

# Making agriculture more attractive for youth and women: Evidence from the Republic of Moldova

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The aim of this brief is to present the most recent developments in supporting youth and women to engage in the Moldovan agriculture sector, which were identified during the activities carried out in the framework of the AGRUMIG project. The brief highlights the potential opportunities for returnee migrants, in particular, but also identifies significant existing challenges.

The Republic of Moldova is a country with significant potential in agriculture, as it represents a key sector for economic development of the entire state. The national economy largely relies on the agriculture sector in terms of employment, especially in rural areas. In this regard, a downward trend in agriculture as an occupation is observed in the sector, where the number of people employed decreased from 206,500 in 2014 to 181,200 in 2021.



Rural landscape in Soroca and Nistru River, Moldova (photo: Matteo Masotti).



Moldovan agriculture is of several types, starting from farming developed on inherited land (mainly land received from parents or grandparents) to agribusiness developed in the absence of other available economic activities, which can be carried out in the community. Finally, there are profit-oriented activities, developed by genuine entrepreneurs, aimed at commercializing production and making a profit, including horticulture and fruit cropping. Women and youth are often unable to engage in such commercial ventures due to their lack of access to credit facilities to enable investment, and also due to having little knowledge of the commercial farming sector. However, women and youth are often very eager to get involved in implementing and developing new economic activities.

It is of particular importance, therefore, to develop policies that enhance the involvement of women and youth in Moldovan agriculture, since they are usually more business-oriented, actively pursuing specific and targeted goals.

Development of the agriculture sector is mostly reliant on a national subsidy program. This is usually in the form of post-investment subsidies: the approach requires that the entrepreneur initiates the investment, and they can later apply to the Agency for Intervention and Payments in Agriculture (AIPA) for reimbursement of costs. Given that this type of investment requires, first, the availability of significant financial means, young entrepreneurs and women are among the least favored groups, as they find it difficult to initiate a business and then apply for subsidies afterwards, in spite of the fact that many recent migrants are women and youth.

Government Decree No. 507 of May 2018 approved a regulation on the conditions and procedure for allocation of advance grants for start-up projects from the National Fund for Agricultural and Rural Development (Republic of Moldova 2018). This was aimed at providing for the needs of youth, women and migrant entrepreneurs who would like to start an agribusiness. An *ex-ante* subsidy is provided with the aim of encouraging young farmers, female farmers and returnee migrants to create small businesses. This will help to improve their economic performance, create new jobs, and increase investment in innovative technologies. The annual allocation from the National Fund for Agricultural and Rural Development to finance start-up projects accounts for at least 5% of the total value of the fund (Republic of Moldova 2018).

Overall, the state policy with respect to the provision of subsidies in advance is based on the following:

- Insufficient finances to start a business.
- Limited access to credit facilities.
- Limited access to information related to business development opportunities in the Republic of Moldova.
- Insufficient levers to support the initiation of a business.
- Low level of attractiveness of economic activities, including the slow development of small businesses in rural areas.
- Insufficient entrepreneurial skills of potential young farmers, female farmers and returnee migrants.
- The need to increase the competitiveness of domestic agri-food products in the markets (Republic of Moldova 2018).

Since the provision of *ex-ante* subsidies to initiate the development of start-up projects in the agriculture sector started in 2018, eight calls have been launched by AIPA intended for young farmers, female farmers and returnee migrants. In the context of national subsidies for the agriculture sector, a category for returnee migrants was only introduced in 2020 and, therefore, represents a relatively new category eligible for receiving these subsidies.

Up until the beginning of 2022, 207 requests for funding had been received by AIPA, totaling investments worth about MDL 120 million. Of the 207 requests received, 162 applications, amounting to MDL 89.1 million, were approved for funding and currently 51 investment projects have been fully implemented. The public support provided to women and youth contributed to the creation of over 300 new jobs, and of the funded new businesses, over 55% are managed by women farmers (AIPA 2022a).

In 2021, 45 new entrepreneurs showed interest in starting a business in agriculture. This contributed to investments in the agriculture sector of over MDL 40 million, and created over 80 new jobs. Contributions from the state to the development of 45 start-up projects amounted to MDL 26 million. Of the 45 applications for subsidies, 24 were submitted by women and 21 by young entrepreneurs. The most requested sub-measure from the subsidy program is No. 2: 'Stimulation of investments for the establishment, modernization and clearing of perennial plantations, including wine plantations and fruit orchards', under which 22 applications were submitted. Applicants sought to start an agribusiness on 32.7 ha of fruit plantations (plum, cherry, sour cherry, peach, apple), 79.2 ha of nut plantations (hazelnut and walnut), 6.8 ha of grapes for wine production, 5.9 ha of aromatic herbs (lavender) and 3.8 ha of berries (blackberry, raspberry and currant). Eight applications were submitted under sub-measure 3: 'Stimulating investments for equipment and technological renovation of livestock farms'. Eight applications were submitted under combined sub-measures, where the applicant can select two or more sub-measures. Three applications were submitted under sub-

## Main indicators in Moldova's agriculture sector

The gross value added of the agriculture sector decreased as a percentage of gross domestic product from 14.1% in 2014 to 10.6% in 2021.

