


# **Capacity Development for the Ministry of Agriculture of Moldova to improve export- promotion and export diversification policy**

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# PART 1. Introduction. Statement of the problem

- ▶ June 2014 (Moldova signed and ratified the DCFTA agreement with EU. The DCFTA widened access to the EU market for Moldovan agricultural products. The tasks for the Government were to ensure that within the implementation period, its legislation and institutional structures become similar to the EU aquis).
- ▶ In July 2014 (following the concerns of the Phytosanitary authority on the contamination of fruits and vegetables, the Russian Federation introduced a ban on imports of Moldovan fruits and vegetables into its territory. This action was expected to have negative effect on the domestic market: with oversupply of produce, price decrease and lower income for farmers. Thus, farmers and/or industry faced difficulties to meet their financial obligations in repaying bank loans. The Government of Moldova estimated the losses in the sector are about USD 100 million. WB agreed to emergency payments to smooth the shock for farmers and traders and avoid loss of income (in 2015).
- ▶ In 2014 the Ministry of agriculture started to look for own solutions to support diversification of food exports. USIAD support was available to work with associations. In 2015 FAO has agreed to provide technical support on institutional work and facilitate drafting Program for internal and external food promotion.

# Vision

**“to think about sustainability in the medium and long terms...to identify institutional and financial resources for internal and export food promotion and diversification and to consider policy measures to enhance the competitiveness of Moldova products taking into account the signed DCFTA”**

# Approach taken

- ▶ Situation analysis with emphasis to identify priority sectors/products/priority markets, 4 studies (fruits/vegetable and vine sector study, meat and dairy products study - RCA applied as methodology, study with evaluation of current policy support to the sector PSE applied as methodology, chapter with analysis of internal food consumption trends, and reports from focus groups with supermarkets, hotels, restaurants, students, consumers, tourists, representatives of international organizations/donors in identification of consumers motives regarding purchase of traditional food in Moldova, the level of awareness among consumers of the qualities and characteristics of Moldovan products (internal/external), completed by end of 2015
- ▶ Studies chosen for benchmarking (5 studies). Consultations with experts and associations led to choice of experiences from other countries (key factors selected, countries were ranked, following evaluation, Estonia, Serbia, Austria, Poland, EU, Chile and Brazil were chosen), completed by end of 2015

# Approach taken

- ▶ Established in 2015, internal WG composed from 11 members from key associations, farmer associations representatives, ministry departments.
- ▶ WG is consulted on analysis and benchmarking experience
- ▶ To improve analysis, WG and its members provided feedback to 2 simple questioners (1 - assessment needs for internal and external food promotion, recognition of specific products, role of state institutions to support promotion) and 2- vision for strategic document, target products/countries, recommendations for specific funds, role of embassies, role of ministry)

# Today

- ▶ In May 2016, the Government endorsed the National Promotional Strategy (to be implemented through MIEPO, national promotional agency), the document would require input from each ministry on promotional content and recommendations
- ▶ Project currently facilitates consultations between ministry and MIEPO on how to integrate our work

Next steps ahead:

- ▶ Consultations with WG members
- ▶ Drafting Position paper for ministry to address internal and external market food promotion (by August 2016)
- ▶ Consultation with WG members
- ▶ Drafting Program for food promotion (by end of 2016)
- ▶ Consultations with WG members

## PART 2. Summary.

- ▶ Promotion is one of elements in the marketing of food produced. In many countries it is part of rural development or sector programs. In many countries it is given to market – Australia, New Zealand..)
- ▶ Motivation for designing promotional programs is different (problems on external markets, overproduction on internal market, changes in consumer trends, etc).
- ▶ Export assistance in general terms is “providing standardized and customized market information and guidance on exporting and export marketing and second, more comprehensive programs ranging from helping firms research specific foreign market visits – individual or with trade missions – trade fairs to actual market entry..” (Seringhaus, 1985)
- ▶ Assistance such as credits, grants and insurance, may increase likelihood of profitability and reduce risks for exporters (Crick and Czinkota, 1995). The export promotion techniques range from export service programs such as seminars for potential exporters, export counseling, how-to-export handbooks, export financing, market development programs such as dissemination of sales leads to local firms, participation in trade shows, preparation of market analysis and export newsletters).

If other factors: experts welcome to add

# Food promotion, importance, summary

- ▶ The economic importance (income and jobs in agrifood sector). Support to promotion and information can pay off in increased export or domestic sales values. Can also be targeting the internal market in order to avoid imports. The focus can be on specific sectors (organics and fruits and vegetables etc.)

May induce cooperative efforts. Support to the operators in the agri food sector through the rural development policy or else due to relatively low scale of production and low surplus rate in the sector. The generation of economics of scale through cooperation with generic information and promotion activities may improve cooperative action.

