries held in Brussels on 19 November 2012:

- facilitate the exchange of experiences and best practices on sustainable development of agriculture and rural areas in the EU and in the Partner Countries, including on sector-specific strategies, policies and institutional capacities,
- serve to support further development and implementation of the European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) – by identifying sector challenges common to the Partner Countries and supporting the Partners in designing common solutions to be applied at national and regional level,
- improve consistency and avoid duplication of measures taken by Partner Countries at national and regional level.

Activities of the Panel shall include:

- Sharing of information and best practices between the Participants (in the form of presentations and exchange of views), including on policy approaches, procedural requirements (incl. stakeholder involvement), administrative and organisational requirements, etc.,
- Identification of areas of intervention that could be considered while identifying programmes to be co-financed by the EU and/or the international financial institutions (IFIs).

8.1. Assessment of regional variations and disparities in agriculture production and rural development, including the livestock sector

In general there are distinct differences between the South Caucasian and Eastern European countries that make up the Eastern Partnership. In the South Caucasian countries the 'self employed' smallholders make up 97.33% of all holdings and account for practically all production of plant and animal products. The 'self-employed' have, in common with the same categories in the Eastern European countries, no fiscal or statistical identity, paying no taxes other than levies or land taxes at local level. Statistics are very broadly based, practically anecdotal, with no data available on market participation, economic size, actual working units.

The small land holdings held by the rural population following land distribution (except in Belarus) are subdivided into separate land plots, by type, including kitchen gardens. This, combined with little association or cooperation, results in a peasant based agriculture. A lack of any packing, storage, handling and distribution infrastructure and market networks constrains value adding through quality and longer season availability with high wastage.

A. Land Use: the EaP6 (SC3 & EE3) compared to the EU27³³				
	SC3	EE3	EU27	TOTAL
Land area Total	18.63m Ha	84.51m Ha	400.42m Ha	503.56M Ha
Agriculture area Ha	9.91m Ha	53.92M Ha	170m Ha	233.8m Ha
Agriculture Area %	53.2%	63.8%	42.5%	46%
Arable	3.25m Ha	42.62m Ha	97.3m Ha	143.2m Ha
Permanent	0.57m Ha	1.33m Ha	10.9m Ha	12.8m Ha
Other	5.60m Ha	9.97m Ha	61.8m Ha	77.37m Ha
B. Land Tenure: the EaP6 (SC3 & EE3) compared to the EU27				
Population Total	16.7m	58.82m	502.5m	578.02m
Rural %	45%	31.55%	23%	24.5%
Rural total	7.51m	18.56m	115.57m	141.64m
In agriculture %	44.3%	9.2%	5.2%	6.7%
In agriculture	7.4m	5.35m	26m	38.75m
Number holdings	2.7m	7.8m	14m	24.5m
Average size HH	1.48Ha	1.4Ha	14Ha	
Private / HH	97.33%	45.9%	47% ³⁴⁾	63.41%
Agri-Enterprises	2.67%	54.1%	53%	

A common feature of the South Caucasian countries, especially following the 2007 drought and restrictions on imports from traditional suppliers of grains, is a push to develop a reliable supply of foodstuffs, especially of wheat. This objective is being supported by area payments and input subsidies provided through treasury arrangements.

This push for grain production is itself forcing land block consolidation initiatives - both formal and through legislative arrangements for producer and agriculture cooperatives, combined with fiscal arrangements to lift barriers, including turnover and VAT thresholds. There are also significant problems in these countries regarding a requirement for irrigation and the consequent problems due to inappropriate practices with salinity, causing land losses to production as well as significant areas of unused land, simply left idle by the owners - many hundreds of thousands of hectares.

In contrast are the very large enterprises in Eastern Europe, in particular Belarus and the Ukraine. However, in the Ukraine and Moldova, there are also very large numbers of title holders of small agriculture land plots, including kitchen gardens, demonstrating the same problems and constraints to development as in the South Caucasian countries, just with better soils and climatic conditions.

³³ EU27 statistics drawn from EUROSTAT, EaP6 as available, and not on the same basis

³⁴ Defined as less than 1 ESU = € 1200

The South Caucasian countries contain very large areas of state owned and communal pasturelands, which are used as the only source of grazing of animals, owned on an individual basis. The herding of animals on a large scale on these pasturelands, summer pastures on the highlands that also form borderlands, results in problems of both a lack of range / grassland management and animal disease control, in-country and trans-boundary. The list of zoonoses present and endemic in the area is extensive. In the Ukraine and Moldova livestock tend to be held by small-holders and grazed on near-by communal lands, there-by constraining production and putting great pressure on (unmanaged) pastures and on ground waters as the animals are housed on household yards.

Trade and enterprise development is a complex issue in all the countries, including negotiation of quotas and tariffs within the trading blocks, including the EU, the Customs Union and in the wider WTO context. At national level the issues are more pragmatic, not least the incorporation of common rules and standards, information on performance and cost structures, and technical barriers, most significantly TBT / SPS.

8.2. Recommendations on actions that could/should be implemented in a regional context

Officials from the Moldovan Ministry of Economy, Ministry of Transport and Road Infrastructure, Ministry of Finance, Ministry of Labour, Ministry of Regional Development and Construction, the National Bank of Moldova as well as the Ministry of Foreign Affairs and European Integration attended the Platform 2 meeting on “Economic integration and convergence with EU policies.”

Moldova’s area of special interest within this platform is agriculture policy, in particular sanitary and phytosanitary issues, intellectual property rights, cooperation in the labour market and social policy, taxation and public finance, including monetary policy and regional economic cooperation.

As a result of the activities undertaken by platform 2, Moldova has signed a Memorandum of Understanding on regional economic cooperation with Georgia and Ukraine. These agreements call for a formal and structured dialogue with an agreed programme of high-level meetings, seminars and studies on the characteristics of regional policy and economic development in the countries concerned.

Framework for multilateral cooperation

The main regional similarities that feature to a greater or lesser degree in each of the EaP countries ARD sectors can be clustered in two distinct groups, namely (a) Agri-food supply chain constraints and inefficiencies and (b) Institutional and policy constraints and inefficiencies::

All of the above challenges can be differentiated by scale in each country, approaches to sector support, policy priorities and objectives, and the extent of involvement in trade but the commonality of the challenges and some of the ways in which these might be overcome provide a platform for further consideration of regional activities that could provide support and benefits for all countries of the region. These support areas/ needs can be considered to fall within three broad thematic areas, as follows:

Agri-food supply chain constraints and inefficiencies

- 1. Fragmented land holdings and lack of producer cooperation and integration*
- 2. Low level of professionalism and training in rural communities*
- 3. Gaps in standards, regulations, legislation and comparative information*
- 4. Lack of food security in strategic cereal and animal origin products*
- 5. Outdated technology and lack of appropriate infrastructure in rural areas*
- 6. No codex or incentives for good agriculture practices*

Institutional and policy constraints and inefficiencies

- 1. Under-developed food safety system: sanitary-veterinary*
- 2. No rural development policy, assigned competence or budget resources*

- 3. *A concentration on production subsidies with no cross compliance mechanism*
- 4. *A need to prioritise the many priorities & include within budget frameworks*

1. *Agriculture and Rural Development policy, institutional and regulatory framework development:*

The rural populations in all EaP countries have long been taken for granted and often ignored in the policy and programming process. One of the consequences of this policy vacuum has been the gradual depopulation of rural areas as the economically active migrate to cities or abroad. These negative demographic trends, combined with a need for a vibrant working population to support agri-industry requires a more robust policy and institutional commitment to be developed in response.

