

# 13 Republic of Moldova: Small Business Act country profile

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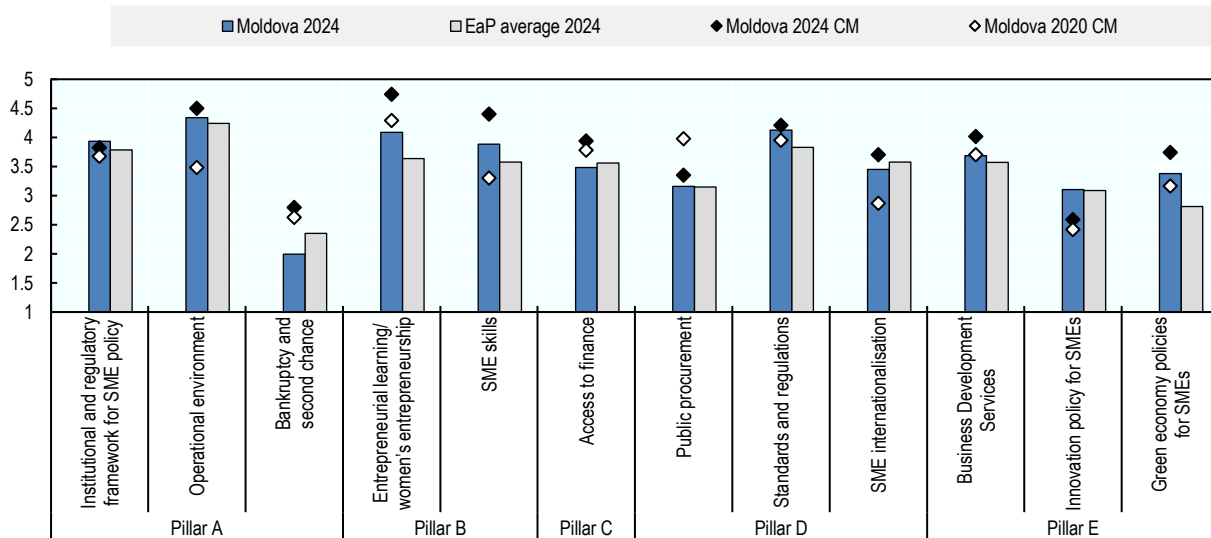
This chapter provides an assessment of the progress made by Moldova in implementing the Small Business Act (SBA) for Europe over the period 2020-23. It starts with an overview of Moldova's economic context and dives further into the characteristics of the country's SME sector. It then develops on the state of selected framework conditions for the digital transformation of SMEs. Finally, it analyses Moldova's progress along twelve measurable dimensions grouped in five thematic pillars and sets out targeted policy recommendations.

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## Key findings

Figure 13.1. SME Policy Index scores for Moldova

Country scores by dimension, 2024 and 2020 vs 2024 CM



Note: CM stands for comparable methodology. See the “Policy framework, structure of the report and assessment process” chapter and Annex A for information on the assessment methodology.

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Table 13.1. SME Policy Index scores for Moldova

Country scores by dimension, 2024 and 2020 vs 2024 CM

Pillar	Dimension	Moldova 2024	EaP average 2024	Moldova 2024 (CM)	Moldova 2020 (CM)
Pillar A	Institutional and regulatory framework for SME policy	3.93	3.78	3.82	3.68
	Operational environment	4.34	4.24	4.50	3.48
	Bankruptcy and second chance	2.00	2.35	2.79	2.63
Pillar B	Entrepreneurial learning/ women's entrepreneurship	4.09	3.64	4.74	4.29
	SME skills	3.89	3.57	4.40	3.30
Pillar C	Access to finance	3.48	3.56	3.94	3.78
Pillar D	Public procurement	3.16	3.15	3.35	3.98
	Standards and regulations	4.13	3.83	4.21	3.95
	SME internationalisation	3.45	3.58	3.70	2.87
Pillar E	Business development services	3.69	3.57	4.01	3.70
	Innovation policy for SMEs	3.11	3.09	2.59	2.41
	Green economy policies for SMEs	3.38	2.81	3.74	3.16

Note: CM stands for comparable methodology. See the “Policy framework, structure of the report and assessment process” chapter and Annex A for information on the assessment methodology.

Table 13.2. Implementation progress on SME Policy Index 2020 policy reforms – Moldova

Priority reforms outlined in the SME Policy Index 2020	Key reforms implemented to date
<b>Pillar A – Responsive Government</b>	
<p>Upgrade monitoring and evaluation practices in cooperation with the Entrepreneurship Development Organisation (ODIMM).</p> <p>Ensure that regulatory impact analysis (RIA) methodology is systematically applied throughout the public administration.</p> <p>Introduce measures to upgrade the IT skills of small entrepreneurs in parallel with the expansion of e-government services.</p> <p>Upgrade procedures to facilitate online business registration.</p> <p>Implement an early warning system and insolvency prevention training for entrepreneurs.</p> <p>Adopt a comprehensive second chance strategy for bankrupt entrepreneurs.</p>	<p>Establishment in 2022 of the Organisation for Entrepreneurship Development (ODA) as a successor to the ODIMM.</p> <p>Development of the National Programme for Promoting Entrepreneurship and Increasing Competitiveness 2023-2027 (PACC 2022-2026).</p> <p>Adoption of Roadmap on Reducing Regulatory Burdens for SMEs.</p> <p>Development of the RIA "Micro-Enterprise Test" methodology.</p> <p>Inclusion of the digitalisation of company registration in PACC.</p> <p>Design of the Second Chance Programme for SMEs foreseeing the introduction of a digital early warning system for entrepreneurs.</p> <p>Introduction of a simplified bankruptcy procedure with the 2020 amendments to the Law on Insolvency.</p>
<b>Pillar B – Entrepreneurial Human Capital</b>	
<p>Ensure that the European Entrepreneurship Competence Framework features in the 2019-20 curriculum reform plans, backed up with pre-service and in-service teacher training.</p> <p>Improve cross-ministry co-operation to reinforce micro-entrepreneurship for women.</p> <p>Further support small specialisation and vocational education.</p>	<p>Efforts to align the Education Code with European key competences. Education 2030 and PACC to emphasise the role of entrepreneurial and economic education and include actions for the development of learning and entrepreneurial skills.</p> <p>Progress in non-formal learning, e.g. through the introduction of a Framework for Out-of-School Education to stimulate entrepreneurship at all levels of education and the development of regional centres of entrepreneurial education.</p> <p>Development of a <i>2022 Roadmap on the Economic Empowerment of Women</i> to foster better co-ordination across stakeholders.</p>
<b>Pillar C – Access to Finance</b>	
<p>Expand credit bureaus' sources of information beyond banks to include utilities and other service providers.</p> <p>Review existing governmental SME support mechanisms, focussing on the more sustainable approaches (such as the recent Credit Guarantee Fund).</p> <p>Pass the draft law regulating venture capital, dormant in the legislative process since 2015.</p>	<p>Expansion of the sources for credit information to include microfinance institutions, leasing companies and other organisations.</p> <p>Launch of the Investment incentive programme "373".</p> <p>Transfer of regulation and supervision regarding non-bank financing institutions to the National Bank of Moldova since mid-2023.</p> <p>Introduction of provisions on venture capital in existing legislation.</p> <p>Creation of a dedicated Fintech division within the National Bank of Moldova in 2022.</p>
<b>Pillar D – Access to Markets</b>	
<p>Increase capacity of Moldovan Investment Agency to deliver export promotion services.</p> <p>Introduce programmes to enhance export readiness of SMEs and support SME-FDI linkages and ensure implementation capacity in the ODIMM.</p> <p>Set up a monitoring and impact evaluation system along with measures to incentivise SMEs to implement EU standards.</p> <p>Develop targeted measures in the field of technical regulations (e.g. online courses for SMEs on how to read and implement standards and translation of standards in priority sectors/products for external trade).</p> <p>Monitor SME participation in public procurement and build contracting authorities' capacity to apply good practices.</p>	<p>Co-ordination of support programmes by ODA and Invest Moldova to support investments and promote exports.</p> <p>Adoption of State Programme for SMEs Growth &amp; Internationalisation to strengthen SMEs' capacity to access foreign markets.</p> <p>Full Membership in the European co-operation for Accreditation.</p> <p>Technical regulation aligned with the provisions of the World Trade Organisation Technical Barriers to Trade Agreement.</p> <p>Adoption of a new regulation for procurement of items below new contract value thresholds.</p>
<b>Pillar E – Innovation and Business Support</b>	
<p>Include specific targets for SMEs in the national strategy for innovation.</p> <p>Enhance the National Agency for Research and Development's (NARD) monitoring system for evaluating economic impact beyond the simple implementation of action plans.</p> <p>Expand the existing co-financing mechanism for SME use of BDS and consider quality certification programmes for private providers.</p> <p>Improve the monitoring and evaluation of current support programmes.</p> <p>Match high-level goals for greening SMEs with measurable indicators.</p> <p>Provide SMEs with information and support to ensure they can benefit from the planned implementation of green public procurement policies.</p>	<p>PACC as a policy foundation for the provision of business support services for SMEs and start-ups.</p> <p>ODA's network of incubators and reorganisation of training offers.</p> <p>NARD's "Innovation and Technology Transfer Project" providing funding for collaborative projects between research and businesses.</p> <p>Introduction of ODA's Programme to Support Digital Innovations and Technological Start-ups awarding grants for different sectors.</p> <p>Greening SMEs as priority of national strategy European Moldova 2030.</p> <p>ODA's Greening Programme for SMEs and Programme for Energy Efficiency supports SMEs' greening policies.</p>

## Context

### Economic snapshot

The Republic of Moldova (Moldova hereafter) has been hit hard by successive crises in recent years. The COVID-19 pandemic, combined with drought that severely affected the agricultural sector, caused a deep recession in 2020, leading to a GDP decline of 8.3% after a period of steady growth since 2016. While the country recovered in 2021, with growth rebounding to 14% (the highest figure in three decades), Russia's invasion of Ukraine triggered significant shocks for Moldova.

Direct spill-overs from the war heavily affected the country's economy, which contracted by 5.6% in 2022 (Table 13.3) (IMF, 2023<sup>[1]</sup>). Soaring energy prices raised input costs for manufacturers and led to up to 35% inflation in October 2022 (National Bank of Moldova, 2023<sup>[2]</sup>), challenging investment and economic growth. External trade initially suffered from sluggish growth in Moldova's EU trading partners and major disruptions, in particular Russia's blockade of Ukrainian ports on the Black Sea. Furthermore, proximity to Ukraine meant that in the first months of the war Moldova faced the extra challenge of welcoming and providing assistance to a large inflow of refugees from Ukraine (more than 115 000 as of July 2023), making Moldova the largest receiver of Ukrainian refugees as a proportion of domestic population. This put additional stress on the country's administrative machine and public finances (UNHCR, 2023<sup>[3]</sup>). At the same time, the war spurred a wave of solidarity with Ukrainian refugees hosted in Moldova (UN News, 2022<sup>[4]</sup>) and accelerated the country's European ambitions –bolstered in June 2022 by the granting of official candidate status for accession to the European Union.

In recent years, the ICT sector has been among the locomotives of economic growth for Moldova, its activities generating 5.5% of GDP in 2021 (Statistica Moldovei, 2023<sup>[5]</sup>). More specifically, according to information presented at the fourth SUM IT UP 4 IMPACT event in Chisinau on 26 April 2023, its export-oriented IT sector doubled its contribution to Moldova's economy and increased its export volume fivefold (EU4Digital, 2023<sup>[6]</sup>): IT exports jumped from USD 59 million in 2015 to USD 258 million in 2020, which drove most of the rise in the ICT exports from USD 165 million in 2015 to USD 304 million in 2020 (Invest Moldova Agency, 2022<sup>[7]</sup>). These developments in Moldova's ICT sector accelerated during the COVID-19 pandemic. Moldovan businesses of virtually all sizes started or increased online business activity during the pandemic, with the strongest percentage recorded for small businesses with 69.5%, followed by 67% for medium firms and 60% for large companies (World Bank, 2021<sup>[8]</sup>). However, the digital transformation of Moldovan SMEs remains at a nascent stage, with less than 17% of them reporting having successfully adopted digital tools in 2020. In this context, it is thus essential that Moldova maintains and strengthens these trends, which bear great potential for supporting SME growth.

**Table 13.3. Main macroeconomic indicators for Moldova (2018-22)**

Indicator	Unit of measurement	2018	2019	2020	2021	2022
GDP growth**	Percentage, year-on-year	4.1	3.6	-8.3	13.9	-5.0
Inflation**	Annual percentage increase, consumer prices	3.6	4.9	3.8	5.1	28.6
Government balance**	Percentage of GDP	-0.85	-1.47	-5.32	-2.62	-3.26
Current account balance***	Percentage of GDP	-10.8	-9.4	-7.7	-12.4	-15.7
Exports of goods and services***	Percentage of GDP	30.7	31.2	27.9	30.7	41.2
Imports of goods and services***	Percentage of GDP	56.8	56.3	51.3	57.8	69.3
FDI net inflows***	Percentage of GDP	2.3	4.0	1.3	2.8	3.7
General government gross debt**	Percentage of GDP	31.8	28.8	36.6	33.1	33.5
Domestic credit to private sector*	Percentage of GDP	23.2	24.8	27.9	28.7	27.7
Unemployment*	Percentage of total active population	2.9	5.1	3.8	3.2	2.3
Nominal GDP**	USD billion	11.3	11.7	11.5	13.7	14.4

Notes: GDP: gross domestic product. Government balance corresponds to general government net lending/borrowing; unemployment reflects modelled International Labour Organisation estimates.

Source: \* (World Bank, 2023<sup>[9]</sup>); \*\* (IMF, 2023<sup>[10]</sup>) both accessed May 2023, \*\*\* (National Bank of Moldova, 2022<sup>[11]</sup>; National Bank of Moldova, 2023<sup>[12]</sup>).

### Box 13.1. Moldova's support for SMEs during the COVID-19 pandemic

#### Financial support

The support measures for households and businesses the Moldovan government took during the COVID-19 pandemic accounted for 2.33% of the gross domestic product (GDP), which is relatively low compared to other countries in Central and Eastern Europe (Madan, 2020<sup>[13]</sup>). The government initiated the value-added tax (VAT) reduction for the hotel, restaurant and catering sector; the deferment of taxing business income for three months; and subsidies to enterprises and non-commercial organisations (Ministry of Economic Development and Digitalization, 2022<sup>[14]</sup>). Additionally, it set up a programme for firms that took out a loan compensating for their interest payments until the end of 2020 (Ministry of Economic Development and Digitalization, 2022<sup>[14]</sup>).

#### Regulatory flexibility

In 2020, the government allowed the deadline to be postponed for the 2019 business income tax declaration (Ministry of Economic Development and Digitalization, 2022<sup>[14]</sup>).

#### Workforce support

As an indirect support measure, the 2020 budget allocated a small share to provide loan guarantees and loans (Madan, 2020<sup>[13]</sup>). The government also extended eligibility for unemployment benefits and increased the amount of the benefits to a minimum of MDL 2 775 (EUR ~145) (Ministry of Economic Development and Digitalization, 2022<sup>[14]</sup>).

