



2019 SBA Fact Sheet

MOLDOVA

Key points

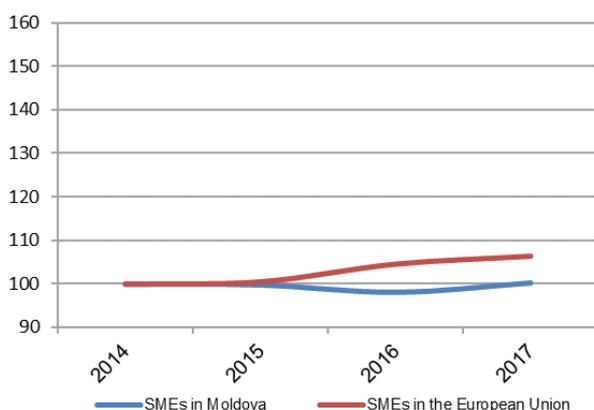
Past SME performance¹: SMEs in Moldova account for 70.6 % of employment and 70.7 % of value added, above the respective EU averages of 66.5 % and 56.3 %. SMEs played a significant role in the upswing of the Moldovan ‘non-financial business economy’. In 2014-2017, SME value added increased by 51.1 %, while SME employment stagnated.

Implementing the Small Business Act for Europe (SBA): Moldova performs above the EU average in ‘responsive administration’. However, it performs below the EU average in ‘second chance’ and internationalisation. The country scores in line with the EU average when it comes to the environment principle. The constraints in data availability for a limited number of indicators need to be kept in mind when interpreting the overall results.

SME policy priorities: To make economy more competition-friendly, there is a need for further improvement of the level-playing field conditions. Measures to tackle unfair business practices and increase transparency, should be put in place. Challenges also lie in the effective and practical implementation of the adopted legislation, in particular in the areas which are exposed to high level corruption, such as competition and public procurement. Reforms to support ‘second chance’ for honest SMEs should be further enforced. More focus is also required on access to markets and internationalisation of SMEs, with increased provision of export support programmes and enhanced capacity of export promotion services.

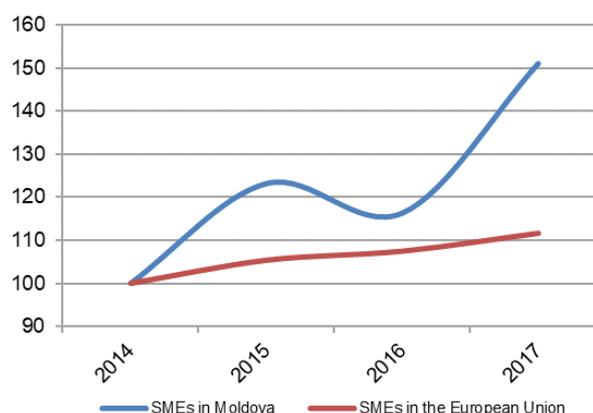
Number of persons employed in SMEs

(Index: 2014=100)



Value added by SMEs

(Index: 2014=100)



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU’s flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and ‘responsive administration’ to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Moldova		EU-28	Moldova		EU-28	Moldova		EU-28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro	27 950	82,9 %	92,9 %	78 051	21,0 %	29,4 %	577,3	19,6 %	20,5 %
Small	4 680	13,9 %	5,9 %	91 740	24,7 %	20,2 %	723,7	24,6 %	17,6 %
Medium-sized	924	2,7 %	1,0 %	92 906	25,0 %	16,9 %	782,8	26,6 %	18,1 %
SMEs	33 554	99,5 %	99,8 %	262 697	70,6 %	66,5 %	2083,8	70,7 %	56,3 %
Large	164	0,5 %	0,2 %	109 392	29,4 %	33,5 %	862,4	29,3 %	43,8 %
Total	33 718	100,0 %	100,0 %	372 089	100,0 %	100,0 %	2946,2	100,0 %	100,0 %

These are data for 2017 provided by the National Bureau of Statistics Moldova and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE REV. 2 Sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities. Please note that until 2013 the Moldovan data were based on Nace rev. 1.1 industry classification and a different size classification, thus a break in the time series occurs.

In 2017, SMEs in the 'non-financial business economy' of Moldova provided more jobs (70.6 %) than the EU average for SMEs (66.5 %). Moldovan SMEs also generated a significant share of value added, at 70.7 %, far exceeding the EU SME average of 56.3 %. Moldovan SMEs employ an average of 7.8 people, double the EU SME average of 3.9. SME productivity in Moldova, measured as value added per person employed, amounts to EUR 7 932, less than one fifth of the EU SME average of EUR 43 604.