1.1 Rural development policy, competence and budget resources

- 1.1.1 Need for clear rural development policies, assigned competence and strategic priorities, supported by a defined budget framework
- 1.1.2 Need for policies and programmes to promote food security in strategic cereal and animal origin products and realignment of production subsidies and support payments to ensure cross compliance / improvement in farming practices and standards

1.2 Standards and regulations

- 1.2.1 Need to fill gaps in agri-food product standards, regulations, legislation and comparative information on production (gross margins)
- 1.2.2 Need to develop systems to ensure food safety and animal health standards

2. *Agriculture and livestock sector competitiveness and sustainable productivity enhancement*

2.1 Land management and improving the environment

- 2.1.1 Need to develop policies and programmes to address fragmented land holdings and lack of producer cooperation and integration
- 2.1.2 Need to develop programmes to increase professionalism and vocational training of both farming and non-farming rural stakeholders
- 2.1.3 Need to promote improvements in the access and use of appropriate technology and appropriate infrastructure in rural areas
- 2.1.4 Need to develop sensible and manageable codex for good agriculture practices

3. *Community-led rural development*

3.1 Improve the quality of life and encourage diversification of economic activities

- 3.1.1 Need to promote more community driven rural development responses to improve conditions in rural areas
- 3.1.2 Need to promote support systems and measures to encourage (sustainable) diversification of rural economic, social and cultural activities

9. Conclusions and lessons learnt

This study “*Assessment of the Agriculture and Rural Development Sectors in Moldova*” has reviewed the current state of agriculture and rural development sectors of Moldova, recognizing their significant proportion and importance for the national economy, and the crucial need for modernisation. The study covered all stakeholders involved in the agriculture and rural development sectors, including representatives from governmental bodies, international organizations, donors, and non-governmental organizations. The information included in the study envisaged:

- background and key figures of agriculture and rural development sectors in Moldova;
- status of government policies for the agriculture and rural development;
- strategic priorities areas and key measures concerning the development of agricultural policy in Moldova;
- information of the EU-Moldova relations and the principles for supporting agriculture and rural development;
- the importance of identifying problems and solutions for agriculture and rural development;
- how correspondent Government programs fit into the ENPARD approach, and possibility of benefiting of EU funds through an ENPARD programme.

A Workshop (report in Annex), involving main stakeholders, was organised to identify and define national initiatives and priorities for agriculture and rural development sectors. The main recommendations were that:

1. An ENPARD programme should be focused on the strategic priorities concerning the development of agricultural policy, defined by the MAFI in the “*Strategic priorities of the Ministry of Agriculture and Food Industry of the Republic of Moldova in the years 2011–2015*”.
2. The EU Association Agreement, and the DCFTA, require considerable reforms and investments in systems, both in the state and the private sector, in order to achieve the required levels of quality, safety and assurance.
3. The AIPA should be a central institution in ARD, where its structure (central, regional) should be prepared for implementing programs (applications, payments, controls/audits).
4. While agricultural extension services represent an important role in the agriculture and rural development sectors, they also need to be involved actively in the implementation of state agriculture and rural development policies.
5. It is important to establish the E-Agriculture portal.
6. Capacity building to state and private advisory bodies in order to understand RD, ENPARD should be provided.
7. Support for small producers of HVA products and other rural development initiatives should be secured.
8. Consultancy services for small producers regarding the access to funds should be provided.
9. Good information system for all potential beneficiaries on funding opportunities should be provided.
10. Support to small producers and local administrations on preparing applications for funds should be provided.
11. Annual studies on income and losses in agricultural units should be performed.
12. Annual studies on the impact of the subsidies/grants should be performed.
13. Support for development of Farm Accountancy Data Network (FADN) should be performed.

14. Development of an ‘Agricultural and Rural Development Policy Unit’ should be established in the MAFI

Common Regional Agenda Items for the Panel on Agriculture and Rural Development

1	<i>Agriculture and Rural Development policy, institutional and regulatory framework development</i>
1.1	Rural development policy, competence and budget resources
1.1.1	Issue: No rural development policy, assigned competence, or strategic priorities within a defined budget framework.
1.1.2	Issue: inclusion of cross compliance mechanisms within state support measures aimed at improving food security in strategic arable (cereals) and animal products.
1.2	Standards and regulations
1.2.1	Gaps in standards, regulations, legislation and comparative information Issue: a need for common standards meeting international and EU standards, to include compliance measures - monitoring and inspection mechanisms for existing regulations
1.2.2	Under-developed system of food safety and animal health Issue: compliance with SPS standards especially veterinary-sanitary for animals and animal products
2	<i>Agriculture and livestock sector competitiveness and sustainable productivity enhancement</i>
2.1	Land management and improving the environment
2.1.1	Fragmented land holdings and lack of producer cooperation and integration Issue: the predominance of small and fragmented land plots leads to inefficient and insecure supply of agriculture products
2.1.2	Low level of professionalism and training in rural communities Issue: access to training and education for rural producers through extension services, farmer schools and college courses
2.1.3	Outdated technology and lack of appropriate infrastructure in rural areas Issue: outdated and inefficient systems for production and post harvest operations including storage, handling, distribution and markets
2.1.4	Regional codex for good agriculture practices Issue: Definition of a codex for good agricultural practices and the supporting mechanisms, including water and irrigation
3	<i>Community-led rural development</i>
3.1	Improving the quality of life and encouraging diversification of economic activities
3.1.1	Promoting community driven rural development Issue: mechanism to enable community participation in agriculture and rural development policy and strategy development

The first proposed topic for the panel on agriculture and rural development (Technical Workshop 19th November, 2012, is: *'What is Rural Development?'*

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11. Annexes

Annex 1: Agriculture and Rural Development Sector organisation charts

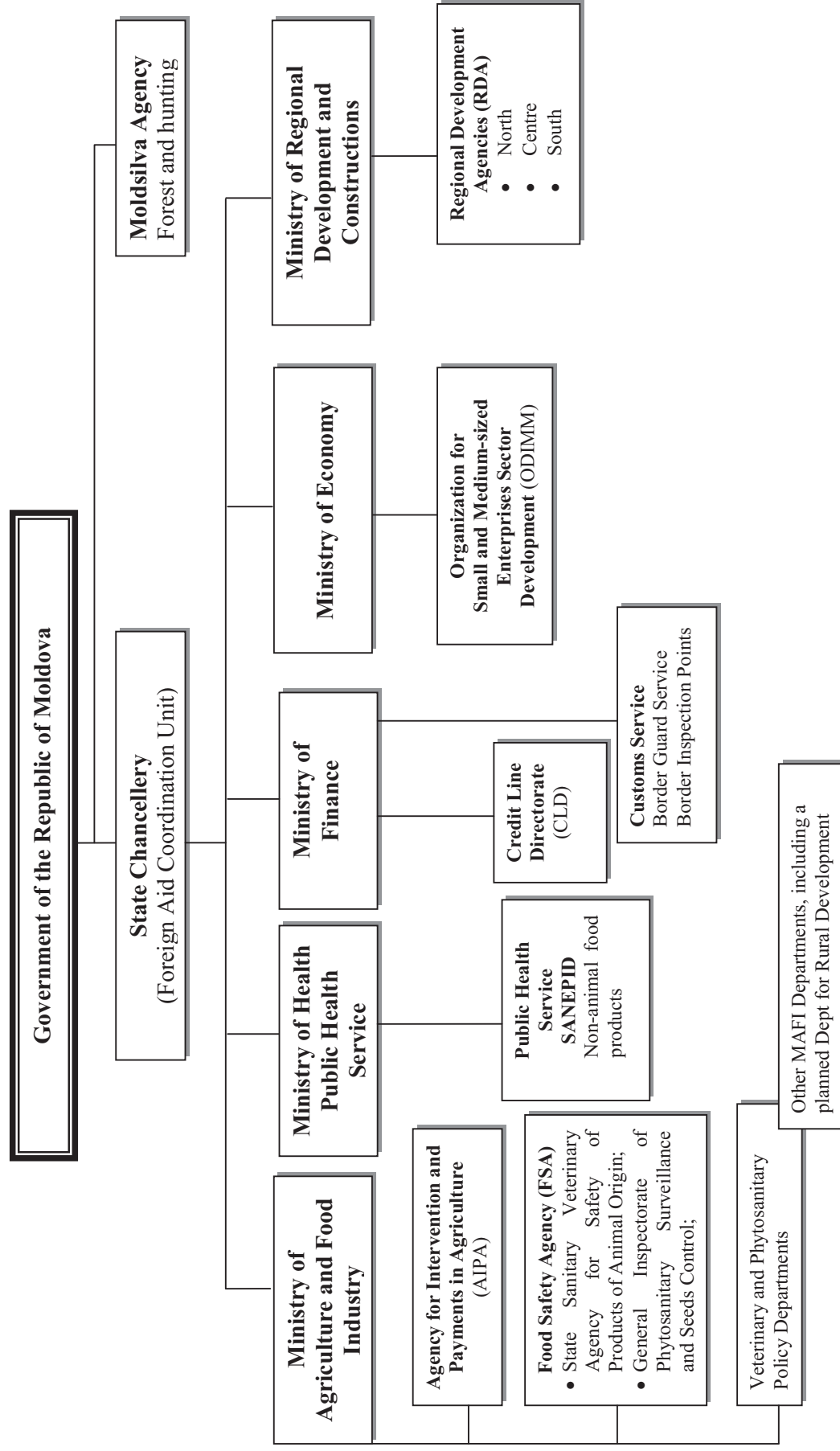
Annex 1a: Stakeholders and relations involved in food and feed products safety

