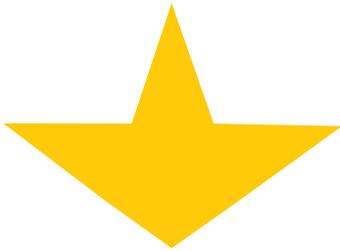




EU4Business



COUNTRY REPORT 2020 MOLDOVA



WWW.EU4BUSINESS.MD

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[EXECUTIVE] [SUMMARY]

EXECUTIVE SUMMARY FOR MOLDOVA :

2019 AT A GLANCE



As this difficult year draws to a close, we are proud to present the results of the EU4Business Initiative in this 2020 Country Report for Moldova. Despite the pandemic and its stark impact on business, the entire EU4Business team has worked tirelessly to expand the range of projects that we collect data on and we are pleased to say that we can now show the results that accurately reflect the entirety of EU support to SMEs in the Eastern Partnership, including Moldova.

WHAT SUPPORT DOES THE EU PROVIDE TO SMES?



Access to Finance (A2F):

- ➔ concessionary loans via national banks
- ➔ microfinancing for household businesses
- ➔ small grants to SMEs
- ➔ training staff at national banks to better serve SMEs
- ➔ training SMEs in financial literacy



Business Development Services (BDS):

- ➔ providing direct advice and training to SMEs
- ➔ training and capacity building among national business support organisations (BSOs)
- ➔ establishing business incubators for start-ups
- ➔ developing business clusters for mutual support and development
- ➔ supporting governments in identifying new markets
- ➔ building capacities at export support organisations



Business Enabling Environment (BEE):

- ➔ promoting regulatory reform and best practices
- ➔ building capacity amongst policymakers and regulators
- ➔ encouraging public-private dialogue
- ➔ informing business about reform processes and rules/procedures

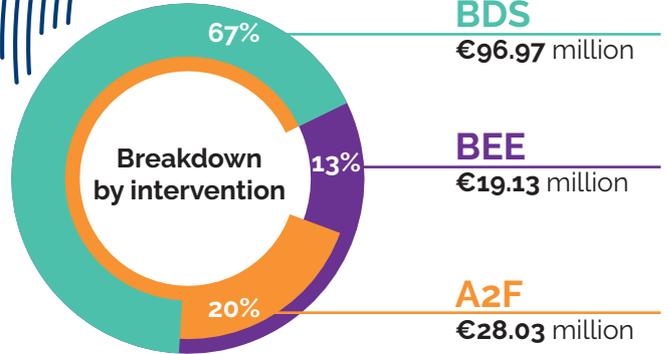
PORTFOLIO FOR MOLDOVA IN 2019

27 projects

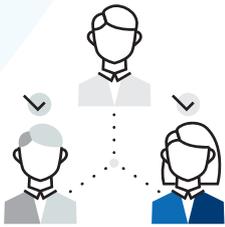
Total budget of EU support in Moldova

€144.13
million

of which
€25.8 million was disbursed

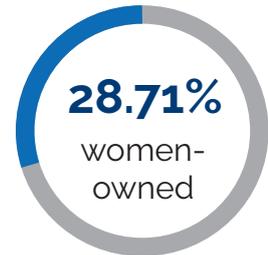


RESULTS OF EU SUPPORT IN MOLDOVA IN 2019



19,531

SMEs supported



€1.99

billion

total turnover of SMEs supported

€345

million

extra income generated by SMEs



21,930

new jobs created



RESULTS OF EU SUPPORT IN MOLDOVA IN 2019

168,844

employed in EU-supported SMEs



the average SME supported by the EU in Moldova

has

€100,000

in annual income



employs

8-9

individuals



WITH THE SUPPORT OF THE EU

these SMEs grew on average by

↑ **+22.35%**

more SMEs engaged in export

↑ **+4.31%**

expanded their staff by

↑ **+14.9%**

EU-supported SMEs increased their exports by

↑ **+3%**

For every one million euros of EU support,

€1 million



an average of **135** SMEs benefited



136 new jobs were generated



€21.2 million increase in income was recorded

RESULTS PER PILLARS

ACCESS TO FINANCE (A2F):



411

SMEs received loans



to women-owned SMEs

€85.8

million

total value of loans

€210,000

average loan

6

partner financial institutions supported

BUSINESS DEVELOPMENT SERVICES (BDS):



5

business support organisations improved their capacity

18,902

consultancy services delivered to SMEs



women-owned

BUSINESS ENABLING ENVIRONMENT (BEE):



12

laws, policies and regulations reformed

63

public-private dialogue events held

67

government institutions improved their capacity

EU4BUSINESS COMMUNICATION

EU4Business communication activities have provided an ongoing continuous effort using a structured and targeted approach. Having set out an updated vision in our communication strategy, we aligned all processes to build a more structured system for communicating the EU4Business brand.



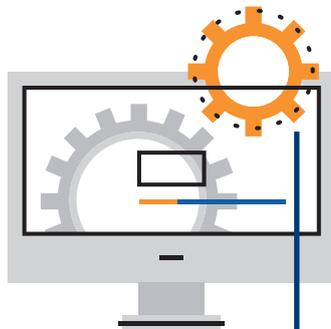
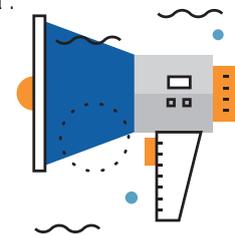
Our focus is on storytelling and putting quality of content over quantity.

Since August 2019, we have prepared more than

20
success stories
and news items

about EU support to SMEs in Moldova that have been shared with the EU, our partners and the press.

Our stories have gained wide coverage in the mainstream media in Moldova.



The number of visitors to the current EU4Business website grew

17.8%

over January-August 2020, compared to the same period last year.

MODERNISING OUR WEBSITE

We have revamped our website to better match the needs of our target audiences. In December 2020, we launched the main donor-oriented platform and six country SME-focused web pages, providing a one-stop-shop for SMEs to find information about EU support.

According to Google Analytics, we received

156,975

page views

85.3%

new visitors

The initiative has eschewed paid ads, focusing instead on promoting meaningful content.

CHECK OUT



the new SME-oriented EU4Business web page for Moldova:

www.eu4business.md



the updated donor-oriented main website:

www.eu4business.eu

IN RESPONSE TO THE COVID CRISIS

our team quickly launched COVID business help pages for all six countries under the EU4Business Initiative in just two weeks.

We brought together recommendations from the EU, governments and business.

Over May-August 2020, we recorded more than

3,000 visits to these Covid-19 pages

CHECK OUT

the Covid-19 Information Support Webpage for Moldova : covid-19-moldova.eu4business.eu



Since the pandemic hit, we have issued more than

25

Covid-19 Weekly Alerts

that registered a remarkable

40%

open rate

9%

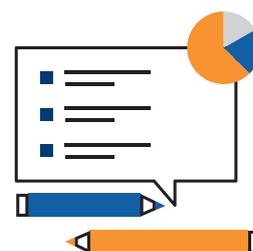
click rate

The number of subscribers to our digest has grown by

20%

since January 2020

To make sure that all messaging is consistent and cohesive so that a strong brand voice is established, we have upgraded the branding guidelines for the EU and our partners with easy-to-use templates and toolkits that each country will be able to adapt to its needs. The guidelines were presented to the EU, partners and projects at the beginning of 2021. Our information exchange guidelines have been widely communicated to make information flows more effortless and avoid unnecessary paper work and bureaucracy.



Despite the challenges facing SMEs in the EaP region, and indeed the whole world, the EU's commitment to supporting businesses in Moldova remains unchanged. With a new and improved vision and approach, EU4Business is ready for any further challenges 2021 might present and looks forward to reporting on yet more positive results for this year.



Mark Hellyer
Team Leader



**EU SUPPORT
TO SMES
IN MOLDOVA
LIN 2019**

[PORTFOLIO OVERVIEW]



EU support to SMEs is based on the joint policy between the EU and the EaP states as set out in the Eastern Partnership, 20 Deliverables for 2020, Priority I: regulatory environment, SME development, and access to finance.

THEREFORE, THE EU IS FOCUSING ON THREE TYPES OF INTERVENTIONS:



Access to Finance (A2F):



Business Development Services (BDS):



Business Enabling Environment (BEE):

27

projects provided support to SMEs in Moldova in 2019



with a total budget of

€144.13

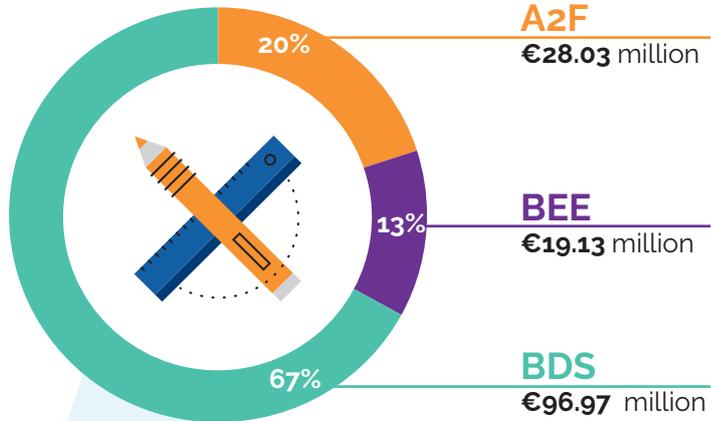
million

* This is the total value of contracts being implemented rather than disbursements in 2019.

[BREAKDOWN]

BY INTERVENTION

Breakdown of Active Projects in Moldova by intervention (total regional and bilateral) in 2019

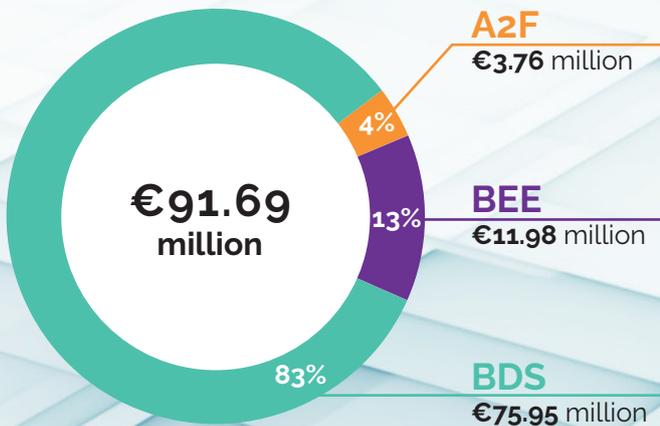


€144.13
million

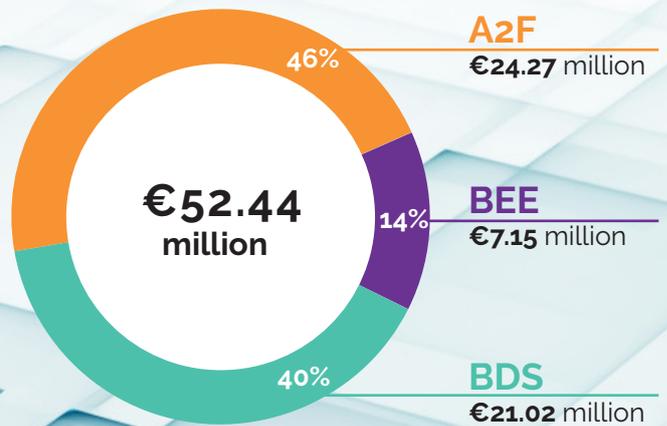
64%
of total budget

36%
of total budget

Breakdown of Bilateral Projects in Moldova by Intervention in 2019



Breakdown of Regional Projects in Moldova by Intervention in 2019



OVERVIEW

BY TYPE OF INTERVENTION

ACCESS TO FINANCE (A2F)

A2F is the second largest area of EU intervention to support SMEs in Moldova.