SMEs in *wholesale and retail trade* generate the highest share of employment in Moldova, at 34.7 %, with *manufacturing* coming second, at 20.9 %. Value added follows the same trend: SMEs in *wholesale and retail trade* are responsible for the highest share, at 36.8 %, followed by *manufacturing*, at 18.3 %. For EU SMEs,

wholesale and retail trade is also, on average, the most important sector in terms of both employment and value added. This sector employs an average of almost one-fourth (24.6 %) of the EU SME workforce and creates 22.1 % of SME value added.

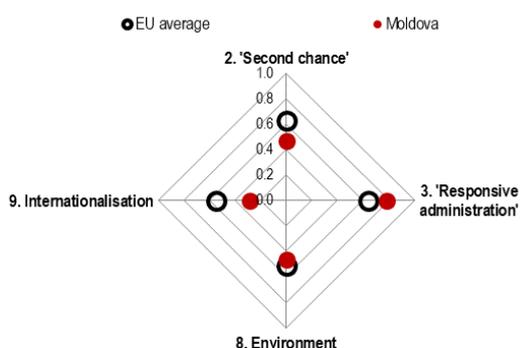
In 2014-2017, Moldovan SME value added increased by 51.1 %, significantly outperforming the value added growth of large firms, which rose by only 11.0 %. The most important growth driver for SME value added in this period was *wholesale and retail trade* which generated a cumulative rise in value added of 65.1 %, contributing an average one-third (34.2 %) share of total SME value added. This increase in overall SME value added was accompanied by strong SME productivity growth of 50.7 % and a rise of just 0.3 % in SME employment. In contrast, the

average value added growth of EU SMEs during the same period was much lower, at 11.6 %, as was their average productivity increase of only 5.0 %. However, the average 6.2 % rise in EU SME employment significantly exceeded the minimal employment growth of Moldovan SMEs.

Most recently, in 2016-2017, Moldovan SMEs generated substantial value added growth of 30.0 %, whereas the increase

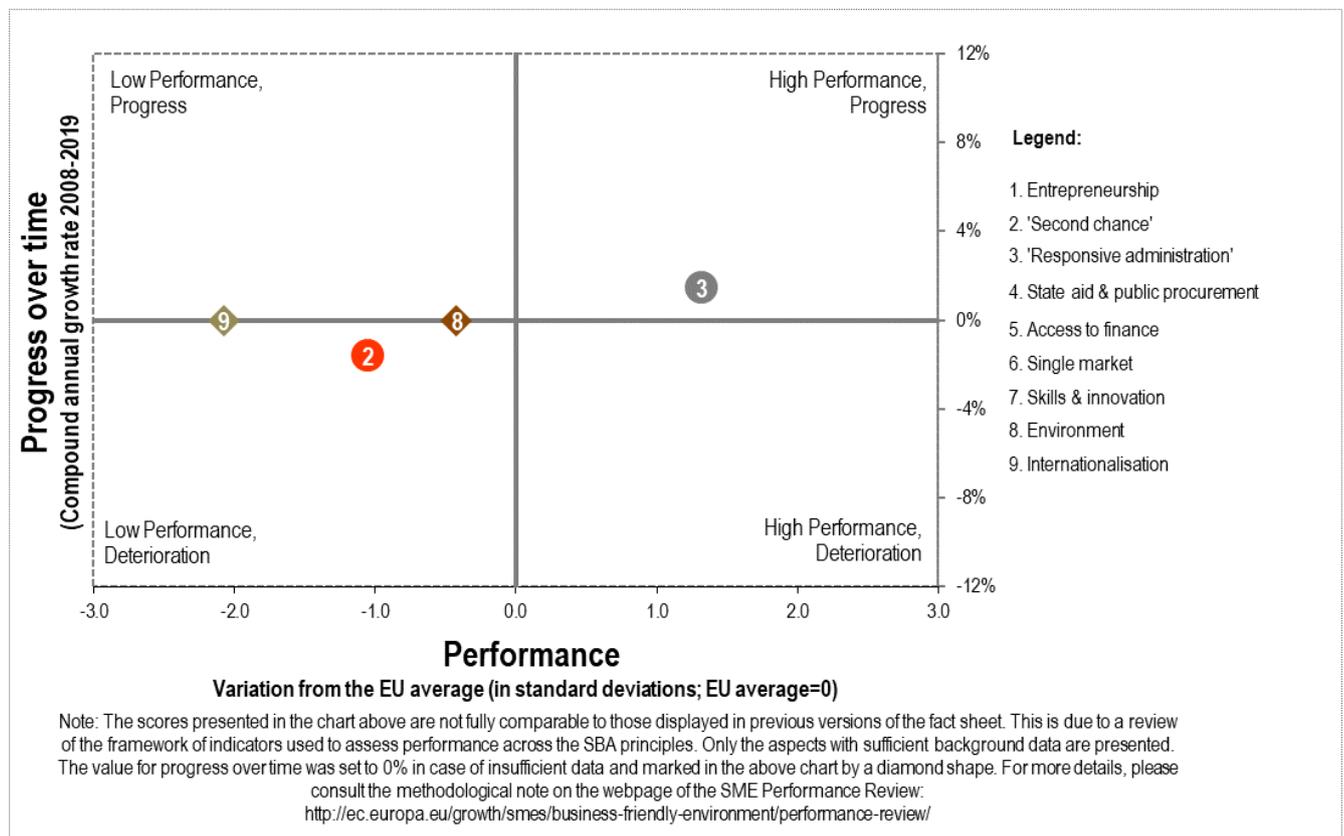
in value added of Moldovan large firms was a considerably weaker 3.1 %. For EU SMEs, average value added growth was also substantially lower, at 3.8 %, with an almost identical average growth rate of 3.5% generated by EU large firms. During the same period, Moldovan SMEs increased productivity by 26.9 % and employment by 2.3 %. EU SME average growth rates were significantly smaller, rising by only 2.1 % for productivity and 1.7 % for employment.