Annex 1b: Proposed Institutional Arrangements for an ENPARD

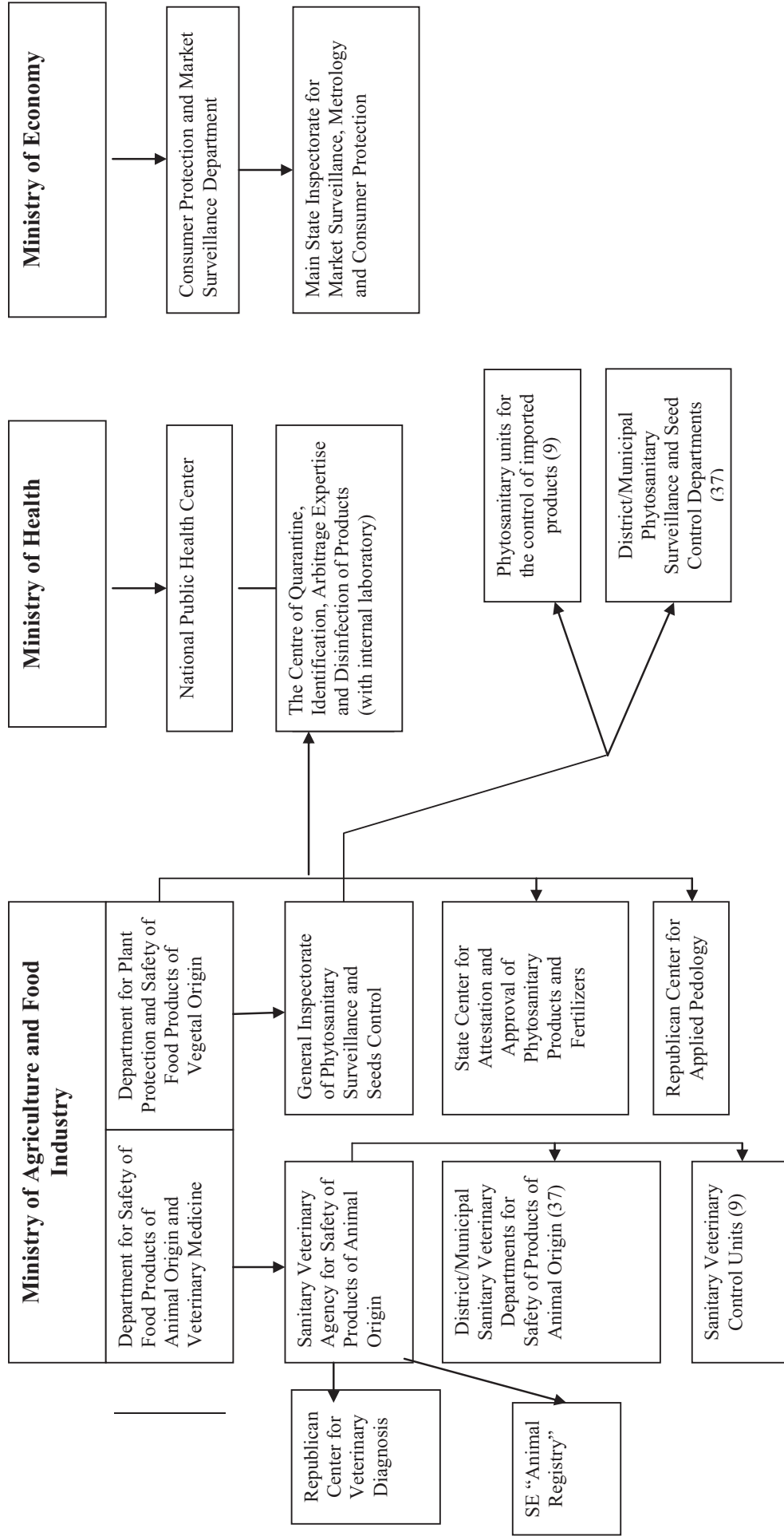
Annex 2: AIPA - Agency for Intervention and Payments in Agriculture

Annex 3: Workshop report, 28th September 2012

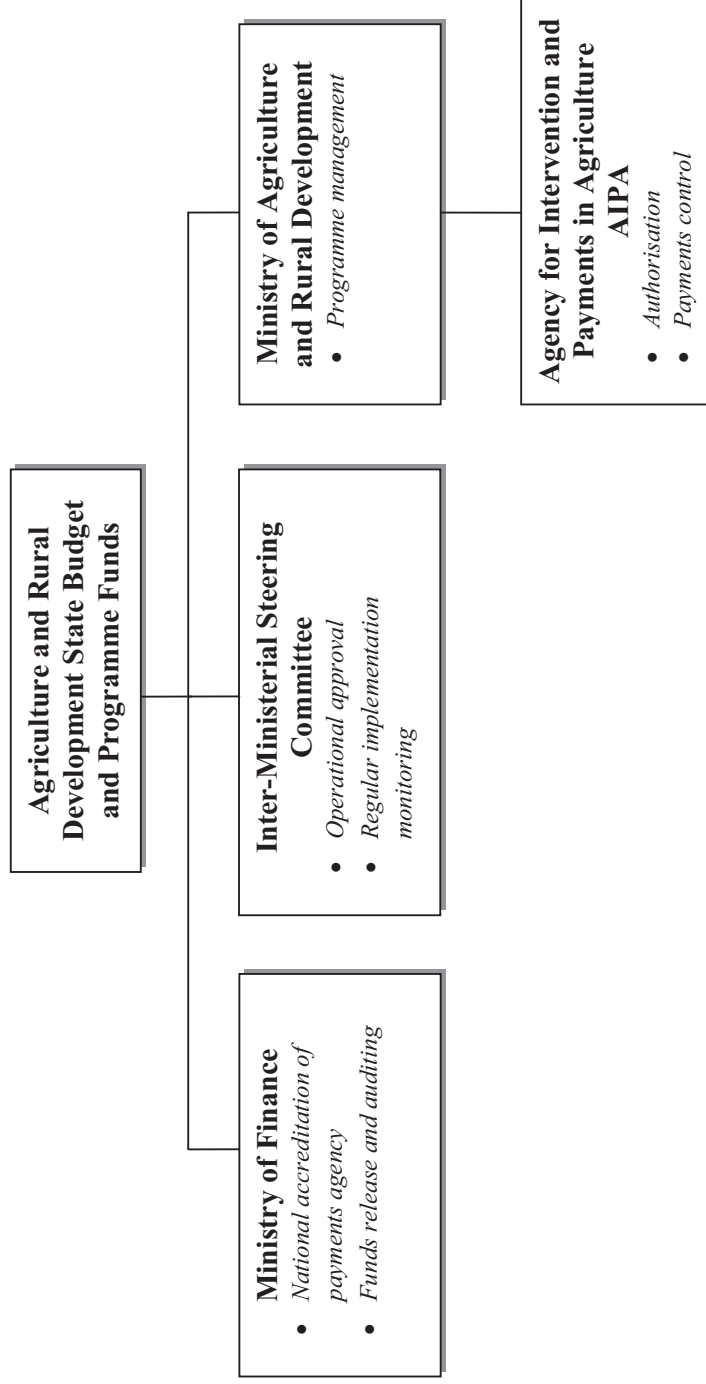
Annex 1: Agriculture and Rural Development Sector organisation charts