Induces innovative changes along export-driven value chains.

Health prospective. Support to specific promotion and information activities for example on increased consumption of fruits, milk among school children or eating local food which is original to specific territory. This is justified to the idea that these products are preferred from a health perspective.

If other factors: experts welcome to add



# Country studies are diverse and more experience to come

- ▶ Poland (special funds established, role of associations, national and EU funds available to support promotion)
- ▶ Estonia (role of association-driven initiatives, development of programs based on sectorial comparative advantage)
- ▶ Serbia (lessons from established national agency, increasing role of associations, promotional activities matching needs of sector players)
- ▶ Chile (government decision, diverse institutional and national funding support, diverse programs, choice of many sectors where competitive, side-effect on domestic consumer market)
- ▶ Brazil (government decision, diverse institutional support and national funding support, choice of few sectors, diverse intelligence)
- ▶ Austria (consumer market driven, strong marketing function to assess consumer needs, strong analytical capacity, focus on high quality products)
- ▶ ...Kazakhstan, Kyrgyzstan, Moldova, Ukraine,

If other factors: experts welcome to add

# How about impact assessment

- ▶ Impact assessment is important as part of policy cycle and helps to revise programs to match needs of diverse sector players or situation.
- ▶ Saudi Arabia (regulatory bodies could assist in increasing management propensity to export through providing better industry information, seminars, educational opportunities for managers and direct management assistance to influence perceptions of risk related to export activities (Yousif Abdullah Alrashidi, Exporting motivations and Saudi SMEs)
- ▶ Denmark (important – targeted export assistance, increasing assistance program awareness. Internet should be used to increase awareness and use of export assistance programs, facilitate market intelligence sharing, Morten Rusk and Somasundaram Ramanathan).
- ▶ Canada. Using greater number of government programs influences the achievement of export objectives and export expansion strategies, and enhances export marketing competencies. By segmenting firms by level of export involvement, a clearer picture of benefits and limitations of export promotion programs emerged. Sporadic and active firms gain most from promotional programs. June Francis and Colleen Collins-Dodd, Impact of export promotion programs on firm competencies, strategies and performance)

# Impact assessment continued

- ▶ USA. USDA funded the project designed to analyze the trade logistics transaction costs impeding trade and production integration by small and/or rural firms in South Carolina, and to identify implementable public/private interventions for ameliorating these costs. Firms with more than 20 employees appear to be taking advantage of export opportunities. The managerial objective of these firms should be to become big enough to make exporting a viable strategic consideration. For policy makers, the focus for micro firms should be on fostering domestic growth, rather than on exporting. For those firms under 20 in size that want to export, policy focus should be on building cooperative associations that can combine resources to distribute the fixed costs of exporting. Government resources are best used to minimize the fixed costs facing small and micro exporters (John D. Mittelstaedt and al., 2001 How Big is Big Enough? Firm Size as a Barrier to Exporting in South Carolina's Manufacturing Sector)
- ▶ Cyprus. Most important tools in promotion are found : financial (foreign exchange retention schemes, duty drawback, export insurance, special warranties), marketing (trade missions), education and training, export training programs, and market targeting (completely arranged foreign trips for exploration of market potential programs and foreign buyer invitation programs). Participation of firms in different programs was evaluated. 3 criteria of exporting capability defined, based on which it is recommended to design programs. Programs are more efficient if target managers, not firms. Product, market targeting is important (Coudounaris, 2012).

# Cyprus study recommendations(Coudounaris, 2012).

## To target with initiatives based on export capability

Levels of Export Capability and Related Initiatives Capability Level	Initiatives
Raising awareness	Initiatives are intended to raise awareness of the benefits of exporting and to provide a general understanding of exporting as a means of promoting non-intenders into intenders.
Building export-readiness	Initiatives provide learning opportunities for intenders to acquire the knowledge and skills necessary to become new exporters.
Selecting target markets	Initiatives mainly help intenders identify and understand specific foreign markets/ sectors where their products or services have good prospects so they can become new exporters. They also help experienced exporters move into new markets.
Identifying sales opportunities	Initiatives inform intenders, new exporters, and experienced exporters about qualified clients and their needs, expose products to buyers, and match exporters with potential buyers.
Closing export deals	These initiatives help intenders become new exporters and experienced exporters to expand their markets, by helping them interact with prospective buyers, present offers, and complete export contracts. This category also includes follow-up services after the deal.

## To target programs based on export capability, visual graph

**Figure 1-1**  
*The Road to SME Export Success*



As promotional activities become part of REU countries programs in agriculture, improved design and impact assessment would be in demand as part of policy cycle. Technical advisory consultations can be provided by FAO through our Trade experts network.

**Wishing you successful implementation of work in countries!**

**Thank you!**