#### Measures to improve access to digital infrastructures

The implementation of the National Development Strategy (NDS) "Digital Moldova 2020" brought significant improvements on several levels, including broadband connectivity, e-government and the inclusion of digital skills in the education system at all levels of education. Also, a comprehensive SME digitalisation programme was launched in June 2020, notably encompassing a self-assessment test for digital maturity, training and building capacity for over 500 participants, and financial support – grants and business vouchers – that benefitted 168 and 118 companies, respectively (ODA, 2020<sup>[15]</sup>). The success of the initiative led to the adoption of a follow-up Digital Transformation Programme for SMEs in 2022.

### SME sector

Moldova's definition of SMEs adopted in 2016 is in line with EU and international standards. It uses employment, turnover and balance sheet criteria to determine whether a company is a micro, small or medium-sized enterprise. While the employment criteria are consistent with the EU definition, thresholds for turnover and assets are lower in Moldova, reflecting lower per capita incomes.

**Table 13.4. Definition of micro, small and medium-sized enterprises in Moldova**

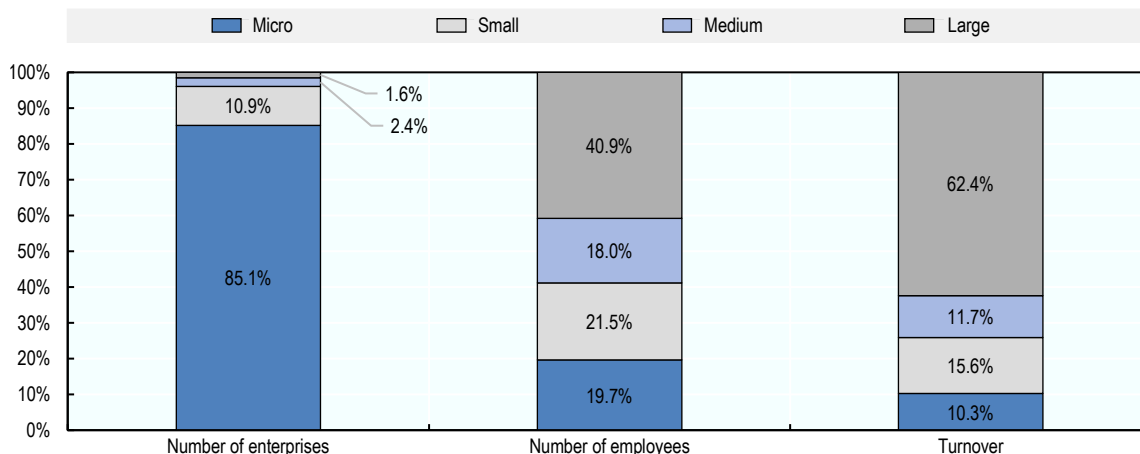
	Micro	Small	Medium
Employment	< 10 employees	< 50 employees	< 250 employees
Annual turnover	< MDL 18 million (EUR ~929 185)	< MDL 50 million (EUR ~2 581 070)	< MDL 100 million (EUR ~5 162 140)
Total assets	< MDL 18 million (EUR ~929 185)	< MDL 50 million (EUR ~2 581 070)	< MDL 100 million (EUR ~5 162 140)

Notes: MDL: Moldovan leu; EUR: euro; Exchange rate as of 28 September 2023 (OANDA, n.d.<sup>[16]</sup>).

Source: Law No. 179 of July 2016 "With regard to small and medium-sized enterprises, modified version.

Some 98% of all firms in Moldova in 2021 were SMEs (59 357 enterprises), accounting for 59% of business sector employment and 38% of turnover. The share of enterprises that are SMEs has remained rather stable in the past few years, whereas their contribution to employment and turnover has been steadily decreasing since 2015 (Statistica Moldovei, n.d.<sup>[17]</sup>).

**Figure 13.2. Business demography indicators in Moldova (2021)**



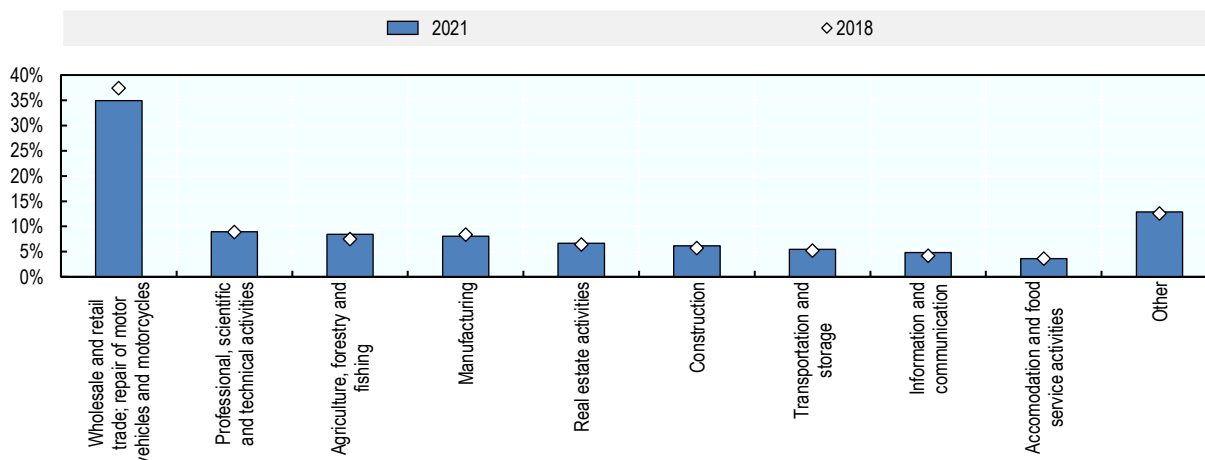
Source: National Bureau of Statistics of the Republic of Moldova.

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SMEs still tend to be concentrated in low-value-added sectors, such as trade and agriculture, although to a lesser extent than in other EaP countries. At the same time, Moldova has the second highest share of SMEs in the ICT sector among countries in the region with 5% of total SMEs operating in the sector in 2021 (Figure 13.3).

**Figure 13.3. Sectoral distribution of SMEs in Moldova (2021 vs. 2018)**

Share of SMEs by type of economic activity



Notes: "Other" notably includes mining and quarrying, electricity, gas, steam and air conditioning supply, water supply, sewage, waste management, decontamination activities, financial and insurance activities, administrative and support service activities, public administration and defence, compulsory social security, education, human health and social work, arts, entertainment, and recreation.

Source: OECD calculations based on data from National Bureau of Statistics of the Republic of Moldova.

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## SBA assessment by pillar

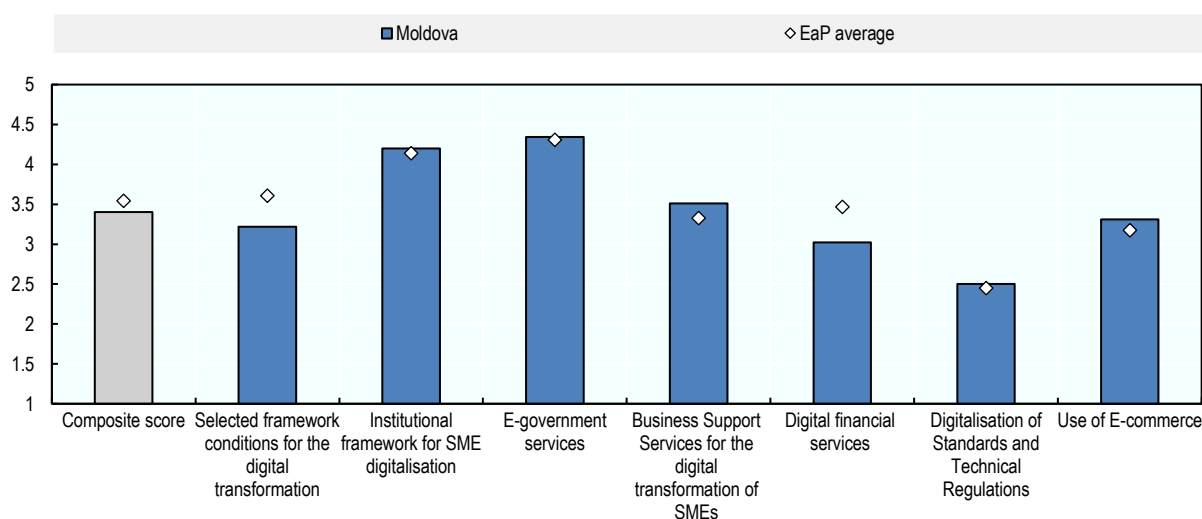
### SME digitalisation policies

Creating an environment conducive to the digital transformation of SMEs requires a comprehensive policy approach based on sound framework conditions for the digital economy as well as targeted support to help SMEs reap the benefits of digital solutions. Framework conditions refer to pre-requisites for the digital transformation, such as affordable access to high-speed broadband, a satisfactory level of digital literacy among citizens, and a well-coordinated and coherent policy approach and governance system for digital policies. In the context of SME development, those fundamentals need to be complemented with specific business support services, digital financial services for SMEs, and tailored support to engage in e-commerce to reach new markets.

Reflecting the multi-faceted nature of the topic, this round of SBA assessment evaluates EaP countries' policy approaches to SME digitalisation through i) a dedicated pillar on selected framework conditions for the digital transformation, as well as ii) six new sub-dimensions, incorporated in the pre-existing dimensions of the SBA assessment, to delve deeper into specific thematic policies to foster the digital transformation of SMEs. The weighted average of the scores for the new pillar and digitalisation-oriented sub-dimensions results in a composite score for SME digitalisation policies presented below (Figure 13.4)<sup>1</sup>.

Moldova's composite score for SME digitalisation policies of 3.40 revolves around the regional average. The country's digitalisation efforts are reflected in key policy documents, such as the National Programme for Promoting Entrepreneurship and Increasing Competitiveness 2023-2027 (PACC) and the National Digital Strategy, and e-government services are well developed. Moldova also appears among the top performers in terms of business support services for the digital transformation, thanks to its abovementioned comprehensive SME digitalisation programmes. Efforts to develop digital financial services and to digitalise standards and technical regulations remain, however, at a nascent stage. Overall, the limited number of indicators available on digitalisation (e.g. on digital skills) appears as a persistent issue.

**Figure 13.4. Scores for SME digitalisation policies in Moldova**



Note: Further details on the assessment and calculation methodology can be found in the "Assessment framework" section in the Digital Economy for SMEs chapter, in the "Policy framework, structure of the report and assessment process" chapter and in Annex A. Additional information on institutional framework for SME digitalisation and e-government services can be found in Pillar A; on digital financial services in Pillar C; on use of e-commerce in Pillar D; and on Business support services for the digital transformation of SMEs in Pillar E.

The following section details Moldova's performance in developing selected framework conditions for the digital transformation, while more information on digitalisation-oriented sub-dimensions can be found in the sections on the pillars they respectively belong to.

### ***Selected framework conditions for the digital transformation***

Individuals and firms, notably SMEs, cannot fully reap the benefits offered by the digital transformation without the existence of robust framework conditions, such as comprehensive digitalisation policies, access to high-speed Internet and well-rounded ICT skills among the population. Accessible, affordable and stable broadband connection is indeed the *sine qua non* for i) ensuring widespread participation of citizens and businesses in the digital economy and ii) stemming the widening of the connectivity gaps between urban and rural territories and between firms of different sizes. Furthermore, fostering digital skills development at all stages of life (through formal education and lifelong learning initiatives for adults) is essential to help the working-age population acquire the skills they need to embark on the digital transformation, produce tech-savvy consumers, and build a talent pool of IT specialists.

#### *National digital strategy*

Moldova has made digitalisation a policy priority. It adopted its first national digital strategy in 2013, *Digital Moldova 2020*, which was organised around three pillars: 1) expanding broadband connectivity; 2) fostering the development of digital content and e-services; and 3) strengthening ICT usage capabilities. Building on the previous strategy, the government prepared a new *Digital Transformation Strategy of the Republic of Moldova for the Years 2023-2030*. The concept for this document was proposed for public consultation in December 2022, and the draft Strategy was publicly discussed and officially endorsed during May-June 2023 (Particip.gov.md, 2023<sup>[18]</sup>). The new document is more ambitious and broader in scope, focusing on six priority objectives: 1) development of a digital society; 2) development of a robust and competitive ICT sector; 3) creating an innovative and resilient digital economy; 4) establishing an efficient, intelligent, and invisible digital state; 5) creating an accessible, safe and inclusive digital environment; and 6) consolidating the image of Moldova as a digital nation. With regard to the business sector, the strategy follows a comprehensive approach, encompassing measures for technology start-ups with international growth ambitions; companies from the ICT sector; and the digitalisation of the traditional sectors of the national economy.

In parallel, Moldova has worked to build an efficient institutional framework for digitalisation. The appointment of a Deputy Prime Minister for Digitalisation in 2021, and the redesignation of the Ministry of Economy as the Ministry of Economic Development and Digitalisation in February 2023, reflect the importance the government attaches to the topic, and are welcome steps to ensuring co-ordination among stakeholders and towards adopting an overarching approach to digitalisation. Building on Moldova's strong track record on public-private partnerships and consultations, dedicated co-ordination mechanisms are being implemented. Public and private actors are regularly involved in the development of draft projects and legislation and, in line with these practices, the new strategy envisages the creation of a dedicated co-ordination body for implementing the measures: the National Council for Digitisation. The council will be chaired by the deputy prime minister for digitalisation and involve public and private sector representatives, including from the ICT industry and civil society. It will have several permanent working groups on the different topics covered by the strategy.

In terms of monitoring and evaluation, the new strategy includes a range of targets for each of the six objectives, with the aim for more than half of Moldovan companies to use cloud/artificial intelligence/big data; over 40% selling their products and/or services online; and at least 60% of SMEs having a basic use of digital technologies. The framework is based on the EU's Digital Economy and Society Index (DESI) methodology.



However, the previous strategy *Digital Moldova 2020* was only partially implemented, with only half of its objectives being achieved. For example, only 12% of public services were available online at the end of the implementation period<sup>2</sup> (compared to the strategy's goal of 100%), and the acceptance rate of electronic public services barely reached 50%, instead of the planned 70% (Government of the Republic of Moldova, 2022<sub>[19]</sub>). These implementation gaps reportedly reflect a lack of institutional co-ordination and capacity, insufficient funds, poor project and risk management, and ineffective monitoring. Monitoring and evaluation practices have been further impeded by a lack of available indicators to properly assess progress and impact, e.g. on digital skills and SMEs' use of digital tools.

The next steps for Moldova on its digitalisation journey are therefore to i) ensure co-ordination and implementation of the upcoming National Digital Strategy to try and avoid the caveats from the previous one, defining clear roles for stakeholders and allocating sufficient funds; and ii) closely monitor and evaluate impact and develop relevant indicators to assess progress made towards the initial targets (see Table 4.2 in the "Digital Economy for SMEs" chapter for concrete examples).