A total of
€28.03
million

in EU support was allocated to unlock access to finance in Moldova in 2019¹



7

major specific support instruments:

A1

Capped Loss Recovery

A2

Interest Subsidy

A3

Targeted Assistance (TA) to PFIs

A4

Capped Guarantees

A6

SME Incentive Grants (linked to loans)

A7

Grants to SMEs

A8

Structured Funds

¹ This is the total value of contracts being implemented, not disbursements in 2019.

THE SEVEN SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR ENABLING ACCESS TO FINANCE ARE DEFINED BELOW:

A1

Capped Loss Recovery

This is a risk sharing instrument in the form of a grant that the EU provides to an IFI. This grant is used by the IFI to partially cover the loss that any PFI, such as a local bank, would carry as a result of SMEs not repaying part or all of its loan. In this way, the PFIs feel more comfortable and are willing to use the credit lines from IFIs to lend to SMEs. However, the EU grant only partially covers the potential loss that PFIs could claim. The recovery of loss covered by this EU risk sharing instrument is generally up to 10% of the total loan

portfolio of the respective PFI (total value of the loans disbursed by the PFI from the respective credit line of the IFI) and generally up to 50% of each individual sub-loan. This actually means that if an SME does not pay back the loan to the local bank, the EU grant for capped loss recovery can actually cover half of the loss of the bank. In this way, the local banks are more willing to disburse loans to SMEs which are generally perceived as high-risk borrowers.

A2

Interest Subsidy

This instrument is a grant given by the EU to IFIs in order to lower the cost of their loans to SMEs in the EaP. The grant provides interest subsidies of up to 10%, which is applied to the regular interest

rate, with which the IFI lends to PFIs and further on to SMEs. The purpose of this instrument is to lower the final cost of finance for SMEs in the EaP.

A3

Targeted Assistance (TA) to PFIs

This instrument consists of technical assistance to PFIs in the form of consultancy services, mentoring, and specialised training. The main effect of this instrument is that the PFIs (local banks and microfinance institutions) become more

familiar with the modus operandi of the big IFIs, with the characteristic of their credit lines, their reporting requirements, as well as to the standards regarding financial and risk analysis of the potential borrowers.

A5

Currency Hedging Subsidy

This instrument is given to IFIs in order to enable them to disburse loans to PFIs (and ultimately to SMEs) in local currency. Traditionally, the IFIs only provide credit lines in euros or dollars. In order to sign credit contracts in national currency, the IFIs need to protect their investment through "currency hedging", a currency risk coverage facility provided by specialised agencies (that would cover the cost of currency devaluation, therefore the IFIs

do not lose any money) at a certain cost. Without the EU grant to cover the cost of the "currency hedging", the IFIs would add this additional cost in the lending contract with PFIs, and the loans for SMEs in local currency would naturally become more expensive. Due to the EU grant, the IFIs and subsequently the PFIs can offer loans in local currency to SMEs at a competitive price.

A6

SME Incentive Grants (linked to loans)

This instrument is different from regular grant schemes as the incentive grants are not given directly to SMEs as a "pure grant". The SME signs a loan contract from one of the credit lines of the IFIs via the PFIs. After the loan is disbursed, there is a verification process to check if the loan was used for the purpose listed in the business plan or feasibility study and

of the other pre-conditions for the loan disbursement. Once the verification report confirms compliance, a part of the loan is transformed into a grant, so that the total "cost" of financing is lowered. The most common incentive grants are between 10% and 15% of the loan value as it is the case for the EBRD DCFTA facility 1 and 2.

A7

Grants to SMEs

These grants are non-reimbursable and generally modest in value in order to support as many SMEs as possible. In general, SME grants are disbursed in order to target specific economic development goals such as development in rural areas,

poor communities, or a response to various types of crisis. These grants are usually disbursed through Non-governmental Agencies (NGOs) with links into the targeted communities.

A8

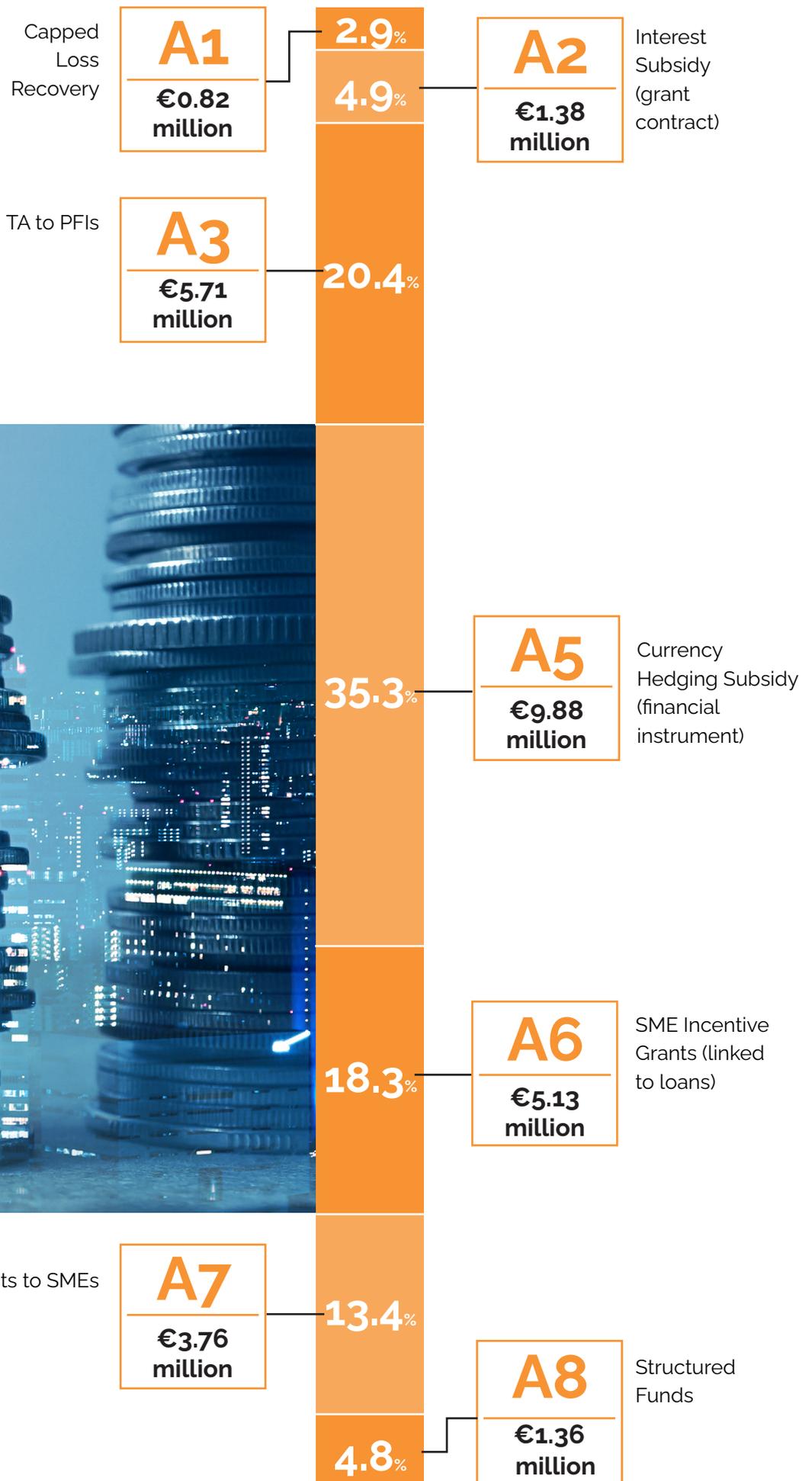
Structured Funds

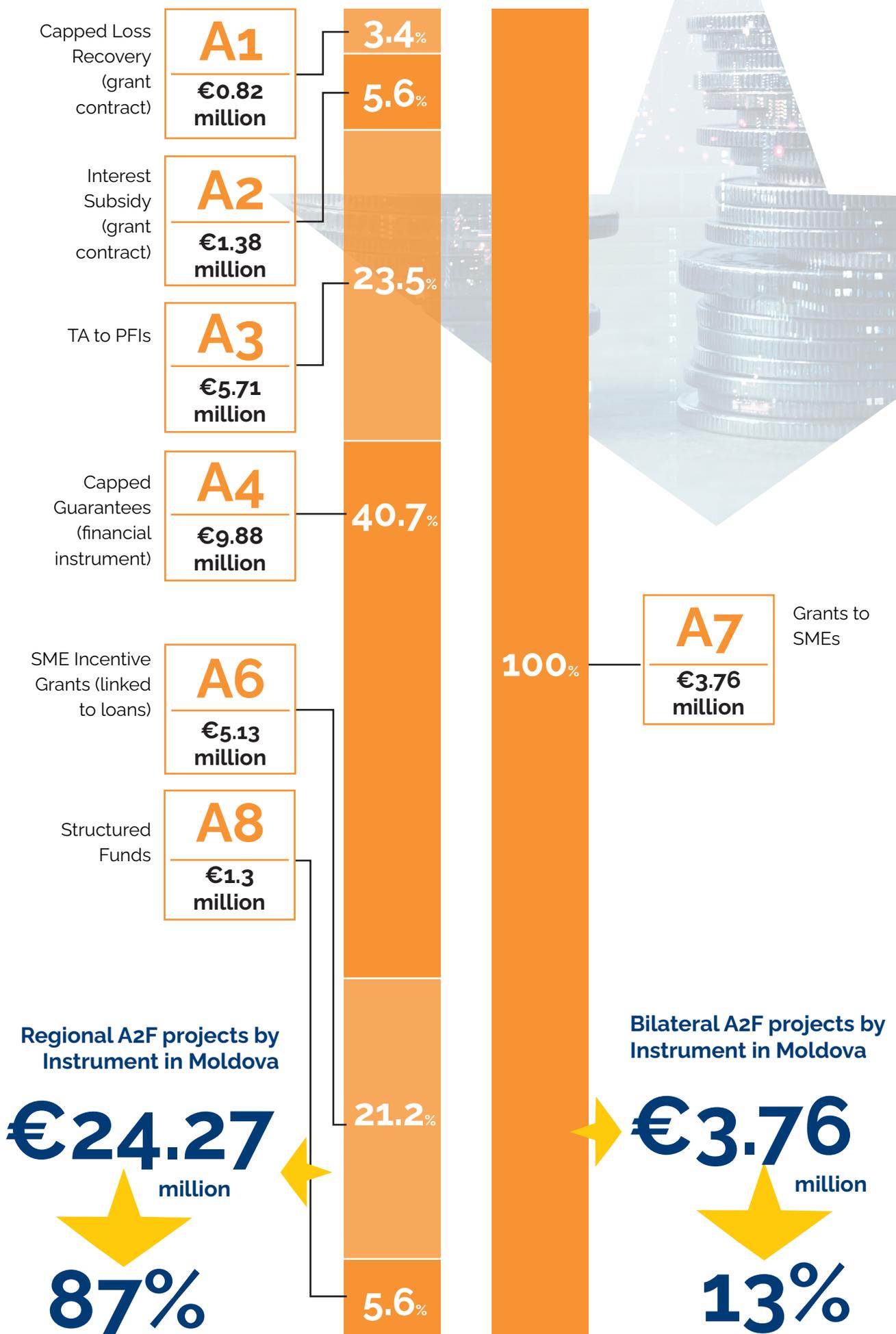
This instrument is implemented directly by EU participation as opposed to risk sharing with IFIs. Typically, this involves direct loans or equity investment in a financial instrument or fund. As the EU does not have the capacity to disburse direct loans

to SMEs, this function is assigned to an intermediary. The most important EU investment in Direct Finance is shares in the European Fund for Southeastern Europe (EFSE).

Allocation of A2F Budgets in Moldova by Instrument

There might be some round-off errors in some figures throughout the report





* There might be some round-off errors in some figures throughout the report

BUSINESS DEVELOPMENT SERVICES (BDS)

BDS is the largest area of EU intervention to support SMEs in Moldova .