2. SBA profile²



The overall SBA profile of the Republic of Moldova continued to show a mixed picture on the four principles taken into consideration. Moldova performs above the EU average in 'responsive administration'. However, it performs below the EU average in 'second chance' and internationalisation. The country scores in line with the EU average when it comes to the environment principle.

SBA performance of Moldova: state of play and development from 2008 to 2019³



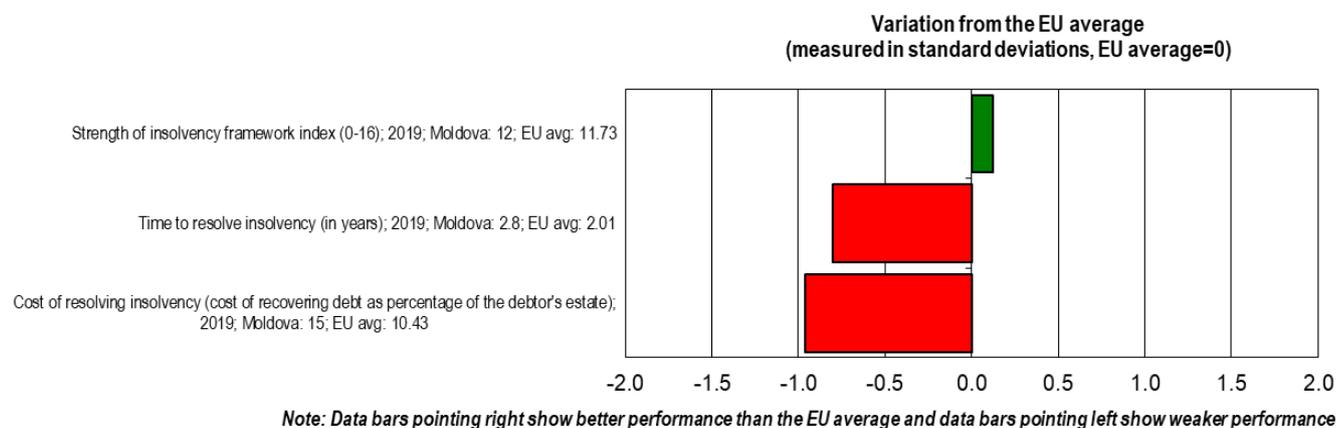
3. SBA principles⁴

3.1 Entrepreneurship

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on entrepreneurship vis-à-vis the EU.