### *Broadband connectivity*

Moldova does not have a broadband strategy *per se*, but several policy documents – *European Moldova 2030* and the *Radio Spectrum Management Programme for 2021-2025* – include provisions to increase access to high-speed Internet. As a follow-up to the *Radio Spectrum Management Programme 2015-2020*, this new document sets as its main objective the continuous development of the electronic communications industry and the information technology and communications sector in Moldova, including the development of networks and public services of mobile broadband electronic communications. It also entails provisions for radio spectrum resources necessary for the continuous development of a terrestrial mobile broadband electronic communications network.

Moldova currently benefits from one of the highest rates of high-speed broadband connection in the EaP region: 98% of the country's subscriptions are above 10 Mbit/s, vs. the regional average of 75% in 2021 (ITU, 2022<sub>[20]</sub>). The country has planned additional measures to further improve broadband quality: the *Radio Spectrum Management Programme 2015-2020* sets the target to have 97% of the population with 4G/5G coverage by 2025, also improving data transfer speed (expected to reach 50 Mbps by the end of the implementation period). Moreover, broadband uptake has been fostered by significant improvements in affordability over the past years: prices for fixed broadband per capita almost halved between 2018 and 2020 (from 4.78% of gross national income [GNI] per capita to 2.25%, respectively), and mobile broadband prices per capita dropped, from 2.15% of GNI per capita in 2018 to 0.48% in 2020.

Nevertheless, broadband subscriptions, while above the EaP average, remain, overall, below OECD and EU levels. One-quarter (25%) of the Moldovan population had a fixed broadband subscription in 2021, against 35% in the OECD. The gap is wider for mobile broadband subscriptions, with close to 88 per 100 Moldovans having a subscription, against 108 per 100 in the OECD population. Additionally, Moldova suffers from a persisting digital divide between urban and rural areas, the widest gap across the region: only 58% of households in rural areas have access to the Internet vs. 80% in urban areas. The *Radio Spectrum Management Programme* acknowledges the issue and aims to tackle it. Finally, Moldovan authorities, notably the National Regulatory Agency for Electronic Communications and Information Technology (ANRCETI) and the e-governance agency, collect data through annual surveys to assess the extent of the digital divide – between genders, age groups, and education and income levels. Data on broadband uptake and quality among businesses are, however, not yet available.

Moving forward, Moldova should pursue efforts to reduce digital divides – for example, by further improving the affordability of fixed broadband, as it remains above the International Telecommunication Union's 2% target. More could be done to foster broadband uptake among businesses, and data should be collected to assess digital divides across firms of different sizes, in terms of both number and speed of connections. Finally, broadband policies would benefit from more multi-stakeholder consultations: while policy

documents are submitted for public consultation, regular consultations should be held with network operators, consumers, regulatory authorities and all levels of government, to ensure that all views are considered throughout implementation.

### *Digital skills*

Moldova has embedded digital skills development in several policy documents – the national digital strategies (past and upcoming), the *Strategy for the Development of the IT Industry 2018-2023*, the *Education Code* and *Education Strategy 2030*, and the *Government Action Plan 2021-2022*. These documents vary in terms of focus and target groups: while the *Education Code* mentions digital skills in the list of key skills to be acquired within the educational system, the *Strategy for the Development of the IT Industry 2018-2023* aims to develop competitive human capital in the field of ICT, as the lack of advanced ICT skills is a persistent challenge. The other strategic documents foresee measures to foster lifelong learning of digital skills and to help adults become digitally literate across all regions of Moldova.

As a result of previous policies, digital skills have become a pillar of the Moldovan educational system. Digital competence is a key competence in the national curricula, at all education levels: the module “Digital Education” became compulsory in 2018 in primary schools for grades I-IV, and older pupils continue to gain digital skills through the informatics discipline (mandatory in upper secondary general schools) and other school subjects. In the vocational education and training (VET) system, digital skills training is provided through either a transversal approach or professional studies programmes. The so-called “transversal/cross-cutting approach” focuses on training of basic IT skills, to be tested and obtained through the end-of-studies qualification. The second approach trains students on IT skills through professional study programmes. Higher education institutions are obliged to offer IT courses to first- and second-year students. A number of additional, optional courses have been introduced to develop advanced ICT skills, e.g. on robotics, mobile application design, website development, introduction to IT security, and artificial intelligence.

Efforts to train teachers have contributed to the implementation of digital literacy in the education system. In 2020, the Ministry of Education and Research launched the National Digital Literacy Programme to reduce the digital literacy gap and develop IT skills among teachers. The programme resulted in close to 76% of primary, secondary, and high school teachers being trained in 2020, and 80% of early education teachers in 2021. Additional measures were designed as a response to the COVID-19 pandemic, including the development and dissemination of training materials to teachers, and the launch of online and hybrid study platforms such as *Studii.md*, *Education Online*, and *Învat.Online*.

Digital skills policies benefit from the active involvement of the private sector, which creates additional opportunities: the Moldovan Association of ICT Companies (ATIC) appears as a driving force, offering a wide range of services, such as training courses and awareness-raising campaigns. ATIC also implements one of the flagship public-private partnerships: the ICT Centre of Excellence Tekwill (Box 13.2). In addition to ATIC, several higher education institutions have signed co-operation agreements with businesses to further promote digital skills: the Technical University of Moldova, for instance, is collaborating with Orange Moldova Foundation to further develop professional training and certified courses; facilitate internship opportunities; and extend the Solidarity FabLab, a digital manufacturing education project, to three Moldovans regions. The university also has a partnership with Moldcell to jointly implement a series of academic, research and educational projects.

### Box 13.2. Moldova's Tekwill project

“Tekwill” is an innovative centre and project in Moldova aiming at supporting ICT industry growth, enhancing professionals’ skills, and fostering technological innovation and entrepreneurship. Launched in 2017, Tekwill is a collaborative effort involving the Government of Moldova, USAID, the Government of Sweden, Microsoft and IBM. Named after “Tek” for technology and “will” for the future, Tekwill carries out various initiatives to support digital skills development among Moldovans of all ages and social and professional backgrounds. It also fosters sectoral collaboration between the IT sector and traditional industries, such as agriculture.

The main activities and objectives of Tekwill include:

- **Skills Development:** Empowering IT professionals, students, and entrepreneurs via diverse training programmes, workshops, and courses in the ICT field.
- **Technology Transfer:** Facilitating the transfer of knowledge, expertise, and technology between the local ICT community and international experts, fostering collaboration and innovation.
- **Entrepreneurship Support:** Nurturing technology startups and entrepreneurs with mentorship, incubation, and acceleration programmes to catalyse business growth and development.
- **Networking and Events:** Organising conferences, hackathons, and networking events to bring together IT professionals, entrepreneurs, investors, and industry experts, creating opportunities for collaboration and partnership.
- **Research and Development:** Supporting ICT sector research and development efforts, promoting innovation, and advancing technology within Moldova.
- **Advocacy and Policy Development:** Advocating for policies and initiatives that fuel the growth and sustainability of the ICT industry in the country.

Tekwill has achieved remarkable success, completing/supporting 878 educational and 499 entrepreneurship initiatives and solidifying its position as a highly successful tech initiative in the region. It has been instrumental in empowering over 472 teams to excel in business, create new opportunities, and attract investment, while also training and orienting over 152,500 individuals.

Tekwill is a driving force behind Moldova's ICT landscape, cultivating innovation, entrepreneurship, and positioning the country as a strong contender in the global technology market. It has played a crucial role in fostering a thriving tech ecosystem, attracting investments, and nurturing a skilled workforce to meet the demands of the rapidly evolving digital world. The initiative is foreseen to be replicated across the country through regional centres, notably in Cahul, Comrat and Bălți.

Source: (Tekwill, 2023<sup>[21]</sup>); (Moldovan Association of ICT companies, 2023<sup>[22]</sup>).

However, lifelong learning initiatives remain at a rather nascent stage, and digital skills development among businesses of all sizes could be further encouraged, as this remains a major challenge (see below). This applies to both generic and advanced ICT skills. As highlighted in the draft national digital strategy, while Moldova’s education system lays the foundations for advanced professional digital skills, it lacks programmes that attract enough talent, including girls and women, to pursue science, technology, engineering and mathematics (STEM) careers and address the lack of specialised IT skills among the population. This human capital issue is further aggravated by the country’s persisting brain drain.

Moreover, co-ordination across ministries and with external stakeholders could be further improved. Moldova involves public and private actors in policy design (e.g. through public consultations with students, parents, teachers, central and local public authorities, non-governmental organisations (NGOs), and partners for the development of the next Education Strategy), but some stakeholders, despite their relevance, have only played a limited role so far – the Ministry of Labour and Social Protection and the National Employment Agency (ANOFM), for instance.

Finally, insights on the levels of and needs for digital skills across Moldovan individuals and businesses remain scarce. Data on digital skills levels are not available, and there is reportedly no assessment of students' progress in acquiring digital competences, nor a framework for the certification of digital competences. There are no anticipation exercises on digital skills needs, apart from some examples conducted by development partners.

Moving forward, Moldova should strengthen its approach to digital skills policies by strengthening its multi-stakeholder approach: it could foster the involvement of the Ministry of Labour and Social Protection and ANOFM (to ensure synergies with labour market policies, e.g. the National Employment Strategy, and implement digital skills assessment and anticipation exercises, building on ANOFM's labour market analyses), and of non-governmental stakeholders, such as employers and teachers. This could be facilitated by the creation of a National Digital Skills and Jobs Coalition, in line with EU4Digital guidelines. Moreover, digital skills development among businesses could be further promoted, especially smaller firms that lag behind large ones in their digital transformation journey. Adopting a digital competence framework to serve as a common reference, such as DigComp (see the dedicated box in the chapter on Digital Economy for SMEs), would facilitate the certification of skills acquired. Finally, Moldova would significantly benefit from improving digital skills assessment and anticipation exercises by collecting data on digital skills levels, ensuring digital skills policies are monitored and evaluated, including digital skills insights in the labour market analyses, and consider adopting additional skills anticipation exercises<sup>3</sup>.

## **Pillar A: Responsive Government**

### *Institutional and regulatory framework*

Since the previous SME Policy Index assessment four years ago, Moldova has made significant progress in strengthening the institutional and regulatory framework for SME policy and in aligning policy practices to those of the EU Small Business Act despite the disruptions caused by the COVID-19 pandemic and the impact of the war in Ukraine. Moldova has traditionally placed a strategic priority on conducting regulatory reforms and on improving the operational environment for SMEs. While this approach is still valid, additional priorities, such as supporting SMEs' digital transformation and innovation, now receive more attention as well.

#### **Institutional setting**

SME policy in Moldova is the responsibility of the Ministry of Economic Development and Digitalization. The Organization for Entrepreneurship Development (ODA) – established in 2022 as a successor to ODIMM – has been tasked with policy implementation.

In An independent evaluation of the 2012-2020 SME Development Strategy was carried out in 2021 by experts financed by the EU Technical Programme for Moldova. It found that approximately 70% of the envisaged actions had been completed. The strategy improved the operational environment, but issues have been highlighted in relation to SME's access to finance and to the way public agencies communicate with the enterprise sector.

The government presented the draft National Programme for Promoting Entrepreneurship and Increasing Competitiveness (PACC) was developed by the government and presented as a draft at the beginning of

2022. However, the COVID-19 pandemic and the war in Ukraine delayed its approval and imposed a revision of some of its objectives. At the end of June 2023, the government was ready to adopt the document, and final approval was expected by the end of 2023.

As mentioned above, in 2022, ODIMM was reorganised into the Organisation for the Development of Entrepreneurship (ODA). ODA retains the same mandate as the ODIMM, dealing with entrepreneurship promotion, the provision of training courses and business advisory services and the management of a Credit Guarantee Fund. The reform is expected to improve the governance of the agency, particularly in relations to its role as provider of credit guarantees, as well as to simplify access to the support to SMEs programmes.

### **Legislative simplification and RIA**

Moldova has a good track record on regulatory reforms. Under the co-ordination of the Economic Council to the prime minister, the government is currently implementing the “Roadmap on Reducing Regulatory Burdens for SMEs by 2022” and its Action Plan. The documents will serve as landmark documents for the implementation of actions to simplify entrepreneurship activity by introducing a simplified tax regime for SMEs, reviewing labour regulations (particularly for micro enterprises) and state inspections, and developing an RIA “Micro-Enterprise Test” methodology.<sup>4</sup>

According to the Law on Normative Acts (No. 100/2017), RIAs on business-related legislation should be applied across the public administration and policy documents. The State Chancellery, through the Regulatory Impact Assessment Secretariat (SEIR), co-ordinates RIA applications. The methodology was updated in 2019 and is now aligned to EU standards. RIAs were conducted on more than 90% of government-initiated business regulations. Around 100 RIAs have already been performed, covering both legislative acts and regulations. In addition, the SEIR is associated to a working group of independent experts providing methodological assistance to public authorities in conducting RIAs as part the World Bank project “Improving Competitiveness II”.

### **Public-private consultations**

Public-private consultations are mandatory and are conducted regularly. In line with Government Decision No. 23/2019, every policy initiative that is expected to have an impact on businesses must be analysed by the working group of the Commission on the Assessment of the Impact on the entrepreneurial activity, which includes representatives from the private sector. Moreover, the Law on Transparency in the Decision-Making Process (No. 239/2008) makes public consultations mandatory for all policy initiatives and draft policy documents. The State Chancellery annually reviews the level of transparency of all central public authorities and publishes a “Report on ensuring transparency in the decision-making process of central administrative entities”. The State Chancellery’s latest report on public-private consultations (PPCs), conducted in 2021, specifies that public consultations/debates were carried out on 91% of draft laws and 83% of draft government decisions/ordinances adopted in 2021.

Various civil society organisations also provide independent reviews of the PPC process. Public comments are collected through an e-platform: <https://particip.gov.md/ro>. Although there has been some improvement since the previous assessment, citizens’ and the associative sector’s participation in public consultations remains relatively low, as indicated by the data below. Out of a total of 2 356 recommendations resulting from PPCs and received by line ministries and other authorities of the central public administration, only 50 (approximately 2%) came from citizens; 541 proposals (approximately 23%) were received from NGOs. Finally, another 456 proposals (approximately 20%) were filed by representatives of the business sector. The global rate of acceptance of the received proposals was 55%. The rate of acceptance of proposals received from citizens and the business sector was only 37%; that of proposals from the associative sector was 47%.

## **Institutional framework for SME digitalisation**

The National Programme for Promoting Entrepreneurship and Increasing Competitiveness 2023-2027 (PACC 2023-27) contains specific measures related to SME digitalisation. Those objectives include facilitating the transfer of technologies and innovations, with a focus on IT technologies, as well as supporting the digital transformation of SMEs, drawing on ODA's dedicated programmes. The Organisation has been implementing two digitalisation-specific programmes – one to foster digital innovation and start-ups, and one to accelerate the digital transformation of SMEs in non-IT sectors.

The government is planning to allocate a budget of close to MDL 50 million (EUR ~2.6 million) over the period 202 –25 specifically to a programme supporting SME digitalisation. ODA is in charge of the programme implementation, while the Ministry of Economic Development and Digitalization supervises, monitors programme implementation, and ensures co-ordination with the Digital Transformation Strategy of the Republic of Moldova for the years 2023-30.

