

THE ROLE OF VITI-VINICULTURAL SECTOR IN THE DEVELOPMENT OF RURAL ECONOMY IN THE REPUBLIC OF MOLDOVA

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Abstract: *Maintaining a decent standard of living of the population and the employability of the work force in rural areas and improving the quality of rural life must be one of the main priorities of the Republic of Moldova. In this process, an important role rests upon the viability of vitivinicultural sector, the strengthening of the local economy and communities in rural area, the development of villages and farms. In order to create favourable living conditions in a rural area it is essential to develop a consistent and comprehensive policy of rural and agricultural development. Currently, the sector is facing some difficulties. The difficult situation of companies in the vitivinicultural sector of the Republic of Moldova is further enhanced by the obsolete assets, the increasing need for investment, lack of export market diversification, insufficient quantity of quality wines, as well as lack of financial, marketing and corporate management skills.*

Key words: *vitivinicultural sector, sustainable rural development, rural economy.*

INTRODUCTION

The sector in which Moldova has an international renown is the vitivinicultural sector as well as wine industry which is traditionally the strongest sector of national economy. Vine growing in the Republic of Moldova represents a traditional activity of great economic importance, harmoniously developed as a result of favorable natural conditions which have vineyards on the territory of our country. About 10-12% in the national annual state budget constitutes the revenues generated by viticulture [9]. The Republic of Moldova is included in the list of the top 10 world's wine-producing and exporting countries. The wine has a major influence on the economic condition of the country, representing up to 20% export revenues in good years.

MATERIALS AND METHODS

Research methods consist in systemic and comparative analysis and in complex approach in researched subject depending on the proposed goals and objectives. As a methodological research basis has served: the dialectic of the knowledge process, the fundamental provisions of the modern economic theory, the general economic principles, and the methods of systemic approach. There were used methods as: synthesis, comparative analysis, induction and deduction methods, and the representation of the investigated events and phenomena.

RESEARCH RESULTS

Vitivinicultural branch has an important and strategic role in the development of the Republic of Moldova economy. Becoming a traditional occupation of the local population, the vitivinicultural sector brings a number of advantages and benefits to our country that may be characterized based on three aspects:

Economic aspect. From an economic perspective, taxes and capitalization of vitivinicultural products help in creating the state budget (from excises, VAT, income taxes, etc.); deductions from the social fund; it shows a high degree of intensification

because it requires a high consumption of work force, internal and international trade with vitivincultural products and by-products represents an important source of revenues and profits, net profit from 1 ha of vineyards – from 6 to 45 thousand lei [5]; indirect involvement in productive activities of approx. 30% of different categories of enterprises [8].

Social aspect. The basic components that form the vitivincultural sector – viticulture, grapevine nursery and winemaking – through the numerous permanent places of work, provides incomes for daily life and improvement of the quality of people’s lives. Vitivincultural sector contributes to the assurance of a stable ground for rural economy and for raising the employability of the work force in rural areas, strengthening rural regions and settlements, especially villages and farms; diversification of the rural economy and thus ensuring livelihoods, maintaining places of work, increasing the employment rate of the work force, intensifying the role of cultural heritage and its introduction into the tourist circuit.

Ecological aspect. The vine is one of the crops that, given the hilly relief of the Republic of Moldova, makes possible the efficient use of the sloping agricultural land with the angle of incline more than 5 degrees (there are lands with poor soils, eroded etc.), where it is not effective the growing of other agricultural crops. According to the National Institute of Winegrowing and Winemaking assessment, the Republic of Moldova disposes of approx. 360 thousand hectares of such lands, which are currently valued only at a rate of about 30%.

Rural economic development means progressive improvement and maintenance of the population welfare in correlation with the rational use of natural resources and preservation of ecosystems [3, 2]. Rural economic development approaches the concept of quality of life in complexity: economically, socially and environmentally; promoting the idea of balance between economic development, social equity and environmental effective use and its conservation. Thus, taking into consideration the sustainable development restrictions it needs to analyze the rural economy in its complexity as a revival socio-human and economic activity of the rural area regardless of the conditions offered by the nature and environment.

The situation of rural economy development shows that the necessary financial resources and the means of its achievement are dependent on the encountered difficulties, the population attitude towards the objectives of such a long process [4]. As a result, the stages that need to be taken as the duration of achieving the proposed goals may be not only different but also asynchronous.

The vitivincultural sector is also confronted with numerous problems that require their fastest possible solving. In order to ensure effective functioning of the vitivincultural sector it is necessary:

- to assess the economic resources of the branch (labour, capital, raw materials, information);
- to study the market;
- to detect the vitivincultural products demanded on the local and international markets;
- to conquer consumers through originality and quality of the vitivincultural products;
- to ensure efficiency for each segment and stage of the vitivincultural branch;
- to balance processing capabilities and raw material volume;

Increasing efficiency of the vitivincultural branch requires a development strategy for this sector. Making a development strategy for the vitivincultural sector needs to contain a coherent conception of development. Its achievement is a socio-economic task that must solve a complex of problems.