Annex 1a: Stakeholders and relations involved in food and feed products safety



Annex 1b: Proposed Institutional Arrangements for an ENPARD



Annex 2: AIPA - Agency for Intervention and Payments in Agriculture

Details on working procedures of Agency for Intervention and Payment in Agriculture (AIPA)

The Agency for Intervention and Payment in Agriculture (AIPA) operates within a well-established documentary framework, using standard operating procedures at all stages of evaluation of subsidy application forms. Thus, the AIPA structure is based on the continuous flow of activities from the collecting the subsidy application forms to awarding and archiving, with subsequent monitoring of the project implementation according to business plans submitted under the subsidy application.

The continuous flow of activities is ensured by the following AIPA structure:

1. Regional offices/services
2. Division of Administration and Control (head office)
3. Division of Site Inspection and Control (head office)
4. Division of Payment Authorization (head office)
5. Legal Division (head office)
6. Division of Payment Accounting (head office)

Collecting subsidy application forms by AIPA regional offices/services

There are 9 regional offices / services created within AIPA, responsible for collecting subsidy application forms submitted by farmers. The regional offices/services aim at achieving the Agency's application of the strategy levers and mechanisms for subsidizing agricultural subsidies in accordance with the current national legislation.

Subsidy application forms are distributed evenly by the Head of regional offices/services to his/her employees.

The employees of the Agency subdivisions are responsible for the accuracy, quality, authenticity, completeness and objectivity of the information attached to the subsidy application form.

Prior to collecting the subsidy application forms, the representative of the regional offices/services will perform the visual identification and verification of the documents submitted, will examine and verify their authenticity and their compliance with the original documents from public database, will check the information about the legal owner of the investment for which the support is requested.

In order to meet the eligibility requirements and establish the authenticity of documents attached to the subsidy application form, the representatives of regional offices/services of the Agency will ensure the beneficiaries' commitment not to alienate in any way the subject to investment subsidies, not to root out the perennial plantations for the time period established in accordance with the subsidy regulation for 2012.

Representatives of the regional offices /services jointly with the Division of Site Inspection and Control will perform an administrative control of the facts (land availability, use, type and number of animals etc.) and their comparison to the data stipulated by the subsidy application form.

In case the subsidy application forms are complete, the officer of the territorial division / services of the Agency will check their compliance with the eligibility conditions (including visual review of the investment subject) and the authenticity of the supporting documents, after which the Head of the regional office/services will sign and record them in the Registry for manual entries in order of their receiving, and also enter the data in the electronic database of the Agency.

Complete application forms are recorded by each employee in charge within 5 days from the date of their distribution. The recorded application forms are forwarded electronically to the Division of Administration and Control (DAC) for validation. DAC officers will validate the subsidy application forms within two day period, after which a confirmation of receiving the subsidy application can be issued.

Reception, reviewing and selecting application forms within the Division of Administration and Control (DAC)

The Division of Administration and Control has the mission to review the subsidy application forms, to check the supporting information submitted by farmers applying for agricultural subsidies, to carry out administrative inspection of eligibility and reliability of the subsidy application forms submitted to the Agency for reviewing and funding.

After receiving the electronic application forms submitted by the representatives of AIPA regional offices/ services, DAC officer in charge will visually scrutinize the electronic file in the Agency database. If case some errors are detected, the application will be re-sent electronically to be edited by the responsible officer from the regional office/ service. The electronic application forms prepared properly are validated by the DAC officer in charge and may be forwarded electronically the same day but not later than the day immediately following.

After the validation of electronic application forms, the representatives of the regional offices / services issue a confirmation receipt in two copies which will be signed by both the employee of the regional office/service and the farmer applying for subsidies. One copy is attached to the paper application form while the other copy is provided to the farmer as a confirmation of receiving the file by the AIPA.

Upon validation the electronic application form by the DAC officer, the system will assign a code of numbers and letters (eg 1206BB2222) to the file, which means: the first two digits (12) - year of submission of the application form, the next two digits (06) - the month in which the file was received the following two letters (BB) - district code in which the investment is made and the following four digits (2222) represent the serial number of the subsidy application.

Subsidy application forms validated within 10 working days from the time of receipt will be sent by the heads of regional offices / services of the Agency to the Division of Administration and Control (headquarters) under a delivery-receipt protocol approved by Deputy Director of the Agency. The protocol will contain the number of the application form in the order it was introduced in the Agency database.

Subsidy application forms submitted by AIPA regional offices/services will be recorded in the Register for manual entries for each measure separately. The Register for manual entries is being kept by the officer of the Division of Administration and Control and applications are recorded in the order.

The application forms collected by the Division of Administration and Control are subject to an administrative verification, in order to ensure accuracy and complete the applications with database records of the Agency.

Procedures of forwarding the application forms from the Division of Administration and Control (DAC) to other Division for further evaluation

DAC will review and select according to the above mentioned procedure the subsidy application forms exceeding the requested amount of 400000 lei and will forward them according to section

102 of the Regulations on the allocation of farmers' subsidiary fund to Division of Site Inspection and Control for further inspections. Subsidy application forms both the electronic and paper copies, reviewed and compared by DAC officers will be forwarded to the Head of the Division, which in turn will submit them to the Head of the Division of site control and inspection.

Subsidy application forms requesting less than 400,000 lei will be reviewed and selected by DAC officers and forwarded both in electronic and paper copies to the Head of Division under a signed protocol for further validation and payment.

The application forms will be reviewed and selected by the responsible DAC officers in the order of their recording in the database, and are included in the minutes of the Department of administration and control, for each measure separately with the approval of Deputy Director of the Agency.

Site inspection of subsidy application forms

Within its competences assigned by the current legislation, AIPA will carry out the site inspection and control of farmers who were awarded subsidy or have applied for it through the Division of Site Inspection and Control, according to their functional responsibilities.

Site inspection and control is one of the three basic functions of AIPA (administration and control, payment authorization and payment accounting) and aims to prevent the unjustified subsidizing the farmers through site inspections of investment subjects stated in the application form in order to ensure its fulfilment under the conditions of eligibility, both at pre-payment and post-payment stages.

In order to ensure that farmers comply with the eligibility criteria as well as to monitor their commitment to the obligations under the subsidy contract AIPA will:

- ✓ Exercise control over the veracity of the documents submitted;
- ✓ Carry out site inspections of subjects to investment stated in the subsidy application form in order to ensure its fulfilment under the conditions of eligibility;
- ✓ Undertake regular checks on compliance with contractual commitments between AIPA subsidy beneficiaries;
- ✓ Prevent unjustified subsidizing the farmers;
- ✓ Identify, combat, and where appropriate, make public any fraud cases committed by applicants / subsidy beneficiaries in order to obtain funding.

Depending on the stage of the application form receipt and review, the site inspection procedure is divided into three types:

a) Documentary and site inspection - which is a preliminary inspection procedure for accessing the documents enclosed under the subsidy application and for checking the investment subject and its condition in order to identify and verify the incurred expenditures. This check is performed by field officers with the support of the Division of Site Inspection and Control.

b) Additional inspections - which is an additional procedure that verifies the documents submitted by subsidy applicants, checks the eligibility conditions, performs site controls in order to exclude ambiguities arising after collecting the application form, but not later than the date of its approval. Additional inspections are carried out under the order of AIPA Director by a team that consists minimum of 3 members including officers of the Division of site inspection, regional officers as well as other experts in the field.