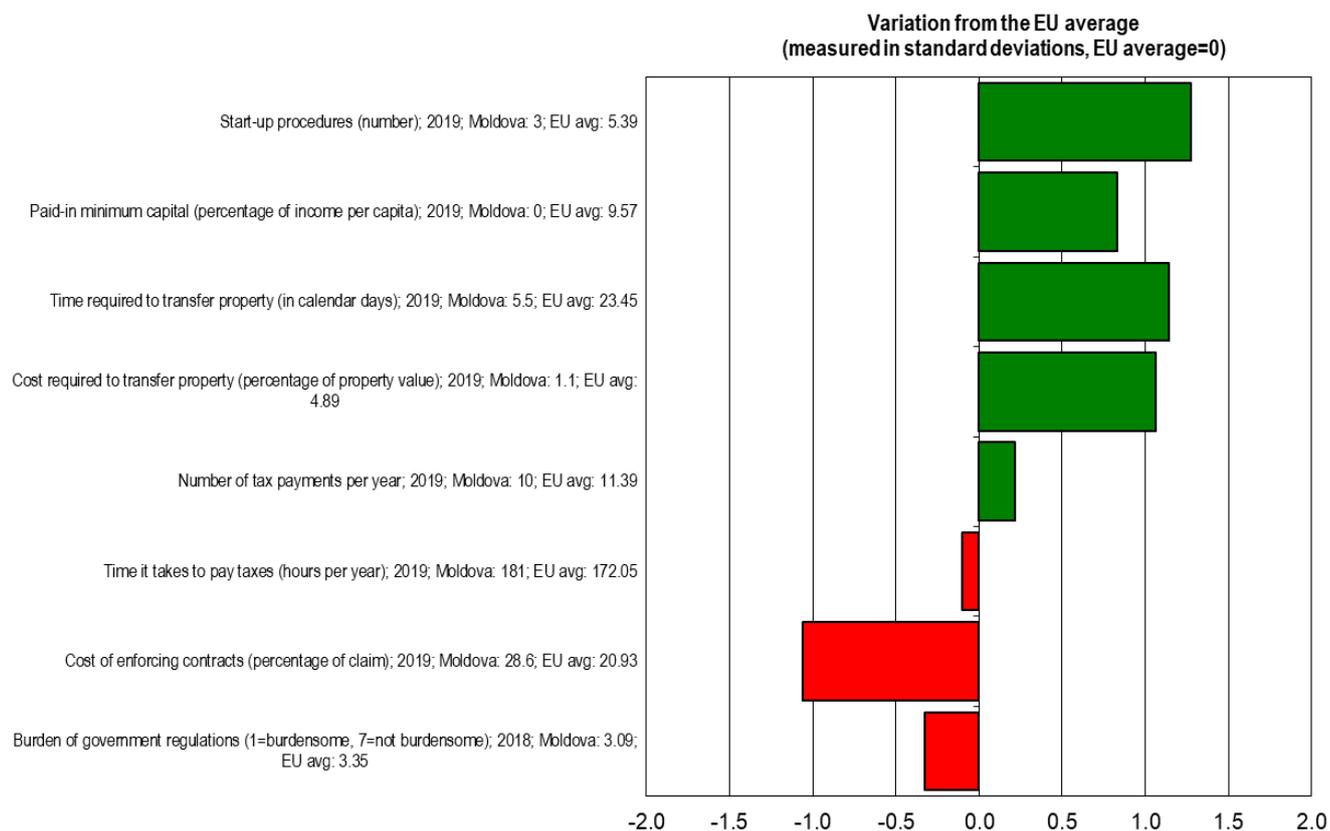
3.2 ‘Second chance’



‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Moldova performs below the EU average in terms of this SBA principle, having shown deterioration since 2008. The cost of resolving insolvency has risen from 9% of the debtor’s estate in 2014 to

15% in 2019. The time to resolve insolvency also scores below the EU average. The only indicator, scoring within the average is the strength of insolvency framework index, standing at 12 in 2019.

