

Strengthening the Wine Sector: Moldova's Living Legend

Rethinking the Moldovan wine industry by improving the legal and regulatory framework, establishing an innovative and sustainable public-private partnership for sector administration, advancing and positioning Moldovan wine in new export markets and upgrading wine culture on the domestic market.



WINE OF MOLDOVA

A LEGEND ALIVE

Wine is an important part of Moldovans culture and daily life, and grape processing into wine has been recorded on Moldova's land since 3000 B.C. An estimated 70,000 Moldovan families own their own vineyards and produce wine, and wine is present at most of life's celebrations from birthdays to religious holidays. Moldova is one of a handful of European wine-producing countries able to produce a wide range of wine styles, especially popular white varietals such as Chardonnay, but also great red cuvees, such as 'Negru de Purcari', traditionally ordered by the United Kingdom for their royal family. The industry directly and indirectly employs approximately 200,000 people, mostly from rural areas, and generates an estimated 2.5 percent of GDP and 7 percent of the country's exports despite hurdles such as the 2006 and 2013 Russian embargo. Wine is of significant importance to the Moldovan economy because it is one of the only

products exported with its full value chain completed in country. Even with the cultural and economic importance of wine, the industry struggles to sell more at higher prices, diversify export markets, and portray an image of quality wines from a traditional wine country. Overcoming these challenges will earn increased revenues for small and large scale producers, increase tourism, foster sustainable business development, and create new jobs.

Creating a Legendary Vision

As a significant component of Moldova's history and current economy, USAID Moldova CEED and CEED II created a vision to enhance overall competitiveness of the sector. This vision evolved with the sector. Ranging from individual assistance to wine producers to a sector focus with government support, the sector steadily demanded improvement of the legal and regulatory framework, endorsement and positioning of Moldova in export markets and supporting development of a national wine brand, increasing sales of quality bottled wine in Moldova, and support for the industry to come together around a common agenda and create a unique voice to advocate for reforms. The multi-dimensional and comprehensive vision, based on validated industry needs, yielded not only positive economic impacts, but created sustained legal and institutional reform, increased employment opportunities, and diversified export opportunities.

Key Indicators

- Estimated 2.5% of GDP (it was 9% before the Russian ban of 2006)
- Accounts for 7% of total exports (by value), or 6% of industrial production
- Grape growers contribute 14% toward total agricultural production
- Provides direct and indirect employment for approximately 200,000 people, mostly from rural areas in the center and the south of the country
- 80 percent of the wines produced in Moldova are exported



The Moldova Competitiveness Enhancement and Enterprise Development II (CEED II) project helps to grow and expand the competitiveness and efficiency of key industries in Moldova leading to increased sales and investment.

Achieving Impact

Business Oriented Wine Legislation. With international donor support of the sector beginning in 2010, the business-enabling environment for the wine sector showcases major improvements. Unprecedented reforms have been mobilized. For example, passage of Law 262/12 in November 2012, set up the public-private National Office for Vine and Wine and National Wine and Vine Fund valued at \$3.2 million, primarily used for the campaign of the newly launched national brand.

Marketing and Promotional Platform for the “Wine of Moldova”. With more than two years of targeted support and planning on behalf of the Moldovan wine sector, the national Wine Country Brand – Wine of Moldova – was developed, impressively marketed, and launched by the U.S. Secretary of State John Kerry during his 2013 visit in Moldova. The new brand was also launched internationally in 2014 at the Prowein expo in Germany, where 30 international wine journalists, including editors of wine journals from Germany, Poland, Ukraine, Romania, China, and France, attended the press conference. More than 200 wine professionals participated in the seven master classes and tasted the selected Moldovan wines. Impact of the wine brand international launch is due to the significant amount of work done to prepare for this impressive stride, matched with an ambitious PR and marketing 2014 annual plan and preceded by coherent and dynamic promotional activities including 90 events in the past four years. As a result, wine export destinations have become more diverse with exports to CIS markets decreased in favor of European Union markets, which increased to 17 percent of the total exports in 2013 (by value) and rose under the pressure of the last Russian ban to 36 percent of the total bottled wine exports in 2014. Promotional events have been planned carefully under a public-private platform and oriented toward main target markets – Poland, the Czech Republic, Ukraine, Romania, Germany, the U.S., and China. In 2014, there was no decrease in exports to non-CIS markets and several markets showed impressive boosts in imports of bottled Moldovan wine such as Romania with an increase of more than 59 percent, Estonia with a 57 percent increase, and the United Kingdom with a 52 percent increase.

Investments in New Technologies and Quality Wines. In addition, 20 companies made investments of about 21 million Euros in new equipment and vineyards using credits provided by the European Investment Bank. Increased productivity, modern technology, and streamlined sector strategies – such as the production of the PGI/PDO wines and stimulating production of quality wines of indigenous varieties – all being part of the wine industry’s strategy for product development to boost industry competitiveness and diminish the negative impact of the Russian embargo.