Additional inspections are classified into:

- **Thematic** – which are mandatory for all subsidy application forms that exceed the amount of 400,000 lei, whose purpose is to inform the subsidy applicants on the site inspections, the theme of the inspection, which confirming documents are required to be submitted to the inspection, the inspection date.

- **Unplanned** – which are initiated in case of some obvious irregularities or fraud detected in subsidy application documents.

c) Post-payment inspection - which is a verification procedure for a period of up to three years to check the compliance of subsidy beneficiaries with the contractual commitments assumed?

Site inspection and control

Site inspection and control is performed by a single shift to the investment subject. As an exception, the inspection may take several days depending on the complexity of case or due to farmer generated reasons.

Introduction of the site inspection results into the electronic database

Subsidy application forms are forwarded to the Division of Site Inspection and Control (DSIC) in both paper and electronic copies. The access to the electronic database is well established and has limited level of data visualization.

Upon accessing the application in the system general applicant's data can be viewed as well as specific data for support measures for which this application was submitted.

Authorization of payments

Division of Payment Authorization is a specialized division of AIPA that ensures a proper management of the payment process. Directly, Division of Payment Authorization shall review the subsidy application forms, correcting the detected errors; shall calculate the amount of subsidies, authorize payments and forward the list of subsidy recipients to the Division of Payment Accounting.

Authorization of payments, as provided, is one of the three functional principles underlying the activity of AIPA - administration and control, payment authorization and accounting.

The review of subsidy application forms and payment authorization is the sole responsibility of experts of the Division of Payment Authorization and the Commission of Payment Authorization which award applicants in strict accordance with the established "Regulations on the use of farmers' subsidy fund" 'annually approved by the Government Decision.

The authorization process shall start by the submission of the reviewed subsidy application forms, validated and subsequently declared selected by the Division of Administration and Control. Application forms declared selected are forwarded in electronic format via the Register of application evidence for the authorization procedure, as well as in paper copy.

Subsidy application forms are distributed by the Head of Division in equal proportion to each expert of the Division given the complexity of subsidy application forms submitted and the amount of work assigned to each specialist.

The review of subsidy application forms requesting financial support for capital investments in farm modernization, infrastructure development and post-harvest processing is assigned to main experts of the Division or to the Deputy Head of Division, given the complexity of case.

Subsidy application forms that proved to be legal by the DAP experts after the preliminary review become subject to calculation procedure. Within the calculation process calculation sheets are prepared for each separate subsidy application.

Calculation sheet will contain separate calculations for each position required (equipment, technical unit and equipment, multiannual plantations, credits allocated and so on). The subsidy amount calculated is the product of the subsidy sum and the percentage or ratio established under the Rules of subsidizing.

Investments costs are introduced without the value added tax (VAT).

Expenditures considered ineligible for a certain measure are specified separately in the calculation sheet and stipulated as excluded expenditures for the calculation procedure.

Each subsidy application form is reviewed by a Division specialist being additionally verified by a superior expert who shall countersign the calculation sheet respecting the «four eyes" principle.

Subsidy application forms together with calculation sheets submitted to the Head of DAP for validation. The Head of Division will review the subsidy application and will validate the calculations or will return the application for re evaluation on recording data into the Register of Application evidence. For each support measure, the Head of Division will appoint a specialist (rapporteur) responsible for providing minutes of the payment authorization process and issuing an informative note for each lot submitted for authorization procedure after the validation and calculation procedures are finished.

Subsidy application forms reviewed in accordance with the minutes and the informative notes will be submitted to the Commission of Payment Authorization (Commission of Payment Authorization is created annually by the order of the AIPA director).

Commission of payment shall meet whenever necessary depending on the number of received subsidy application forms.

The authorization of payments is performed in the order of receiving the application forms according to the minutes of submitting the application forms by the Division of Administration and Control.

During the meeting, the rapporteur will notify the total amount of application forms selected for support and will announce the amount of allocations for the respective month.

Payment authorization commission will discuss all circumstances presented by the rapporteur and commission members will sign the minutes authorizing the payments.

After payments are approved by the Payment authorization commission each beneficiary will be notified in writing or by telephone and the information will be posted on the AIPA website.

Applicants for subsidies are considered as subsidy beneficiaries of subsidies from the moment of signing contracts for financial support. The contracts are signed by the director of the applying enterprise or by a legal representative and AIPA director.

After the authorization procedure is finished and the contract for financial support being signed, the payment process will continue by accounting procedure and payment of subsidies.

DAP specialists prepare the minutes of forwarding the minutes of payment approval and signed contracts to the Division of Payments Accounting. Payment authorization minutes and signed contracts will serve as grounds for subsidy awarding to beneficiaries.

All supporting documents attached after the evaluation and approval of payments are archived in conformity with a delivery-receipt protocol.

The protocol is signed by the Head of Division and the representative of Administrative Service after they are archived for storage according to the terms stipulated by the legislation in force.

Awarding of subsidy application forms

Division of Payment Accounting is responsible for preparing documents necessary to transfer the financial support from the subsidy fund to agricultural producers and recording all expenditures incurred.

Division of Payment Accounting will receive from the Division of the Payment authorization contracts signed by the subsidy beneficiaries and the payment authorization minutes. These documents will serve as grounds for subsidy awarding to beneficiaries.

Transfers are made through the State Treasury where payment documents are submitted both in electronic and paper copies. As soon as payments are made the State Treasury will issue bank statements which shall be forwarded along with a copy of the payment order to the Agency for Intervention and Payment in Agriculture.

The Division of Payment Accounting uses automated 1C accounting program, adapted to the needs of the Agency for Intervention and Payment in Agriculture.

In order to ensure accuracy and avoid errors within payment documents, generated by human factor, all data on subsidy beneficiaries is taken automatically from taxpayers filing system of the State Tax Inspectorate through AIPA web-service online system. Thus the name, fiscal code and bank details are imported automatically without any manual operation. Details on the economic subsidy beneficiaries are imported automatically from AIPA online into 1C accounting programme. A specific option for APIA 1C Accounting software was designed that allows to issue automatic payment orders, making it possible to issue a big number of payment documents in a short period of time.

After receiving the bank statements from the State Treasury they are introduced in 1 C Accounting programme, and then through export option they are imported into AIPA-online program. Thus, next to each application form recording will be the date of payment order, the amount paid and date of payment. As soon as the payment is made all records will be archived and minutes prepared.

The total period from receiving the application, processing and decision making on the application takes from 30 to 40 days depending on the complexity of the application.

Advisory bodies, local and regional authorities

The provision of assistance and consultancy at the local and regional level for implementing the ENPARD instruments would be performed by advisory bodies, local and regional authorities. Capacity building will be provided to them in order to understand RD, ENPARD, some of advisory bodies have already experience in assisting farmers with applications for state aid already provided.

Annex 3: Workshop report

Workshop, Assessment of the Agriculture and Rural Development Sectors in Moldova”, 28 September 2012, Ministry of Agriculture and Food Industry, Moldova

Objectives of the Workshop:

The specific objectives of the workshop were to:

- Identify priorities for the agriculture and rural development sectors in the Republic of Moldova.
- To contribute to assess the situation in the sector, prioritize and target sub-sectors, areas of intervention and beneficiaries in consultation with local public and private stakeholders.
- Compare Moldova situation in terms of rural development programming and implementation with an “ideal” - based on current best practices - rural development program (FAO/EU).

Programme

8.30 Registration of the participants

09:00 Opening: **Mr. Vasile Bumacov**, Minister of Agriculture and Food Industry of the Republic of Moldova; **Mrs. Fernanda Guerrieri**, FAO Assistant Director-General and Regional Representative for Europe and Central Asia; **Mrs. Speranta Olaru**, EU ENPARD focal point in Moldova.

09.15 An introduction to the workshop, concept and strategy, **Mr Richard Eberlin**, FAO Land Tenure and Rural Development Officer.

