

FOLLOW-UP OF THE IMPLEMENTATION OF THE WORLD FOOD SUMMIT PLAN OF ACTION

NATIONAL REPORT REPUBLIC OF MOLDOVA

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Focal Point

Name: Mr. Dumitru Branzila

Pos.: Head of International Relations and European Integration Division
Ministry of Agriculture and Food Industry

Tel: (+373 22) 210 752

Fax: (+373 22) 210 135

E-mail: dianagherman@mail.md

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Section I:

Priority Food Security Issues and Progress towards the World Food Summit Goal

a) The state of the country's food security situation

Since ~~collapse of Soviet Union and declaration of its 1991 independence in 1991 from the disintegrating Soviet Union~~, Moldova has ~~undergone several~~ undergone several ~~faceted numerous~~ faceted numerous political and socio-economic, ~~economic and social~~ changes in process of transition transforming from a command economy to a democratic market-based economy. The country has made significant progress towards macroeconomic and financial stabilization, a prerequisite to resulting in an environment more conducive to medium-term economic growth and sustainable development. Nonetheless, Moldova's living standards and human development indicators are still ranking amongst ~~the~~ lowest in Europe, even among in comparison with other transition economies. The socio-economic development ~~of the country~~ is restrained by the conflict in Transnistria region ~~that, which since 1992 hasn't been is not~~ controlled by Moldovan authorities, ~~since 1992,~~ and instead the region is governed by the continuous presence of separatist political group ~~governance~~, supported by illegally stationed in the region Russian military troops.

In 2004, the Republic of Moldova has officially declared its aspirations to join for the integration with European Union.

The transition profile for Moldova has been mainly backward-oriented in terms of sustainable economic growth. The breaking point was 2000, when The 2004 census, which did not cover Transnistria, estimates the population at 3,607,435. Life expectancy at birth is 65 for men and 72 for women, well below the EU average of 79.06. In rural areas, life expectancy is 3 years lower for both sexes. The population in Moldova is mostly rural – more than 50%. The current economic situation is accompanied by mass migration abroad, motivated mainly by poverty. Officially an estimated 367,000 Moldovan citizens or 10% of the population have left the country in search of employment, while unofficial sources state that the number of potential migrants was around 600,000 people by September-October 2004. Migration is both a consequence of poverty and a key strategy for coping with it. The Central Bank estimates that remittances in 2004 amounted to \$701 million USD, representing nearly 27% of GDP.

In 2000 the Moldova's economy stepped moved onto a growth-oriented path and by that trajectory. From 2000 to 2003, GDP increased rose by 24.1%, industrial output by 54.1% and investments in fixed capital by 21.5%. As a result of privatisation and restructuring reforms implemented in Moldova of reforms, the non-state sector became the predominant in economy, accounting for 75% of GDP i. In 2002, its share in GDP was 75%, with a share of over 80% in industrial manufacturing and almost 100% in agriculture.

Statistics with regards to socio-economic development show economic upward trends in most sectors of national economy. Starting with 2000, GDP growth exceeded 43%, while during 1992-1999 it decreased by almost 60%. In 2005, GDP reached 7.1% increase (in comparable prices) compared to previous year and GDP per capita exceeded USD 860.

In the years of economic revival, the structure of national economy remained mainly agriculture-related, although the share of agricultural sector felt a little, whereas the share of industry increased rose insignificantly. However, the correlation between these sectors remained unfavourable – in 2002, agriculture in 2002 accounted for 21% of GDP and nearly half of working active population all employed in the economy (49.6%), whereas industry accounted for 17.3% of GDP and 11.4% of the working active population employed. In 2005,

agriculture/GDP ratio reached 14.3% (in 2000 was 25.4%), while industry/GDP ratio had a more constant trend, reaching 17% (in 2000 was 16.3%).

The trade deficit/GDP ratio increased from 23% in 2000 to 39% in 2005 according to 2005 balance of payments data. ~~The trade deficit amounts to 30% of GDP reflecting . It reflects~~ Moldova's quite narrow range of exported products, of which nearly 50% are dominated by agricultural produce goods, and by the food and beverages sector, together accounting for around 50% of exports. Moldova's exports to the Commonwealth of Independent States (CIS), primarily Russia, ~~outweigh the exports to the EU and other Western markets, making exports~~ more vulnerable and dependable.

The unexplained and politically-led-dependent restrictions imposed by Russian authorities on import from Moldova of fresh fruits and vegetables (2005) and wines (early 2006) have proved the immediate need necessity to diversify the export markets and re-structure the export policies.