THE THREE SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR IMPROVING BUSINESS DEVELOPMENT SERVICES AND KNOWLEDGE TO SMES IN MOLDOVA ARE DEFINED BELOW:

B1
Consultancy Services for SMEs

Through this instrument, the EU4Business Initiative aims to directly increase the knowledge and skills of SMEs in EaP countries through the direct provision (fully or part paid) of non-financial business services (these can range from basic start up and registration, accounting, marketing, input supply, technology and product development, training and technical assistance, infrastructure support, and advocacy). These services can be delivered through both international and/or local consultants, in both private firms/ individuals, and/or business support organisations.

B2
Capacity Building of BSOs

This instrument aims at increasing the capacity of Business Support Organisations (such as Chambers of Commerce, SME associations, professional bodies, the Sector Trade Association, training institutes, etc) to deliver BDS services to SMEs (whether members or not). The capacity building is achieved through mentoring, training trainers, advisory services, and study tours to either enhance existing services, build new ones, or improve organisational structures.

B3
Incubators

The business incubator is an organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching, common services, and networking connections. The EU4Business incubators instrument generally shares the cost with the local authorities where the EU bears the cost of refurbishment and cost-sharing arrangements for the running costs and/or service provision. One of the most important aspects related to this instrument is sustainability. As the operation costs are high, the initial financial set-up is crucial for keeping the incubators viable after the EU4Business intervention ends.

* This is the total value of contracts being implemented, not disbursements in 2019.

BDS Portfolio by Instrument

* There might be some round-off errors in some figures throughout the report



Regional BDS projects by Instrument in Moldova

€21.02 million
22%

Consultancy Services for SMEs

B1
€20.01 million

95.2%

Capacity Building of BSOs

B2
€0.4 million

Incubators

B3
€0.6 million

Bilateral BDS projects by Instrument in Moldova

€75.95 million
78%

Consultancy Services for SMEs

B1
€50.15 million

66%

Capacity Building of BSOs

B2
€25.8 million

34%

BUSINESS ENABLING ENVIRONMENT (BEE)

BEE is the third area of EU intervention to support SMEs in Moldova.

A total of

€19.13
million



in EU support was allocated to improving the business enabling environment in Moldova in 2019³



4 specific support instruments:

C1

Capacity Building among policymakers and regulators

C2

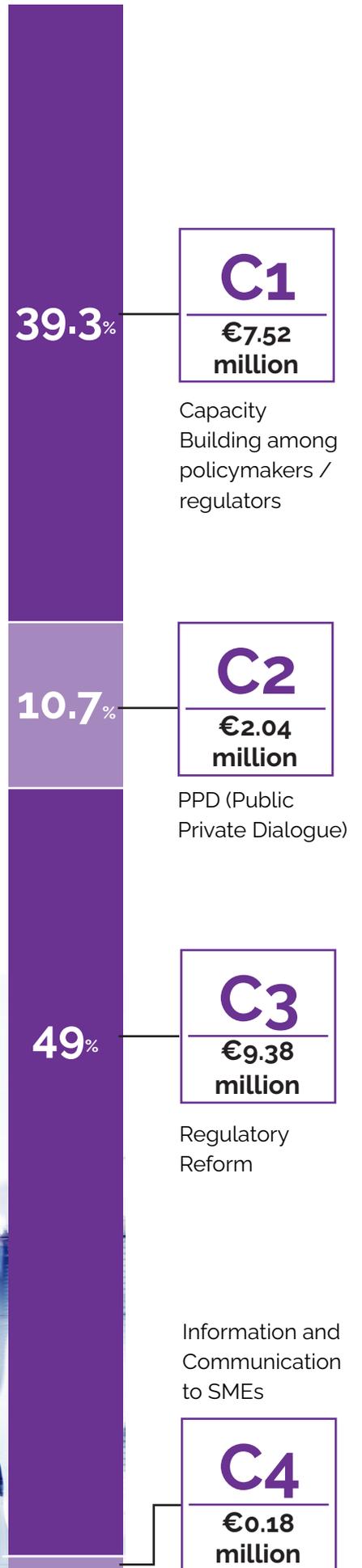
PPD (Public Private Dialogue)

C3

Regulatory Reform

C4

Information and Communication for SMEs



³ This is the total value of contracts being implemented, not disbursements in 2019.

THE FOUR SUPPORT INSTRUMENTS THAT THE EU4BUSINESS INITIATIVE USES FOR CONTRIBUTING TO A BUSINESS ENABLING ENVIRONMENT ARE DEFINED BELOW:

C1

Capacity Building among policymakers and regulators

Through this instrument, EU4Business interventions aim at strengthening the capacity of staff of various government agencies to ensure better, more transparent, and open policies and regulations that affect business, whilst ensuring appropriate controls in the six Eastern Partnership countries. This can

include making and amending policies, laws, and administrative procedures based on need and risk assessment. Through this instrument, the EU4Business interventions deliver direct advisory, mentoring services, and study tours to the relevant staff involved in policymaking.

C2

PPD (Public Private Dialogue)

Public-private dialogue is an instrument for more inclusive and targeted policymaking. Specifically, it involves effective consultation and collaboration between government and the private

sector and/or its representatives, in order to achieve effective reform and administration of regulations that affect SMEs.

C3

Regulatory Reform

Through this instrument, EU4Business interventions support the EaP countries to improve the regulatory environment based on best practices and most often approximation (to align their SME related legislations, rules, and regulations with those of the EU).

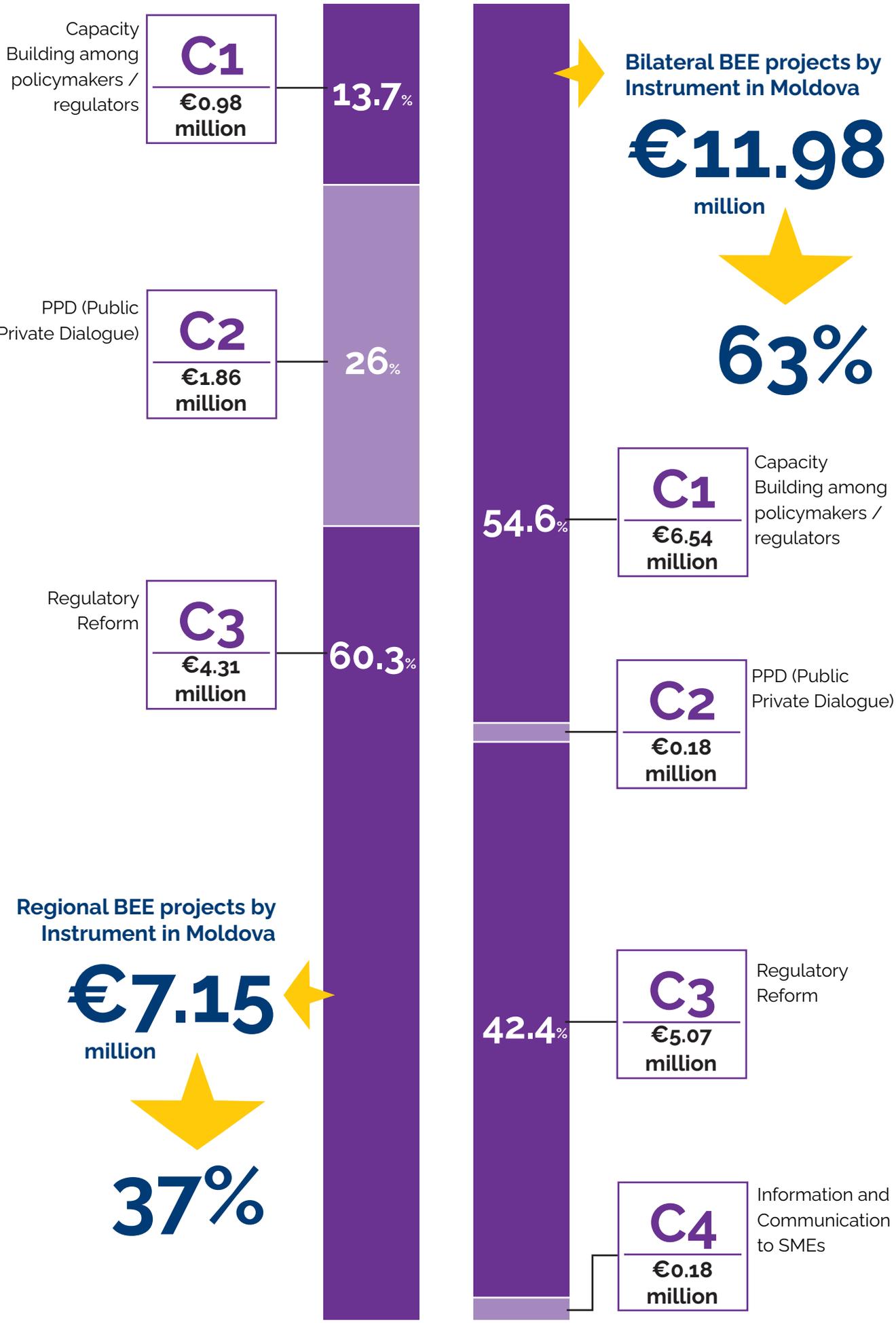
Approximation occurs in all six Eastern Partnership countries, but it is more intensely applied in the three DCFTA countries, which have committed to widespread adoption of EU business acquis under the Association Agreement (AA).

C4

Information and Communication to SMEs

Through this instrument, EU4Business interventions support government to inform SMEs on reforms and implications

for their business and steps to compliance with regulatory reform.



* There might be some round-off errors in some figures throughout the report



[ACHIEVEMENTS] LIN 2019

[AGGREGATED RESULTS] [IN MOLDOVA IN 2019]

EU support for SMEs in Moldova is reported here under the EU4Business Initiative. It is an amalgamation of all EU support but, unlike previous years, we are reporting by instrument rather than by project under the three types of intervention – A2F, BDS and BEE. This allows us to isolate and present results by country, intervention and/or instrument in a meaningful way, which, in turn, enables our readers to analyse and assess EU support more thoroughly.