### **The way forward**

To continue improving its institutional and regulatory framework for SMEs, Moldova should complete ODA's reform by assigning adequate human and financial resources and by structuring its activities in line with the objectives of the new SME Development Strategy. In addition, the country should i) step-up the process of regulatory reform, in order to meet the requirements associated with the future EU accession status; and ii) take actions to bring SME policy guidelines in line with EU requirements (i.e. the SBA annual performance review). Moldova should also measure efficiency of enterprise support programmes' implementation and public agencies' performance, in view of a likely increase in EU technical assistance funding associated with the accession process. Finally, the country should introduce an RIA SME test, monitor SME usage of public procurement (PP) electronic platforms, and take action to increase SME participation in public consultations.

### *Operational environment for SMEs*

Improving the operational environment for SMEs has been a long-standing priority for Moldova. Since 2020 the government has placed a high priority on the provision of e-government services to decrease conformity costs and provide swift and high-quality services for the businesses.

### **E-government services**

The NPACC 2023-2027, disclosed for public consultation at the beginning of 2022 contains specific objectives and measures related to the provision of digital services to the business sector. They include: the complete digitalisation of the processes for company registration, suspension, closure and operation of various changes in status; the digitalisation of customs procedures comprising the electronic declaration for all types of customs regimes; the modernisation of the electronic control system to enable risk-based controls and the digitisation and automation of control reports; and the continuous digitisation of government-to-business services (permits, licenses, authorisations, permits, etc.) through the Digital Single Window (Permit Management and Issuance Mechanism).

Efforts have been made to put in place a complete legislative framework for the digitalisation of government services. In 2021, the government adopted a comprehensive legislative act<sup>5</sup> to facilitate remote interaction and government-to-business (G2B), business-to-business (B2B), and business-to-consumer (B2C) digital interactions. The new legal framework allows for remote registration of a company and modification of the businesses' incorporation or liquidation documents. It foresees the possibility of using electronic signatures in employment relations between an employer and an employee, including the signing of remote employment contracts. Moreover, unilateral recognition of qualified advanced electronic signatures issued in EU countries is now granted, allowing the Moldovan diaspora and European investors to interact with

the Moldovan authorities at a distance. The new regime allows for a wider use of electronic documents and strengthens the provisions of the Law on Electronic Identification and Trust Services no.124/2022. In addition, it introduces the digital power of attorney in relations with public authorities and facilitates remote registration on the public procurement portal and, subsequently, for submitting an offer for electronic public procurement. Finally, it facilitates the use of electronic documents in other areas of importance for businesses, including relations with public utility companies (natural gas, electricity, water/sewerage, communications, etc).<sup>6</sup>

The government service MDelivery (Government Decision No. 152/2021), launched in 2022 is a digital platform for disseminating the performance of public services. In February 2023, the Law on Public Services entered into force (No. 234/2021). It sets out the two main concepts underpinning digital government: the “digital-by-default” and the “digital-first” principles.<sup>7</sup> Relying on these principles, public institutions will be obliged to receive electronic documents and give priority to issuing documents in electronic format.

Finally, the MConnect Interoperability Platform was established according to Article 6, paragraph (3) of Law no. 142/2018, which obliges public entities to share data and interconnect their data banks, support interoperability among public institutions.

### **Company registration**

Company registration procedures, already advanced, have been further simplified. They are now available online and can also be conducted from outside the country. Amendments to Law No. 220/2007 on state registration of legal entities and individual entrepreneurs (Art. 8, (1), a), provide for the possibility of submitting documents for registering legal entities of any kind in electronic format, applying qualified advanced electronic signature (remote authorisations request). If the registration request has been made through a representative, the power of attorney can be issued through the digital platform MPower, a registry of the powers of representation based on electronic signature. All decisions adopted by the Agency for Public Services (state registration body) concerning the incorporation, reorganisation, liquidation, suspension or resumption of the activity of the company, of its branches, as well as changes to its documents of incorporation, can be released electronically. At the same time, some of the taxes for the services provided by the state registration body were eliminated, including the tax regarding drafting, or amending an act of incorporation, decisions of the general assembly of the founders (associates), among others. The specified changes considerably simplify the registration process.

### **Business licensing**

The licensing process is organised in line with the “one-stop-shop” approach. New amendments to Law No. 160/2011 on regulating through authorisation of entrepreneurial activity were adopted in 2021. The amended law introduces the concept of an “Integrated Information System for Managing and Issuing Permissive Documents” (SIA GEAP). Article 6 (2.2) specifies that permissive acts such as licenses, permits and others, as well as their duplicates, can only be issued, refused, extended, perfected, suspended or withdrawn by the issuing authority through the SIA GEAP. Thus, the processes of issuing such documents were standardised, thereby increasing transparency. In addition, the provisions of Article 6 (2.3), which entered into force in 2022, provide that in all cases, the licenses, permits, authorisations and certificates or their duplicates be issued in the form of an electronic document sent to the email address indicated by the applicant or through the government electronic notification service. If the requested permissive act is produced on paper (physical format), an electronic copy will also be issued. Currently, through this digital platform it is possible to request and issue 86% of permissive documents (131 out of a total of 152).

## Tax compliance procedures for SMEs

A number of modifications have been introduced since the previous SBA assessment to create a simplified tax regime for individual entrepreneurs and micro and small enterprises. Tax administration procedures have been simplified with the introduction of a one-stop shop electronic platform for tax filing, an e-invoicing system, an e-request for registration as a VAT payer or of subsidiaries, and the launch of the Personal Office of the Taxpayer. The process of easing tax compliance for SMEs is co-ordinated by the Economic Council operating under the Prime Minister's Office. A permanent working group, the Advisory Council for Small and Medium Enterprises, has been established with the mission of identifying key issues, concerns and needs of SMEs in Moldova, including those related to the fiscal administration. The working group includes one member representing the SME sector: the director of the Alliance of Small and Medium-Sized Enterprises of Moldova. There is currently no online portal managed by the Tax Administration to offer tax-related information to SMEs. However, the Fiscal Service has developed a guide – The Taxpayer's Guide for Beginners – that presents the main fiscal aspects for persons wanting to start an entrepreneurial activity.

As part of the process of rationalising the tax regime for individual entrepreneurs and MSMEs although there are no personal deductions or a minimum non-taxable income level for auto-entrepreneurs; some presumptive tax thresholds have been increased, allowing more individual and microenterprises to benefit from the simplified tax regime. For instance, the upper threshold for individuals earning an income from commercial activities and registered as sole proprietors was doubled at the end of 2022 and is now MDL 600 000 (EUR ~31 000). The tax rate in this case is set at 1% of individual income, but not less than MLD 3 000 (EUR ~160).

Corporate income tax is set at a flat rate of 12%. However, SMEs that are not registered as VAT payers and that meet specific criteria stipulated in the Fiscal Code may opt for a special corporate income tax (CIT) regime with a 4% tax rate on aggregate sales determined for accounting purposes.<sup>8</sup> There are also tax incentives for enterprises located in information technology parks. They are subject to a unified tax rate of 7% of total sales revenue. The tax includes corporate income tax and contributions to the Social Fund and the Medical Insurance Fund. Finally, at the end of 2022, the parliament approved an amendment to the tax code introducing a total tax exemption on non-distributed dividends earned by SMEs and a new VAT tax refund system for enterprises not conducting import-export activities.

### The way forward

Moldova can continue improving SMEs' operational environment by further extending the range of public services available through e-platforms and collecting data on the use of e-government services by SMEs to increase their usage – e.g. by improving SME digital skills and conducting promotional campaigns. To simplify SMEs' tax compliance, the Tax Administration should consider establishing an online portal that offers tax related information to SMEs. In addition, Moldova should calculate the effective tax rate imposed on different types of enterprises and the impact of different tax regimes and incentives on enterprise growth. Finally, the country should conduct surveys of SMEs and consultations with SME sector representatives in order to better modulate the SME tax regime and reduce areas of non-compliance and informality.

### *Bankruptcy and second chance*

Survival and bankruptcy procedures in Moldova are governed by the Law on Insolvency No. 149/2010, recently amended by Law No. 141/2020. The law considers enterprises in distress as entities in need of immediate support to restore and continue their business. It protects the rights of creditors and establishes clear rules for their repayment. The state and government agencies are not given priority over other debtors, and tax debts can be paid in instalments. There are no specialised insolvency courts; insolvency cases are heard by courts of general civil jurisdiction.



The 2020 amendments introduced important changes, including a simplified bankruptcy procedure (accelerated restructuring procedure) and the establishment of an electronic registry for insolvency cases. The simplified bankruptcy procedure aims to preserve the debtor's business as a going concern, maintain employment and satisfy outstanding claims by application of a restructuring plan (Article 218). Under this procedure, the debtor is limited to negotiating a restructuring plan with its creditors that is subject to final approval and confirmation by the court (EBRD, 2021<sup>[23]</sup>). Although the establishment of the electronic registry is provided for in law, the registry is still under development.

In 2021, within the framework of the DanubeChance2.0 project, co-financed by EU funds (European Regional development Fund, Instrument for Pre-accession Assistance, European Neighbourhood Instrument), the Organisation for Entrepreneurship Development (ODA) carried out several activities related to the elaboration of a national early warning mechanism. More specifically, ODA's staff were trained on how to design and implement an early warning mechanism for SMEs, how to use the online self-diagnostic tool, and how to analyse a company's situation based on financial indicators. However, the DanubeChance2.0 project expired in December 2021 and early warning mechanisms are still not systematically adopted.

Nevertheless, Action 4.7.1 of the Government Action Plan for 2021-2022 refers to developing, approving, and launching the Second Chance Programme for SMEs in line with [EU Directive 2019/1023](#). The programme, designed by ODA, envisages the introduction of a digital early warning system and self-assessment tools for entrepreneurs, as well as mentorship and "first aid" measures for SMEs in financial distress. It also foresees the establishment of the Recovery and Sustainable Development Fund to provide direct financial assistance to SMEs in distress and provides metrics for the impact assessment on preventive insolvency policies targeted at SMEs. However, although the programme has been developed and consultations have been held, it has not yet been approved; it has therefore not yet started to be implemented. Thus, at the moment there is no comprehensive policy framework in place to promote second chance.

Moving forward, the government should consider establishing specialised insolvency courts and proceed with the development of the electronic registry for insolvency cases. In addition, it should further improve the existing measures to support SMEs in financial distress and prevent insolvency. To this end, Moldova could prioritise the approval and subsequent implementation of the Second Chance Programme. Moreover, the government could step up efforts to monitor and evaluate existing programmes and the regulatory framework related to bankruptcy and second chance, as there is currently no established mechanism to assess and ensure the effectiveness of such programmes across all sub-dimensions.

## **Pillar B: Entrepreneurial Human Capital**

### *Entrepreneurial learning*

Over the past two years, Moldova has continued to make progress on a comprehensive approach to entrepreneurial learning by making it one of the pillars of its strategic planning documents. Moldova is currently adopting a new generation of strategies in terms of education and SME development, with the *Education 2030* development strategy and the PACC 2023-2027.

Both draft policy documents contain relevant actions for entrepreneurial learning: *Education 2030* emphasises the role of entrepreneurial and economic education of the young generation and the society to achieve a sustainable and inclusive economy, while PACC 2023-2027 entails nine dedicated actions for the development of learning and entrepreneurial skills

Entrepreneurial learning policies continue to benefit from the involvement of a wide range of stakeholders – general and VET educational institutions, ODA and ANOFM, as well as NGOs and the associative sector.

Starting from a strong base in 2020, Moldova has made further progress during the assessment period. With regard to non-formal learning, for instance, the new Framework for Out-of-School Education in Moldova, based on the Education Code, sets “stimulating creativity, innovation, and entrepreneurship at the level of all components of education” as one of its objectives. A normative-legal framework for non-formal learning was developed and approved, enabling one to validate non-formal and informal education and have their professional skills certified. The government has also stepped up its support to promote entrepreneurial learning through non-formal education in regions, with the development of six regional centres of entrepreneurial education: Chişinău, Ungheni, Leova, Hancesti, Drochia, and Edinet. These centres were set up by the Ministry of Education and Research and USAID.

Furthermore, entrepreneurial learning is still promoted among the general population via various means, including information campaigns, annual events, awards’ ceremonies (e.g. the Annual Competition on the Best Business Plan) and success stories of successful entrepreneurs. As for education systems, further progress has been made in implementing digital and innovative learning methods through donor support, including for the development of entrepreneurial skills. Clasa Viitorului, for instance, is a project for the digital transformation of education implemented in Moldovan schools. It consists of a new concept in pedagogy, offering an open and inspirational learning space with interdisciplinary and innovative approaches through the use of digital technologies, which favours the student-centred learning process. VET and higher education institutions have increased their co-operation with businesses, notably through work-based learning – on-site learning/in-school practical training two to three days a week, carried out in most VET institutions; on-the-job training, i.e. internships in companies (for 12-14 weeks), ordinarily in a business unit; and dual education, mainly organised in companies (about 70% practical training and 30% theoretical lessons). The main universities in Moldova have several active partnerships with various companies and organisations in the development of dual education.

Despite this progress, not all learners engage in practical entrepreneurial experience: there are some examples at different levels of education and in various schools, mostly with donor support, but these remain ad hoc. Moreover, while Moldova benefits from good examples of VET-higher education-business co-operation, the co-operation between general schools and SMEs on entrepreneurial learning remains limited. Finally, the impact of the policies implemented could be improved – e.g. by assessing students’ progress in learning entrepreneurship as a key competence at each education level and systematically tracking students’ labour market outcomes after graduating from some levels of education (presently, this is only partially done, and only for VET and higher education institutions).

Moving forward, Moldova should ensure proper monitoring and evaluation of the upcoming strategies (Education 2030 and PACC), and all activities related to entrepreneurial learning in general, to foster evidence-based policy making and certify that entrepreneurial skills are properly acquired. These documents should also clearly define responsibilities across the many stakeholders involved to ensure co-ordination, concrete implementation and policy efficiency. Finally, building on successful cases of co-operation between VET and higher education institutions, collaboration between general schools and SMEs on entrepreneurial learning could be further developed to foster the development of an entrepreneurial spirit among all students and to help them acquire relevant cross-functional skills.

### *Women’s entrepreneurship*

Building on previous efforts, various policies and programmes support the development of women’s entrepreneurship across the country. Notably, in 2022, Moldova launched a *Roadmap on the Economic Empowerment of Women*, developed by the Economic Council of the Prime Minister – an action plan which includes a specific chapter on promoting women’s entrepreneurship and will foster better co-ordination across stakeholders involved in promoting women’s entrepreneurship. A “Familia” programme was also adopted, entailing a range of measures to help alleviate the challenges that women face while pursuing their career goals<sup>9</sup>. Moreover, the parliament introduced the “Equal pay for equal work” principle, while

several measures were adopted to support families and facilitate the fair participation of parents in the process of raising and caring for children. Women's entrepreneurship is to be addressed in the upcoming PACC 2023-2027, with the goal of increasing the share of enterprises managed by women from 30% in 2022 to 35% in 2025. The Strategy notably foresees financial literacy and IT courses for women and girls.