9.30 Strategic priorities for the activities of the Ministry of Agriculture and Food Industry of the Republic of Moldova in the years 2011 – 2015 in the frame of ENPARD –**Mr. Vasile Bumacov** Minister of Agriculture and Food Industry of the Republic of Moldova

10:00 Presentation of the study, “Assessment of the Agriculture and Rural Development Sectors in Moldova “:
Country report, **Mr. Viorel Gherciu**, FAO national consultant.
Priorities, gaps and targeting in agriculture and rural development, **Mr. Mark Le Seilleur**, FAO international consultant.

11:00 Coffee Break

11:30 Group discussions, moderated by **Dragan Angelovski**, FAO international consultant.

13:00 Summary of conclusions/recommendations and lessons learned, presenting guiding principles for future intervention. **Dragan Angelovski**, FAO international consultant.

13.15 Closing of the workshop. **Jesus Lavina**, Regional Programmes Neighbourhood East, DG DEVCO, European Commission- Brussels

Summary and conclusions/recommendations of 3 working groups' discussions

During the second part of workshop the participants were grouped in 3 groups, being actively involved in the discussion concerning the identification of priorities for the agriculture and rural development sectors in Moldova, which will contribute to assess the situation in the sector, understand the position of stakeholders and Government, prioritize and target sub-sectors, areas of intervention and beneficiaries.

1st Group: Policy documents.

The members of 1st Group:

1. Diana Cosalic - Analysis, Monitoring and Evaluation Division.
2. Iurie Senic - Department of production service and organic products.
3. Vitalie Cioban - Director of production policies and quality regulations of animal products directorate.
4. Svetlana Ojog – FAO.
5. Valeriu Enciu – Direction of animal food safety and veterinary.
6. Ion Sula - General Direction of Sectorial Development Policies.
7. Mihai Suvac - Director of production policies and quality regulations of vegetable products directorate.
8. Olga Sainciuc – CAPMU.
9. Valeriu Masleanski - Plant Growing Department.
10. Mark Le Seilleur - FAO

Ms. Diana Cosalic, Analysis, Monitoring and Evaluation Division of the MAFI, presented the answer of the 1st Group:

I. On which levels do strategic documents exist, or are planned and do they include Agriculture & RD? Please list them:

Existent policy:

1. National Development Strategy of Agri-Industrial Complex (2008-2015)-National Level.
2. National Development Strategy (Moldova - 2020)-National Level.
3. Food Safety Strategy 2011-2015- National, Regional Level.
4. Rural extension strategy (2012-2022) - National, Regional, Local Level.
5. National concept of subsidy (2008-2015) - National, Regional, Local Level.
6. Program of market infrastructure development - National, Regional, Local Level.
7. Program of recovery of degraded lands 2020 - National, Regional, Local Level.
8. Development program for nut crops - National, Regional, and Local Level.
9. Development program for viticulture- National, Regional, Local Level.
10. Development program for organic farming- National, Regional, Local Level.
11. Development program for apiculture. - National, Regional, Local Level.

Planned policy:

1. Strategy for the development of agriculture and rural sector (2014-2020) - National, Regional, Local Level.
2. Land consolidation strategy- National, Regional, Local Level.
3. Program for the development of horticultural sector 2020- National, Regional, and Local Level.
4. Program for the development of conservative agriculture- National, Regional, and Local Level.
5. Program for the development of milk and meat sector- National, Regional, and Local Level.
6. Program of modernization and revitalization of the wine sector- National, Regional, and Local Level.

7. Program to obtain alternative sources of energy- National, Regional, Local Level.
8. Reforming education, science, research and extension in agri-food sector.

II. Were the strategic documents prepared with participation from the rural stakeholders on each level? Please elaborate the approach used

All documents which were elaborated were consulted with all specialized departments, authorities, NGOs, National Agency of Rural Development, Agro inform, academic environment.

III. Were the Strategic documents based on reliable statistics, such as recent agricultural censuses verified/ adopted by the Government?

For the first time the General Agricultural Census took place in 2010, conducted with FAO support. Preliminary information was provided in 2011, but the final results will be published at the end of this year. Also, there are used data base of the National Bureau of Statistics, all documents are elaborated according to this data. Sometimes, the MAFI make statistical assessments if necessary.

IV. Do the strategic documents include Objectives and measurable/verifiable Indicators and targets? Are action plans included, or they exist/are planned as separate documents?

In 2007, was adopted the Governmental Decision nr. 33, which lays down unified rules of developing policy documents. The Government does not approve documents if it does not contain general and specific objectives, indicators. It puts more emphasis on results and monitoring indicators. All documents contain SWOT analysis, actions plan and financial recourses necessary for implementation of policy documents.

Group 2 – On-going / planned programmes and compatibility with Rural Development principles

The members of 2nd Group:

1. Dragan Angelovski – FAO.
2. Philip Santens - Team Leader ESRA.
3. Tatiana Railean - Department of animal genetic resources.
4. Iurie Mudrea - Viticulture Department.
5. Tudor Popa - Department of finance and budget.
6. Angela Dogotari - Direction of land improvement and the land recourses.
7. Simion Gusanu - Rural Entrepreneurs Association.
8. Maxim Gorgan – National Agency of Rural Development.
9. Galina Leasenco - Food Safety Service SRL.

Mr. Dragan Angelovski, FAO, presented the answer of the 2nd Group:

I. Please list the most relevant Agriculture and Rural Development support programmes currently implemented or planned by the Government:

All EU projects implemented by the Government are on the national level. There are no projects implemented on the local level.

These are on-going programs:

1. Wine Sector Restructuring Program "Filiera Vinului" ("Wine Branch") - National Level.
2. Competitiveness Enhancement and Enterprise Development CEED II (USAID Project) - National Level.

3. International Fund for Agricultural Development IFAD - National level.
4. Association for Participatory Democracy (ADEPT).
5. 2KR Project – economic cooperation between Japan and Moldova.
6. Moldova Compact, Millennium Challenge Corporation, USAID.
7. Vineyard development Program 2002-2020 - national recovery and development of viticulture and winemaking in Moldova for the years 2002-2020 – National Level.
8. Soil Conservation Project- National Level.
9. Moldova Agriculture Competitiveness Project (AIPA)- National level.
10. National Fund for Regional Development Moldova (NFRD).

II. Are the most relevant and currently implemented programmes based on the Strategic Documents on each level, the Action Plans etc.?

All governmental programs are based on the general strategies, in some cases on sub sectors strategies.

III. Were the agriculture and rural stakeholders from all levels included in the development of the support programmes?

All programs, before being implemented or adopted are placed on the web site of MAFI, consulted with civil society and are subject of public debate.

IV. Do the currently implemented and planned support programmes develop synergies with other programmes, in particular regional development programmes?

There is synergy among programs. There is coordination, exchange of information between programs.

V. Was cooperation ensured among all Government Ministries and institutions in the preparation/implementation of the support programmes.

The Ministries are aware of different programs. There is no concrete mechanism established of cooperation between all Government Ministries.

VI. Are the support measures in the programmes identified and justified through SWOT assessments of the rural areas and the relevant agriculture sub-sectors (meat, dairy etc.)?

In some cases, within sub-sectors studies there are SWOT assessments.

VII. Do the programmes focus on the identified priorities and most promising sub-sectors?

The priorities are well defined. However, often the available budget is not sufficient for all priorities. The Government should prioritise among priorities in order to achieve the impact.

VIII. Is co-financing used for the realisation of the support programmes?

In general, most of the programs are co-financed by the Government, up to 50%. There are various subsidy credit lines, including governmental support for cheaper credits with low interest rates.

IX. Are indicators and targets identified in the support programmes with which the progress, efficiency and effectiveness of the programs can be measured?

All programs contain indicators, which allowed efficient evaluation of the programs.