3.3 ‘Think Small First’ and ‘Responsive administration’



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Moldova performs well above the EU average in this SBA

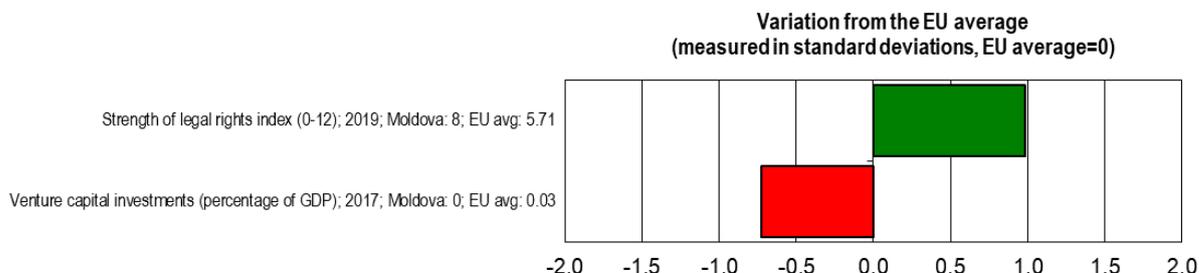
area, having made stable progress since 2008. The number of procedures required to start a business has decreased gradually from 8 in 2012 to 3 in 2019, above the EU average. Similarly, the paid-in minimum capital fell from 9.9% in 2012 and stands at 0 in 2019. The only indicator, scoring below the EU average is the cost of enforcing contracts, amounting to 28.6% of the claim, compared to 20.9% EU average.

3.4 State aid & public procurement

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on state aid & public procurement vis-à-vis the EU.

3.5 Access to finance



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

There is no sufficient data to draw conclusions on Moldova’s overall performance in this SBA principle. The strength of the legal rights index has continuously scored above the EU average.

Venture capital investments on the other hand are insignificant, totalling 0% of Moldavian GDP.

3.6 Single market

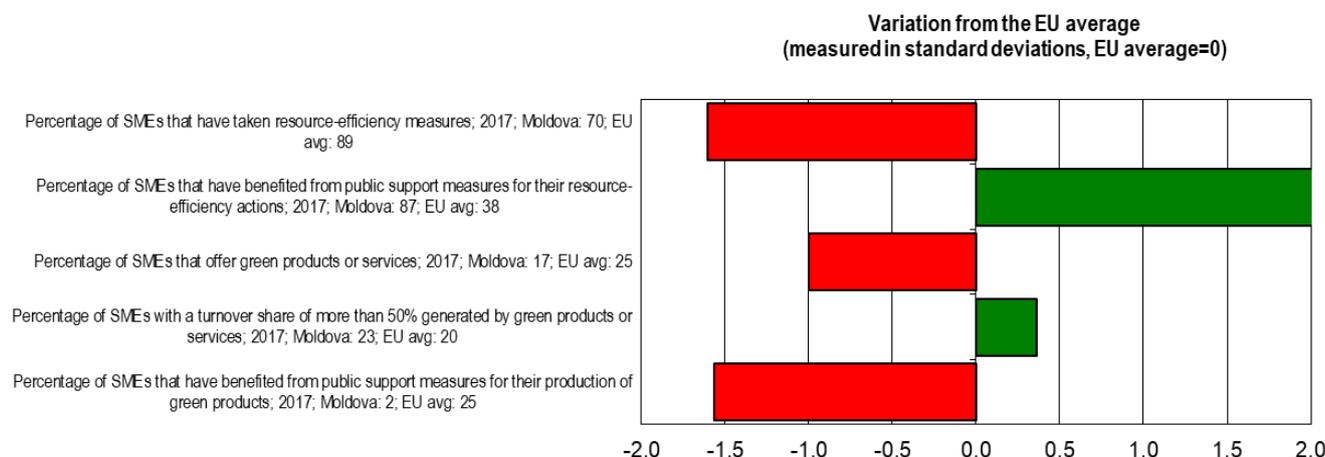
As Moldova is not an EU Member State, there is no relevant comparable data regarding the single market.

3.7 Skills & innovation

Regarding the indicators related to this principle, no sufficient data has been collected. Therefore, it is not possible to draw any

general conclusions on the performance on skills & innovation vis-à-vis the EU.