Upgraded Wine Culture and Domestic Market Development. Local market assistance was provided through wine culture events and trade enhancement activities. The first 33 professional Moldovan sommeliers have been trained by French experts, 13 of whom have been accredited and achieved a European Sommelier Diploma. The project succeeded in formalizing the sommelier profession in Moldova, which didn’t exist until 2012, and wine culture has been spread to some 1, 000 wine amateurs. Improved concepts and organization for the country’s National Wine Day include several new elements, including Wine School, Wine Road, and new brand and PGI promotion. The project assisted the development of efficient wine culture activities such as the bi-annual Wine Vernissage, the accredited Sommelier courses, wine tourism, and PR activities organized for the local market.

SUCCESS STORIES: REFORMING TO ACCOMMODATE GROWTH

The regulatory and administrative models existing in Moldova for wine have proved inefficient in securing sustainable development of a sector that is of major importance to the national economy. The regulatory and organizational framework for the wine sector was outdated and was based on the old Soviet model of administration. Serious gaps in the regulatory and administrative systems of the Moldovan sector convinced businesses to intervene in sector administration, jointly promote their interests, and protect the values of the sector. As the wine sector continues to diversify

Vision for an Improved Enabling Environment

Reforming/rethinking the foundation of the sector by integrated and consolidated reform of the entire regulatory framework and an innovative approach in wine sector management to ensure sustainability of interventions.

markets, increase exports, and meet local demand, a supportive and well-functioning enabling environment is needed.

Passing Legislation to Ensure Sustainability

Promoting Reforms through the National Office of Wine and Vine (ONVV). Under the guidance of the Ministry of Agriculture and Food Industry (MAFI), ONVV operates as a public-private partnership with joint management and funding through a national fund for wine and vine to implement regulatory reforms, promote the national wine brand and increase sales to boost the economy. ONVV is a newly established organization and is a result of three years of support from USAID through the CEED and CEED II programs. In addition to launching the new national brand, ONVV has increased awareness of the Wine of Moldova and its positioning in the target markets. The group conducted two trade missions organized in the United States resulting in an increase of exports of about 30 percent. Additionally, ONVV successfully initiated three regulations for government approval for implementation of the new Wine Law and simultaneously implemented the development of the Vine and Wine Register Project with more than a \$1 million in investment by USAID and Czech Development Agency.

Re-Published the Vine and Wine Law in a New Edition to Jumpstart the Sector. Enforced beginning in February 2013, the new edition of the Vine and Wine Law dramatically reforms Moldova's wine rules and regulations by bringing them in line with those of the European Union and other international standards and best practices. The new law creates a legal regime for wine production and trade separate from that for hard alcohol. The law eliminates the licensing procedure and conditions for wineries (excluding label approval procedure and the discretionary authority of the Central Tasting Commission), introduces more transparent material and procedural norms related to entrepreneurial activity (i.e. transparent quality requirements, predictable rules for winemaking, clear conformity assessment procedures, and defined competencies of the controlling authorities), and creates a legal framework for the production of wines with Geographical Indication and Denomination of Origin, supported by a vineyards cadastre currently being developed by ONVV.

Ensuring Quality, Consistency, and Credibility through PGI/PDO. As a result of wine legislation reform, control and quality enforcement procedures were tightened for operation of the PGI/PDO system to provide credibility and quality standards for international markets. Additionally, the Wine of Moldova national brand has been conceptualized as a quality mark, guaranteed by the ONVV. MAFI and the ONVV, with the support of CEED II, have worked at enabling more transparent and less onerous wine conformity assessment procedures and to streamline control authorities to support a trustworthy Moldovan wine industry.

A New Face for a Newly Reformed Sector

Debating the National Brand to Move the Sector Forward. Under ONVV and funded by the Wine and Vine Fund, the new national brand, Wine of Moldova, was introduced in December 2013 with a comprehensive marketing strategy, which includes quality control and assurance components and a visual identity—the logo and slogan— which reflect the new and old generations of the Moldovan wine industry. The focus honed in on



The Launch of ONVV

“The National Office for Wine and Vine, and the subsequent Fund of Wine and Vine, have been established and started productively, its activities due to the major support provided by USAID throughout its CEED II project. The ONVV developed a Marketing & Promotion Framework, a Wine Country brand program, a set of draft normative acts, legislative analysis, the institutional management instruments, and most importantly, it received the project assistance for its start-up. Additionally, we started implementing the system of Protected Geographical Indication's wine production, to develop the Wine and Vine Registry and to reform the College of Winemaking and Viticulture of Chisinau.”

