

Rapid Quality Infrastructure Market Potential Assessment for the Republic of Moldova

Executive summary of the scoping study on QI services for green and digitalized value chains
Project: Quality Standards for Increased Trade in the Eastern Partnership Countries,
PN: 2021.2236.4

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1 PRELIMINARY REMARKS

The European Union (EU) is working with Eastern Partnership Agreement (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, and Ukraine) to promote environmental and climate resilience and digital transformation. In this context, PTB is implementing the project "Quality Standards for Increased Trade in the Eastern Partnership Countries", PN: 2021.2236.4. This project aims to build the quality infrastructure (QI) necessary for a sustainable and digital transformation.

This study describes the potential of the QI of the Republic of Moldova to make a significant contribution to green and digital transformation. The QI services are crucial for an economy based on the division of labour to function efficiently and effectively. Standards, measurement, and testing ensure trust between economic actors and smooth production and distribution flow. Sustainable production methods require appropriate evidence to prevent greenwashing. The digitalisation of the economy and the QI services is also necessary here. Ultimately, QI enables EaP countries to participate in international trade and to develop their economies sustainably. The study analyses existing publications and policy documents on the country's economy, development, and quality infrastructure and interviews conducted in Autumn 2022. The research is guided by the Calidena Guide and Toolbox (www.calidena.ptb.de).

2 NATIONAL ECONOMY AND QUALITY INFRASTRUCTURE ASSESSMENT

Moldova is a country with a relatively dynamic economy. Due to the Deep and Comprehensive Free Trade Agreement (DCFTA), but also the recent submission for EU membership, there is a moderately strong political will to align the country's legislation, policy and practices with that of the EU.

The national QI institutions show both experience in international projects as well as a willingness to engage in a green transformation and further digitalization. They express awareness for the underlying problems and opportunities. Lack of specialized staff as well as more specialized testing equipment represent constraints in the current system.

Among nongovernmental stakeholders, the awareness for the added value of services provided by QI institutions is quite low. For most producers, quality management is just a formality that needs to be solved in the quickest and cheapest way. In worst case, this may result in corruption or in the falsification of certificates, or, after successful accreditation or certification, a subsequent lowering of standards – with the ensuing loss of reaccreditation or recertification. The same is valid for environmental issues in general and the European Green Deal in particular. It does not play any significant part in electoral campaigns and in the political preferences of voters. Like in other Eastern European countries, "green" policies are perceived as a luxury that only rich countries like Germany can afford.



Digitalization in Moldovan public institutions as a whole may be in many areas even more advanced than in countries like Germany, where a large part of communication between citizens and institutions is still by standard mail. Regarding QIs, the digital integration of the involved institutions among themselves, the applicability of QR codes and the availability of licensed software in all necessary offices are some of the issues to be addressed.

3 QI MARKET POTENTIALS PROVIDING SERVICES FOR GREEN VALUE CHAINS

Based on the assessment of the national economy, including the government's policy development priorities and development cooperation priorities, and conducted interviews with the key stakeholders, the consultants identified three value chains (products and services) that meet the following criteria:

- High importance for the country's gross domestic product and employment
- High significance for the country's foreign (export and import) or domestic trade
- Prioritisation by national development planning. Political support
- High priority for the green transformation and digitalisation
- Increased need for action around safety, health, environmental protection, and quality
- Existing support through development policy programmes and projects (GIZ and others)
- Interest from critical actors in the value chain to participate in the Calidena process in the framework of the PTB projects.

The value chains are:

1. Organic nuts and vegetable oils

The typical certification schemes for food safety in the EU are IFS, FFSC 22000 and BRC. Organic and fair-trade certification schemes of various kinds are becoming increasingly popular.

Apart from management standards like ISO 9001, ISO 22000 focuses on food safety.

Exporting organic products from Moldova to the EU falls under Commission Regulation (EC) No. 1235/2008.

If walnuts are collected from wild, uncultivated walnut trees, there is a simplified organic certification procedure for "wild organized certified walnuts".

"If a country allows wild collection, this will be internally regulated, but these areas are often not organically certified. In this case, certification of the whole area can improve the selling price of the wild walnuts".¹

2. Organic wine

The same certification schemes and managements standards apply as for organic nuts and vegetable oils.

State policy in the wine sector is developed by the Ministry of Agriculture, Regional Development and Environment, whereas policies are implemented by the ONVV.

Up to 2017, the State Inspectorate for the supervision of alcoholic production was responsible for state supervision and control. In the meantime, it has been absorbed by the National Agency for Food Safety (ANSA).