According to 2005 balance of payments data, the level of imports of goods and services coverage by exports decreased from 62% in 2000 and down to 50% in 2005. Other factors that led to increase of import value and decrease of export competitiveness were the rise in fuel prices; the introduction of new excise stamps; alongside high sanitary and phytosanitary norms in EU countries, representing an impediment to the export of animal origin products to these countries and Romania.

The external debt of Moldova was estimated at USD \$1.6 billion USD in January 2005. In recent years, the total external debt has decreased both in absolute terms and as share of GDP (~~the ratio of external debt to GDP ratio decreased fell~~ from 97.2% at the end of 2003 to 74.2% at the end of 2004). However, debt-servicing remains high, and this diverts the badly needed resources from investments in essential public services and public infrastructure. Moldova also remains highly vulnerable to fluctuations in global energy prices, due to significant energy imports.

The 2004 census in Moldova, which did not cover Transnistria, estimated a population of 3,607,435 inhabitants, mostly rural, accounting for more than 50%. The life expectancy at birth is 65 years for men and 72 years for women, well below the EU average of 79.06 years. In rural areas, the life expectancy is 3 years lower for both sexes.

The current economic situation is marked by mass migration abroad, which is conditioned by weak labour market, poverty and social insecurity. Official data are claiming 367,000 of Moldovan citizens (10% of the population) are being abroad looking for jobs and employment opportunities, although according unofficial sources, the number of migrants is estimated to around 600,000 people by September-October 2004. This phenomenon of large migration is both a consequence of poverty and a key strategy of coping with it. Given National Bank of Moldova data, the 2004 remittances amounted to 27% of GDP (worth USD 701 million).

While the growth of public and private administration final consumption is largely due to introduction of the medical insurance system, the increase of final households' consumption was largely due to money transfers from Moldovan citizens working abroad, and to a smaller extent, due to 20% increase in average wage. According to preliminary data of balance of payments for 2005, remittances of citizens working abroad made up USD 890 million (30% of GDP) which is a 29% increase over previous year.

Poverty in the 1990s grew ~~along the in-association with~~ reductions in national output, investments, employment and the real income of the population. The analysis based on ~~the data from~~ the national Household Budget Survey (HBS) data, shows a profile of poverty similar to that of other countries in the region. Because of its geographical, ~~and~~ geo-economic and geo-political location, Moldova has specific features, which have ~~amplified-increased~~ its vulnerability to poverty. These features include regional economic crisis, natural disasters, particularly ~~the~~ drought, socio-political and social instability, and territorial separation, as well as combined with the fear for ~~the~~ future arising from ~~arising from~~ experience of ~~its~~ recent history.

Poverty in Moldova affects not only the traditionally vulnerable categories of population, such as ~~the~~ less educated and unskilled, ~~the~~ long term unemployed or temporary only periodically unemployed, ~~but it~~ also ~~affects the active population those who are able to work, and who are qualified and healthy~~. While past studies have ~~identified portrayed~~ poverty as ~~being being~~ mainly related to associated with the rural areas, the recent surveys have shown reality is that the highest levels of poverty ~~occur~~ in the urban areas of the country's small towns, ~~which have been~~ mostly affected by economic crisis. The inhabitants of large cities are the most protected from risk of poverty.

The poverty depth in rural areas is determined by nearly 58% of rural population working in agriculture-related activities, i.e. low productivity and low incomes.

The poverty line is ~~estimated based on calculated on the basis of~~ actual consumption expenditures, rather than ~~of~~ income. In the agrarian economy with its seasonal fluctuations in the income of rural households, as well as with a considerable unofficial sector, assessment of poverty ~~based on on the basis of~~ consumption expenditures is preferable to that of income. Due to unreliability of income data collected in HBS, poverty is assessed using consumption expenditures.

The analysis of 2004 Household Food Consumption survey has shown that nearly 50% of total food consumption is secured from individual agricultural activities for potatoes, vegetables, meat, eggs and fruits, being extremely high in rural areas.

In 2001 – 2002, a growing economy and rising higher real incomes have improved the main poverty indicators. Considerable ~~increase-rise~~ in labour migration and the associated private money transfers from abroad ~~have~~ also contributed to increase of rise in incomes and consumption expenditures of the population. From 1999 to 2002, poverty ~~decreased fell~~ by 45%. The poverty incidence in 2002 was below 50%, whereas in 1999 it was over 70%. Severe poverty i.e. the number and share of families and citizens in extreme difficulty need and destitution has fell-decreased by half. The poverty gap registered a sharp fall of more than 100%, as well as the poverty severity by a similar amount. It appears that poverty after the 1998 – 1999 “shock” has returned to its starting point. However, at the same time, poverty incidence, gap and severity remain unacceptably high.