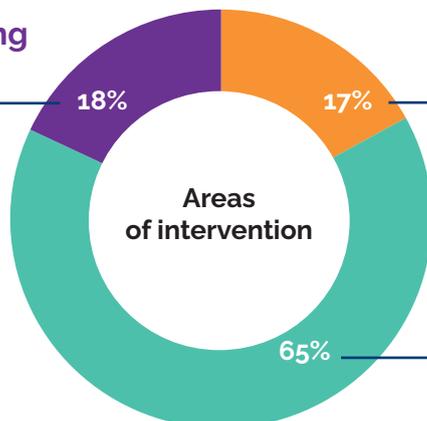


€25.79



Business enabling environment

€4.66 million



Access to finance

€4.45 million



Business development services

€16.68 million

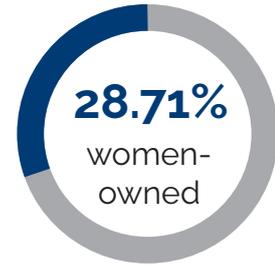


NUMBER OF SMES SUPPORTED



Overall, the EU supported a massive of

19,531
SMEs in Moldova in 2019



€1.99

billion

total turnover
of EU-supported
SMEs in Moldova



168,844

employed in EU-supported
SMEs in Moldova



the average
SME supported
by the EU in Moldova

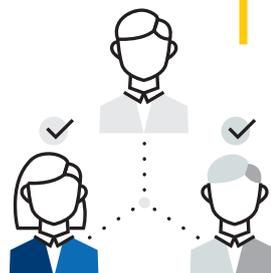
has

€100,000
annual income



employs

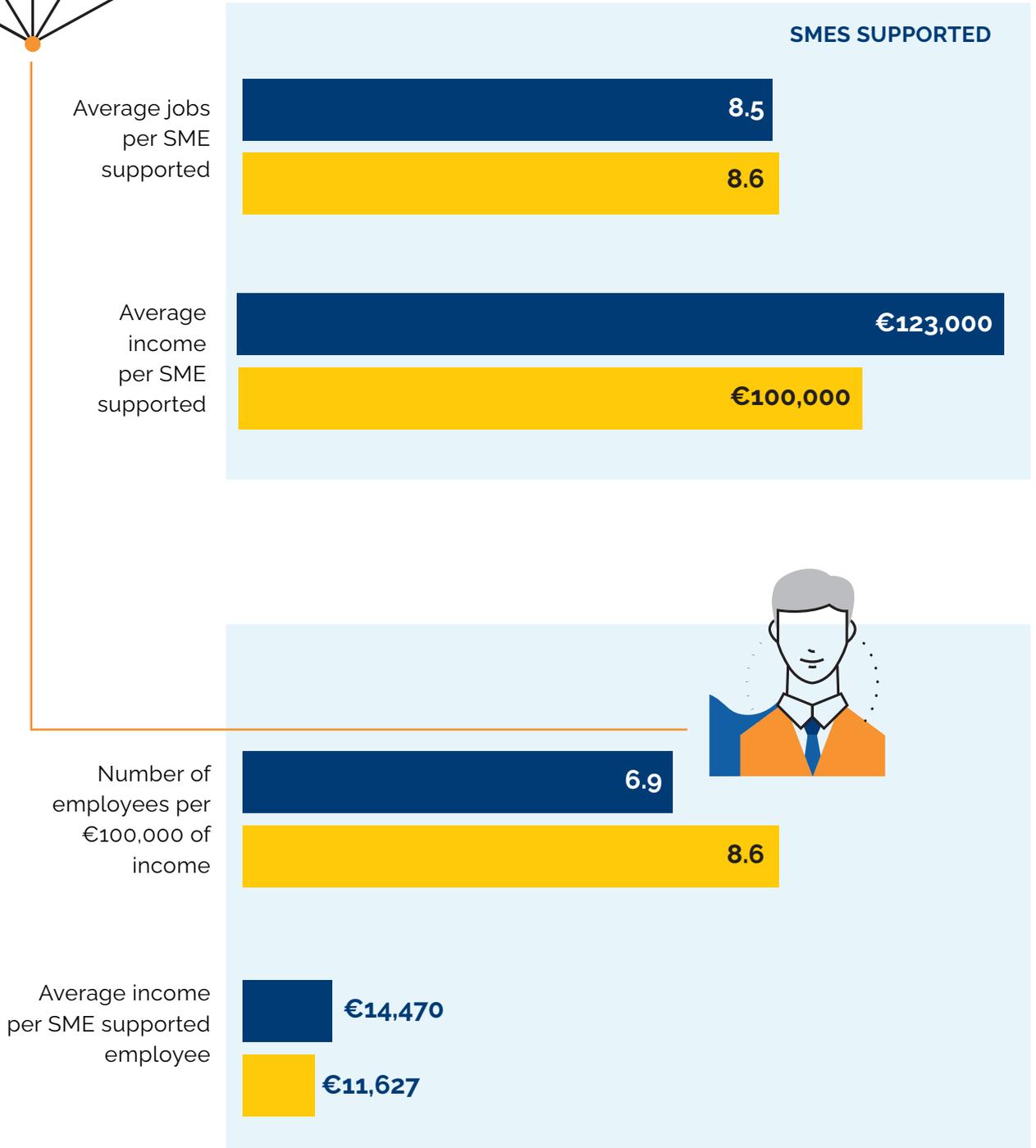
8-9
individuals



2.5 of whom
were women



This is the fourth largest average income per SME supported in the EaP, where the average was **€123,000**.

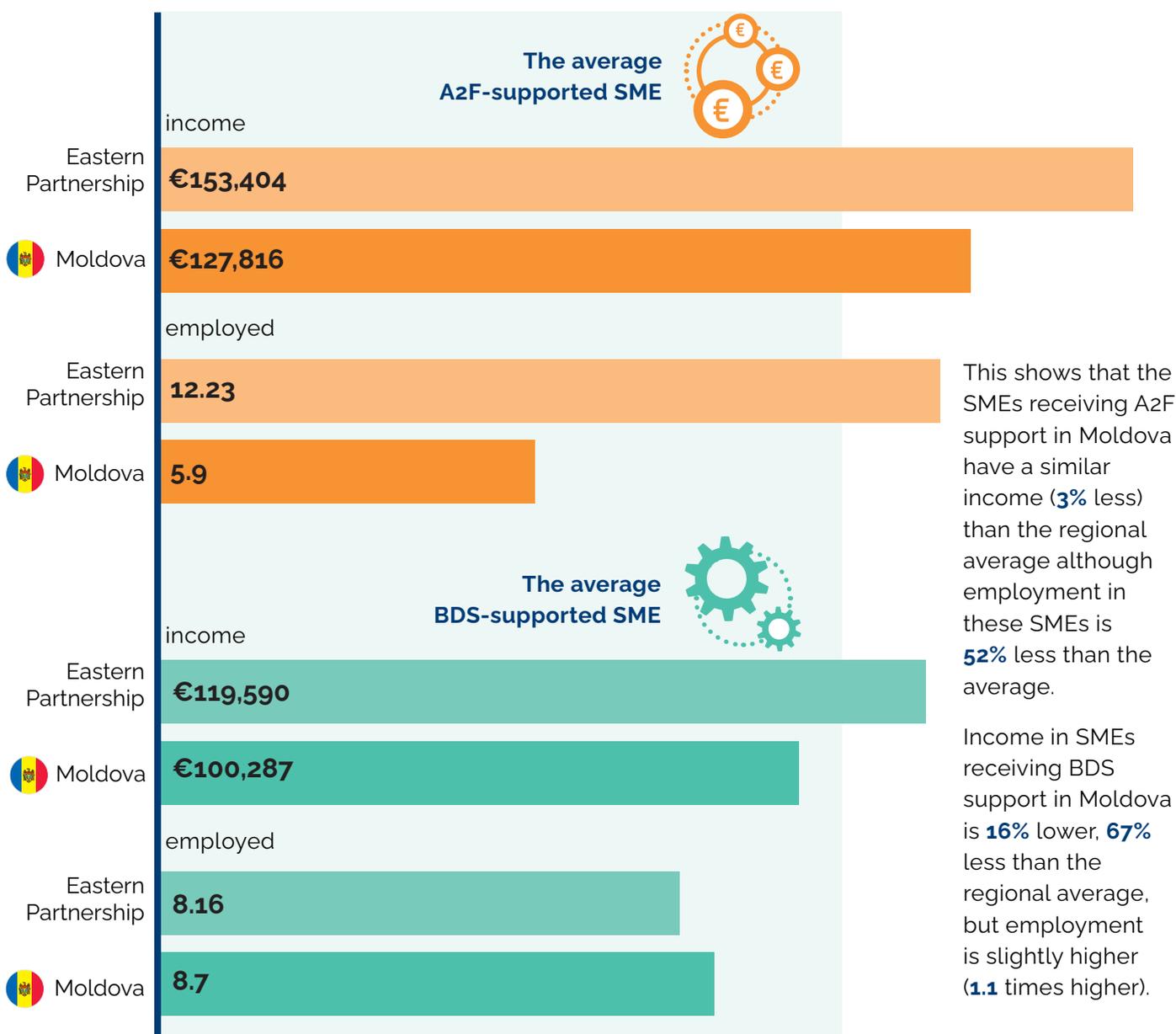


Eastern Partnership
 Moldova

The average number of jobs in SMEs supported in Moldova is higher per SME and per **€100,000** income. This means that EU-supported SMEs in Moldova employ relatively more people than the average, but this also means that the average income per employee of SME supported in Moldova is almost **20%** lower, indicating support for labour-intensive businesses.

NUMBER OF SMES SUPPORTED PER PILLAR MOLDOVA VS THE EAP

The number of SMEs supported through access to finance accounted for **3%** of all SMEs supported in Moldova, lower than the average of **8.8%** across the EaP, with the remaining SMEs supported through business development services. Note that SMEs benefiting from improved business enabling environment activities were not included in the consolidated reporting of support, as potentially all SMEs in the country can benefit from reforms.



JOB CREATION PER PILLAR MOLDOVA VS THE EAP

In 2019, SMEs supported by the EU in Moldova generated

21,930
jobs

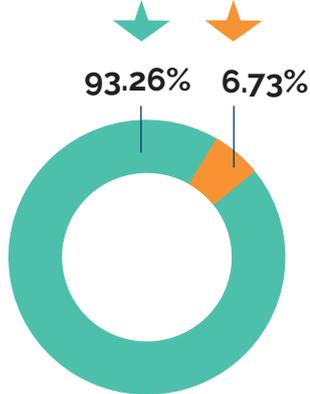


increased staff by
+14.9%
and ranked second
highest in the Eastern
Partnership region

compared to
the EAP average of
+21.1%



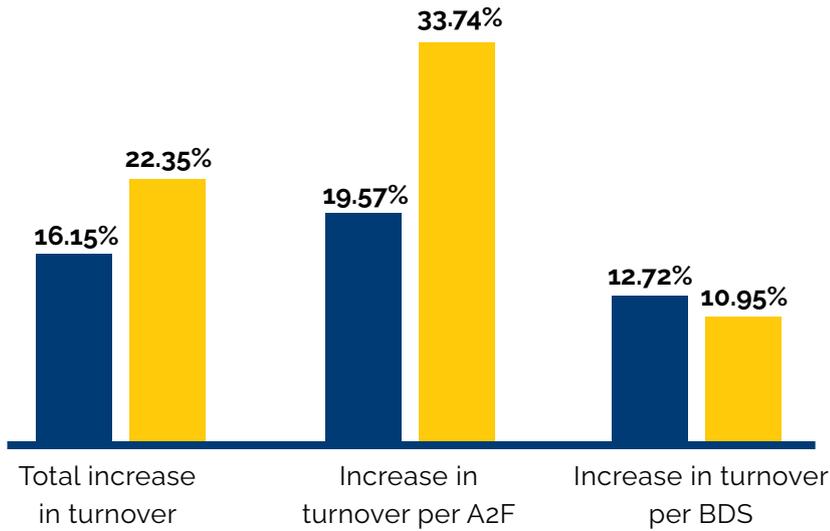
 Business Development Services
 Access to Finance



As significantly more SMEs were supported through BDS, the distribution of new jobs was much higher in business development services, **93.26%**, compared to access to finance, with just **6.73%** of total jobs generated.

This is in line with the EaP average, where the majority of SMEs supported were in BDS, **91.2%**, and on average **89.53%** of jobs generated were among the BDS firms.

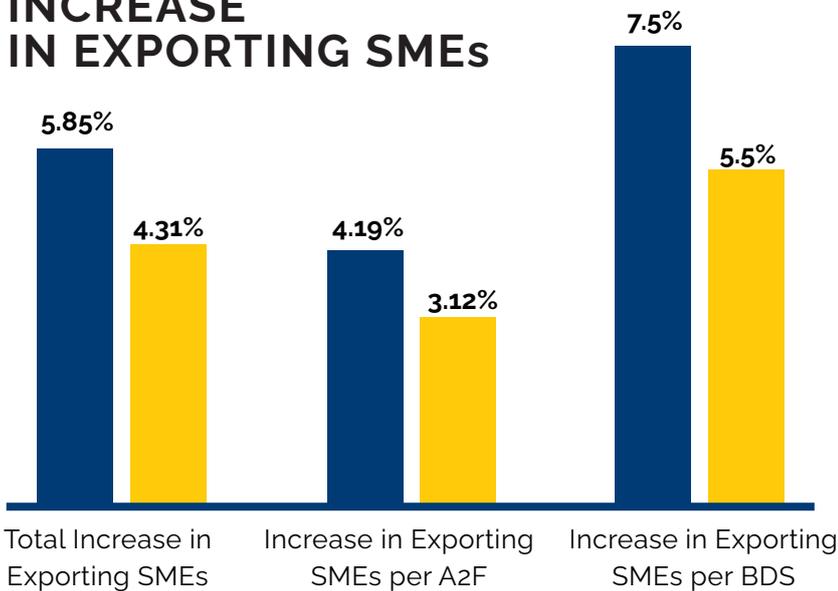
INCREASE IN TURNOVER



Supported SMEs in Moldova increased turnover by **22.4%** in 2019, which is higher than the **16.15%** regional average.



