



Action funded by the European Union

# EU4Environment

Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine

# A partnership for green development in **Moldova**



Action implemented by:





# A partnership for green development in the **Republic of Moldova**

**Greening the economy of the Republic of Moldova (hereinafter Moldova) is urgently needed as the current models of growth continue to erode the stocks of natural assets and undermine the integrity of ecosystem services on which economic activity depends.** This decade is decisive for boosting the resilience of societies and economies in the context of urgent climate and environmental challenges. The shift becomes even more pertinent in the context of the global health emergency of the coronavirus (COVID-19) pandemic.

The EU-funded “EU4Environment” Action, launched in 2019, helps Moldova, as well as five other partner countries – Armenia, Azerbaijan, Belarus, Georgia and Ukraine – preserve their natural capital and increase people’s environmental well-being, by supporting environment-related action, demonstrating and unlocking opportunities for greener growth, and setting mechanisms to better manage environmental risks and impacts.

EU4Environment integrates in a single strategic framework initiatives to achieve: greener decision making, sustainable economy and green growth, smart environmental regulations, ecosystem protection and knowledge sharing.

## How can Moldova benefit from greener growth?

As part of its co-operation with the European Union, Moldova has committed to greening its economy which is reflected in the Eastern Partnership Summit Declarations and in the Association Agreement with the EU. In Chapter 16 of the Association Agreement, Moldova commits to strengthen co-operation on environmental issues, thereby contributing to the long term objectives of sustainable development and greening the economy. Investing into greener growth will bring benefits to

Moldova while failure to adequately manage natural capital will result in increasing costs of substituting the services it provides:

**Reducing air pollution will make people healthier:** Currently, welfare costs associated with air pollution by fine particles (PM2.5) represent about 6.5% of GDP equivalent in Moldova, compared to 3.8% on average in the EU. The mean exposure to PM2.5 by Moldova’s population largely exceeds the WHO guideline (17 vs 10  $\mu\text{g}/\text{m}^3$ ). One of the main sources of air pollution is transport.

**A less wasteful, more resource-efficient approach will make the economy more competitive:** The current economic model of Moldova relies on the service sector (61%), with an important share of agriculture (13%, compared to 2.4% in the EU), which accounts for 32% of employment. Despite some improvements, Moldova’s CO<sub>2</sub> and energy productivity, remains one of the lowest among the EaP countries and well below the EU level.

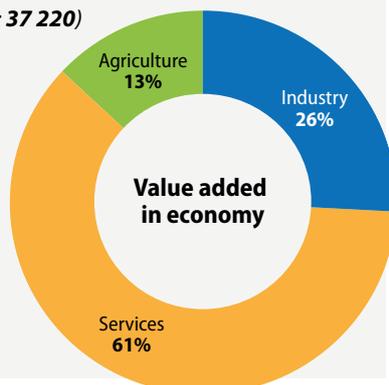
**Greening will provide new employment and economic growth opportunities:** Despite strong growth in GDP per capita and some progress in reducing poverty,

### SOCIO-ECONOMIC CONTEXT

Real GDP per capita, 2010 USD,  
2018: **5 563** (EU average: **37 220**)

Labour tax revenue,  
% of total, 2018: **39**  
(EU average: **56**)

Population density,  
inhab./km<sup>2</sup>, 2018: **120**  
(EU average: **116**)



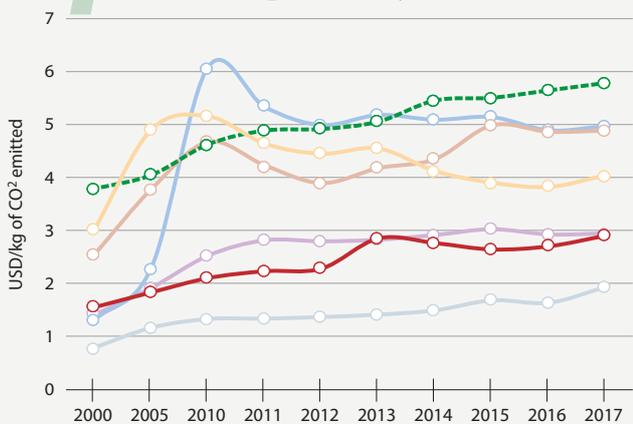
Moldova remains one of the poorest countries in Europe. The Moldavian economy relies heavily on Small and Medium-sized Enterprises (SMEs) – over 97% of all businesses, which provide over 50% of employment and generate more than 30% of the country's income. Greening SMEs operations will reduce their environmental footprints and will help to access international markets, including of the EU where consumers increasingly take environmental considerations into account.

