

EaPGREEN



Partnership for Environment and Growth



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**Greening Economies in the Eastern Neighbourhood (EaP-GREEN)
project**

Sustainable Public Procurement Component

MARKET STUDY

on sustainable products prioritized for Sustainable Public Procurement in the Republic of Moldova

EXECUTIVE SUMMARY

2015



1. Project background

Governments of the the European Neighbourhood and Partnership Instrument (ENPI) countries are important consumers, as their expenditures represents around 20% of the GDP. Harnessing the government’s purchasing power for the promotion of sustainable public procurement (SPP) could bring significant environmental, social and economic benefits in target countries.

Through the Greening Economies in the Eastern Neighbourhood (EaP-GREEN) project, UNEP seeks to contribute to accelerating the shift towards the green economy by promoting sustainable development in the EaP countries. The project is financed by the European Union and implemented jointly by the OECD, UNEP, UNECE and UNIDO.

The SPP-related activities of the EaP-GREEN project aim at strengthening public procurement systems, enact a basis for SPP, and develop national SPP action plans, tailored to the needs and specific contexts of the targeted countries.

More specifically, in the field of SPP, the EaP-GREEN project has two components:

1. **Policy component:** the objective is to assist countries in the development and implementation of sustainable public procurement policies by increasing awareness and building the capacities of policy makers and procurement managers in the EaP region.

Demonstration component: the objectives are to effectively implement SPP in targeted countries, to raise awareness of public authorities, producers and consumers about the potential of eco-labels, including through the dissemination of best practices for practical implementation of eco-label related EU directives to the industry and public, as well as to increase understanding and skills of policy-makers in applying eco-labelling. The methodology applied at country- level is the “**UNEP SPP Approach**” which is conceived as a series of steps that must be followed by governments to first design and then implement an SPP action plan.

One of the key steps of the SPP Approach is to undertake a **market analysis** with the objective of:

- i) Identifying specific categories of sustainable products that will be purchased during the pilot tenders;
- ii) Assessing the existing productive capacities and responsiveness of the market to SPP tenders targeting the prioritized products;
- iii) Identifying potential threats and opportunities that SPP might create for the local market; and
- iv) Defining sustainability criteria for each sub-category of product and identifying relevant certification instruments, or references to an ecolabelling scheme.



2. Introduction

This market study aims to contribute to the selection of two categories of sustainable goods, works and services to be purchased through the pilot tenders. It will do so by analyzing the current capacity of the national market to supply sustainable goods and services in the prioritized category and by identifying the main obstacles and opportunities for the domestic market linked to the transition to sustainable public procurement.

The market study was carried out by the State Public Procurement Agency of the Republic of Moldova in 2015. Both quantitative and qualitative methods were used to undertake the analysis. The main research tool consisted in a questionnaire that 112 different stakeholders, mainly representatives of private sector companies, were asked to respond to. The objective of the questionnaire was to detect the respondents' general views on sustainable development and to gather information about the environmental criteria adopted by private companies as well as the challenges faced with respect to the production of sustainable goods.

3. Identification of categories of sustainable products and services to be introduced in the public procurement system

The first step of the prioritization process consisted in an analysis of Moldova's sustainable development priorities, in order to assess their possible impact on, and relevance for, sustainable public procurement. In this regard, the priorities laid out in the national Ecological Agriculture Strategy, the Energy Strategy and the National Environmental Strategy were given special importance.

At a later stage, an examination of the public sector's major spend items for the fiscal year 2013 was conducted, together with an analysis of the calls for public tenders and the respective bids submitted through the automated information system "State Register for Public Procurement", also in 2013. This task allowed for the identification of the ten major spend items in the public procurement system. Subsequently, the feasibility of the introduction of sustainable criteria for the products, works and services corresponding to each spend item was assessed, on the basis of a risk assessment analysis and of an evaluation of the potential environmental, social and economic impact that such a shift could bring about.

On the basis of all these considerations, the choice of the category of products to be introduced in the public procurement system fell on **i) fresh fruits and vegetables ii) doors and windows, iii) IT equipment and iv) transport equipment**. However, the introduction of sustainable criteria for the third and the fourth categories was deemed premature. Therefore, the conclusion of the prioritization exercise was that efforts would focus on the first two categories: **fresh fruits and vegetables, and doors and windows**. The availability of the scientific and environmental data necessary for the formulation of sustainability criteria applicable to the product categories selected, together with their potential for contributing to raising awareness on the benefits of SPP in society as a whole, also constituted two important factors that influenced the outcome of the product selection process.



4. Sustainability criteria for the selected product categories

a) Organic fruits and vegetables

With regard to the category of fresh organic fruits and vegetables, the most important sustainability criteria identified was that production methods must not include the use of pesticides or chemical fertilizers.