Since 2000, the poverty rates have decreased constantly, and by 2004, only 26.5% of the population was poor, living below absolute poverty line.

Population below poverty line, living either in urban or rural areas, has reduced food consumption in terms of calories and nutritive factors, the most vulnerable are those living in small cities.

The 2004 survey data proved the highest level of caloric consumption in rural areas, although it differs across regions. According to 2004 Household Food Consumption data, in rural areas the average daily food consumption was 2,709 calories per capita, whereas in urban areas was 2,109 calories. The caloric contribution of main food products is similar in both urban and rural areas; bread products are leading with 50.7% out of total consumption of calories, followed by oil (12.4%), dairy products, sugar and meat (nearly 7% each).

The issue of food security in Moldova shows a pattern of interdependence between economic growth/income levels and poverty/vulnerable groups. As an agricultural economy, Moldova has the potential to secure food availability at national level, although there are imbalances with regard to food quality/nutritive value and to food accessibility/information distribution.

As a result of structural changes and general economic collapse, the agricultural sector has contracted ~~been~~ affected dramatically during the 1990s. In 2003 agricultural production was only 45% of its 1990's level. Livestock production proved to be more vulnerable to structural changes than crops, decreasing by nearly two-thirds during 1990-2003. In 2001, after the redistributive land reform, when almost 100% of agricultural land became private, agriculture registered strong growth, which might have continued into 2003 ~~if not but~~ for a severe drought that destroyed the wheat harvest. Despite the decline ~~in of the~~ output, and the constraints of the 1990s, there have been positive developments. The commercial producers of high value products using advanced production technologies and, irrigation, irrigation have registered higher yields for some crops than the average for the countries in the region.

This suggests that Moldovan producers have the potential to achieve in the near future international competitiveness and ensure food security for the country.

The implementation of reforms in the area of business activity regulation, a consistent tax policy, ongoing enhancement of the legal and normative framework in the insurance field and consolidation of the banking sector, gradually improved by 2005 the business climate in the country. Despite the fact that economic and investment growth occurred on the background of slow economic restructuring and decrease of industrial growth rate.

The analysis of the structure and factors of economic growth in Moldova shows a large dependence of country's economy on external economic factors.

b) Evaluation studies

The list of some of the most important studies developed by the Moldovan Government, NGO's ~~and~~ donor community is presented below:-

1. *Economic Growth and Poverty Reduction Paper (EGPRSP), 2004*, which sets the country's development path. www.scers.md
2. *Republic of Moldova: Economic Policies for Growth, Employment and Poverty Reduction, 2005*. This report was produced by a team of international and national experts organized by the Bureau for ~~D~~development ~~P~~policy of UNDP. The main objectives of the report were to broaden the dialogue on economic policies and their impact on growth, employment and poverty reduction and to offer the Government some practical recommendations on how to use economic policies to promote such objectives. <http://www.undp.md/publications>
3. *National Human Development Report - 2003 "Good Governance and Human Development"*. The main subject of the 2003 report ~~was~~ ~~is~~ the ways of improving governance, seen as enhancing not only the institutional capacity of the state ~~in~~ ~~to~~ designing and implementing more sustainable human development policies, but also as strengthening the role of civil society in human development. <http://www.undp.md/publications>
4. *Common Country Assessment, 2005*. It offers a comprehensive assessment of the human development situation in Moldova. The objective was to ensure that the CCA complies with and enhances the national development framework contained in the EGPRSP by offering additional insight, data and analysis of key issues related to public expenditure policy and governance reform, health and education, environment, and social protection for the most vulnerable groups in Moldova. <http://www.undp.md/publications>
5. *EU-Moldova Actions Plan and the Economic Growth and Poverty Reduction Strategy Paper: Comparative analysis, 2005*. ~~Arcadie Barbarosie, Catalina Barbarosie~~. The purpose of this paper ~~was~~ is to make a comparative analysis of the two documents and advise on the similarities and synergies, and compare the institutional frameworks of the Plan and of EGPRS. <http://www.undp.md/publications>
6. *Recession, Recovery and Poverty in Moldova, 2004*. World Bank. The main objective of this report ~~is~~ ~~was~~ to update and assess poverty in Moldova in its multiple dimensions, with a view to informing public policies. It ~~focuses~~ is on the period of recession that followed the Russian crisis and the subsequent recovery. http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?pcont=details&eid=000160016_20060209172255

c) Information on external assistance programmes

Following the promotion of ~~a~~-sustainable growth in the rural ~~are~~sector, the support and assistance of international financial organizations and donor community ~~are~~is considered as being of substantial importance. In this context, the major programmes and projects implemented in the rural sector of Moldova are the following:-