—Dumitru Munteanu,
Director of the National Office
for Wine and Vine of Moldova

the quality of the products allowed into the program, the streamlined marketing plan, and coherent communication, all aiming to preserve the brand values and strengthen sector credibility. Wine of Moldova has been presented in the key export markets, such as Poland, the Czech Republic, Romania, China, and the U.S. through special events and promotion activities.

Sharing Moldova's Best Kept Secret Internationally

Bringing Moldova to Opportunity Markets. With the new foundation laid for the wine sector, the next step was entering new markets. In August 2014, 11 Moldovan wineries, ONVV representatives, and the Minister of Agriculture and Food Industry participated in a trade mission to the U.S. at the invitation of U.S. Secretary of State Kerry. ONVV implemented the trade mission concept, and efficiently organized two presentation master classes in Washington, D.C. and New York, presented by Christy Canterbury, Master of Wine. Additionally, an extensive B2B event was held in New York. Approximately 300 participants attended the Wine of Moldova events, including wine importers, distributors, sommeliers, and wine journalists. Media coverage ranged from written articles, and online publications including the Fox News "Wine Me" broadcast that raised awareness about Wine of Moldova. This was just one of eight additional promotional activities organized by ONVV during the first year of the country brands' launch in countries such as China, Poland, the Czech Republic, Romania, Canada, and Estonia.

Showcasing Quality Products across Borders. ONVV and CEED II launched the national Wine of Moldova brand in Romania while participating in the Bucharest International Wine Contest (BIWC) where 110 Moldovan wine samples were registered in the competition, out of which 37 wines were awarded with gold, silver, or bronze medals. Dozens of other medals have been awarded internationally to Moldova's wine at events such as the Decanter Wine Awards, Mundus Vini, and the Challenge International du Vin.

Moving Forward

The Moldovan wine sector has opened new markets and re-oriented exports to the EU, China, and the U.S. by organizing promotion activities. The 'Wine of Moldova' program and creation of the ONVV are keys to future success. During the past three years, exports to non-CIS markets increased annually by 12 to 15 percent, easing the dependence on CIS markets and earning value added for wines. A prosperous wine sector will now welcome small- and medium-sized wineries which have emerged with a new generation in the sector. With eight small wineries successfully launched in Moldova, this growing number directly correlates to increased jobs and sales domestically and internationally for Moldovan wine and a strengthened entrepreneurial ecosystem for the country. The industry has proved its commitment to reforms and its maturity to implement them, having a strong country



Revolutionizing the Wine Industry

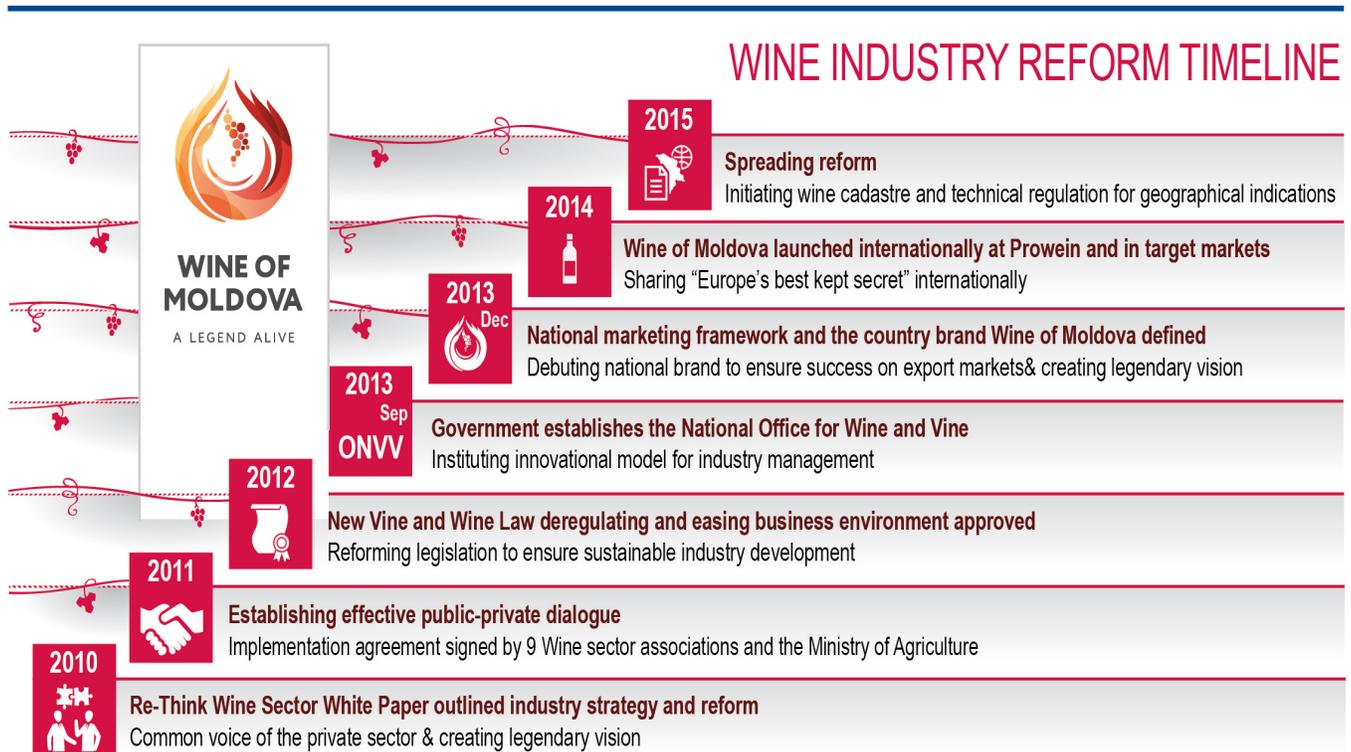
"With CEED II project's support we have succeeded to rethink the wine industry strategic development, ease regulatory system, establish a new industry management model, and to reposition our market. One valuable result was to form 'unique voice' of the wine sector, which conducted to establishing a public-private partnership, throughout the creation of the National Office for Wine and Vine. The last four years were quite revolutionary for the Moldovan wine industry."