Table 1

The overview of rural development through SWOT analysis

Strong points	Weak points	Opportunities	Threats
Internal mobility of work force from rural area. Possession of two languages (Romanian and Russian) by rural population	The low rate of employment in villages and massive migration	Creating places of work in rural area by initiating some businesses with foreign capital	Depopulation of rural areas due to migration and population ageing
	Low incomes in rural areas Low quality physical infrastructure in rural areas	Increasing revenue in rural areas due to economic development Use of remittances for investment purposes Increasing agritourism	Enhancing the gaps between urban and rural wages The growth of poverty level and social exclusion in rural areas Pension reduction due to budget constraints
Positive attitude to small entrepreneurs	Increasing the number of young people in rural areas without education Lack of local development	The emergence of young agricultural entrepreneurs	

Source: Created by the authors

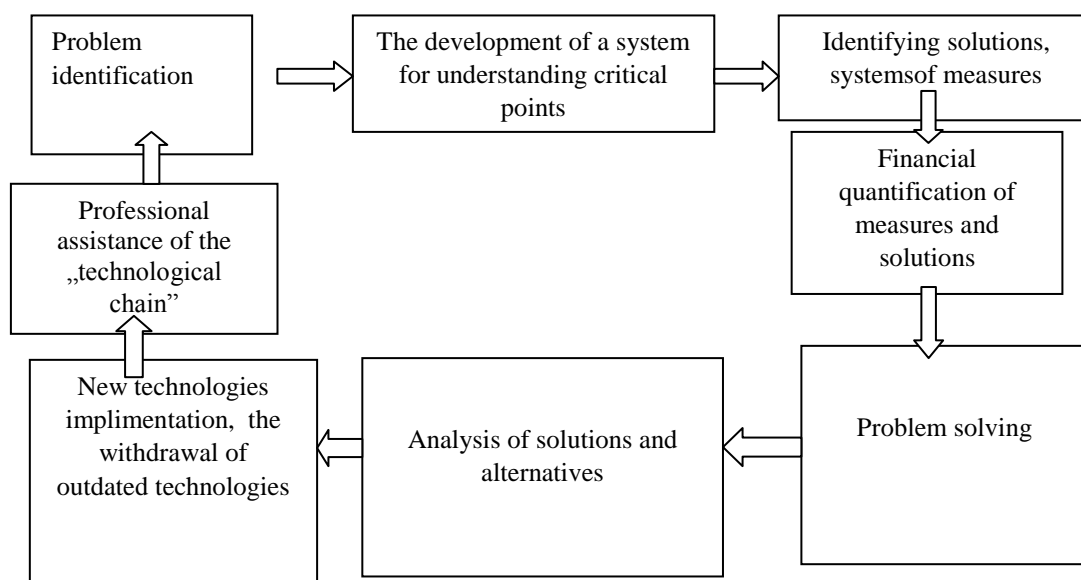


Figure 1. Flow chart of problem detection and solving of the vitivincultural sector

Source: Created by the authors

Awareness of existing problems have to be based on understanding the strategy, the objectives of accomplished transformations, the assessment of political situation and economic conjuncture of the moment. As strategic directions for the development of the efficiency of vitivincultural branch it can be mentioned the following directions:

- creating a favourable legal environment for the sustainable development of the branch and for protecting producers' economic interests as well as the state interests in this field;

- increasing economic efficiency of the branch, on the basis of formulating and implementing the progressive forms of organizing the production in the market economy conditions;

- developing and implementing the resource-saving technologies used in vitivincultural sector;

- promoting an investment and institutional policy in the sector;

- organizing marketing centres and centres of information advisory to service the wine growing producers;

- the development of the technical and scientific progress through drawing and implementing some complex programs;

- training and retraining of personnel in the field;

Applying these approaches contributes directly to the development of the sector and as a result to the development of the Republic of Moldova's economy as a whole. Further, it is needed to promote sustainable economic growth in the vitivinicultural sector by increasing the competitiveness and encouraging private initiatives, redirecting the finished production to the new market opportunities, implementing agricultural policies, supporting agricultural structures in order to develop a viable rural market economy.

It is also necessary to be aware of the importance of rural development as a whole and of the vitivinicultural sector, both at the level of local authorities and at the level of population, because the development of vitivinicultural sector has a substantial importance in the economic and social development of the Republic of Moldova.

The development of the vitivinicultural sector would ensure a sustainable growth of the rural sector with a consequent improvement in quality of life in rural areas by increasing the competitiveness and productivity of the sector. The objectives could be: aligning national standards to those of the EU and ensuring the safety of products; increasing the competitiveness of the vitivinicultural sector; the continuous growth of population's quality of life in the rural areas; the growth of productivity by increasing investments and innovations in the sector; the continuous development of value chains to achieve a higher added value; the development of agricultural markets. The vitivinicultural sector of the Republic of Moldova has all the conditions of effective operation. Reorientation to the consumer of all branch activities, the growth of the commercialized volume and obtaining a maximum income will contribute to the sustainable economic development of the republic as a whole.

CONCLUSIONS

For solving problems related to the functioning of the vitivinicultural branch it is required to be ensured its sustainable development, valuing full potential, the production capacity and the volume of sold vitivinicultural products needs to be balanced, branch activities should be consumer-oriented.

Based on the above researches, we propose to be launched restructuration and modernization processes of this sector, with additional financial support, and the implementation of food safety requirements and quality of vitivinicultural products. These activities will involve financial support for investment in processing facilities, modern buildings, modern production lines, including all supporting infrastructure. Granting additional support could maintain the creation and functioning of groups of agricultural producers.

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