**A safeguarded ecosystem, restored land and forests will provide economic and ecological services:** Moldova's rich soil and temperate continental climate have made the country one of the most intensive agricultural regions, consequently putting significant pressure on the environment (excessive use of pesticides, soil erosion, water pollution, waste associated with food industry). Limited forest stock and renewable water resources are also under pressure from agriculture, food processing industry, and households.

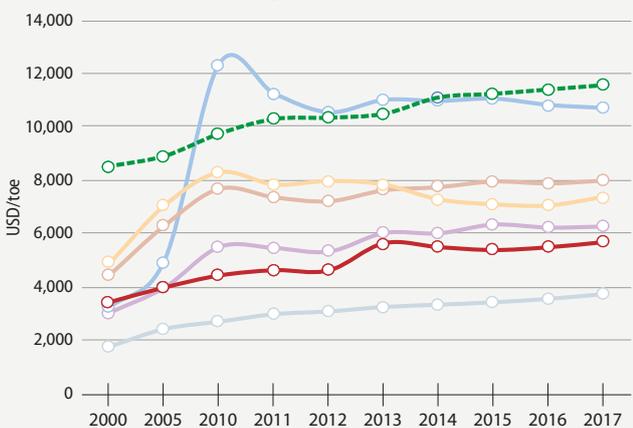
## FOUR DIMENSIONS OF GREEN GROWTH

### 1 Environmental and resource productivity, 2017

#### CO<sub>2</sub> Productivity



#### Energy Productivity



### 2 Natural asset base

**CROPLAND, 2015: 85% of total land area**  
(EU average: 41%)

**WATER, 2015: 1% of total land area**  
(EU average: 3%)

**Total renewable water resources: 3 015 m<sup>3</sup> per inhab./year** (countries under 1 700 m<sup>3</sup> are considered water-stressed)

**FOREST STOCK, 2015: 50 mln. m<sup>3</sup>**  
(EU average: 950 mln. m<sup>3</sup>)



### 3 Environmental dimension of quality of life

Deaths from PM<sub>2.5</sub>, 2017: **540** per 1 mln inhab.  
(EU average: 402)

Welfare cost associated with PM<sub>2.5</sub> pollution, 2017: **6.5%** of GDP (EU average: 3.8%)

Population with access to improved drinking water sources, % of total, 2017: **72.9%**  
(Euro area average: 98.1%)



### 4 Economic opportunities and policy responses

Environment-related technologies, 2016: **21%** of total (EU average: 10.8%)

Fossil-fuel subsidies, 2014: **2.3%** of GDP



\* To support policies in aligning economic and environmental priorities and to monitor progress towards green economy, the OECD developed a measurement framework which consists of a set of green growth indicators that can capture progress in four areas of green growth: <https://www.oecd.org/greengrowth/green-growth-indicators/>



# How does the EU help?

## Areas of cooperation within EU4Environment in Moldova



### Greener decision making

**OBJECTIVE:** Make political leaders, civil servants and the general public aware and supportive of green growth and promote economic and environmental policy integration.

This work is implemented by UNEP and UNECE.



#### WHAT IS THE BASELINE IN 2019?

- Inter-ministerial Working Group on Sustainable Development and Green Economy established to promote green economy (2015)
- Programme for the Promotion of Green Economy for 2018-2020 adopted (2018)
- An array of reference framework, manuals and tools for green economy transition developed
- Law on Environmental Impact Assessment (EIA) secondary legislation adopted (2014)
- Law on Strategic Environmental Assessment (SEA) adopted (2017)

#### WHAT WILL BE ACHIEVED BY 2022?

- Environmental policies/strategies revised and integrated into national planning processes, including the Programme on the Promotion of Green Economy for 2021-23
- 4 million people reached across the EaP region by communication campaigns and made aware of the actions need to achieved green economy goals
- Investment flows to support a green economy redirected
- Strategic environment assessments in priority economic sectors applied and critical capacity for SEA and transboundary EIA application built



**DID YOU KNOW?** In 2018 Moldova adopted the Programme on the Promotion of Green Economy for 2018-20, targeting good governance, energy efficiency, greening SMEs, organic agriculture, reduction of air pollution, sustainable transport, green construction, sustainable public procurement, information and awareness, developing green growth indicators. A draft of the National Development Strategy "Moldova 2030" provides a strategic vision on the development of the country for the next decade with the aim of ensuring a healthy and safe environment for its population.