—Eugen Pislaru, member of the ONVV board, Vice-President of the Association of Wine Producers and Exporters of Moldova

"The CEED II project's role in the wine industry reform was determinant, as it came with a professional approach to the sector's problems and with sustainable solutions. The project team mediated effectively the public-private dialogue, being also a reliable partner of the Ministry of Agriculture, which thrived in promoting the most ambitious reform of the wine industry since independence. The wine legislation was significantly improved and a new wine country brand program was developed and launched internationally."

—Vasile Bumacov, Moldovan Minister of Agriculture and Food Industry 2011–2015

brand, a sustainable institutional framework through ONVV, and quality production through PGI/PDO. Competitiveness in the sector will continue to develop by deepening regulatory reforms, streamlining controls, and ensuring a sustainable quality framework which will transform Wine of Moldova into a trusted brand in quality markets. A special emphasis will be placed on consolidating sector governance through ONVV. Finally, helping producers to reposition and grow wine trade in export markets, which are stable and value added, will distance Moldova from the blocked Russian market and low-value CIS countries.



SUSTAINABLE INDUSTRY DEVELOPMENT & PPP*	COMPETITIVE BUSINESS ENVIRONMENT	RE-POSITIONED ON HIGH QUALITY MARKETS	UPGRADED PRODUCT STANDARDS	PROMOTED WINE CULTURE DOMESTICALLY
<p>A common vision led to reengineering Moldova's wine industry</p> <p>The National Office for Wine and Vine created as a platform for sustainable wine industry development</p> <p> PPP in management</p> <p> 50/50 state and private funding</p> <p> \$2M annual budget</p> <p>*Public-Private Partnership</p>	<p>Fundamental wine industry reform was enacted by passing business-oriented wine legal framework</p> <p>Regulatory constraints abolished to fuel emergence of small scale wineries</p> <p>Product rules were harmonized with EU standards and labeling & traceability norms were streamlined, facilitating access to market</p> <p> Wine Law amended at 80%</p> <p> Decreased product administrative and certification costs by ~20%</p> <p> 50+ policy initiatives</p>	<p>Moldova was helped to overcome Russian ban effects and re-position on quality wines and local varieties</p> <p>Debuted Wine of Moldova national brand advanced in new export markets - Czech Republic, Romania, Baltic countries, China and USA. As a result, 12-15% annual growth of industry exports to EU during 2011-2014</p> <p> 90 trade promotion activities in 11 markets</p> <p> 95+ international media review on wine</p> <p> 36 assisted wineries generated \$82M+ new sales during project lifetime</p>	<p>The wine industry was re-oriented towards high value added production. During 2010 -2014, average price per bottle increased by 10%</p> <p>An origin-based wine production system was instituted to shift up quality level</p> <p> 4 first protected geographical indications were registered & protected in EU</p> <p> 20 'new generation wineries' assisted to emerge</p> <p> 17 new wine products were launched in the premium segment</p>	<p>Local market grew with 50%+ in the last 4 years</p> <p>The sommelier profession was introduced to breed wine culture and catalyze domestic market</p> <p> Sommeliers -33 trained and 13 - certified to EU standards</p> <p> 10 restaurants trained to comply with Professional Wine Service</p> <p> Wine School launched</p> <p> 43 wine culture trainings followed by 850 amateurs</p> <p>Launched Wine Vernissage events – elevated industry image</p> <p> 8 editions 6,000 participants</p>