Group 3 – Existing/ planned implementation structures and their compatibility with Rural Development principles

The members of 3rd Group:

1. Walderman Sochazewski - Adviser to the Minister of MAFI.
2. Felicia Pricop - World Bank.
3. Martin Struck - ESRA Agriculture Expert.
4. Matthew Brown - Twinning Adviser.
5. Natalia Olari – Agency for Interventions and Payments in Agriculture (AIPA).
6. Oxana Chitoroaga – AIPA.
7. Patricia Guzun – AIPA.
8. Sergiu Labliuc –AIPA.
9. Sergiu Tirigoi – Directorate of Marketing.
10. Diana Gherman – FAO.

Mr. Walderman Sochazewski-Adviser to the Minister of MAFI presented the answer of the 3rd Group:

I. Please explain the managing process/infrastructure responsible for steering/revising the Strategic documents and Support Programmes in accordance with programming needs?

1. Ministry of Agriculture and Food Industry in Moldova should be responsible for Rural Development Policy as Central Authority.
 - 1.1 As soon as possible, MAFI should appoint/create new department responsible for coordination, policy development (possible from 01.01.2013).
 - 1.2 A Steering Committee for Rural Development Policy can/should be created under MAFI leadership.

II. Please explain the process/infrastructure for financial management of the implemented/planned support programmes/funds?

Agency for Interventions and Payments in Agriculture (AIPA) should be appointed as an implementing body for Rural Development Policy. Internal structure (central, regional) should be prepared for implementing programs (applications, payments, controls/audits). AIPA can potentially increase capacity for Rural Development Programs (both central and regional).

III. Was capacity building provided on various levels as part of the establishment of the process/ infrastructure for financial management of the implemented/ planned support programmes/ funds?

AIPA benefits from bilateral cooperation with EU Paying Agency (Romania, Lithuania, Poland).

IV. Please explain the appropriate managing structure, adopted procedures and reporting lines within the managing authorities?

AIPA has appropriate structure for implementing Rural Development Programs.

V. Please list the additional tools developed/or used for the implementation of the support programmes?

AIPA is in the process of creating Farm Register, Access to cadastre, GPS-LPIS and it is in the process of creating Register of Agricultural Machines.

VI. Please explain the mechanisms used for control of the implementation of the support programmes (i.e. internal control, Conformity audits) as well as the monitoring tools providing feedback on the established indicators?

AIPA has established internal system of control:

- Authorisation control (before payments).
- Inspection control (on the spot).

AIPA is controlled by external bodies – Court of Accounts. Financial risk assessment is guaranteed internal and external.

All the participants have been active providing comments and valuable information, particularly the participants from MAFI, who are more concerned with this issue.

The aim of group discussion was to get proposes and feedback from participants on initial findings made by FAO, what it is really need, what to avoid.

Workshop overview and summary

1. Policy Documents related to Rural Development and Agriculture

In the last few years since the toppling of the long standing communist government the agricultural sector in Moldova witnessed a radical makeover of the policies and the institutional setup. The EU approximation as a main driver influenced the establishment of number of agencies (Payment Agency, Food Safety Agency etc.) aimed to assist the Ministry of Agriculture and food industry to implement the large number of newly adopted policies. Out of the number of policies that steer the agricultural sector the ones with provisions on rural development are further elaborated below.

✓ National level

The strategic policies on agriculture and rural development in Moldova are based on the National Development Strategy of Agri-Industrial Complex (2008-2015). The document relatively recent and to a significant extent reflect the reality of the transformed Moldovan agricultural sector, while to a lesser degree address the stagnant rural sector. The centerpiece of the transformation of the Moldovan approach to the agricultural sector is the National concept of subsidy (2008-2015) which provides for a more “EU like” support for the agricultural producers.

In addition the Food Safety Strategy 2011-2015 and the rural extension strategy (2012-2022) also influence the development of the agricultural and rural sector. Most of the documents presented are very new and are yet to take effect and to be tested in practice.

The mandate for setting out policies for the SME development, non-agricultural and community based development on regional level rests partly with the Ministry of Regional Development and Constructions³⁵ and the Ministry of Economy³⁶. In this regards the National Development Strategy (Moldova - 2020) focuses on regional and to some extent on rural development.

The reality of limited clarity in terms of the mandate on rural development is reflected in the current planning for further elaboration of agriculture and rural development policies such as the

³⁵ Rehabilitation of physical infrastructure, Supporting private sector development, particularly in rural areas, Improving environmental and tourist factors

³⁶ The Programme for Supporting Small and Medium Enterprise Development for 2009-2011

planned Strategy for the development of agriculture and rural sector (2014-2020) by the Ministry of Agriculture and food industry. In this regards the Ministry of Agriculture and Food Industry in Moldova is making efforts to be designated by the Government as the Central responsible authority for Agriculture and Rural Development policies.

In addition the Land consolidation strategy to be developed in the forthcoming period should address the reality of the Moldovan agricultural sector, which although shows development trends is based on somewhat unorthodox practices in terms of land tenure. No significant remarks on the provisions set out in these documents was noted, as most of them were sponsored and prepared with support from technical assistance programmes operating in Moldova. For few sub-sectors (Viticulture and Wine production sector) separate development strategies have been prepared. The sub sector strategies include appropriate justifications and SWOT analysis of the sectors elaborating the need for provision of Government support.

✓ Regional/Local level

The Regional Development Agencies (North, Centre, South), subordinated to the Ministry of Regional Development and Constructions are responsible for regional development. The Regional Development Agencies are juridical persons, which operate on basis of Regional Development Strategies and Regional Operational Plans developed by the Regional Development Councils. All of the regions in cooperation and with support from various stakeholders are in the process of preparation/finalization of the regional development strategies.

A number of Rayon /Municipalities have been supported during the last few years in the development of their Local Development Strategies. National Fund for Regional Development (NFRD) has been established in 2010 and represents the major domestic source of funding for regional development priorities. However the overall budget allocations do not meet the requirements.

2. Support programs for Rural Development

The Ministry of Agriculture and Food Industry develops support programmes in accordance to the guiding policy documents. All governmental support programs are based on the general strategies, in some cases on sub-sectors strategies. There is a range of support programmes focusing on various aspects of the Moldovan agricultural sector. The support programmes in general provide for direct production subsidies and axis one type of interventions addressing priority areas³⁷ for the Moldovan Government.

The priorities are well defined. However, often the available budget is not sufficient for all priorities. The Government should priorities among priorities in order to achieve the impact. All of the support programmes prior approval is being ratified as part of the government budget by the Moldovan parliament.

No support programs dealing with diversification of incomes in rural areas, rural tourism and community level interventions etc. are being implemented at present. In addition to the currently

³⁷ Wine Sector Restructuring Program "Filiera Vinului" ("Wine Branch"), Vineyard development Program 2002-2020 - national recovery and development of viticulture and winemaking in Moldova, Soil Conservation Project, Moldova Agriculture Competitiveness Project, Program of market infrastructure development, Program of recovery of degraded lands, Development program for nut crops, Development program for organic farming, Development program for apiculture, Modernization of Agricultural Machinery, Improvement of genetic resources, Support for insurance of agricultural production.

existing support programmes a range of additional support programmes³⁸ are being developed or planned for the forthcoming period. All the sub-sector strategies as well as support programmes are based on SWOT analysis, actions plan and budgets, estimating the financial recourses necessary for implementation of policy documents.

3. Participation of stakeholders in the preparation of policy documents and support programs

The currently standing policy documents have been prepared with significant involvement of various stakeholders providing technical assistance to the Government and the Ministry of Agriculture and Food Industry the participation of all relevant stakeholders (Local authorities, NGOs, National Agency of Rural Development, Agroinform, academic institutions) to some extent has been ensured during their preparation. Support programmes to be supported by the government are placed on the web site of Ministry of Agriculture and Food Industry, consulted with civil society and are subject of public debate.

Given the fact that a large part of the rural population (often majority) which is partly involved in agriculture (leases owned land to commercial farmers and involved only in subsistence production), is in general unrepresented in civil and business organizations, their involvement should be emphasized in the process of drafting policy documents related to rural development. A Steering Committee for Rural Development Policy is envisaged to be created under the authority of the Ministry of Agriculture and Food Industry in an effort to include all the various stakeholders relevant for Rural Development in the discussion process.