3.8 Environment



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

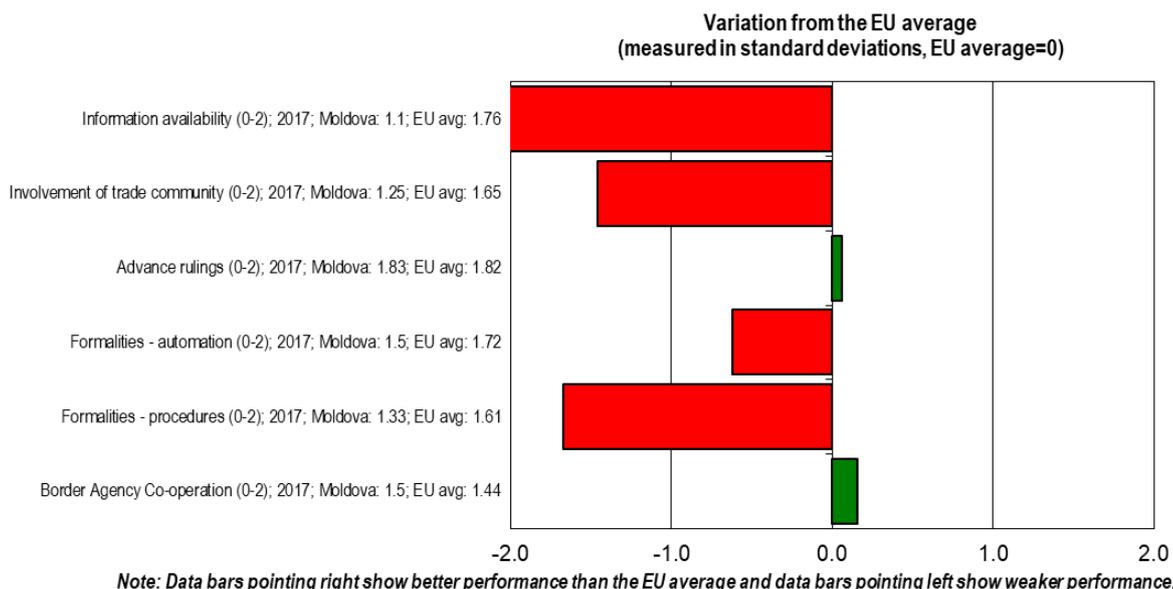
No updates have been made since last year’s fact sheet. Moldova performs in line with the EU average in environment. The strongest indicator in this SBA area is the share of SMEs that have benefited from public support measures for their

resource-efficiency actions. This indicator more than doubled between 2015 and 2017, when it stood at 37% and 87%, respectively. While remaining below the average, the percentage of SMEs that have benefited from public support measures for

their production of green products also increased, reaching 2% in 2017. On the other hand, there was a deterioration in the share

of SMEs that have taken resource-efficiency measures and the share offering green products or services.

3.9 Internationalisation



No updates have been made since last year's fact sheet. Moldova continues to perform below the EU average in this SBA principle. Several indicators have shown deterioration: the availability of information has decreased, scoring 1.1 in 2017,

compared to 1.7 in 2015. Similarly, the involvement in the trade community decreased, scoring 1.25 in 2017 (a drop from 1.67 in 2015). On a positive note, the country's performance in advance rulings improved (1.83 in 2017, against 1.57 in 2015).

4. Interesting initiative

Below is an example of an initiative from Moldova to show what governments can do to support SMEs.

DCFTA Facility

The DCFTA Facility is a joint programme which helps local entrepreneurs to take full advantage of the opportunities offered by the Deep and Comprehensive Free Trade Area (DCFTA) between Moldova and the EU. The EU trade with Moldova is on rise after signing the DCFTA agreement in 2014. Moldova currently imports EUR 2.1 billion and exports 653 million of goods and services from and to the EU respectively.

DCFTA will accelerate growth, help Moldova's economy to modernise further and become more competitive. To offset the burden of additional costs related to the reforms in the short and medium term, funds have been committed to Moldova under DCFTA Facility. Put in place jointly with EBRD, EIB and KfW, it consists of a set of programmes designed to increase SMEs' competitiveness, ease their access to finance, help them to seize new trade opportunities and comply with new food safety, technical and quality standards, as well as with environmental protection measures implied by the DCFTA implementation. Not only does this boost access to EU market but also increases consumer safety in Moldova.

SMEs benefit through different instruments of support, such as risk sharing mechanisms, local currency hedging, investment incentives (e.g. grants provided to SMEs investing in the EU standards compliant machinery or production processes) and overall technical assistance (e.g. support to assessment of the compliance with the EU standards).

EBRD Credit Line project has supported SMEs in Moldova with investing €10.3 million in 70 projects. For example, after successfully applying for 10% of the loan value as a grant incentive through EBRD Credit line project, "Salviana SRL" wood processing and cardboard boxes/packaging enterprise was able to invest in modern packaging machine to increase the product quality, health and safety of employees and the company's productivity.

<https://dcfta.md/eng>

<https://www.eu4business-ebdcreditline.md/>

Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

³ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

⁴ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.