### Circular economy and new growth opportunities

**OBJECTIVE:** Scale-up public and private action on circular economy and sustainable production and lifestyles.

This work is implemented by UNEP and UNIDO.



#### WHAT IS THE BASELINE IN 2019?

- Provisions on greening SMEs integrated into the SME Development Strategy 2012-20, its Plan of Actions for 2018-20 and Program on the Greening SMEs (2019)
- RECP (Resource Efficient and Cleaner Production) clubs established in four regions: Balti, Causeni, Orhei, and Ungheni
- National Sustainable Procurement (SPP) Action Plan developed
- Strategy on waste management for 2013-27 adopted

#### WHAT WILL BE ACHIEVED BY 2022?

- Resource savings of up to 15% in water and energy use and 2-3% in raw materials reached by SMEs which apply RECP approach
- At least 2 industrial parks and/or special economic zones benefit from green solutions
- RECP clubs created in new municipalities
- Progress towards the SPP Plan assessed and pilot public tenders launched for new sustainable products
- Reforms supported in priority Green Economy sectors
- SMEs trained on eco-innovation and RECP approaches



**DID YOU KNOW?** In Moldova, there are about 500 000 SMEs representing around 97% of the total enterprises, 50% of employment and generating more than 30% of the country's income. The SME Development Strategy 2012-20 and its Plan of Actions for 2018-20 foresee green economic development for SMEs (Priority 8). The Programme on the Promotion of Green Economy for 2018-20 and its Action Plan set as an objective the greening 30% of SMEs by 2020. Moldova is currently working on a new strategy.



## Environmental level playing field

**OBJECTIVE:** Improve incentives and governance mechanisms that aim at correcting market failures related to the environment, thus ensuring a level playing field in the context of intensified economic exchange with the EU.

This work is implemented by the OECD.



### WHAT IS THE BASELINE IN 2019?

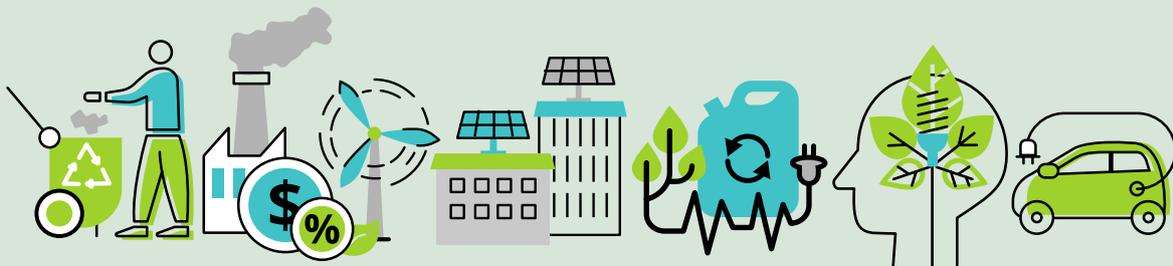
- Approximation of the legislation with the EU Directives on Industrial Emissions and Medium Combustion Plants launched
- First comprehensive inventory of energy subsidies conducted and social, fiscal and environmental impacts of reforming major subsidies schemes analysed (2018)
- Analysis for designing a green public investment programme for clean urban transport prepared (2019)
- An Environment Agency established (2018)
- Environmental management restructured by a merger of three ministries: Agriculture, Regional Development and Environment

### WHAT WILL BE ACHIEVED BY 2022?

- Legislation on Best Available Techniques and integrated permitting, in line with the EU Industrial Emissions Directive adopted
- New Programme on Greening SMEs implemented
- Environmental inspectorate strengthened and equipped with more effective compliance promotion instruments and non-compliance responses
- Inventory on subsidies updated and data published on line in the OECD Fossil-Fuel Subsidies Database
- New green public expenditure programmes launched
- Practices and capacity of the National Ecological Fund assessed and improved
- Debt capital financing for green investments (including through green bonds) mobilised
- Administrative capacity of public environmental administration strengthened and new capacity building activities designed and carried out



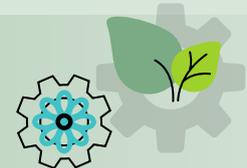
**DID YOU KNOW?** Moldova's National Ecological Fund has grown more than two-fold since 2008 to about MDL 400 mln (about EUR 20.5 mln) in 2018. The strong growth in the Fund's revenue is almost entirely driven by a levy on imported plastic and packaging. This levy, introduced in 2008, generates revenue only for the National Ecological Fund. In 2018, more than 90% of the spending of the Fund went to water supply and sanitation projects.