In terms of measures implemented over the assessment period, ODA (formerly the ODIMM)'s *Women in Business pilot programme*, approved in 2016, was extended for three years in 2019, being changed from a pilot programme to a full programme. Through training, mentoring and co-financing components, the programme helped over 1,200 women gain managerial skills through business development and increased their access to resources, financing, services and technologies. The Programme expired in October 2022, and its evaluation results, stemming from the interview of over 300 women beneficiaries and outcome indicators, will feed into a follow-up Women's Economic Empowerment Programme, to be approved in 2023. Additional support is provided through non-formal but active co-operation with private actors and NGOs, e.g. the Association of Women Entrepreneurs from Moldova (AFAM) and the Public Association – National Platform of Women from Moldova (PNFM). Besides ODA's programme, several women-specific support initiatives have been successfully implemented, including the *Women's Pre-Accelerator Programmes* (short intensive courses for women who want to start their own businesses), mentoring programmes, and sector-specific support (e.g. in tourism). Women's entrepreneurship is further fostered by awareness-raising campaigns and annual events, such as *THE DREAM GETS WINGS: Shaping the future of women in business*, and more is being done to encourage girls and women to go into STEM education, with a specific National IT Training Programme for Girls and Women.

Nevertheless, more concerted efforts could be implemented to support female micro entrepreneurs in rural areas, as well as incentives to reduce women's participation in the informal economy. Women entrepreneurs could be supported beyond the early stage of business development to ensure the viability of their projects and help them scale up their businesses. The case of Enterprise Ireland offers an interesting example in that regard (see the relevant Box in the Pillar B chapter). Finally, Moldova lacks data insights on women-led SMEs, which constitutes a considerable area for improvement (see Pillar B chapter for concrete examples of indicators that could be collected). Surveys on barriers for women entrepreneurs could also be more systematically conducted to help assess any remaining issues – following the good example of the Analytical Report on the Participation of Women and Men in Entrepreneurship published by the National Bureau of Statistics in 2020.

### *SME skills*

Since the previous assessment, Moldova's SME agency, ODA (formerly the ODIMM), has expanded the already wide range of trainings it was offering to SMEs – now covering new in-demand topics such as the circular economy, internationalisation and digitalisation. It also targets additional groups. One of the milestones in this assessment period is the implementation of ODA's *Program to Support Digital Innovations and Technological Startups*, launched in 2022. The programme aims to develop scalable IT and green innovations, providing non-reimbursable financial support to innovative ideas and targeting a new category of SMEs, i.e. start-ups with growth potential and digital start-ups. ODA also started a support programme for the digital transformation of SMEs in non-IT sectors in 2020 (see Box 13.1), which was successfully renewed in 2022, as digital competences remain the most in-demand skills among Moldovan SMEs. The agency also introduced online trainings to ensure continuous support during and after the COVID-19 pandemic.

Moreover, SME skills are analysed within the different projects implemented by ODA. The agency monitors and evaluates its support programmes, collecting participants' feedback through questionnaires assessing their level of satisfaction and knowledge gained and using the information it gathers through the surveys to make adjustments. In addition, the National Employment Agency (ANOFM) conducts annual labour

market analyses based on a survey of firms of different sizes, providing insights into persisting skills gaps in the country and feeding into the policy-making process.

However, although data on SMEs' participation in training are collected (disaggregated data by sex and region), the government does not evaluate their impact on SME performance. There is no large-scale evaluation of SME skills, resulting in a lack of data on managers' and employees' skills. There is also no evaluation on the barriers to SMEs' participation in training. Indicators on firms offering in-house training and firms employing IT specialists, for instance, are also unavailable. Skills anticipation practices remain at a nascent stage, limited to the ANOFM's annual surveys.

With regard to smart specialisation, Moldova has made progress since the previous SBA assessment towards adopting the "smart specialisation" approach, notably through the *National Programme in the Fields of Research and Innovation for the Years 2020-23*. Following the mapping process, four areas of specialisation were identified for Moldova: 1) energy; 2) ICT; 3) agriculture and the processing of agricultural products; and 4) biomedicine, biopharmaceutics and bioinformatics. An inter-ministerial working group was created, gathering a broad range of public and private stakeholders (Ministry of Education and Research, Ministry of Infrastructure and Regional Development, Ministry of Finance, Ministry of Economy, Ministry of Agriculture and Food Industry, Ministry of Health, Ministry of Environment, National Agency for Research and Development, ODA, research and innovation agencies, development partners, and sectoral business associations and NGOs operating in the priority areas). The group drafted a dedicated strategy, which was proposed for public consultation and is awaiting approval.

Moving forward, Moldova could build on this progress and improve its approach to data collection; impact evaluation; and skills assessment and anticipation tools. It should adopt a systemic approach to data collection on SME skills, needs and in-house training, publishing the results on an online database. It could also further develop skills anticipation tools: the methodology of the labour market analyses could be strengthened, for example by offering longer term projections (e.g. for the next three, five and ten years); broadening the pool of surveyed firms to improve the representation of micro, small and medium-sized businesses; and using the same questions over time to allow for comparability between years. Skills-needs studies of selected sectors could also be considered. In terms of monitoring and evaluation, Moldova could improve its approach by assessing the impact of trainings on SME performance. ODA could also consider collecting feedback on skills acquired through its online platform, and further develop digital learning methods. The agency could also step up its efforts to support digital skills development among small firms, as the lack thereof remains a major challenge – for example, by extending the range of topics covered by digital skills training, offering certification of competences acquired on the basis of a digital competence framework, raising awareness of the available training, and encouraging peer learning and on-the-job training.<sup>10</sup> Finally, the approach to smart specialisation could be enhanced by designing and implementing targeted training for SMEs in the identified priority areas. Involving the Ministry of Labour and Social Protection and ANOFM could also be beneficial, given their prominent role in labour market policies.

## **Pillar C: Access to Finance**

### *Legal and regulatory framework*

Moldova continues to have a well-established legal framework for secured transactions, regulated through the Civil Code. A cadastre with online accessibility is in place. In 2019, a register for movables covering different types of assets was established and is available online. This should help companies with insufficient immovable assets obtain a loan as it reduces uncertainty around movables. However, usage of movable assets is still not very widespread. In a survey of commercial banks conducted by the EBRD in 2022, seven out of nine respondents indicated that the availability of immovable collateral was an important or very important aspect in their lending decision to SME customers, whereas for movable assets only three banks stated that this was an important factor. The same survey also suggests that

enforcement remains an important issue, with more than half of surveyed banks stating that enforcement of security rights over immovable and movable assets is inefficient (EBRD, 2021<sup>[24]</sup>).

The expansion of sources for credit information in 2021 was an important reform to boost access to finance in Moldova. Information is now collected not only from banks but also from microfinance institutions, leasing companies as well as other organisations, such as utility providers and telecommunications companies. This significantly broadened the coverage of credit information in Moldova from a very low base of only 18.2% before the reform to over 60% of the population today (World Bank, 2020<sup>[25]</sup>).

Banking regulation and supervision have received significant attention in the context of an International Monetary Fund-led review following the 2014 banking crisis. Authorities have made substantial progress in rehabilitating the banking sector since then. The regulatory and supervisory framework has been strengthened and the National Bank of Moldova (NBM) is set to assume regulatory authority over non-bank financial institutions to enhance overall financial sector oversight. Basel III core principles have been implemented. Within this framework, the risk weight for SMEs has been adjusted downward to encourage SME lending. At the same time, foreign currency (FX) lending to unhedged borrowers (many of whom tend to be SMEs) is regulated through a number of prudential requirements, including stricter credit classification, limits on overall FX exposure and disclosure requirements around the risks of FX borrowing in order to mitigate related risks. Nevertheless, FX exposure in the banking sector has remained significant, with nearly a third of loans extended in foreign currency.

Commercial banks are not currently subject to specific disclosure requirements related to environmental, social or governance (ESG) standards and risks. Similarly, climate-related stress testing has not yet been introduced into the central bank's regulatory toolbox and a green taxonomy does not yet exist. These measures are important to consider given the increasing importance of ESG standards for doing business, as well as the potential risk that climate change poses for banks' portfolios. The Strategic Plan of the NBM for 2023-2025 recognises this and sets an objective of developing a regulatory and supervisory framework for green and sustainable finance. In agreement with the IMF, the NBM intends to integrate climate risk assessments in its supervisory framework and plans to issue guidance for banks and other financial institutions on the governance, management, reporting and disclosure of climate-related risks. Together with building capacity to monitor climate risks, these changes should enable the NBM to conduct and publish climate stress testing. In addition, the International Finance Corporation (IFC) is supporting the NBM in developing a sustainable finance roadmap.

The local capital market only has a limited degree of sophistication. For instance, the Moldovan Stock Exchange is characterised by a low level of issuances, transactions and trading volume, all of which have been trending downward since the last assessment. (Moldova Stock Exchange, 2023<sup>[26]</sup>) Only a few entities are listed (13 in the regulated market and 20 in the alternative trading system) and the market is quite illiquid. (National Commission for Financial Markets of the Republic of Moldova, 2023<sup>[27]</sup>) As of June 2023, only three government bonds have been issued and no corporate ones. It, therefore, does not constitute a viable alternative financing option even for SMEs, even those at the larger end of the SME definition.

#### *Sources of external finance for SMEs (bank financing, non-banking financing, and venture capital)*

Bank financing is the single most important external funding source for SMEs. The banking sector crisis of 2014-15, which led to the liquidation of three banks at a cost of 10% of GDP, significantly affected the extension of private credit. Domestic credit to the private sector as a share of GDP plummeted from an already low level of 36% in 2013 to 23% in 2017. Since then, credit penetration has only recovered slightly, and remains below pre-crisis levels (World Bank, 2022<sup>[28]</sup>). These low levels are also reflected in banks' balance sheets, where gross loans amounted to only 41.6% of total banking sector assets as of June

2023. As of 30 June 2023, bank finance to SMEs amounted to MDL 18.3 billion (EUR ~950 million), a decrease of 3.7% compared to the end of 2022, representing 29.6% of total loans (also a lower share than end-2022).

The ODA is the key provider of support for SME access to finance. Two instruments are particularly important: the Credit Guarantee Fund (FGC) and the newly launched investment incentive programme “373”. A comprehensive range of complementary training and assistance programmes aim to provide a holistic support infrastructure for SMEs under one roof.

The Credit Guarantee Fund (FGC) provides guarantees to a range of businesses, including start-ups, young and women entrepreneurs, and export-oriented businesses, among others. Guarantees are extended on the basis of loan applications with commercial banks, covering 50-80% of the loan amount. As noted in the last assessment, the Moldovan government has significantly expanded the programme in recent years, first increasing the number of guarantees from 27 to 116 between 2018 and 2020, then quadrupling it to 468 in 2021. These increases were further supported by a decision of the National Bank of Moldova (NBM) resulting in more favourable risk weights for loans that benefit from a guarantee provided by the FGC (National Bank of Moldova, 2018<sub>[29]</sub>). The increase in 2021 coincided with the launch of a specific crisis programme which provided a general guarantee of 80% at no cost for the initial 12 months, but was not purely driven by this new programme. Overall, crisis guarantees constituted 26% of all guarantees issued that year, the remainder being granted under the general programme to mature enterprises (39%), followed by women entrepreneurs (19%) and young entrepreneurs (9%). The crisis mechanism was extended in 2022 to counter the effects of the war in Ukraine. The sectors that benefitted the most from the programme were agriculture and wholesale and retail trade, which together make up nearly two-thirds of recipients. The remainder goes to industry, services and other sectors (ODA, 2021<sub>[30]</sub>). The fund is funded through fees, but also benefits from government budget transfers and funding from international financial institutions, such as the World Bank, which approved funding in June 2022 to support the launch of a portfolio guarantee mechanism (World Bank, 2022<sub>[31]</sub>).<sup>11</sup>

In June 2023, the government launched a new subsidised funding programme, “373”, through which SMEs can access investment loans of up to MDL 15 million (EUR ~780 000) at an 3% interest rate for FX loans and 7% for local currency loans, with a grace period of up to 3 years. These interest rates are significantly cheaper<sup>12</sup> than current market rates and, depending on how strongly the programme takes hold, could lead to potential distortions in the lending environment. In parallel, businesses can benefit from a loan guarantee of up to 40% through the FGC. The motivation is to stimulate the economy and incentivise investment. The launch of this new programme moves Moldova into the territory of support mechanisms that are generally considered to be less sustainable as they constitute a greater drag on public finances than, for instance, guarantee programmes. The initial budget of MDL 255.7 million (EUR ~13.4 million) is quite substantial compared to the annual investment volume of the Credit Guarantee Fund of MDL 388 million (EUR ~20 million) in 2021. Given that the funds provided under the “373” programme are a straight transfer of government subsidies, it will need to be very carefully monitored to evaluate its effectiveness and ensure an efficient use of public resources for the policy objectives that have been set out.

When it comes to non-bank financing sources, microfinance is widely available in Moldova through non-bank credit organisations (NBCOs) and credit associations. The latest update of the Law for Non-bank Credit Organisations was in 2018, bringing various forms of alternative finance under one regulatory umbrella. Previously, the regulatory oversight for non-bank financing institutions was provided through the National Commission for Financial Markets, but regulation and supervision were transferred to the National Bank of Moldova on 1 July 2023 (according to Law No. 178/2020). NBCOs are prohibited from raising deposits and mainly fund themselves through banks and international non-bank financial institutions. Credit associations mainly fund themselves through bank loans, and in some cases, deposits. In addition, Law No. 01/2018 set limits for how much NBCOs can charge for consumer loans. The non-bank financing sector is about ten times smaller than the commercial banking sector, with total assets of

nearly MDL 14 billion (EUR ~730 million) as of Q3 2022, including financial leasing activities. However, the vast majority of loans go to individuals rather than businesses.

Leasing activities are set out in the Civil Code, Chapter X, last updated in 2019, which provides a reasonable legal framework. The majority of leasing agreements cover vehicles (91%), although it is possible to lease equipment as well. The Civil Code, Chapter XXIV, also sets out the legal framework for factoring, including definitions of different types of factoring. A small number of dedicated companies and banks provide factoring services in Moldova. National statistics are difficult to find, but FCI statistics suggest that factoring volumes in Moldova amounted to only EUR 3 million, by far the lowest penetration in the region (FCI, 2022<sup>[32]</sup>).

There is no dedicated legal framework for venture capital (VC), but provisions around VC have been introduced in existing legislation, governing, for instance, the activities of alternative organisations of collective investment (e.g. VC funds) or business angels. Certain restrictions exist on VC investments for institutional investors such as pension funds and insurance companies,<sup>13</sup> thus reducing the scope of available capital for these types of investments.

Venture capital remains at a nascent stage in Moldova, with no clear strategy or support mechanisms in place to catalyse the sector. A business angel association exists (“Business Angels Moldova”) and brings together individuals who invest in start-ups, but its activities and outreach appear to be rather limited. Data on VC transactions are difficult to find, but anecdotal evidence suggests that activity is very modest, with significant room for development.

### *Financial literacy*

Moldova conducted financial literacy surveys among its population on a more continuous basis in 2018, 2020 and 2022. The latest survey also feeds into the formulation of a new financial literacy strategy, still under preparation. The survey aims at evaluating the financial literacy of the general population, however, without additional modules around entrepreneurship-related issues. Nevertheless, regular surveys are important means to take more informed policy decisions in this area. It should be noted that the financial literacy of entrepreneurs has been subject to a recent OECD survey conducted in a number of countries in Southeastern Europe (SEE) and the Caucasus in 2021 and 2022. The survey suggests that financial literacy among Moldovan entrepreneurs is low, both in comparison to countries in SEE and to G20 economies. This illustrates how important it is to target entrepreneurs and financial concepts specific to their realities specifically (OECD, 2023<sup>[33]</sup>).