1. The World Bank - **Rural Investments and Services Project (RISP)**, aimed to rural business development through facilitating the access of private farmers and new created rural private entrepreneurs to juridical status of proprietorship, know-how, and rural financing. The Loan Project Agreement (RISP) was signed between the Government of Moldova and the International Development Association on June 26, 2002, and became effective on August 30, 2002. Total credit amounted to USD 15.5 million. The second phase of the project with an additional loan of USD 14.5 million will be provided for implementation in 2006 – 2008. RISP includes three major components, plus support to project management: a) Rural Extension Services; b) Rural Business Development; c) Rural Financing

2. IFAD – **Rural Finance and Small Enterprise Development Project**, the first investment of the International Fund for Agricultural Development (IFAD) in the Republic of Moldova, with a credit amount~~ed to~~ ~~–of~~ SDR 5.8 million, had an essential impact on sustainable increases in household incomes among the population in rural areas, aiming to facilitate the participation of the rural poor in the commercialization of agricultural products and rural development, and contribute to the establishment of a responsible institutional framework for rural financial services delivery. The Project was launched in October 2000 and is ending in 2006.

Agricultural Revitalization Project (ARP) started at the end of 2005 and aims to contribute to the alleviation of poverty at community level by promoting transparency in governance, creating an enabling environment for the emergence of local entrepreneurs, and fostering the growth of off-farm small-scale enterprises and business ventures. ARP will stimulate communities to take an active interest in transforming their economies. Business leaders and entrepreneurs will be encouraged to play the role of catalysts in the revitalization of agriculture in a way that will simultaneously benefit them and the local communities.

The third IFAD **Rural Development Project** (USD 13.2 million) is being negotiated by IFAD and the Government of the Republic of Moldova and will have as a goal providing assistance to investments in agricultural and rural business infrastructure. With this project the total IFAD portfolio will raise up to USD 35 million.

3. Japanese International Cooperation Agency (JICA) – **Increase of Food Production (2KR)**. Its objective is to increase the food production in the Republic of Moldova through diminishing the losses during the harvesting and improving the quality of the basic soil preparation works (plowing). Based on the above-mentioned Project, about 1000 units of agricultural machinery, including tractors with reversible plows, combine harvesters, sprayers and irrigation equipment ~~have been~~were imported in the country, which have been delivered to private farmers on leasing conditions. The value of this grant programme is about USD 12 million.

4. European Commission – **Food Security Program**. The programme has the objective to support the Government structural efforts and stimulate the basic sector reforms in the filed of policy management and public expenditures, at the same time having an impact on food

security and poverty alleviation. The European Commission financed the agricultural component of the Program in amount of EURO 10 million in 2005. Major financed activities are veterinary service, artificial insemination, identification of animals and Avian Influenza prevention measures. Some of the planned activities to be financed by the European Commission include veterinary service, animal production, small-scale irrigation and extension services.

6. The U.S. Agency for International Development (USAID) – **Agribusiness Development Project (ADP)**. In July 2004, USAID signed a five-year Cooperative Agreement with the Citizens Network for Foreign Affairs (CNFA) to implement a USD 19 million project. ADP aims to increase rural incomes and employment by improving the international competitiveness of Moldova's high value agriculture sector to boost its export potential and trade capacity. ADP is strengthening Moldova's high value agricultural sector by addressing four major links of the value chain:

- -Ensure wide access to market information to penetrate new export markets, diversify product lines and better meet demand;
- Establish and strengthen competitive agribusinesses, particularly export oriented value adding enterprises;
- Improve farmer capacity to supply the volume and quality of agriculture products needed to sustain competitive exports;
- Establish producer and industry associations to facilitate cooperation up and down the chain.

-ADP assistance targets the High Value Agriculture (HVA) sector consisting of fruits and vegetables from five cluster groups: fresh products, frozen products, dried products, canned/pickled products and niche market products (e.g. walnuts, essential oil, honey, organic produce, herbs, etc.) This assistance will address the constraints and challenges faced by the various points (i.e. producers, processors, exporters) within the agricultural value chains of the five clusters.