## Monitoring progress at environment-economy nexus

**OBJECTIVE:** Facilitate regional knowledge sharing and coordination, monitor progress towards green economy.

This work is implemented by the OECD.



### WHAT IS THE BASELINE IN 2019?

- The OECD set of green growth indicators (GGIs) adapted to the national context
- GGIs integrated into an annual statistical report (2018) and used to monitor the implementation of the Programme on the Promotion of Green Economy for 2018-20

### WHAT WILL BE ACHIEVED BY 2022?

- Policy makers equipped with up-to-date regular measurement tools to assess progress in greening the economy
- The public engaged in evaluating greening the economic growth of Moldova



**DID YOU KNOW?** Data on selected GGIs for Moldova is also collected by OECD and is also available in the OECD statistical database [OECD.stat: https://stats.oecd.org](https://stats.oecd.org)

## About

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● **Budget:** about EUR 20 million for the six EaP countries (with EUR 19.5 EU contribution)

● **Duration:** 2019-2022

● **Implementing agencies:** OECD, UNECE, UNEP, UNIDO and the World Bank.

● **Overall guidance:** European Commission.

● **Key national partners in Moldova:** Ministry of Agriculture, Regional Development and Environment and Ministry of Economy and Infrastructure.

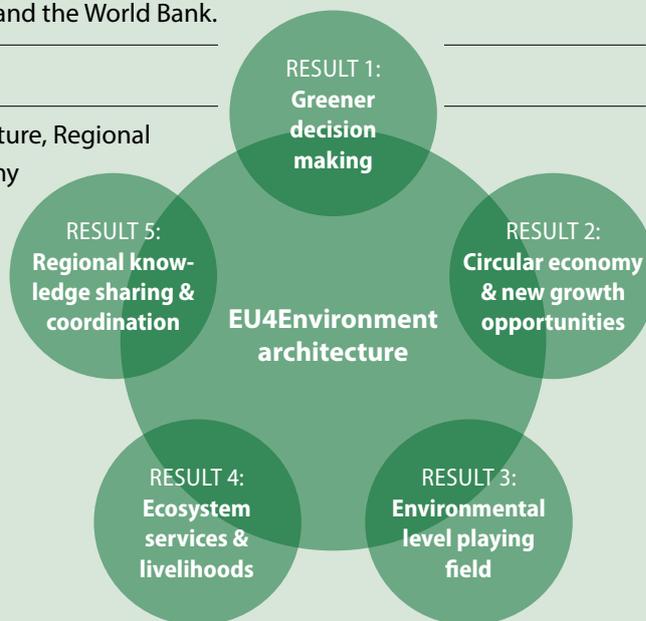
By bringing together environmental and economic actors, EU4Environment helps to deliver policy and legislative changes, making planning and investment greener, stimulating the uptake of innovative technologies, adopting new business models, and creating green jobs. It also promotes better environmental governance, improved management of protected areas and forests, and sustainable trade.

The scope of the Action was defined in cooperation with all partner countries. It targets both public and private sector actors, aiming at creating a critical mass of capacity for greener growth.

It ensures continuity of engagement of the European Union within the Eastern Partnership and builds on political engagements of the partner countries since the Eastern Partnership's establishment in 2009 and the results achieved.

It also provides a vehicle for implementing the European Green Deal, a new green growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy as well as the Joint Communication "Eastern Partnership Policy Beyond 2020: Reinforcing Resilience – An Eastern Partnership that Delivers for All".

The EU4Environment Programme builds on important achievements of past cooperation programmes, such as Greening Economies in the Eastern Neighbourhood (EaP GREEN), the Forest Law Enforcement and Governance (FLEG), and the Emerald Network, which were completed in 2017-18. See more in [EaP GREEN brochure](#) and [Infographic](#).



**Sources:** OECD Green Growth Indicators database, Environment at a Glance - OECD Indicators, World Bank Development Indicators database, Eurostat, EU4Business, Green Growth Knowledge Platform, EU4Environment inception report, EUWI+ inception report, EaP GREEN Brochure, OECD report *Inventory of Energy Subsidies in the EU's Eastern Partnership Countries (2018)*, OECD report *Measuring green transformation of the economy: Guide for EaP countries (2016)*.

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