According to the FAO/WHO Codex Alimentarius, organic agriculture is "a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles, and soil biological activity". Moreover, organic modes of agricultural production must entail "where possible, agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system". In Moldova, in order to be officially labelled as organic, fruits and vegetables must comply with the criteria set by the ecolabel "**Organic Agriculture – Moldova**", launched by the Government in December 2010. These criteria include the elimination of any techniques causing environmental pollution, the maintenance of the natural level of fertility of the soil, the exclusive use of organic fertilizers, and avoiding genetically modified organisms and synthetic chemical additives or other similar substances.

b) Energy-efficient doors and windows

With respect to the category of energy-efficient doors and windows, on the other hand, it was decided that efforts will be focused on reducing the energy waste deriving from artificial lighting (caused by poor natural lighting), heat loss (caused by infiltrations and thermal attributes of windows), and similar problems. In particular, the thermal resistance of windows and doors highly depends on the material used and the quality of the frame, coatings, the number of glazing sheets and the distance between the glass sheets and the filling composed of inert gas. The Moldovan Energy Efficiency Fund identified the following technologies that are specific to the energy-efficient windows:

- Insulated glazing units consisting of two or more glass sheets that reduce heat transfer. The internal space between the panes is sealed and may be filled with inert gas, such as argon or krypton, which, in turn, reduce heat transfer thanks to their low thermal conductivity.
- Low-E coatings applied to the glass sheets to reduce heat loss through thermal radiation inside the building in wintertime. There are also coatings that can reduce the penetration of infrared radiation in summer, thus reducing the temperature inside, and air cooling measures in summer time.
- Frames and sashes with high thermal resistance. Currently, the most common materials are plastic profiles with multiple hollow chambers.
- Gaskets allowing for proper window sealing. Mechanisms that allow for different opening possibilities with different opening levels/directions.



In general, when purchasing windows, it is important to take into account all characteristics relating to the window profile, installation, soundproofing qualities, tightening technologies and number of hollow chambers.

5. Tools and methods of verification of the sustainability criteria for the selected product groups

a) Organic fruits and vegetables.

The National Accreditation Center of the Republic of Moldova (MOLDAC) is the institution in charge of accrediting the conformity assessment bodies. It does so by issuing the National Accreditation Mark, a legally protected standard. Upon accreditation, MOLDAC transfers the right to use the accreditation symbol to the conformity assessment bodies. After receiving accreditation, the inspection and certification bodies apply for authorisation from a specialised Commission at the **Ministry of Agriculture and Food Industry** (MAFI). The MOLDAC also monitors the conformity assessment bodies.

In Moldova, the competent authority for organic food production is the MAFI. It has some, but limited, competences related to the certification and authorization of inspection bodies. For example, it is in charge of drafting the regulation concerning the production, processing, packaging, labelling, certification, import and export and marketing of organic products. It also controls the use of the national ecolabel “Organic Agriculture – Moldova”, it coordinates the development of national criteria for organic food production, and monitors, jointly with the National Accreditation Center, the activities of the accredited and authorized inspection and certification bodies in the country.

The transportation and storage are also paid special attention to in the certification of organic products. For example, when transported, product packages must at all times have a label clearly stating their origin, i.e. name and address of the producer or supplier, and the storage facilities must be conceived in a way that avoids any risk of contamination between organic and non-organic products.

b) Energy-efficient doors and windows

In Moldova, the inspection and certification bodies for PVC windows and doors are accredited by the National Accreditation Center and approved by the Ministry of Construction and Regional Development. The competent authority for the designation and notification of conformity assessment bodies is the National Body for the Assurance of Products’ Conformity.

The PVC profiles are generally imported from Germany, Turkey, Ukraine, Romania, Bulgaria and China to then be assembled in Moldova. They are already certified by the foreign/international certification bodies, but according to a Government Decision on the approval of the technical regulation of construction products, these profiles, as well as glazing and windows are subject to mandatory certification in Moldova as well.



A comprehensive number of regulations and labels referring to PVC windows already exists in the country. Below is the list of ecolabels that are available in Moldova:



Labels for PVC profiles



Labels for windows and doors fittings



European conformity marking



Label of PVC windows and doors glazing



Label of PVC profiles recycle



6. Supply Analysis

While the organic fruits and vegetables are produced in Moldova, the window parts are imported, with the exception of the window glass, to then be assembled in Moldova.