¹ <https://www.cbi.eu/market-information/processed-fruit-vegetables-edible-nuts/walnuts>

While exporting organic wine to the EU, e.g. Germany, the necessary paperwork and bureaucracy is much more complex than for the national market. In particular, obtaining a Certificate of Inspection proves to be a challenging, multi-step endeavour.

Especially smaller producers are placed at a disadvantage navigating through the process.

Organic wineries, as well as organic agriculture in general, are represented by small companies that lack the necessary specialists to handle the export process successfully.

We identified two wineries that already obtained the EU eco label, as well as the national one. The Moldovan eco label is a precondition for obtaining subsidies.

Metrological verifications apply mostly for bigger wineries that have their own laboratories. Otherwise, small wineries need only verification of volumes (e.g. cisterns).

3. Low voltage products (light bulbs, sensors, electrical equipment)

EU requirements for low voltage products imported from non-EU countries are specified in the Low Voltage Directive 2014/35/EU.

Companies in the electronics sector are reliant on a good quality infrastructure. Currently, many companies cannot meet their needs for equipment calibration in the country. They either resort to sending equipment abroad (e.g. to Romania or Germany), or – for lower-level equipment like volt or ampere meters – they just dispose of uncalibrated ones and replace them.

This has several financial and environmental implications. If companies' needs could be met nationally, CO2 emissions in transportation would be reduced. Even if international companies are able to shoulder the cost, this money could be invested otherwise – including in green technology. On the other hand, the Moldovan state budget is forgoing potential income for calibration services.

For the companies, calibration is a time-consuming endeavor, having to wait often more than a month to get their calibrated equipment back. And, not the least, procurement of new equipment to avoid calibration is creating unnecessary electronic waste.

The following table compares the three value chains regarding preestablished seven selection criteria, whereby the colors red (0 points), yellow (1 point) and green (2 points) represent estimates of alignment of the respective value chain with the criterion.

Table 1. Matrix for the selection of the value chain

Products/Criteria	Organic Nuts and Vegetable Oils	Organic Wine	Low Voltage Products (light bulbs, sensors, electrical equipment)
1. High importance for the country's gross domestic product and employment	Above 35% of the population employed in agriculture	Wine is a national brand for Moldova and attracts tourism	More than 170 companies with about 1,600 employees
2. High significance for the country's foreign (export and import) or domestic trade	Sunflower oil is the second most important export good	Wine is the third most important export good	Cable harnesses represent by far the most important export good.
3. Prioritisation by national development planning. Political support	Political support for agriculture is important in elections	The wine sector has a strong lobby and wine is a symbol of national pride	The electronics sector is one of three priority sectors mentioned by the Ministry of Economy

4. High priority for the green transformation or digitalisation	Green agriculture, developing the Moldovan eco label	Green agriculture, developing the Moldovan eco label	European efforts of lowering energy consumption
5. Increased need for action around safety, health, environmental protection, and quality.	Most products sold as "organic" are not certified at all	Most products sold as "organic" are not certified at all	Sector expresses concerns over calibration of equipment
6. Existing support through development policy programmes and projects (GIZ and others)			Current GIZ project assists companies in the electronics sector
7. Interest from critical actors in the value chain to participate	Moderate interest among producers; could not identify sector organization	Little enthusiasm on behalf of companies and sector organization	Very responsive companies and sector organization
Total number of points:	11	10	14

The project activities could contribute to strengthening the collaboration between QI actors in Moldova and bringing them and the private sector closer together. During a Calidena process, gaps and development potential in metrology, standardization, accreditation and market surveillance can be highlighted and addressed, while profiting from regional cooperation with the participating countries. Exports can be facilitated, also by establishing contact to potential buyers and taking their quality expectations into consideration.

4 RECOMMENDATIONS

The authors recommend to support the QI in the Republic of Moldova in their role to provide services for green value chains. According to our research, the field of electronics (low-voltage products) is the most promising value chain of the three.

Our decision was based on the following factors:

- High share in exports (cable harnesses are Moldova's no. 1 export good)
- A dynamic sector that already has a viable sectoral organization
- Lowering energy consumption is a pressing concern
- Significant gaps in the QI for the sector have been identified
- Critical actors in the value chain are highly motivated to participate in the Calidena exercise.

We expect the Calidena exercise to benefit the country's economic development and strengthen the quality infrastructure by bringing QI actors closer together, by increasing regional cooperation with Ukraine, Armenia, Georgia, and Azerbaijan, and by demonstrating the viability of the Calidena method for other industries as well.