In terms of implementation, financial literacy is part of the secondary school curriculum, but only as an elective. ODA provides certain trainings that include information around types of financing for SMEs, as well as digital finance issues. In the absence of a formal strategy, there is no monitoring and evaluation of financial literacy specific programmes, but the National Bank of Moldova and the National Commission for Financial Markets do report on their activities in the field.

### *Digital financial services*

There is currently no strategy or action plan for digital finance in Moldova, and no inter-ministerial hub or task force has been set up to look into issues related to digital financial service provision. A dedicated FinTech division was, however, created in the National Bank of Moldova in September 2022, which is an important step toward formulating good policies in this area, although a multi-disciplinary approach involving partners from other ministries and authorities should be considered. Activities are already taking place, with a lending marketplace already in existence, and the expectation of crowdfunding becoming an option once a new draft law on this matter has been passed.

The National Bank’s approach to regulating digital financial services is activity-based and some provisions exist with regard to outsourcing arrangements and finance providers’ operational resilience frameworks.

### *The way forward*

Going forward, Moldova should continue on its path of strengthening the regulatory and supervisory framework for its financial sector. This includes continuing the NBM's efforts to incorporate ESG reporting and climate-related stress testing into supervision frameworks to be better prepared for climate-related impacts on businesses which could knock on to bank operations.

The expansion of the Credit Guarantee Fund and the introduction of the "373" programme make the use of robust monitoring and evaluation systems even more pertinent. In addition to regular monitoring activities, specific evaluation efforts should be introduced to ensure that these instruments deliver policy objectives in the most efficient and effective way.

Non-bank financing mechanisms could be further improved through adjustments to existing legal and regulatory frameworks to remove any uncertainty that may still inhibit their uptake. In addition, efforts to raise awareness of alternative funding options can go a long way in making entrepreneurs more comfortable with instruments they are less familiar with, but that can constitute an important alternative to bank financing by being more accessible, cheaper or more tailored to SMEs' needs. The government should also consider ways to support the VC sector, for example, through the establishment of a fund of funds or activities that can broaden the investor base. In terms of digital finance, the government should adopt a multi-disciplinary approach to analysis and policy decision making that takes into account the complex nature of the issues involved.

Finally, it will be important to finalise, approve and implement the proposed financial literacy strategy. The strategy should incorporate considerations around financial skills for entrepreneurs, including content, and outreach.

## **Pillar D: Access to markets**

### *Public procurement*

The COVID-19 pandemic and the war in Ukraine, among other factors, have delayed the implementation and follow-up of the public procurement reforms envisaged at the time of the 2020 Small Business Act assessment. A number of challenges thus remain regarding public procurement and SME access to it.

There have only been minor changes to the legal framework since the last assessment. Public procurement remains regulated by the Public Procurement Law (PPL) of 2016 (Parliament of Moldova, 2015<sup>[34]</sup>), complemented by the Regulation on Low-Value Procurement of 2016 (Parliament of Moldova, 2016<sup>[35]</sup>). Procurement by utilities is covered by the Utilities Law of 2020 (Parliament of Moldova, 2020<sup>[36]</sup>). State-owned enterprises are required to apply a specific procurement regulation issued in 2020 (Parliament of Moldova, 2020<sup>[37]</sup>). The contract value thresholds for the applicability of the PPL were recently raised (in the case of goods and services, from MDL 200 000 to 300 000, or EUR ~10 400 to ~15 700) and a new regulation for procurement of goods below these new thresholds has been adopted (Parliament of Moldova, 2022<sup>[38]</sup>). However, these changes did not enter into force until 1 July 2023.

The institutional framework remains the same. The Ministry of Finance sets public procurement policies and the Public Procurement Agency (PPA) manages their application. Complaints against acts by contracting authorities (or their failure to act) are dealt with by the National Agency for the Resolution of Complaints, but only for contracts covered by the PPL or the Utilities Law. For low-value contracts, claimants have to go to the regular courts: a major disincentive for SMEs who believe they have been wronged.

The electronic infrastructure for public procurement (the MTender system, [mtender.md](http://mtender.md)) was updated in 2021 and 2022, adding functionalities for restricted tenders and framework agreements as well as for business intelligence, and adjusting it to the legal requirements for tender evaluation. With only a few



exceptions, it remains compulsory to use it only for procurement under the PPL. Consequently, MTender only contains records for such contracts; data on low-value contracts are not generated and thus not available in the system. However, low-value procurement, less regulated and monitored, is estimated to account for the same share of the total value of public procurement as contracts concluded using MTender.

The Public Procurement Strategy 2016-2020 was not followed by a new five-year strategy for the period 2021-2025. However, the upcoming preparation of a Public Procurement Development Programme for 2023-2026 was announced on 23 January 2023 (Ministry of Finance, 2023<sup>[27]</sup>) and a full draft has been prepared, aligned with the new Strategy for the Development of Public Financial Management 2023-2030, a draft of which was published in January 2023 (Government of Moldova, n.d.<sup>[39]</sup>).

These initiatives are intended to address the various shortcomings which negatively affect SME access to public procurement:

- Price remains the main award criterion, as lack of skills and capacity in contracting authorities means that criteria for quality, performance, life cycle costs, etc. are hardly used at all – to the detriment, for example, of innovative SMEs offering better-quality goods.
- Procurement opportunities for low-value contracts are seldom published, in practice making them accessible only for those SMEs and other enterprises which maintain personal contacts with decision makers.
- Small-value contract awards are not published in a timely and readily accessible manner, adding to the difficulty to lodge meaningful complaints against contracting authorities' decisions.
- Responsibility for observing the guiding principles for small-value procurement lies with the contracting authorities, but they lack skills, resources and incentives for doing so.
- Low-value procurement is not otherwise effectively monitored, supervised or reported on, allowing fraud and corruption to occur and be hidden.

Their effect has been to strongly reduce effective competition, creating strong disincentives for serious SMEs to participate in public procurement and leading to less value for money in the use of public funds, as well as inefficiencies in the work of contracting authorities.

Addressing these points requires taking on the following challenges as a continuation of current reform efforts. To this end, Moldova should i) update and complement MTender, including a full range of functions for using other award criteria than price and for low-value procurement, and raise user skills; ii) approve the public procurement development programme 2023-2026 and start to implement it, with added focus on SME access to public procurement; and iii) ensure the wide, comprehensive generation of public procurement data, making it readily available and using it to improve policies and procedures and ensure they are fully applied.

### *Standards and technical regulations*

Moldova has made significant progress in aligning technical regulations and quality infrastructure (QI) with the WTO and the EU since the last SME Policy Index assessment in 2020. In parallel, Moldova reported a significant increase in exports to the EU by 14% from 2021 to 2022 (from EUR 1.83 to EUR 2.56 billion) after small decreases in the previous two years (European Commission, 2023<sup>[40]</sup>).

A key accomplishment in terms of overall co-ordination and general measures was the amendment of Law No. 420/2006 on Technical Regulations in 2020, which brought Moldova's technical regulation in line with the provisions of the TBT-WTO Agreement. To improve its QI and strengthen institutional market surveillance capacities, Moldova established the State Inspectorate for the Supervision of Non-Food Products and Consumer Protection based on the re-organisation of the Agency for Consumer Protection and Market Surveillance. Likewise, the government launched the re-organisation of the National Institute of Metrology. Various additional technical regulations have been approved since the 2020 assessment.

Regarding harmonisation with the EU Acquis, Moldova could intensify its various collaborations with the EU. Approved in 2022 and entering into force in January 2023, the Institute for Standardisation of Moldova (ISM) became a CEN and CENELEC Affiliate. Likewise, MOLDAC received the recognition of the European Co-operation for Accreditation (EA), ensuring the acceptance of Moldova's accreditation of conformity assessment bodies in all EU Member States. In addition, Moldova adopted 100% of the EN standards as national standards.<sup>14</sup> An action item is the implementation of new standards by Moldova's companies. In response, ISM offers trainings and various additional support measures have been introduced (see also the next section). A remaining standards-related challenge is the permanent translation of new EU standards. Regarding the conformity assessment, most priority sectors have assessment bodies compliant with EU requirements. The adaptation of the certification landscape in the remaining priority sectors will be an important future action. The further development of evaluation practices is another important next step for Moldova's QI.

To improve SMEs' access to standardisation, Moldova supports the purchase of standards and their participation in the development of standards by various financial and non-financial measures. Specific accomplishments are two new state programmes for SMEs' Growth and Internationalisation and on SMEs' Greening. They entered into force in 2020 and promote the implementation of international standards and certification, for example via business vouchers and the SME Greening Program's grant of up to Leu 500,000 for the implementation of standards and international certificates relevant to greening, the introduction of the European ecological management and audit system, and the preparation for ecological labelling. Likewise, ISM organises training events to help stimulate the implementation of new standards. In the same way, ODA, in partnership with ISM, provides information sessions for entrepreneurs on the benefits of implementing international standards and the role of standards for internationalisation. In addition, it has an "Activity Strategy" for 2021-23 that is also focused on education projects and works on the establishment of a standardisation academy. A recommendation to maximise the impact of these initiatives is to also consider SME-specific issues in the education plan on standardisation in the next version of ISM's Activity Strategy and in the academy.

The digitalisation of standards and technical regulations has begun. ISM, for example, implemented SM EN ISO 22301 in response to the pandemic, also facilitating SME's remote participation in standardisation. The digitalisation of Moldova's QI and the authorities in charge of technical regulations as a whole will require significant additional efforts in the coming years, e.g. regarding the digitalisation of conformity assessment activities as well as the development and implementation of action plans for the digitalisation of metrology and market surveillance.

### *Internationalisation of SMEs*

Moldova has taken important steps forward to support SMEs' internationalisation since the previous SBA assessment, especially in the fields of export promotion and support to SME use of e-commerce.

The country stepped up efforts to promote exports among SMEs, significantly improving policies and programmes to support and facilitate their entry into international markets. Although the two cornerstone policy documents supporting SMEs' internationalisation (i.e. the National Strategy for Investment Attraction and Export Promotion for 2016-2020 and the Strategy for SMEs Sector Development for 2012-2020) expired in 2020, at the beginning of 2022, the government presented the draft PACC 2023-2027. According to the draft, one of the programme's specific objectives will be "strengthening SMEs' competitiveness and improving market access". This objective relies on several actions, such as organising matchmaking events to facilitate business-to-business contacts, implementing the SME Internationalisation Programme, and supporting SME clustering through the Support Programme for Clustering Initiatives as a way of integrating into global value chains (GVCs).

Nevertheless, there are currently several active programmes to promote SME internationalisation. These programmes are co-ordinated by two different agencies: ODA and Invest Moldova, the country's

investment promotion agency. Invest Moldova's mandate is rather broad, as it includes country brand promotion, supporting investment activity and protecting investments, export promotion, tourism promotion, and strengthening and implementing economic diplomacy. In terms of export promotion, the agency provides financial support through specific instruments. Its financial contribution comes from the state budget in the form of partial funding for activities related to organising participation in fairs, exhibitions and events; organising business forums and business-to-business meetings; and organising internal and external study visits (Invest Moldova, 2023<sup>[41]</sup>). In 2020, the government adopted the State Program for SMEs Growth and Internationalization (Government Decision No. 439/2020), aiming at strengthening SMEs' capacities to access international markets. The programme, co-ordinated by ODA, foresees financial support for SMEs allocated via two types of financial instruments. Business vouchers are offered for up to MDL 100 000 (EUR ~5 000), covering costs related to website creation, consultancy on intellectual property protection, the establishment of logistics process and the preparation of export documents, the promotion of products and services through national and international electronic platforms, market research, etc. In addition, grant schemes for up to MDL 2 million (EUR ~100 000) are available to SMEs to cover investments for the acquisition of tangible and intangible assets. The grant scheme follows the principle 1+1 (each MDL offered by the state should be complemented by MDL 1 from the SME's own resources). In 2022, 34 grants were approved, for a total financial support of about MDL 44.46 million (EUR ~2.3 million). Moldova's monitoring activities are also very advanced, with monitoring mechanisms in place for internationalisation programmes as well as ODA itself. In addition, the list of beneficiaries of financial support is made public on the agency's website.

Government Decision No. 614/2013 introduced the concept of clusters for the first time in Moldovan legislation, setting out the government's commitment to develop them, as well as relevant regulatory mechanisms. In its efforts to update and further expand cluster development, at the end of 2021, the Ministry of Economy developed and presented for public consultation the State Programme to facilitate the grouping of SMEs in clusters. According to the draft programme, it aims to catalyse cluster formation and SMEs integration into regional innovation ecosystems based on cluster co-operation. Moreover, the Ministry of Economy and ODA are in the process of developing the Local Supplier Programme to encourage the integration of local SMEs into GVCs. The programme will focus on building links between domestic manufacturing SMEs and international buyers, including multinational companies.<sup>15</sup> However, there are currently no active programmes specifically targeted at SME integration into GVCs, and all initiatives to enhance the participation and engagement of SMEs in global production networks fall under the State Programme for SMEs Growth and Internationalisation. One initiative worth mentioning is the BusinessLink platform ([businesslink.md](https://businesslink.md)), the first national supplier database, which serves as a resource for foreign investors and international companies to explore local SMEs with high potential across different sectors (Box 13.3).

### Box 13.3. *BusinessLink*: the official suppliers' database and linkages platform in Moldova

In 2021, ODIMM developed the BusinessLink platform to assist entrepreneurs in identifying business partnerships. The platform includes centralised information about active and qualified domestic companies providing services and products both on the internal and external market. It serves three main functions: i) it provides access to the profiles of businesses willing to integrate into GVCs, ii) it collects and present RFQs of Moldovan and international buyer companies in a section (RFQ Connect) devoted to calls for tender requested by interested companies, and iii) it offers a calendar that allows users to create and track B2B matchmaking events.

The platform was implemented by the Agency for International Cooperation of Germany (GIZ) Moldova with the financial support of the Federal Ministry for Economic Cooperation and Development of Germany and the Swiss Agency for Development and Cooperation (SDC).