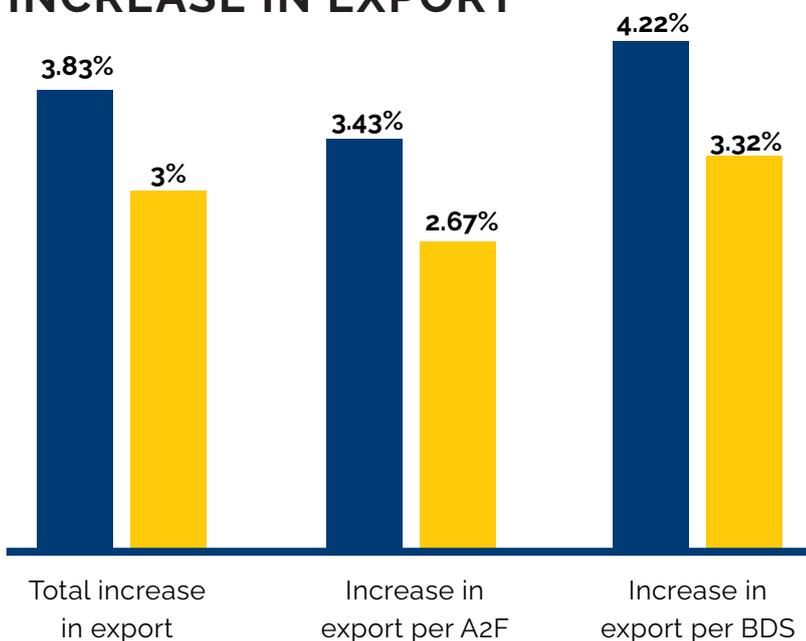
INCREASE IN EXPORTING SMEs



The number of supported SMEs in Moldova engaged in exporting grew relatively close to the EaP average.



INCREASE IN EXPORT



Among supported SMEs in Moldova engaged in export, exports grew **3%**, just below the **3.8%** average.



ACCESS TO FINANCE

FOR SMES IN MOLDOVA

OVERALL RESULTS OF A2F
INTERVENTIONS IN 2019 WERE:



599

SMEs supported with
A2F interventions



€85.83
million

in loans disbursed

€1.69
million

in grants disbursed



1,476

new jobs
generated at SMEs
supported through A2F

33.74%

increase in income
of supported SMEs

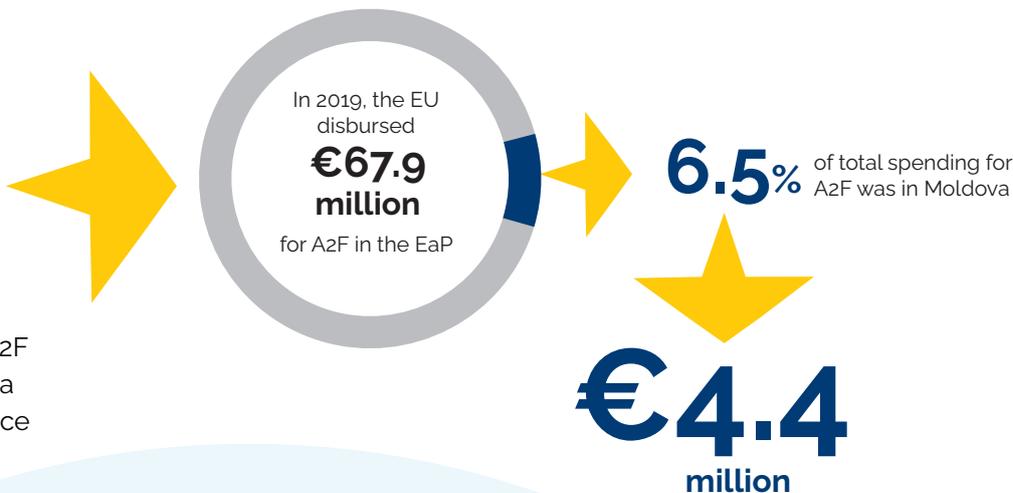
MAIN FIGURES

NUMBER OF SMES SUPPORTED PER ACCESS TO FINANCE INSTRUMENTS IN MOLDOVA



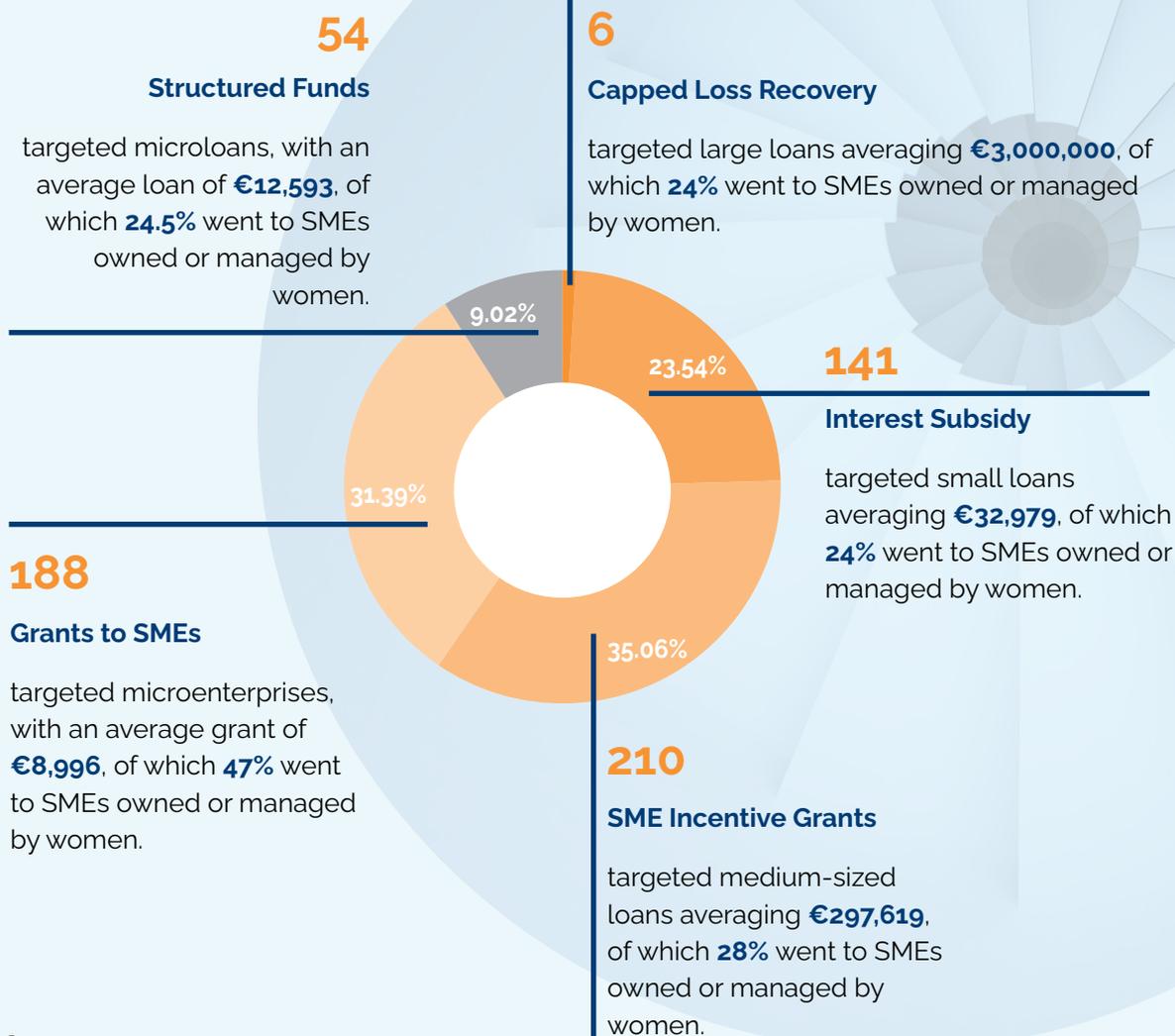
599

SMEs supported with A2F interventions in Moldova through access to finance instruments in 2019.



The EU used five instruments:

capped loss recovery, interest subsidy, SME incentive grants, grants to SMEs, and structured funds.



The volume of loans triggered in Moldova in 2019 was

€85.83
million



411

SMEs received loans



€208,832

average size of loans



6

local financial institutions supported

Grants disbursed

€1.69
million



188

grants given to SMEs

47%
women-owned

€8,996

average amount of grant

THE VOLUME OF LOANS

The volume of loans triggered in Moldova in 2019 was **€85.93 million**, which is higher than the EaP average of **€84 million**.

€85.93 million

€84 million

SUCCESS STORIES

MOLDOVA

A CREDIT ALLOWS VASCONI, A MOLDOVAN CLOTHING BRAND, TO GROW

VASCONI, a Moldovan clothing brand, received a €20,000 loan from the EBRD and EU4Business that helped transform the company over several years into a modern technologically savvy business with 114 employees.

[Read full story](#)



"The EBRD-EU4Business credit line allowed us to buy modern software that lets us manage the business based on the latest standards. Many work processes are now automated, allowing employees to allocate time usefully to other activities."

Constantin Cojocari
CEO of VASCONI



1,500 HAPPY PIGS ON THE DNISTER RIVER, THANKS TO AN EU GRANT

A loan provided by EU4Business and the UNDP helped Vitali Radulov put his idea into practice. With a grant of €10,000, the young farmer bought a special breed of low-fat pigs from Holland. When he started his business, he had 120 pigs. Today, his farm boasts 1,500 hogs.

[Read full story](#)

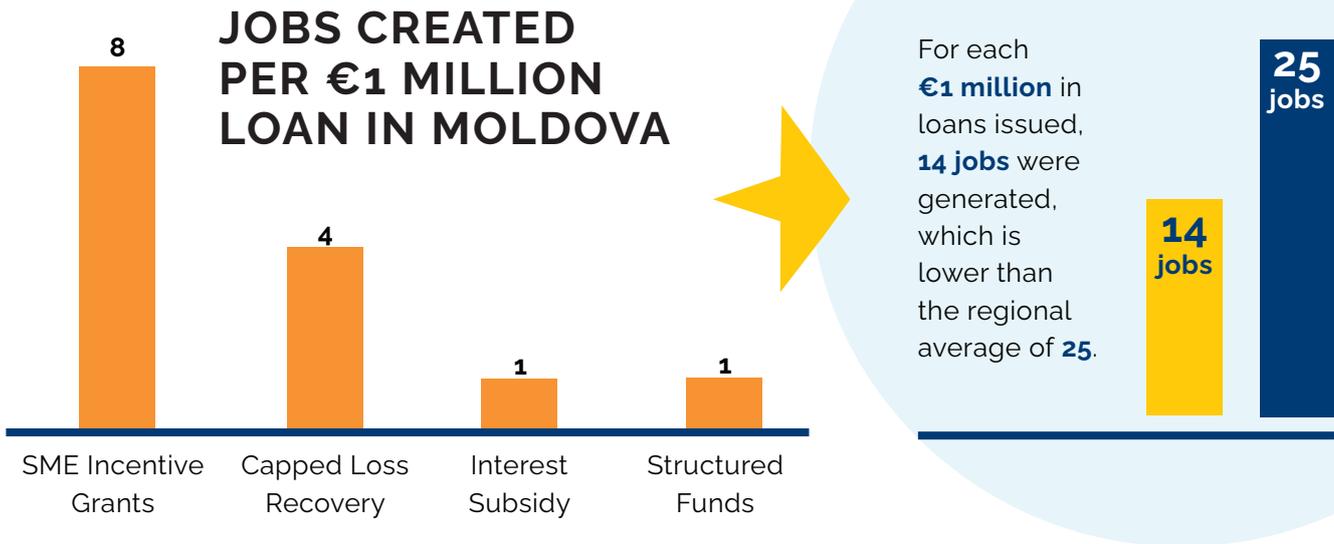


RESULTS PER A2F INSTRUMENT



	Number of SMEs supported	Income of SMEs	Jobs in SMEs	Jobs generated	Increase in turnover
Total	599	€89,343,599	3,536	1,476	€30,347,026
Capped Loss Recovery	6	€864,000	340	380	€86,400 ↑ 10%
Interest Subsidy	141	€61,241,372	1,250	98	€6,124,137 ↑ 10%
SME Incentive Grants	210	€21,499,727	1,250	680	€2,149,973 ↑ 10%
Grants to SMEs	188	€162,500	296	288	€178,750 ↑ 101%
Structured Funds	54	€5,576,000	400	30	€21,807,766 ↑ 7.5%

Of the loans, **20.97%** were disbursed via capped loss recovery, **5.42%** via interest subsidies, **72.82%** via SME incentive grants, and **0.79%** via structured funds.