Section II: Follow-up of the World Food Summit Plan of Action

a)a) Summary list of the most important programmes contributing to the WFS Plan of Action:

	Programme	Year initiated	Duration	Status
1	Activity Program of the Government	2005	2009	Under implementation
2	Law on State Budget (every year)			Under implementation
3	Economic Growth and Poverty Reduction Strategy Paper (ECPRSP)	2004	2006	Under implementation
4	National Program “Moldovan Village”	2005	2015	Under implementation
5	Action Program EU-Moldova			Under implementation
6	National Strategy on Preventing and Fighting Corruption	2004		Under implementation
7	Strategy for Central Public Administration Reform	2005	2008	Under implementation
8	Concept paper for the participation of the Republic of Moldova to the preliminary stage of the Millennium Challenge Account Program	2006	2007	Under implementation
9	Strategy for Agricultural Development for 2006-2015	2006		Under development

e)b) The policies, strategies and initiatives implemented, and their outcomes:

The Government of the Republic of Moldova considers that: (i) Poverty reduction is a special effort, which needs a special arrangement and an unconditional commitment by the Government, in the first place, but also by the entire society, and (ii) Sustainable economic growth is fundamental for poverty reduction.

Guided by the social orientation of Government economic policies, the priority focus is to improve the living standards of Moldovanthe nation’s citizens and the social protection of the poorest, including the system of social guarantees, to create new jobs opportunities especially for the poor, to provide access to good quality medical services, and to build high quality human capital through educational and scientific development. Achieving these objectives will only be possible by maintaining the high rates of economic growth, achieved during the last three years, and by integrating domestic financial and human flows into regional, European and world structures. In addition, there is a need to build a coherent and stable legal framework, harmonized with European principles and standards, and oriented towards the creation of a favorable entrepreneurial and investment climate.

The main documents developed by the Government in the last years, like **the Government Activity Program, State budgets**, etc. are oriented for implementation of above mentioned objectives. In 2004, the **Economic Growth and Poverty Reduction Strategy** (EGPRSP) has been adopted and is representing the overarching policy framework for the sustainable development of the Republic of Moldova in the medium term. It serves as the basis for

developing and implementing new assistance strategies by international financial organizations and donor countries, as well as for preparation of the annual state budgets. The EGPRSP represents the result of a wide and well-focused participatory process that included representatives of the civil society, poor, and representatives of the business community, central and local public authorities and international donors.

In 2005, a **National Program “Moldovan Village”** has been approved by the Government and incorporated the following main principles: (i) Orientation of the rural development towards improvement of the quality of life and poverty reduction - improve access to medical services, education, increase salaries and pensions for rural population; (ii) Promotion of the new concept of the rural population development – food, economic, social and environmental safety, etc.

The European Union expressed its recognition of Moldova’s European aspirations and Moldova’s **“Concept for the Integration of the Republic of Moldova into the EU”**. The European Union – Moldova Action Plan sets out a comprehensive set of priorities in areas within the scope of the Partnership and Cooperation Agreement. Among these priorities, all of which are important, particular attention is given to: a) sustained efforts towards a viable solution to the Transnistria conflict; b) further strengthening the stability and effectiveness of institutions guaranteeing democracy and the rule of law; c) resuming cooperation with International Financial Institutions; implementing actions aimed at poverty reduction, to strengthen private sector led growth and for fiscal sustainability; d) improving the investment climate through appropriate structural reforms aimed at ensuring non-discriminatory, transparent and predictable business conditions and by the fight against corruption; e) working towards the EU granting Autonomous Trade Preferences, by ensuring effective control of the origin of goods from Moldova etc.

One of the major priorities ~~offer~~ the Government is to implement a reform whereby the country’s central public administration would be in compliance with European standards, would satisfy the needs of the society and increase the subsistence level of citizens, and would be characterized by transparency, predictability, accountability, and efficiency. **The Strategy for Central Public Administration Reform** aims at identifying the actions for ensuring modernization of central public administration based on the reorganization of ministries, other central administrative authorities, including autonomous administrative bodies and institutions, improvement of the decision making process, human resource management, and public finance management.

The Republic of Moldova has adopted a series of legislative and normative acts, designed to ensure ~~the necessary~~ appropriate legislative framework for preventing and combating corruption. As one of the ~~outcomes~~ results, following the accomplishment of actions foreseen in the anti-corruption strategy, can serve the creation in January 2006 of the **“Anticorruption Alliance”**. The goal of this activity is the unification of efforts of representatives of NGO’s, mass-media and government in eliminating this deficiency of Moldovan society. An important element is the improvement of the normative regulatory framework of the entrepreneurial activity. Due to the so-called “guillotine process”, more than 1100 normative acts were examined and about 100 of them were annulled on grounds of being discriminatory against the entrepreneurial activity.