

ENHANCING THE SYNERGIES BETWEEN THE ECONOMY AND ENVIRONMENT CAN BENEFIT BUSINESS AND THE PEOPLE

THE ISSUE:

Green Economic Development offers many opportunities for Moldova: it opens niches of competitiveness and export potential, brings decent jobs and more sustainable incomes in rural areas. New technologies contribute to resource efficiency, reduced pollution, and bring higher quality of life. Moldova is a small resource-poor economy, with human resources and fertile land as main endowments. Although Moldova has recently posted strong economic growth, the country faces competitiveness, equity, and environmental challenges.

Both local and international experiences show that economic growth and environmental sustainability are not and should not be mutually exclusive. In a transition to a green economy, public policies will need to be used to reorient consumption, investments and other economic activities towards:

- Reducing carbon emissions and pollution, enhancing energy and resource efficiency and preventing the loss of biodiversity and ecosystem services.
- Improving access to energy, food, freshwater, biological resources, sanitation services, public health and health care, new jobs, social protection systems, information and communication technologies, and training and education including for sustainable development and consumption.

Moldova's EU path provides further opportunities for the promotion of green economy and eco-innovation. The EU-Moldova cooperation on indus-

KEY FIGURES:

- The EU market for organic products is growing, surpassing 21.5 billion EUR in 2011.
- While only 1.7% of farming land is under organic cultivation in Moldova, exports of organic produce represent over 11% of all agricultural exports. At the same time, subsidies in organic agriculture only constitute 0.7% of total subsidies in agriculture, while subventions for pesticides and fertilizers amount to 12.1%.
- Energy and resource intensity in Moldova, while falling, is still more than twice as high as the EU average.
- Share of renewable energy in energy consumption is close to 5% with estimated potential being three times higher.
- In 2010-2013 economy has increased at 8% annualized growth rate.

trial and entrepreneurial policy puts a specific focus on creating conditions and better frameworks to improving competitiveness, including managing structural change, developing public-private partnerships, environmental and energy issues.

PROGRESS MADE:

There has been significant progress in setting up national policy and legal framework recently:

- The National Environment Strategy promotes green economy as one of its objectives. Principles of green economic development can further be found in the Energy Strategy 2030, the *Strategy for Agriculture and Rural Development* 2014-2020, and the Competitiveness Roadmap.
- In April 2014, the Ministers of Environment, Economy, and Agriculture and Food Industry signed a joint Statement of Intent pledging to coordinate their efforts to promote green economy and ensure sustainable and environment-friendly development of all life aspects in Moldova¹.
- The promotion of domestic agricultural waste as a renewable energy source is proving to stimulate business development, job creation and value-added chains at the local level: around 120 local biofuel producers and 5 boiler producers have emerged on the market, as well as energy auditing 33 companies and over 3000 companies for construction, consultancy and engineering works in the energy sector overall.
- According to Moldovan official statistics, the area under organic agriculture (both certified and in conversion) has grown at a steady pace during 2003-2012 from 80 ha to 61,280 ha, with a decline to 51,681 ha in 2013 (including 42,327 ha certified organic), or around 3.8% of total.
- Both public and private finance is becoming available to support green transition. The Energy Efficiency Fund is funding energy efficiency improvements in the public sector.

WHAT REMAINS TO BE DONE:

Successfully advancing the green development agenda requires a comprehensive approach with concerted efforts of the entire government and the private sector:

- **Update national policy frameworks:** The principles of green economic development have to be mainstreamed in all relevant national and sector strategies and plans.

- **Finance the green transition:**

- Access to finance for green investments is essential both via public expenditure programmes and private finance. Targeted use of public finance can scale up private financial flows into green investment, achieving leverage ratios of up to 1:5.
- Position national instruments like the National Ecological Fund or Energy Efficiency Fund to be ready to absorb international financing becoming available for example from the Green Climate Fund, ensuring they meet international fiduciary principles, project cycle management standards and environmental and social safeguards.

- **Set the right incentives:** Environmental legislation, business regulation, subsidy schemes, tax systems – all need to set the right incentives for efficiency, reduced pollution and eco-innovation. This requires the reform of environmentally harmful subsidies, greening of all public incentive schemes, and a sound design of environmental taxes.

- **Promote resource efficient and cleaner production, and green innovative small and medium-sized enterprises:** Targeted policy packages can leverage regulatory, information-based and financial instruments for the greening of SMEs, in combination with targeted spending programmes.

- **Green public procurement:** The Government is an important consumer, reaching over 25% of GDP.

- **Raise awareness and educate a labour force fit for the green transition:** Promote sustainable consumption, creating e.g. domestic markets for ecological products. Develop policies enabling the private and public education institutions to adopt “green” curricula.

- **Measure progress and adapt policies:** Data availability and indicators have to be further improved for evidence-based decision making on green economy and costing of environmental impacts.

- **Develop a national “Green Moldova” trademark** including a transparent certification process.

¹ http://www.md.undp.org/content/dam/moldova/img/PressCenter/UNDP_MD_GreenDevDeclaration_8April2014.JPG