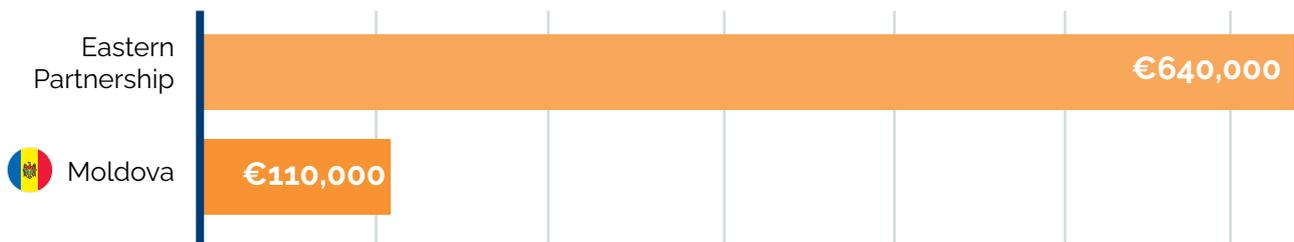


JOBS CREATED PER €1 MILLION GRANTS



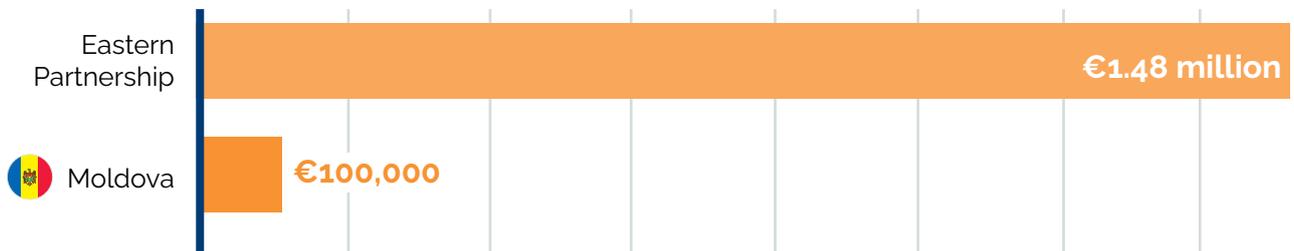
INCREASE IN TURNOVER PER €1 MILLION LOANS

For each **€1 million** lent in Moldova in 2019, supported SMEs increased turnover by **€110,000**. This is far lower than the regional average of **€640,000**.



INCREASE IN TURNOVER PER €1 MILLION GRANTS

Similarly, the increase in turnover of supported SMEs per **€1 million** of grant, **€100,000**, which is lower than the regional average. This is because the grants were targeting rural microenterprises in the poorer areas of Moldova.



BUSINESS DEVELOPMENT SERVICES (BDS)

FOR MOLDOVAN SMES

OVERALL RESULTS OF BDS INTERVENTIONS IN 2019



18,932

SMEs supported through BDS interventions



20,454

new jobs generated at SMEs supported through BDS



10.95%

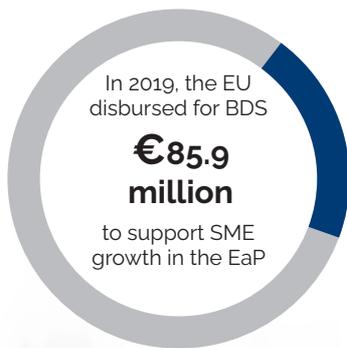
increase in income at supported SMEs



5

BSOs capacitated

Moldova ranks second in the Eastern Partnership region for funds disbursed to improve business support services in 2019.



19.4% of total spent on BDS occurred in Moldova



€16.6

million

SUCCESS STORIES

THE SCIENCE OF BEEKEEPING IS MASTERED BY A WOMAN FROM THE VILLAGE OF SIPKA

Natalia Porhun, owner of a beekeeper business in Moldova, received support from the UNDP and EU4Business to purchase mobile equipment for honey extraction. This equipment replaces the work of three people and led to a major boost in productivity. Now Porhun can collect up to 800 kilograms of honey per day.

[Read full story](#)



MOLDOVAN TEXTILE-MAKER PONTI DIVERSIFIES SALES STRATEGY

Ponti, a well-known Moldovan manufacturer of textile products, has been able to put together a successful marketing strategy with the EBRD and EU4Business support. Since the project ended in early March 2020, Ponti has expanded its workforce and turnover by 55%.

[Read full story](#)



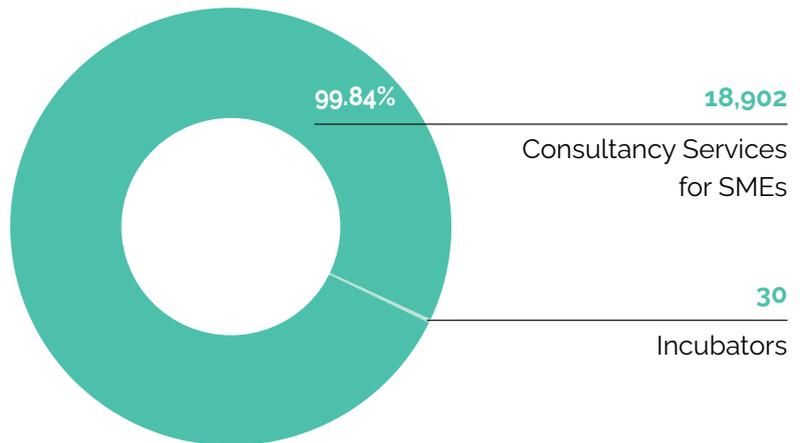
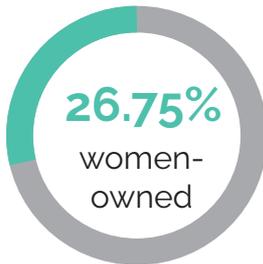
NUMBER OF SMES SUPPORTED PER BUSINESS DEVELOPMENT SERVICES INSTRUMENTS IN MOLDOVA



A total of **18,932** SMEs benefitted from business development services support by the EU; over **99%** through consulting services provided directly to SMEs and **0.16%** benefitted from incubators.

18,932

SMEs benefitted

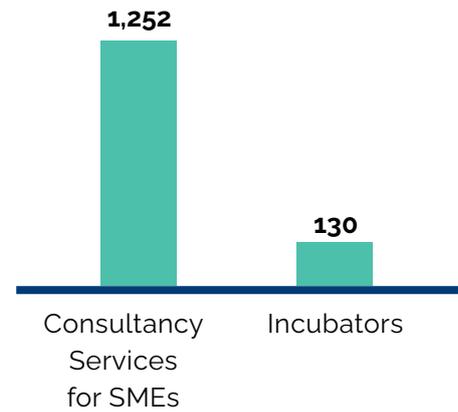


RESULTS BY BDS INSTRUMENTS

	Sustained jobs	New jobs	Turnover	Turnover increase
Consultancy Services to SMEs	165,268	20,434	€1,893,477,998	€77,449,250 ↑ 4.09%
Incubators	40	20	€5,145,907	€714,766 ↑ 13.89%

JOBS CREATED PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN MOLDOVA

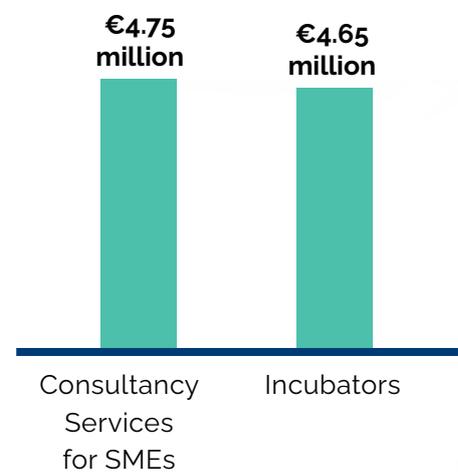
In terms of job generation, SMEs that received EU support in consulting services generated more jobs — **1,252** for every **€1 million**, compared to only **130** among SMEs supported through incubators.



INCREASE IN TURNOVER PER €1 MILLION EU SPEND ON BUSINESS DEVELOPMENT SERVICES IN MOLDOVA

By contrast, SMEs which used consulting services increased income at the same levels as SMEs supported through incubators.

For each **€1 million** in consulting services, supported SMEs grew by **€4.75 million**, while SMEs in incubators increased their income by **€4.65 million**.



BUSINESS ENABLING ENVIRONMENT

IN MOLDOVA

OVERALL RESULTS IN BUSINESS ENABLING ENVIRONMENT INTERVENTIONS IN MOLDOVA IN 2019

12

laws changed



63

PPD events



67

regulators/policymakers strengthened capacity

In EU4Business reports, support for improving the business enabling environment is treated differently. Whilst improvements in the business enabling environment will inevitably improve competitiveness, lower costs and make SMEs more efficient, it is more difficult to isolate those that directly benefit, as potentially, all will benefit. For example, reforms that make it easier and less costly to pay taxes will benefit all SMEs.

EU SUPPORT AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT IN MOLDOVA

In 2019, the EU disbursed for BEE

€33.8 million

to support SME growth in the EaP

13.8% of total spent on BEE occurred in Moldova

€4.6 million

This is the third largest amount out of the six EaP countries

THE SUPPORT INSTRUMENTS AIMED AT IMPROVING THE BUSINESS ENABLING ENVIRONMENT ACTIVE IN MOLDOVA IN 2019 INCLUDED:



Changing / improving laws and regulations



Public-private dialogue events



Capacity building among government agencies / regulators

The most effective instrument used in Moldova to improve the business enabling environment in 2019 was capacity building at government and regulating agencies.

NUMBER OF REGULATORS / GOVERNMENT BENEFITING FROM CAPACITY BUILDING

Moldova ranks third in the EaP, with 67 regulatory and government agencies supported in capacity building.



NUMBER OF LAWS / REGULATIONS CHANGED



NUMBER OF PUBLIC PRIVATE DIALOGUE EVENTS



SUCCESS STORIES

HELPING SMALL FOOD PRODUCERS IN MOLDOVA TO INTEGRATE INTO GLOBAL SUPPLY CHAINS

The food processing sector plays a key role in Moldova's economy, accounting for more than a third of production and a quarter of employment in the manufacturing sector. It also enjoys an expanding and nearby market for its products, the EU, which absorbs 70% of the country's food exports and draws on Moldova's bountiful agricultural production.