Agri-food products are a consistent share of the total products exported, varying in the range of 40-47% in the 2010-2021 period.

The share of agri-food imports in total imports is between 13.2% and 15.6% from 2010 to 2021.

The share of the population employed in the agriculture sector varies between 23.7% in 2014 and 21.5% in 2021, with a slight increase in the last three years (from 21.0% in 2019 to 21.5% in 2021).

measure 5: ‘Stimulating investments for the development of postharvest and processing infrastructure’. These are some examples of applications that were submitted under different sub-measures of the subsidy program (AIPA 2022a).

From January to August 2022, 42 new entrepreneurs submitted their applications to AIPA. State support accounts for MDL 25.2 million and it is expected that the new enterprises will generate over 100 new jobs. Nineteen start-up projects will be launched and managed by female farmers and 23 start-up businesses by young farmers, of which 25 investment projects are related to beekeeping through the purchase of beehives as well as the necessary equipment for extracting and processing bee honey. Another 15 investment projects aim to combine two or more compatible support sub-measures, while 12 projects aim to establish pluriannual fruit plantations, including apricot, hazelnut, walnut and plum. Finally, only one start-up project aims to build greenhouses (AIPA 2022b).

Being a relatively new approach in the existing subsidy program, the allocation of subsidies for start-up businesses implemented by young people, women and returning migrants presents some important challenges and opportunities that need to be addressed in order to unlock the full potential of such a program, especially for returnee migrants.

## Administrative challenges and opportunities

Introducing new, additional support measures or schemes does not necessarily imply an increase in the number of staff within AIPA, which makes it difficult and time consuming to process the applications.

*Proposal: Increase the total number of staff within AIPA and maybe establish a separate department that will be in charge of processing applications, and evaluating and monitoring the implementation of start-up projects.*

## Technical challenges and opportunities

From the eight calls launched by AIPA for the submission of requests for subsidies, only 162 applications were selected for funding out of 207 submissions. This suggests that there could be technical difficulties facing applicants for a variety of reasons.

*Proposal: Increase awareness of potential applicants by enhancing the number of information campaigns; involving technical experts and AIPA staff during information campaigns to provide valuable information to participants, which will help to avoid the most common mistakes made on application forms; and carrying out seminars on business planning of technical and financial aspects.*

## Financial challenges and opportunities

Unexpected increases in the prices of inputs (e.g., at the end of 2021 and start of 2022) may create difficulties for entrepreneurs who have already submitted their application forms with business plans based on old prices. This could also lead to the inability to implement, or failure of, some projects as the original business plans may not correspond to the current financial situation.

*Proposal: In such situations, allow for the revision of business plans to include new financial data that are based on the current situation, or allow for a certain percent of acceptable error in the business plan set out in a motivation letter received from entrepreneurs.*

## Information challenges and opportunities

The AIPA start-up public support program is intended for women, young people and migrants. Up until 2022, AIPA had not received any applications for subsidies from migrants.

*Proposal: Pay more attention to the migrant category of eligible entities, through the development of information campaigns and dissemination of information not only in Moldova but also in other countries, by involving the diplomatic missions of the Republic of Moldova, embassies and the Diaspora Relations Bureau.*



Rural landscape in Butuceni, Moldova (photo: Matteo Masotti).



Rural landscape and Orheiul Vechi Monastery in Butuceni, Moldova (photo: Matteo Masotti).

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### AGRUMIG Policy Brief Series

This policy brief is one in a series of briefs produced as part of the AGRUMIG project.

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#### AGRUMIG Project

The project titled **AGRUMIG** *‘Leaving something behind’ - Migration governance and agricultural & rural change in ‘home’ communities: Comparative experience from Europe, Asia and Africa* proposes an integrated approach to migration governance to address the two-way relationship between labor mobility and changes in agriculture and the rural sector. Migration creates challenges for rural ‘sending’ communities in low- and middle-income countries, yet it can also be transformative. The project engages in a comparative analysis of seven countries (China, Ethiopia, Kyrgyzstan, Moldova, Morocco, Nepal and Thailand) to identify the economic, institutional, cultural and agroecological factors which shape these relationships. It will identify the range of governance interventions that can harness migration to stimulate sustainable, gender equitable growth in agriculture, and reduce the distress associated with migration.

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**Project website:** <http://agrumig.iwmi.org>

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This project is part of the MARIS (Migration, Agriculture and Resilience: Initiative for Sustainability) network (<http://maris.iwmi.org>)