4. Statistics used in the preparation of policy documents and support programmes

For the first time the General Agricultural Census took place in 2010, conducted with FAO support. Preliminary information was provided in 2011, but the final results will be published at the end of this year. Also, there are used data base of the National Bureau of Statistics, all documents are elaborated according to this data. Sometimes, the MAFI make statistical assessments if necessary.

The census in 2010 was conducted operates using international methodologies and was supported by (technical assistance, capacity building and financing) international bilateral funding.

5. Indicators and targets in the policy documents and support programmes

All programs contain indicators, which allow efficient evaluation of the programs. The indicators are based on the Governmental Decision No. 33, which provides for the unified rules of developing policy documents. The Government does not approve documents if they do not contain general and specific objectives and indicators. The approach used by the Government puts more emphasis on results, monitoring and achievement of indicators.

However, not all of the Ministry produced documents are approved by the Government including the National Development Strategy of Agri-Industrial Complex (2008-2015) and the support measures, which do imply that the indicators are embedded in the document but not verified by the Government.

³⁸ Program for the development of horticultural sector 2020, Program for the development of conservative agriculture, Program for the development of milk and meat sector, Program of modernization and revitalization of the wine sector, Program to obtain alternative sources of energy, Reforming education, science, research and extension in agri-food sector.

In this regard, indicators and targets are embedded both in the framework policy documents and the support programmes. However the abovementioned prioritizing within priorities often leads to setting too high indicators and targets in the framework planning, which in turn with the underfinanced support programmes/measures leads to underachievement in the set targets.

6. Synergies with programmes implemented by other Ministries and other stakeholders

There are synergies among the various programs implemented by the Ministry of Agriculture and Food Industry and the various donor supported programmes. The Ministry ensures the coordination, and exchange of information between programs in order to assure the compatibility with the government provided support.

In regards to synergies within the government, meaning the cooperation between different ministries there is the general conclusion that Ministries are aware of the different Governmental programs. However there is no concrete mechanism established of cooperation between all Government Ministries. All of the support measures and policy documents are eventually reviewed by the Prime minister's office in order to ensure their compatibility with the national priorities among which is the EU approximation. However, beside the general information sharing the platform for cooperation could be improved with the Prime minister's review pointing out the synergies, overall and needs for more comprehensive collaboration.

7. Investment support mechanisms and access to credits

Moldova spends a significant amount on agricultural subsidies mostly in the form of direct payments, while a part is dedicated to axis one type of interventions, aimed towards modernization of the agricultural sector and establishment of multiannual plantations.

In parallel the environment has been significantly improving in the last few years in regards to the access to credits for the agriculture and rural sectors. There are various subsidized credit lines available from both donor supported projects in addition to the available governmental support for lowering of interest rates of credits provided by the commercial banks. Credit access for beneficiaries in general is not considered as a mayor constraint. Collateral for the small and subsistence farmers as in most countries remains an issue.

8. Institutional setup for agricultural and rural development support

Moldova in general provides monetary support for the agricultural and rural sector. The financing mechanisms pass through the recently established Agency for Interventions and Payments (AIPA), which implements the support programmes with defined budgets and target beneficiaries identified by the Ministry of Agriculture and Food Industry.

The AIPA functions as part of the Ministry of Agriculture and Food Industry. Recent discussion within the Government indicate that the Ministry of Agriculture and Food Industry upon the establishment of a new department responsible for coordination and policy development (expected from 01.01.2013) in regards to Rural Development will meet the requirements for being nominated as a Central Authority.

The Agency for Interventions and Payments in Agriculture (AIPA) is currently managing both direct support payments related to agriculture as well as measures more closely linked with the Axis 1 aimed at modernization of the agricultural sector. With the expected expanding mandate of the Ministry of Agriculture and Food Industry it is expected that AIPA will be appointed as an implementing body for Rural Development Policies. However this increased mandate would mean

that there is a need to further improve the capacity and the internal structure (central, regional) for implementation of more comprehensive programs (applications, payments, controls/audits).

During the establishment process the AIPA has benefited from bilateral cooperation with EU Paying Agencies of Romania, Lithuania and Poland. However although the capacity exists at central level it needs to be further developed on regional/local level. AIPA is in the process of creating Farm Register for easier cross referencing of the beneficiaries. The access to the cadastral registry as well as the GPS-LPIS is also high on the agenda of the Ministry of Agriculture and Food Industry. For the implementation purposes of the support programmes the AIPA is in the process of creating Register of Agricultural Machines.

The AIPA being based on role models from other countries has an established internal system of control for the provided/disbursed monetary support. The internal system of control includes authorization control (before payments are made) as well as inspection control (on the spot). AIPA is audited by external bodies (Court of Accounts) ensuring the level of transparency required by the Ministry of Agriculture and Food Economy. Financial risk assessment is guaranteed internal and external.

9. Conclusions and recommendations

- 1) Rural development is one of the identified priorities for the Country under the National indicative programme 2011-2013, and given the importance and contribution of the Agriculture and Rural areas in the national population share, employment, GDP and employment it is likely to stay as one of the priorities for the country. However beside the fact that Moldova is increasing the support provided to agriculture, the lack of appropriate policies and funding has resulted in limited attention towards axis two rural development and income diversification measure.

Therefore, is recommended that ENPARD support is aimed for financing of support measures within axis 2 type of activities for all rural inhabitants and axis one type facilities for agricultural SMEs only. In addition, the support should be provided on basis of matching funds provided by the government. This would effectively double the impact at half the costs, without severely affecting the support system for the large scale agriculture. The ENPARD should be appropriately used for further capacity building of various stakeholders and awareness rising on all levels, in accordance to already established needs.

- 2) Although there is a declarative consensus (inclusion in strategic documents, elaboration of specific programmes) on the need for improvement in both government policies and funding for Rural Development, in practice most of the government programmes are not funded or underfunded. While the rural development inclusion advocacy just now being adopted as a requirement by the government.

It is recommended that ENPARD approaches are channelled through the Ministry of Agriculture and Food Industry only on basis of adopted Policy Documents which include all aspects of Rural Development and in line with support programmes, as it appears that there is sufficient capacity to meet the basic needs for administering of such initiatives.

- 3) While discussing the sector one cannot ignore the evident divided opinions in regards to agricultural output and productivity versus rural livelihoods. On one hand the Government is rightly focusing on large producers which in many instances include both large scale consortiums as well as larger farmers acting as “leaders” in the communities. However, on the

other side there is the need to focus on the non-agricultural and community related aspects of rural development.

Therefore it is recommended that any rural development activities related to axis one, should be aimed at SMEs, while activities under axis two should be aimed non-agricultural and subsistence oriented rural residents, in addition to the communities.

- 4) The existing setup of the AIPA which is fully based on EU experiences and practices disbursement seems credible and effective enough to implement the ENPARD supported programmes. The Moldovan government has already undertaken serious investments efforts in establishment of the AIPA and therefore channelling of any ENPARD type approach through is estimated at the most appropriate approach. As rightly pointed out by the work shop participants there is the obvious need to further improve the interworking of the AIPA for management of more substantial resources, however it is an instrument established by the Government and supported by the EU through the available TA programmes which should be considered for all future interventions related to the Agricultural and Rural sectors.

List of workshop participants

Nr	Name	Institution	Contact
1.	Mr. Bumacov Vasile	Minister of Agriculture and Food Industry	022 23 34 27
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7.	Ms. Ala Pinzari	Department of Finance and Budget	022 21 00 69
8.	Ms. Angela Dogotari	Direction of land improvements and land resources	022 22 04 38
9.	Mr. Petru Tataru	Technological development and renewable resources Department	022 21 00 38
10.	Mr. Ion Sula	General direction of Sectorial development policies	022 21 01 39
11.	Mr. Valeriu Masleanski	Plant growing Department	022 21 01 06
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