Despite this partnership with the EU, which intensified with the signing of the Association Agreement in 2014, small producers often struggle to access EU markets due to limited competitiveness, concerns about food safety standards, limited managerial skills and a lack of export-support programmes. They also face hurdles at the domestic level, as small producers often struggle to meet the requirements necessary to supply the burgeoning supermarket sector.

With EU4Business support, the OECD launched a project to support Moldovan food producers in their efforts to reach international markets and foster linkages between small and medium food producers and the growing food retail sector. The project seeks to help identify gaps and build the necessary capacities to meet the sector's evolving demand. Working in close partnership with the government and involving the active participation of food producers and retailers, the OECD prepared a set of recommendations to facilitate supply chain linkages between local food processors and supermarkets and leverage these links to prepare local food processors for integration into the EU and broader global value chains. These key recommendations are contained in the report "Supporting Exports and Supply-Chain Linkages in the Food Industry in the Republic of Moldova".

[Read full story](#)

"Our objective is to facilitate cooperation between SMEs from the food sector with large companies and promote these companies in foreign markets. We believe that with OECD and EU4Business support we will manage to achieve the expected results."

Iulia Costin

Director General, Moldova's Organisation for Small and Medium Enterprises Sector Development (ODIMM)



SMES IN MOLDOVA BENEFIT FROM IMPROVED BUSINESS ENVIRONMENT

NUMEROUS CHALLENGES REMAIN

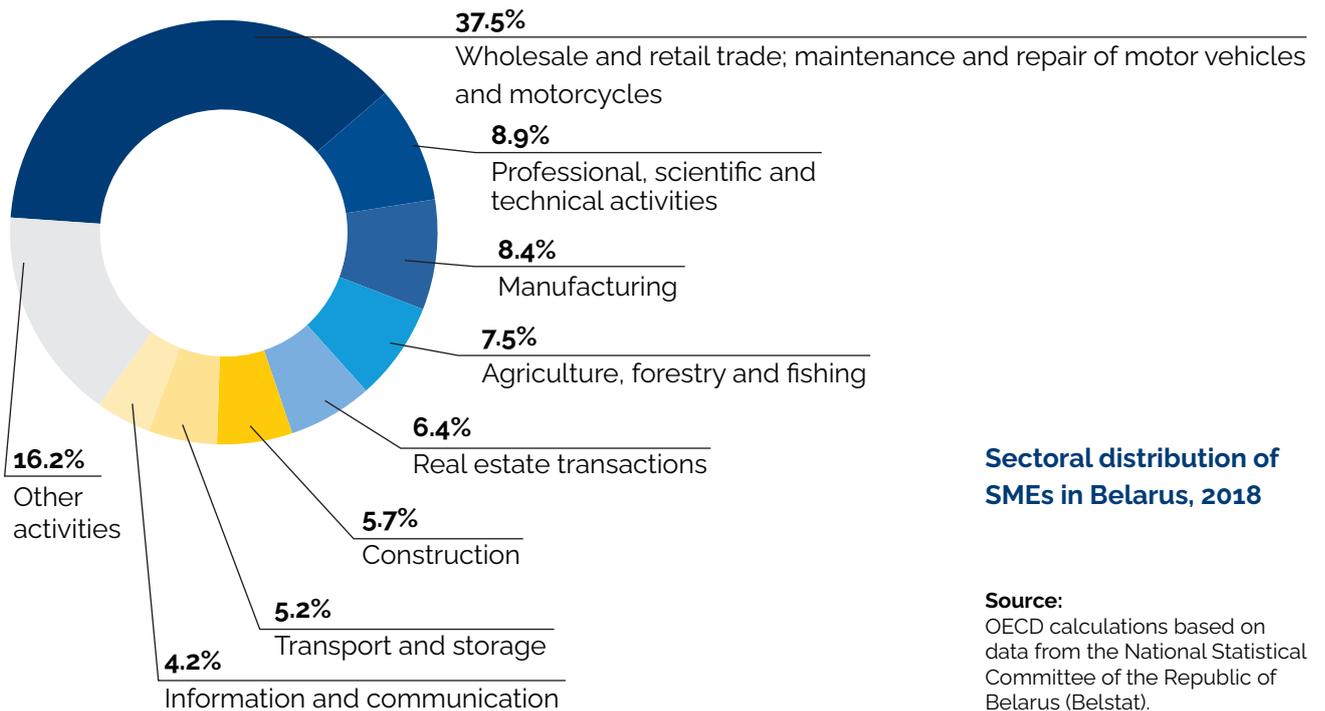
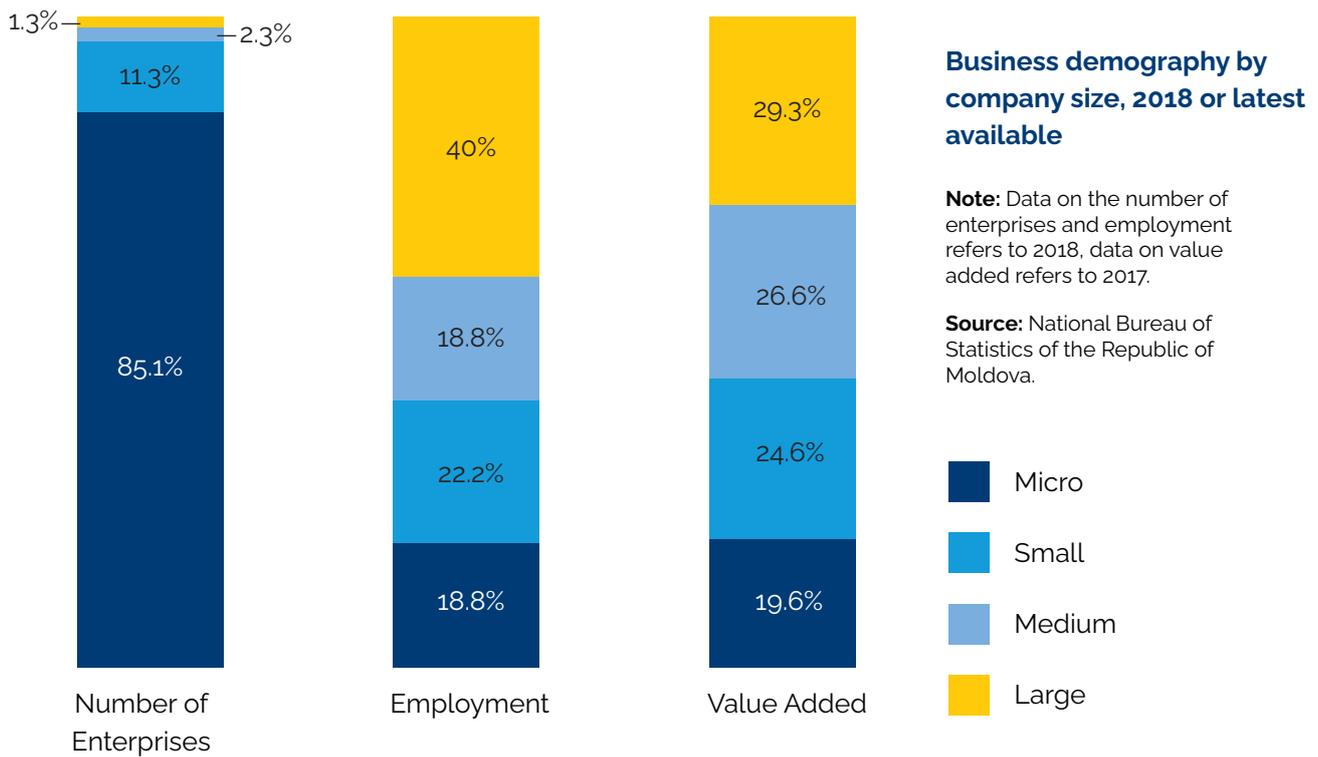
The OECD has been working with Eastern Partner (EaP) countries for more than 10 years in an effort to guide SME policy reforms. Within the framework of the EU4Business Initiative, the OECD together with the EBRD, the European Training Foundation, and the European Commission published a third edition of the SME Policy Index¹ in March 2020, monitoring progress with regards implementation of the Small Business Act for Europe (SBA) and highlighting outstanding reform priorities.

Since 2016, the Republic of Moldova has made some progress in further developing a conducive business environment for SMEs. It has advanced implementation of the SME Development Strategy 2012-2020 with substantial progress in the reduction of burdensome regulation, implementation of regulatory impact analysis, and provision of business development services for SMEs. Going forward, Moldova would be advised to focus on promoting a level playing field for all enterprises through effective competition policy and a transparent and independent judiciary. Considerable work remains to be done, notably, to foster SME internationalisation. More emphasis could be placed on making better use of Moldova's DCFTA with the EU.

SMES IN MOLDOVA'S ECONOMY

SMEs play a major role in Moldova's economy: in 2018, they represented **98.7%** of all firms, accounting for **59.8%** of business sector employment and **70.7%** of value added (2017). They tend to be concentrated in low-value-added sectors – although less concentrated than in other EaP countries – such as trade (including repair of vehicles).

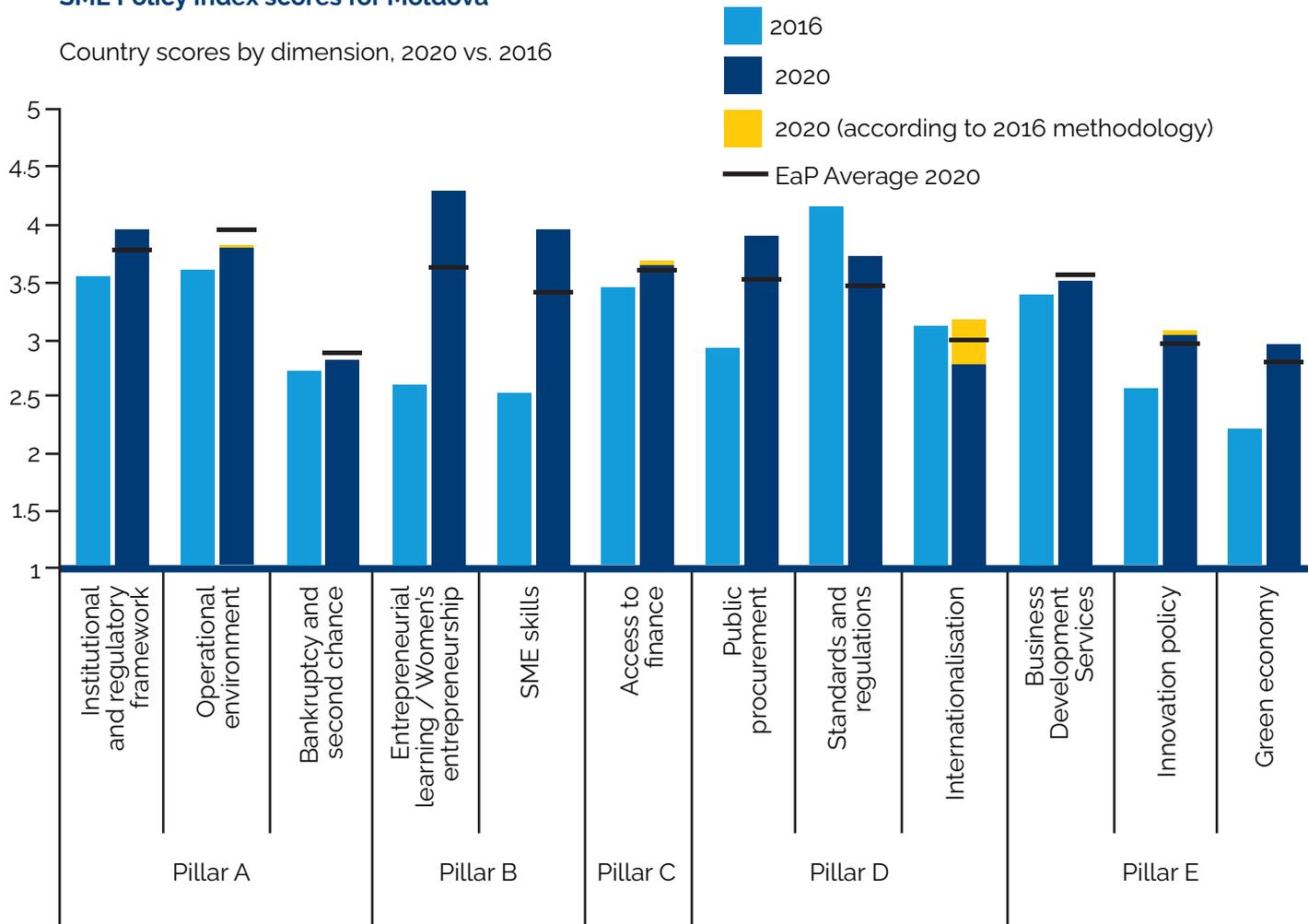
¹ OECD et al. (2020), SME Policy Index: Eastern Partner Countries 2020: Assessing the Implementation of the Small Business Act for Europe, <https://www.oecd.org/development/sme-policy-index-eastern-partner-countries-2020-8b45614b-en.htm>



Moldova has achieved an increase in its overall performance of 18% on average compared to the 2016 assessment. The country stands out as best performer in the entrepreneurial learning/women's entrepreneurship dimension, with a 57% score increase, having considerably improved its institutional and regulatory framework. More efforts are needed to foster internationalisation and prevent bankruptcy, which appear to be the weakest areas.