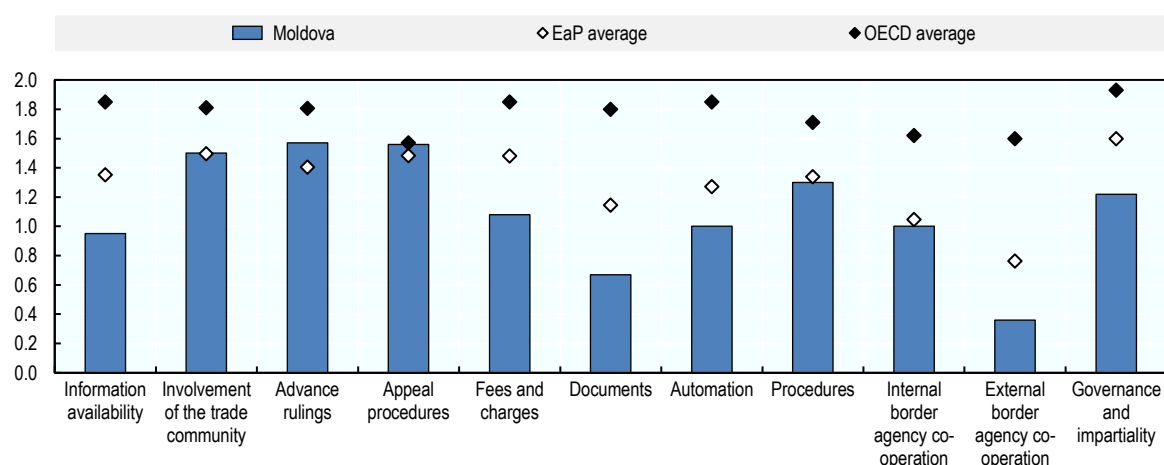
In 2022, two experts were trained to provide support to SMEs in the creation of their profile and the registration on the BusinessLink platform, as well as on how to use all the available functions and services. The platform was promoted and publicised at different events, such as business forums and expos, and, with the support of GIZ, a promotion campaign was carried out.

Source: (BusinessLink, 2023<sup>[42]</sup>), (ODA, 2021<sup>[43]</sup>), (moldpres, 2021<sup>[44]</sup>).

Moldova has made significant strides in the use of e-commerce for hybrid retail among SMEs since the last SBA Assessment. The government's vision on e-commerce and hybrid retail is encompassed in the draft Digital Transformation Strategy (DTS) of the Republic of Moldova for 2023-2030, published for public consultation in December 2022. One of the strategy's main objectives is "creating an innovative and resilient digital economy". Among the key actions identified to achieve this objective are the development of e-commerce to stimulate economic growth and development, improving e-commerce and e-payments, and strengthening and attracting national and international e-commerce platforms in the country. However, until the strategy is adopted, e-commerce support is being expedited through the SMEs Digital Transformation Programme, adopted by the government in 2022 (Governmental Decision No.129/2022). The programme aims at supporting SMEs to integrate digital technologies into their operations by offering non-refundable financial support up to MDL 500 000 (EUR ~26 000) for SMEs, including to cover expenses related to the procurement of IT services and solutions for e-commerce. Finally, it is important to mention the adoption of Law no. 60/2023 on the amendment of some normative acts (referred to as "Legislative Package for the Stimulation of Electronic Commerce") was recently adopted. This legislative package provides for the updating of the regulatory framework on internal trade and its completion with the necessary additional provisions on electronic commerce; adjustment of the normative framework regarding information society services, with the extension of the scope including non-resident service providers that direct their activity to Moldova; consumer protection in the electronic commerce process; and other related provisions (United Nations, 2023<sup>[45]</sup>).


With regards to trade facilitation, the effectiveness and efficiency of Moldova's trade facilitation measures could be significantly improved (Figure 13.5). Although the country outperforms the EaP average in the OECD Trade Facilitation Indicators with regard to advanced ruling and appeal procedures, Moldova should direct efforts towards reducing the interval between the publication of trade-related regulations and their entry into force, as well as improving the availability of online, comprehensive information on applicable fees and charges and reducing the number and diversity of such fees and charges. Moreover, the country should expand the acceptance of copies of documents, reduce their number and the time necessary to prepare them and simplify trade-related procedures.

Figure 13.5. OECD Trade Facilitation indicators for Moldova (2022)



Note: Trade facilitation indicators take values from 0 to 2, where 2 designates the best performance that can be achieved.

Source: OECD Trade Facilitation Indicators Database, <https://oe.cd/tfi>.

StatLink  <https://stat.link/qbv8lw>

In this context, it is also important to mention that Moldova is the only country in the EaP region that is a member of the Central European Free Trade Agreement (CEFTA). The objective of the Agreement is to harmonise its parties' regulatory framework with the EU and international standards to enhance trade in goods and services, eliminate trade barriers, and attract investments through fair, stable and predictable trade rules.

To conclude, moving forward, Moldova should capitalise on the momentum and ensure the swift adoption and implementation of the draft policy documents related to supporting SMEs' internationalisation, including the PACC, the State Programme to facilitate the grouping of SMEs in Clusters, the Support Program for Clustering Initiatives, and the Digital Transformation Strategy. ODA's transparency could be improved by ensuring an independent assessment of its activities in relation to SME internationalisation support.

## **Pillar E: Innovation and business support**

### *Support services for SMEs and start-ups*

The Programme for Promoting Entrepreneurship and Increasing Competitiveness 2023-2027 (PACC) is the foundation of Moldova's provision of business support services for SMEs and start-ups. Improving entrepreneurial culture and the capabilities of Moldovan SMEs is one of its five strategic objectives. Its first action plan is expected to be approved in the second half of 2023, although the estimated costs for many of its activities are still unspecified, which may pose a challenge for implementing institutions' forward planning.

ODA is the main government agency with a strong mandate to support Moldovan SMEs through a wide range of financial instruments, mostly funded by donors. ODA is the main government agency with a strong mandate to support Moldovan SMEs through a wide range of financial instruments, co-funded by international donors. In addition to managing a Credit Guarantee Fund (see above), ODA offers grants to women entrepreneurs (up to EUR ~9 000), start-ups led by young entrepreneurs (up to EUR ~10 000), and fast-growing SMEs willing to upgrade their production capacity and internationalise (up to EUR ~110 000). The flagship programme PARE 1+1 (MDL 1 invested matched by a grant of the same amount), which

aims to incentivise the investment of remittances in starting or developing a business, has been updated with a “1+2” component for those entrepreneurs who successfully implemented the “1+1” project. All financial support programmes have a strong co-financing component to be provided by the beneficiaries, which increases in share with the absolute size of the grant.

Specifically to support the digital transformation of SMEs, in 2022, ODA introduced a dedicated programme structured around three pillars: i) raising awareness of the opportunities of increased digitalisation; ii) financial support in the form of grants (up to MDL 500 000 / EUR ~26 000) for the purchase of a wide range of digital solutions (both hardware and software), as well as consulting and training services to build internal capabilities for the digital transformation; and iii) individual mentoring on the implementation of digital transformation plans.

On the non-financial side, ODA manages a network of 11 business incubators and has re-organised its training offers around three main pillars, which are clearly advertised on the agency’s website and respond to the needs of the different segments of the SME population: 1) “Start in Business” for start-up entrepreneurs willing to develop a viable business plan around their ideas; 2) “Efficient business management”, covering a wide range of business management topics for SME managers (e.g. financial management, marketing and sales, human resources); and 3) “Business expansion and internationalisation”, targeting SME managers with an ambition to develop their business internationally.

As a welcome development, the government has placed a greater emphasis on facilitating SMEs’ access to external providers of business support services. While ODA has strengthened its role as a one-stop shop, co-ordinating and, in some cases, directly delivering services to Moldovan SMEs, all grants available to SMEs can be used to procure advisory services from the external consultant of their choice. This makes specific industry or business expertise more affordable to SMEs, while helping to develop the local supply of consulting services in Moldova.

Lastly, some improvements should be mentioned on the government’s practices to monitor the delivery of SME support services, with rigorous tracking of the number of beneficiaries and amounts disbursed as presented in the informative report on the implementation of the SME Strategy 2012-2020 (e.g. on average, each year: 176 projects financed under the PARE1+1 project, over 8 200 people consulted and MDL 117 million/EUR ~6 million guaranteed loans). However, evaluation mechanisms to assess the impact on the business performance and capture economic additionality of the various support programmes are not a regular practice, even though ODA recently conducted an initial impact assessment for its programmes implemented in the period 2011-2021 and aims to further improve this area with capture beneficiaries’ satisfaction through dedicated feedback mechanisms.

Moving forward, the government could build on current efforts to ease SME access to external advisors and incorporate quality assurance mechanisms for certified consultants. Further, more rigorous impact evaluation efforts could be made to complement the current practices of monitoring SMEs’ take up of support programmes.

### *Innovation policy for SMEs*

The National Program in the Field of Research and Innovation 2020-2023 (NPRI) is the current strategic document guiding innovation policy in Moldova. It embraces the principles of smart specialisation<sup>16</sup> and has identified energy, ICT, agriculture and biosciences as preliminary areas of specialisation. While not explicitly referring to SMEs, the NPRI’s action plan does include a set of measures relevant for Moldovan start-ups and SMEs, in particular to promote science-industry collaboration, the creation of spin-offs from research institutes, and science and technology park-based innovation. In these areas, the NPRI connects well with the PACC (see previous section), although the costs and allocated funding for many of the activities in its action plan are still unspecified.

The National Agency for Research and Development (NARD) and ODA are the main institutional bodies with a mandate to support innovation in Moldova, with a leading role to implement SME-related measures in the NPRI. NARD, in particular, monitors the activity of a network of science and technology parks and innovation incubators matching the specialisations of existing scientific-technological clusters. In addition, the national ecosystem for supporting innovation among SMEs is complemented by interesting non-governmental initiatives, such as the Moldovan Technology Transfer Network and Tekwill. The Moldovan Technology Transfer Network is a non-profit organisation striving to increase human and material resources for scientific teams and facilitating SMEs' access to technological services and scientific infrastructure. Tekwill, on the other hand, supports the acceleration of new products and tech start-ups through financing opportunities, mentoring and consulting sessions with industry experts, and access to an extensive business network.

Financial support for innovation in Moldova remains rather limited, although new instruments have been introduced since the previous SBA assessment. NARD continues to implement its "Innovation and Technology Transfer Project", which provides funding (for a maximum of 50% of total project value, or MDL 1 million / EUR ~50 000) on a competitive basis for collaborative projects between research organisations and businesses aimed at developing new or improved processes, products, services, or technologies. ODA, on the other hand, has introduced a new "Programme to Support Digital Innovations and Technological Start-ups", awarding grants to stimulate research and development; prototyping; and innovation in the field of information technologies and communications, industrial production, and green technologies.

Overall, financial support for innovative SMEs does not seem adequate for achieving the NPRI's objectives, with NARD's and ODA's budgets for the programmes described above being around EUR 275 000 (12 projects financed in 2020) and EUR 300 000 (14 SMEs financed as a result of applications received in 2022), respectively. Indirect types of financial incentives for R&D and innovation are also lacking.

Some information on innovation performance in Moldova is available. Every two years, the National Bureau of Statistics produces indicators on the number of SMEs introducing product or process innovations, which is a valuable first step towards building a more complete set of outcome-oriented indicators. In addition, monitoring and evaluation of innovation support could be expanded to cover individual programmes, since the current assessments of the initiatives promoting co-operation between innovative SMEs and universities/research centres do not analyse the specific impact on SMEs' innovation performance.

Moving forward, the government could consider introducing indirect (market-based) incentives for R&D and investment in innovation (such as accelerated depreciation for investment in technological equipment and tax credits for expenditures on highly skilled labour), increasing SME awareness of available support programmes to expand the number of applications received, and gradual incorporating an evaluation of the impact of support programmes into its regular monitoring of innovation policies.

### *SMEs in a green economy*

Moldova has made considerable efforts to diversify its energy sources and increase the security of both electricity and gas supply. Further integration with Europe for both gas and electricity imports is ongoing as Moldova prioritises moving away from Russian sources of energy. The March 2022 emergency synchronisation with ENTSO-E,<sup>17</sup> triggered by the war in Ukraine, has pushed Moldova closer to full electricity trade with Europe, which also opens up additional opportunities to increase the share of renewable energy in total energy supply for the country (IEA, 2022<sup>[46]</sup>). SMEs can play a role in this energy transition by also seeking to become more resource efficient as a way to improve production while minimising pollution and the generation of waste. For SMEs, even the smallest resource efficiency and cleaner-production measures can yield important results (EU4Environment, 2023<sup>[47]</sup>).

The policy framework for greening SMEs in Moldova has evolved considerably since the previous SBA assessment, with two important policy documents shaping the environmental approach targeting SMEs



adopted in 2022: 1) the National Development Strategy “European Moldova 2030”, which clearly stipulates the greening of SMEs, creating green jobs, promoting eco-innovations and eco-labelling for products and services offered by SMEs as priorities; 2) the “Law on Industrial Emissions”, which establishes a regulatory framework for industrial pollution, promotes the application of best available techniques and introduces integrated environmental permitting. These are complemented by the more operational “National Program on Greening of SMEs”, adopted in 2019 in the context of the EU4Environment project, and providing a range of support measures (see below). The Ministry of Environment is the main body in charge of developing and monitoring environmental policies for SMEs, while ODA has strengthened its role in promoting greening practices directly to entrepreneurs.

Moldova continues to disincentivise the use of natural resources and limit pollution, and has introduced regulatory and financial incentives to help expedite the greening of SMEs. On the one hand, the Law on “Payments for Environmental Pollution” established tax measures related to the use of natural resources (e.g. water, minerals, standing timber) and charges for environmental pollution. On the other hand, financial incentives have recently been introduced through the Greening Program for SMEs and the Energy Efficiency Program for SMEs, both implemented by ODA.

Through these programmes, SMEs benefit from information materials, consultancy support and training services to identify solutions and take concrete actions to green their production processes. Interestingly, an online self-assessment tool is available to help enterprises assess their environmental performance and prioritise areas for improvement. These measures are complemented with dedicated financial support instruments: the Greening Program for SMEs offers grants up to MDL 500 000 (EUR ~25 000) to be used on expenditures related to resource efficiency, the application of sustainable production models, the introduction of eco-innovations, waste reduction and management, pollution prevention, and water resources management. The Energy Efficiency Program for SMEs foresees allocations of matching grants up to MDL 1 500 000 (EUR ~ 75 000) for investment in machinery and equipment using alternative energy sources. Although these initiatives are a very welcome development in Moldova, evidence on the implementation of a separate Programme on the Promotion of Green Economy for the period 2018-2020 has been slow, with only around 50-60% of the activities in its action plan reported as implemented.

On monitoring and evaluation, the lack of relevant statistical data remains a considerable challenge in conducting a comprehensive evaluation of environmental policies targeting SMEs. Although implementing agencies track the number of SMEs that have benefited from public financial support to reduce their environmental footprint, there are no available data on the number of SMEs with ecological/green certificates, using environmental management systems, having implemented pollution reduction measures, or offering green products or services.

Moving forward, Moldova could consider further reforming its environmental regulatory framework, embedding a stronger focus on promoting greening by SMEs; supporting SMEs in identifying greening projects which could become eligible for financial support; and improving the production of nationwide statistical information on the environmental and greening performance of SMEs.