a) Organic fruits and vegetables

As of today, only a minimal percentage of agricultural land in Moldova is dedicated to growing organic fruits and vegetables. According to the survey, due to the fact that subsidies for lands in conversion were stopped and because of the lack of outlets, the number of operators involved in organic food circuit decreased in 2014 from 170 to 58. As a result, the surface area of agricultural lands intended for certain organic crops was reduced in 2014 compared to 2011. Moreover the price for organic products is still significantly higher than that of conventional ones. Thus, regarding the average prices of sustainable products in Moldova compared to the conventional ones, the questionnaires showed a difference of 15%-20%. The most noticeable difference between the price for organic and conventional fruits is 10% for apples, while the difference between the price for conventional and organic vegetables is even bigger.

b) Energy-efficient doors and windows

Also in the case of windows and doors, the energy-efficient alternatives are often more expensive than the standard version of the product (energy efficient products are 20% more expensive than the conventional ones). This is due to the fact that on the market there are PVC doors and windows of a very low quality and with a much smaller prime cost. However, examples given in the market study show that using energy-efficient doors and windows will lead to energy savings up to 12600 Moldovan leu per month.

In addition, the fact that a small number of producers of PVC windows in Moldova serve customers from other countries, mainly European ones, is a sign that some local producers do have the capacity to deliver high quality at a price that is competitive, even on the European market.

The analysis conducted with the help of the questionnaire sent to companies in Moldova, helped to identify some of the main challenges that producers of sustainable products in the two selected categories of products are facing, and that may be preventing these two fields from growing. Among these are, for example, the lack of an established platform for the marketing and selling of these products, low levels of knowledge and awareness on the topic of eco-certifications among the population, as well as the competition coming from cheaper but less sustainable alternatives.



7. Demand Analysis

The biggest problem when conducting an analysis of the demand for organic fruits and vegetables by the public sector is that public procurement contracts for seasonal goods are usually not registered at the Public Procurement Agency because they often amount to less than 40,000 Moldovan leu. Therefore, it is not currently possible to estimate the exact value of public procurement contracts relating to organic fruits and vegetables. One of the most problematic aspects regarding the public sector's demand for organic fruits and vegetables, and which may constitute one of the biggest obstacles for its future growth, is that the public seems to be largely unaware of the difference between organic and conventional fruits and vegetables. For examples, most supermarkets do not have specialized sections for organic products, nor are there many shops specialized in selling them.

With regard to the market for PVC windows and doors, the trend towards higher demand for these products is positive and promising. Consumers seem to increasingly take into consideration other factors than just price, when deciding which products to purchase, such as their energy efficiency and acoustic isolation qualities. The establishment of the Moldovan Energy Efficiency Fund in 2007 seems to have had a positive impact on the procurement choices of public sector agencies.

The objective of the **Energy Efficiency Fund** is to promote and fund projects focused on sustainable energy consumption and development of renewable energy. Thus far, a promising number of public institutions has increased efforts to render public buildings more sustainable and efficient thanks to the support of the fund.



8. Conclusion

Generally, the introduction of the two categories of products selected in the public procurement system seems feasible. However, the organic fruits and vegetables sector is still facing a number of problems that must first be solved in order to facilitate the expansion of the market for these goods.

Organic fruits and vegetables

Producers of organic fruits and vegetables identify the customers' **lack of knowledge** on the advantages of organic products and **the strong price competition** coming from conventional products as the main obstacles to the expansion of the market for these products. Therefore, educating consumers on the differences between organic and conventional products can help stimulate higher demand for them. In fact, as of today, because of the unclear differentiation between these two categories, organic products are forced to compete on the same base as their conventional and cheaper alternatives.

Moreover, as pointed out by the *National Study on Organic Agriculture and Greening of Conventional Farming* (2014), the export of organic crops has grown steadily in recent years, experiencing a remarkable increase in 2012-2013 in particular. It thus seems that local producers in Moldova are discovering the potential of foreign demand for these products. If this trend continues, ecological products can represent an important opportunity for Moldovan producers to penetrate foreign markets.

Eco-efficient doors and windows

With regard to the introduction of energy-efficient doors and windows in the public procurement system, although there still is a number of challenges to overcome, the trend seems positive. Even though the price of energy-efficient solutions for doors and windows is significantly higher than that of their conventional alternative, demand for the former has risen in recent years. This can be taken to be a sign that the private sector is becoming increasingly applying **a life-cycle cost approach** to the analysis of their purchasing decisions. The public sector, on the other hand, does not yet seem to have reached this same stage of awareness on the advantages of sustainable solutions for doors and windows, still opting for products that are cheaper at the time of purchase without taking into sufficient consideration the subsequent costs of maintenance, heat-loss and disposal of the less sustainable alternatives of these products.

However, the establishment of **the Energy Efficiency Fund** of the Republic of Moldova has brought with it a promising number of improvements in this area, and has already provided funding to various projects focused on the promotion of energy efficiency and the development of renewable energy in the Republic of Moldova.