SME Policy Index scores for Moldova

Country scores by dimension, 2020 vs. 2016



Moldova has developed a **well-structured institutional and regulatory framework** and broadly aligned its SME policy with SBA guidelines. Particular improvements were noted in the area of regulatory reform and regulatory impact analysis application, company registration procedures, and e-government services. The country also has an established practice of public-private dialogue, which are mandatory for each legislative and regulatory act that has a social, economic, or environmental impact. Going forward, the government should:

- Upgrade procedures for online registration, so that the entire registration process can be completed online.
- Implement a proper early-warning system for entrepreneurs.

Significant improvements have been achieved regarding human capital development. Very good efforts have been made to improve support for women entrepreneurs (e.g. through the **"Women in Business" programme** supporting women entrepreneurs through all phases of start-up development). Overall, entrepreneurs now benefit from a wide **range of services** offered by the SME agency **ODIMM**, including targeted training sessions and loan guarantees. Further steps could include:

- Improving cross-ministry cooperation to reinforce micro-entrepreneurship for women.
- Further supporting smart specialisation and vocational education.

Moldova has also taken steps to facilitate **SME access to finance**. The registration system for movable assets has been expanded, which has improved the ecosystem for registering collateral. Consolidation of the banking sector has shown palpable results, with international investors returning to the country along with the first signs of credit growth recovery. A 2018 law on non-bank financial institutions has helped diversify sources of financing for SMEs, but market penetration of these instruments remains limited. Going forward, the authorities should:

- Expand sources of information of the credit bureaus beyond banks to include utilities and other service providers.
- Pass a draft law regulating venture capital.

Moldova has been moving closer to **EU standards**, having adopted about 24,500 European standards. However, SME **access to markets** remains limited. While the Investment Attraction and Export Promotion Strategy was adopted, SMEs still lack comprehensive forms of support to deal with challenges associated with access to foreign markets. Moldova should step up its efforts by:

- Introducing support programmes to enhance SMEs' export readiness and the creation of SME-FDI linkages.
- Setting up a monitoring and impact evaluation system along with measures to incentivise and support SMEs/businesses to implement EU standards.

SMEs now benefit from a wider range of **business development services** – training and mentorship, tools to improve access to finance, and infrastructure (11 business incubators with 180 residents in 2017). Moreover, a National Agency for Research and Development has been established to support **innovation**. As for **SME greening**, an action plan has been adopted with a target of 30% of SMEs having implemented green economy principles by 2020. The government should continue to:

- Improve monitoring and evaluation of current support programmes.
- Provide SMEs with clear information and direct support to ensure they can benefit from the implementation of green public procurement policies.

Finally, Moldova has moved steadily towards an **effective competition law** and policy regime, where its Competition Council has both the tools required for competition enforcement and is able to make active use of them. However, **enforcing contracts remains** a lengthy and cumbersome process, taking 585 days and costing 28.6% of claim value². As such, **business integrity** should be further promoted. To this end, Moldova should:

- Develop a risk-based business integrity policy in cooperation with business associations.
- Promote alternative dispute resolution through awareness-raising campaigns and incentives for SME use.

ANNEX

LIST OF PROJECTS

IN MOLDOVA AS OF 2019

Title	Total Budget [*]	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Inclusive economic empowerment of focal regions of the Republic of Moldova	€23,000,000	2019	2025	Bilateral		●	
European Union confidence Building Measures Programme V (2019-2022)	€9,400,000	2019	2023	Bilateral			●
Direct grant to ODIMM "Support to SMEs in rural areas"	€4,000,000	2018	2021	Bilateral	●	●	
"ENPARD Moldova – Support to Agriculture and Rural Development" SRC	€48,956,111	2015	2020	Bilateral		●	
SUPPORT TO THE QUALITY INFRASTRUCTURE FRAMEWORK WITHIN A DCFTA CONTEXT IN THE REPUBLIC OF MOLDOVA	€3,683,800	2017	2020	Bilateral		●	●
Technical Assistance for the implementation of the Sector Reform Contract: European Neighbourhood Programme to Agriculture and Rural Development (ENPARD)	€2,651,900	2016	2019	Bilateral		●	
DCFTA Initiative East (EIB) (can also be referred to as DCFTA Facility by EIB)	€62,746,000	2016	2031	Regional	●	●	
DCFTA Facility Phase II by EBRD	€38,900,000	2017	2027	Regional	●	●	

* Budgets indicated for regional projects apply for 6 EaP countries

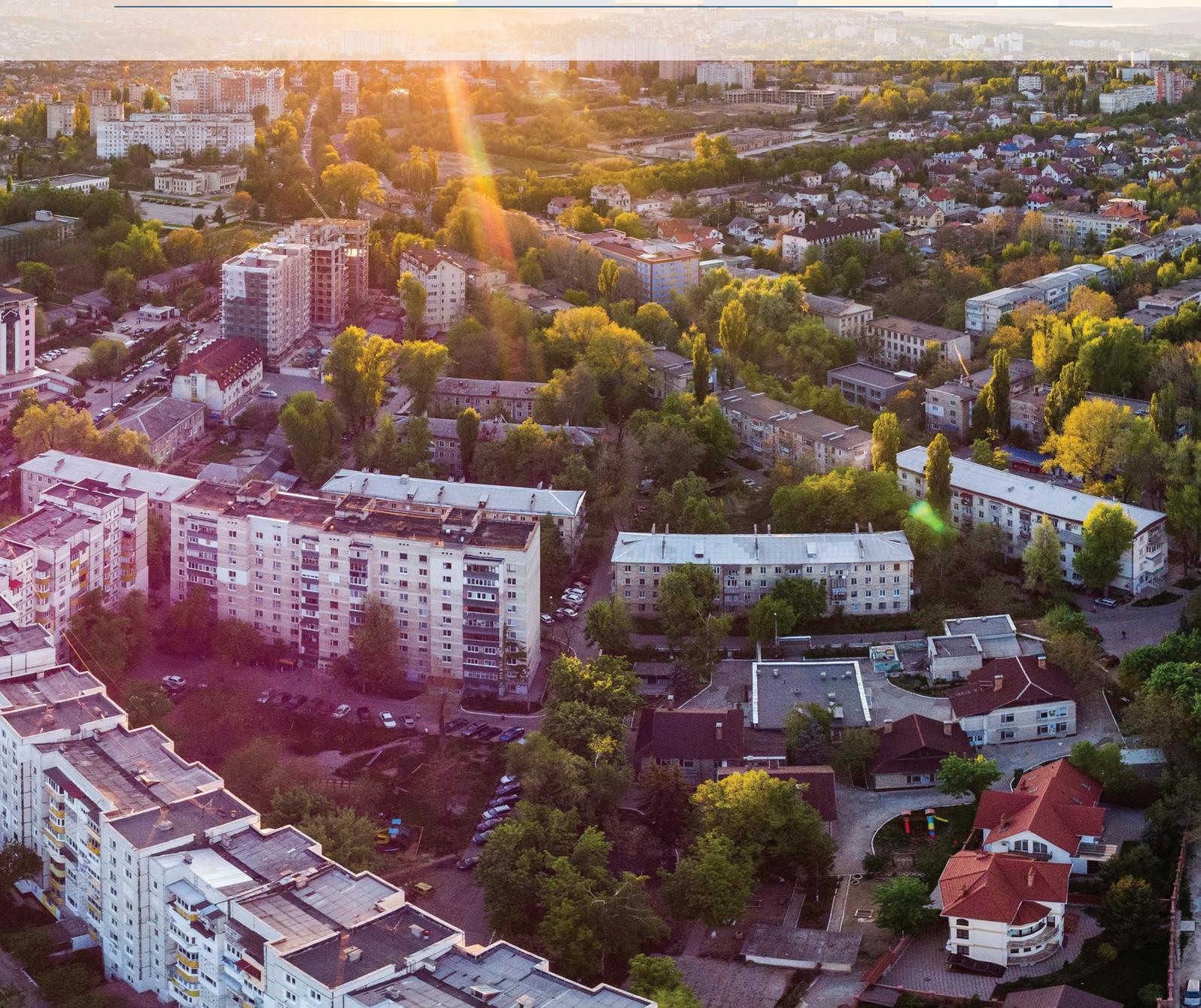
Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
EU Deep and Comprehensive Free Trade Area (DCFTA) Facility, EBRD DCFTA Programme	€19,430,000	2016	2026	Regional		●	●
DCFTA SME Direct Finance Facility	€10,220,000	2014	2024	Regional	●	●	
SME Finance Facility Phase I – EBRD/KfW	€10,200,000	2010	2019	Regional	●		
2018 NIP decision share – Green for Growth – Extension to Neighbourhood East II	€5,162,849	2018	2040	Regional	●		
Green for Growth – Extension to Neighbourhood East II	€6,157,151	2018	2040	Regional	●		
EU4Business – The EU Local Currency Partnership Initiative: the European Fund for Southeast Europe (EFSE)	€50,320,000	2018	2039	Regional	●		
Structural Reform Facility: World Bank component	€1,500,000	2018	2023	Regional			●
EU-EBRD Country-specific Investment Climate Reviews and Action Plans for Eastern partnership (EaP) countries.	€2,000,000	2018	2021	Regional			●
Financial Sector Institution Building and Crisis Response	€12,000,000	2009	2020	Regional		●	

Title	Total Budget [*]	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
Mayors for Economic Growth	€4,979,800	2017	2020	Regional		●	●
Mayors for Economic Growth 2 TA	€10,000,000	2017	2020	Regional		●	●
EIB-04 SME Finance Facility – EIB window	€5,100,000	2012	2020	Regional	●		
WBG technical support to the implementation of the Mayors for Economic Growth initiative	€500,000	2016	2020	Regional		●	●
Eastern Partnership: Ready to Trade – an EU4Business initiative	€6,000,000	2017	2020	Regional			●



* Budgets indicated for regional projects apply for 6 EaP countries

Title	Total Budget*	Start date	End date	Type of the Project	Areas of Intervention		
					A2F	BDS	BEE
EU4Business: From Policies to Action	€4,000,000	2017	2020	Regional			●
Green for Growth — Extension to NIF East Region	€13,350,000	2013	2019	Regional	●		
SBS Program — EGP BAS Phase II	€8,000,000	2015	2019	Regional		●	
EFSE (Neighbourhood Window of the European Fund for South East Europe)	€5,100,000	2009	2019	Regional	●		
STAREP (Strengthening Auditing and Reporting in the Countries of the EaP)	€1,000,000	2014	2019	Regional			●



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