## The way forward

Since the previous SBA Assessment, Moldova has witnessed consistent progress in fostering SME development, including their digital transformation, through diverse initiatives. To complement its current approach, the government should contemplate the following measures:

- While Moldova has made significant strides in policy design, the previous *Digital Moldova 2020* Strategy had achieved only 50% of its objectives due to factors such as insufficient co-ordination and institutional capacity, funding, and monitoring. Moldova will therefore need to ensure the new National Digital Strategy is fully implemented, clearly defining stakeholders’ roles and ensuring



adequate funding, as well as rigorous monitoring and evaluation process, incorporating pertinent indicators to measure advancement towards the set objectives. Moldova should continue its efforts to narrow persisting digital disparities, notably by enhancing the affordability of fixed broadband to meet the ITU's 2% target and fostering broadband uptake among small businesses. Comprehensive size-disaggregated data collection would be needed to evaluate disparities in terms of connection quantity and speed among firms of varying sizes. Additionally, fostering inclusive broadband policies calls for expanded multi-stakeholder consultations, encompassing network operators, consumers, regulatory bodies, and all levels of government. To enhance its digital skills strategies, Moldova should strengthen its multi-stakeholder approach, notably involving the Ministry of Labour and Social Protection, ANOFM, employers, and teachers for co-ordinated digital skills assessment aligned with labour market policies. Forming a National Digital Skills and Jobs coalition in line with EU4digital guidelines could facilitate this. Lastly, Moldova should further promote digital skills development for businesses, particularly smaller enterprises, adopt a comprehensive digital competence framework, and refine skills assessment practices through data collection, policy monitoring, and potential expansion of skills anticipation exercises. In terms of strengthening the institutional framework in Moldova for SMEs, it is imperative to finalise the transformation of ODA, aligning its resources and functions seamlessly with the objectives outlined in the new SME Development Strategy. Expediting regulatory reforms is paramount to meet impending EU accession prerequisites and harmonise SME policy guidelines with EU standards, including the comprehensive evaluation within the SBA annual performance review. A proactive approach is necessary to gauge the efficacy of enterprise support programmes and the operational efficiency of public agencies. This gains particular significance considering the potential elevation of EU technical assistance funding linked to the accession trajectory. Furthermore, the strategic implementation of an SME-focused RIA test is instrumental. In tandem, expanding e-platform accessible services, boosting SME involvement in e-government services, establishing a streamlined online tax information portal managed by the Tax Administration, and systematically assessing the impact of varied tax rates and incentives on enterprise growth warrant diligent attention. Further strengthening the framework involves conducting exhaustive surveys and consultations with representatives from the SME sector to refine the intricacies of the SME tax regime. To tackle the challenges related to insolvency and early identification of financial distress, Moldova's focus must centre on expediting the approval and implementation of the Second Chance Program, and concurrently enhancing the monitoring and evaluation mechanisms concerning bankruptcy-related programmes and regulations. This strategic approach will ensure a comprehensive assessment of effectiveness across all dimensions.

- In terms of entrepreneurial learning, Moldova could strengthen its approach by ensuring monitoring and evaluation of upcoming key strategies like Education 2030 and PACC, and all activities related to entrepreneurial learning in general. This approach aims to promote evidence-based policymaking and ensure the effective acquisition of entrepreneurial skills. The upcoming documents should also clearly define stakeholder responsibilities to facilitate co-ordinated implementation and maximise policy efficiency. Furthermore, Moldova can build upon successful instances of collaboration between SMEs and VET/ higher education institutions to further develop and strengthen these partnerships with general schools. As for women's entrepreneurship, there is a need for concentrated efforts to support female micro entrepreneurs in rural areas, complemented by incentives to decrease women's participation in the informal economy. Expanding support for women entrepreneurs beyond the initial stages will contribute to project sustainability and business expansion. Improving data collection on women entrepreneurs, and their businesses, as well as conducting regular surveys addressing barriers for women entrepreneurs would be highly beneficial to inform policies through data insights. With regard to SME skills, Moldova could build on its ongoing efforts by improving its data collection, impact evaluation, and skills assessment and anticipation practices, which remain at a nascent stage.

Additional steps could include awareness-raising of training available, certification of competences, and encouraging peer learning and on-the-job training. Additionally, the smart specialisation approach should be enhanced by offering targeted training to SMEs in priority sectors and involving the Ministry of Labour and Social Protection and ANOFM, given their role in labour market policies.

- Moldova should continue strengthening the regulatory and supervisory framework within its financial sector, including by integrating ESG reporting and climate-related stress testing. Emphasis should be placed on implementing robust monitoring and evaluation systems for existing programmes and funds. In addition, to expand non-bank financing, Moldova should adjust to existing legal and regulatory frameworks to remove uncertainties and direct efforts towards raising awareness of alternative funding options. The country should also bolster the VC sector, for example by establishing a fund of funds. Finally, Moldova should adopt a multi-disciplinary approach to analysis and policy decision-making on digital finance, and finalise, approve and implement the proposed financial literacy strategy.
- To tackle the challenges of limited competition and SME disengagement in public procurement, which in turn undermines the value of public funds, the Moldovan government should fully align MTender with the PPL, incorporating robust functions for small-value procurement. It also involves launching the 2023-2026 public procurement development programme, with a focus on bolstering SME access. Additionally, comprehensive public procurement data should be generated and made easily accessible to enhance policies and ensure their complete implementation. Moldova has made significant strides in aligning technical regulations and quality infrastructure with WTO and EU standards since the SMEPI 2020 assessment. Despite these successes, there is room for growth in the evaluation of technical regulations, including frequency specifications in relevant laws. To bolster SME access to standardisation, Moldova offers support through state programmes and training events, with the recommendation to tailor these efforts to SME needs. Digitalization of standards, exemplified by ISM's implementation of SM EN ISO 22301 for Business Continuity Management, presents a promising avenue for progress, requiring substantial efforts in the coming years. On SME internationalisation, Moldova should leverage its current momentum by promptly adopting and executing the proposed policy measures. These include the PACC, the State Programme for SME Clustering, the Support Program for Clustering Initiatives, and the Digital Transformation Strategy. Moldova should also consider improving ODA's transparency by introducing an independent evaluation of its initiatives aimed at supporting SME internationalisation.
- In progressing ahead, the Moldovan government could enhance SME access to external advisors and ensure the quality of certified consultants. A more robust impact assessment approach could complement the existing monitoring of SME support programme uptake. In terms of innovation policy for SMEs, Moldova should explore the introduction of market-based incentives for R&D and innovation investment, along with integrating impact evaluation into routine monitoring of innovation policies. Furthermore, the Moldova government can take further steps to improve its environmental regulatory framework, giving prominence to initiatives that promote sustainability among SMEs. This could entail guiding SMEs in the identification of greening projects that qualify for financial assistance and enhancing the comprehensive gathering of nationwide statistical data concerning SMEs' environmental achievements.

Table 13.5. Roadmap for policy reforms – Moldova

<p><b>Strengthening selected framework conditions for the digital transformation</b></p> <ul style="list-style-type: none"> <li>• Ensure implementation of the new National Digital Strategy, enhancing co-ordination across stakeholders, allocating necessary funds, and assigning clear roles.</li> <li>• Establish effective monitoring and evaluation mechanisms with relevant indicators to track progress and impact.</li> <li>• Address digital divides by improving fixed broadband affordability and uptake.</li> <li>• Foster businesses' broadband adoption and gather data on digital divides among firms of varying sizes.</li> <li>• Enhance broadband policy development through consistent multi-stakeholder consultations.</li> <li>• Strengthen the multi-stakeholder approach for digital skills policies by involving relevant ministries, ANOFM, employers, and teachers, and consider establishing a National Digital Skills and Jobs coalition to this end.</li> <li>• Further promote digital skills development among smaller businesses to bridge the digital transformation gap.</li> <li>• Implement a digital competence framework, in line with EU's DigComp, to serve as a common basis and help certify the skills acquired.</li> <li>• Enhance digital skills assessment and anticipation through data collection, monitoring &amp; evaluation, and additional skills anticipation exercises.</li> </ul>
<p><b>Enhancing the institutional and regulatory framework and operational environment for SMEs</b></p> <ul style="list-style-type: none"> <li>• Finalise ODA reform, aligning resources and structure with new SME Development Strategy goals.</li> <li>• Accelerate regulatory reform for upcoming EU accession, align SME policy with EU standards (e.g. SBA performance review).</li> <li>• Evaluate enterprise support programme efficiency and public agency performance to prepare for potential EU technical assistance funding increase during accession.</li> <li>• Implement an SME-focused RIA test.</li> <li>• Track SME engagement on Public Procurement electronic platforms, enhance participation in public consultations.</li> <li>• Expand e-platform public services.</li> <li>• Boost SME e-government usage through skill enhancement and promotions.</li> <li>• Analyse diverse enterprise tax rates, regime effects, and growth outcomes.</li> <li>• Survey SMEs and consult sector reps to refine tax policy and reduce non-compliance.</li> <li>• Prioritise approval and execution of the Second Chance Programme.</li> <li>• Strengthen monitoring and evaluation of current bankruptcy and second chance initiatives.</li> </ul>
<p><b>Promoting entrepreneurial skills and women's entrepreneurship development</b></p> <ul style="list-style-type: none"> <li>• Ensure effective monitoring and evaluation of upcoming strategies (Education 2030 and PACC) and entrepreneurial learning initiatives to ensure evidence-based policymaking and skills acquisition.</li> <li>• Define clear responsibilities among stakeholders to enhance co-ordination, implementation, and policy efficiency.</li> <li>• Foster collaboration between general schools and SMEs to bolster entrepreneurial learning.</li> <li>• Step up support for women entrepreneurs by expanding measures in rural areas, incentivising formalisation, and assisting women entrepreneurs beyond the initial stages.</li> <li>• Improve data collection on women's entrepreneurship and consider conducting regular surveys to identify remaining barriers.</li> <li>• Enhance skills assessment and anticipation by collecting data on SME skills, needs, and in-house training, sharing results on an online database.</li> <li>• Develop improved skills anticipation tools, considering longer-term projections and a wider representation of businesses.</li> <li>• Evaluate the impact of training on SME performance and encourage digital skills development, certification, and peer learning.</li> <li>• Design targeted training for SMEs in priority areas of smart specialisation, involving relevant stakeholders for effective implementation.</li> </ul>
<p><b>Facilitating SME access to finance</b></p> <ul style="list-style-type: none"> <li>• Integrate ESG reporting and climate-related stress testing into the legal framework for secured transactions.</li> <li>• Establish robust monitoring and evaluation systems of existing programmes and funds.</li> <li>• Enhance non-bank financing by addressing legal uncertainties and raising awareness of alternative funding options.</li> <li>• Support the VC sector, possibly by establishing a fund of funds.</li> <li>• Adopt a multidisciplinary approach to digital finance analysis and policymaking.</li> <li>• Finalise, approve, and execute the financial literacy strategy, ensuring inclusion of entrepreneurial financial skills and outreach considerations.</li> </ul>
<p><b>Supporting SME access to markets</b></p> <ul style="list-style-type: none"> <li>• Update MTender and raise user skills to better align with regulatory requirements and options, especially for using other award criteria than price and for small-value procurement.</li> <li>• Complete the implementation of the 2023-2026 public procurement development programme with an added emphasis on enhancing SME access to public procurement.</li> <li>• Facilitate the comprehensive generation and collection of public procurement data, ensuring its accessibility, and leveraging it to refine policies and procedures for full compliance.</li> <li>• Continue the development of technical regulations' evaluation, considering specifying evaluation frequency in relevant laws.</li> </ul>

- Providing further priority sectors with conformity assessment bodies compliant to EU requirements.
- Integrate SME-specific considerations into education plans and initiatives for standardisation.
- Further digitalise standards and technical regulations, leveraging successful initiatives for broader adoption.
- Focus on digitalisation efforts for quality infrastructure and regulatory authorities to meet future challenges effectively.
- Prompt adoption and efficient implementation of draft policy documents such as the PACC, State Programme for SME Clustering, Support Program for Clustering Initiatives, and Digital Transformation Strategy.
- Enhancing transparency of ODA's activities in SME internationalisation support by incorporating independent assessments.

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- Expand efforts to enhance SME access to external advisors and ensure quality assurance for certified consultants.
  - Strengthen impact evaluation practices to complement existing monitoring of SME support programme uptake.
  - Explore the introduction of indirect incentives for R&D and innovation investment, along with continuous evaluation of support programme impact.
  - Further reform the environmental regulatory framework to encourage green practices among SMEs.
  - Support SMEs in identifying and pursuing greening projects eligible for financial assistance.
  - Enhance the collection of nationwide statistical data on SMEs' environmental and greening performance.
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## Notes

<sup>1</sup> For more information on the analytical framework, please refer to the thematic chapter Digital Economy for SMEs.

<sup>2</sup> This number, however, reached 40% by March 2023.

<sup>3</sup> For more information and details on how Moldova could further promote digital business skills development, please see the OECD publication *Promoting digital business skills in the Republic of Moldova* (2023).

<sup>4</sup> It is also worth mentioning that the Moldovan government approved the Deregulation Package (Law 112 of 11 May 2023) to reduce bureaucratic barriers and requirements for business. The proposed legislative amendments concern a number of important areas of economic agents and are aimed at reducing business costs, reducing bureaucracy and improving relations between employers and employees.

<sup>5</sup> Conventionally called “Act for the digitization of the economy”.

<sup>6</sup> In this context, it is important to mention that the initiative “Remote Business Development in the Republic of Moldova/Contactless Business in Moldova” was approved on 26 May 2023. The initiative has the objective of analysing the online availability of essential public services for entrepreneurs and filling the legislative gaps to ensure the possibility to create and manage a company remotely in the Republic of Moldova.

<sup>7</sup> The “digital by default” principle provides that the Government should ensure the availability of at least one electronic method for requesting and obtaining the result of a public service. The “digital-first” principle prioritises documents in electronic format. While prioritising public services in electronic form, the principle of providing public services through multiple channels should be ensured; this implies that both physical and via electronic methods should be active. Relying on these principles, public institutions will be obliged to receive electronic documents and give priority to issuing documents in electronic format.

<sup>8</sup> This excludes certain types of income (e.g. subsidies, dividends, exchange rate differences, sources of income considered as non-taxable under the general tax regime).



<sup>9</sup> The Programme notably entails financial incentives and regulatory framework for infant nurseries, financial incentives for women that decide to return to work within twelve months of a child's birth, and incentives for paternal leave.

<sup>10</sup> For more information and detail on how Moldova could further promote digital business skills development, please see the dedicated OECD publication (2023), *Promoting digital business skills in the Republic of Moldova*.

<sup>11</sup> This is part of wider efforts to improve the attractiveness of credit guarantees, including amendments to the functioning of the existing programme set out in government decision no. 709 (19 October 2022).

<sup>12</sup> As of June 2023, the average interest rate on new business loans was 12.05% in local currency and 6.33% in foreign currency. (National Bank of Moldova, 2023<sup>[48]</sup>)

<sup>13</sup> See, for instance, Law No. 198/2020 on private pension funds, and Law No. 92/2022 on insurance or reinsurance business.

<sup>14</sup> Several construction standards without national annexes.

<sup>15</sup> It is envisaged to include activities such as: developing a database on the capacity of local enterprises/documentation of SME capabilities; providing support for SMEs to create profiles on [www.businesslink.md](http://www.businesslink.md), as well as on other international portals; field visits to multinational companies; organising matchmaking events; etc.

<sup>16</sup> A place-based approach characterised by the identification of strategic areas for intervention based both on the analysis of the strengths and potential of the economy and on an entrepreneurial discovery process with wide stakeholder involvement. <https://s3platform.jrc.ec.europa.eu/what-we-do>

<sup>17</sup> The European Network of Transmission System Operators for electricity.



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