SME SUPPORT POLICY IN THE REPUBLIC OF MOLDOVA AND ASSESSMENT OF ITS IMPACT ON BUSINESS DEVELOPMENT

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Establishment and legal development of small private businesses in the Republic of Moldova became possible only since the 90s at the initial stage of market reforms. Despite the absence of a regulatory framework for business development in this period, the rapid growth in the number of small enterprises has been noted. Although the owners of newly established, privatized and reorganized small enterprises (SE) were lacking in business knowledge, and public administration employees did not have a clear understanding of the role of small and medium enterprises (SMEs)in the economy, however, already in 1992-1994 the basics of entrepreneurship development policy have been laid. Over the last years, state policy aimed at supporting SMEs has been developed considerably in the Republic of Moldova, but the business environment is not favorable enough.

The paper presents the multifaceted analysis of the state support policy of SMEs in the Republic of Moldova and the assessment of its impact on the business from different perspectives – government, international ratings and entrepreneurs. The results of the research revealed that, quite a large number of entrepreneurs over the years pointed to deterioration in the business environment conditions; however, the opinions of certain groups of entrepreneurs vary significantly. This means that the government's economic policy does not consider enough the entrepreneurs' opinion regarding the general business climate changes, as well as the specific problems faced by different groups of entrepreneurs. The research methodology is based on an analysis of statistical data; the legal framework and policy documents; the main international rankings, as well as the results of surveys of different groups of Moldovan entrepreneurs – women, young people, people with disabilities, which were implemented with the participation of the authors in the period 2016-2017.

Keywords: *small, medium and micro enterprises (SMEs), SME support policy, policy assessment, business development, barriers for entrepreneurs.*

Înființarea și dezvoltarea juridică a micilor întreprinderi private din Republica Moldova a devenit posibilă încă din anii '90 la faza inițială de trecere la relațiile de piață. În ciuda absenței unui cadru de reglementare pentru dezvoltarea afacerilor în această perioadă, s-a observat creșterea rapidă a numărului de întreprinderi mici. Deși proprietarii întreprinderilor mici nou înființate, privatizate și reorganizate nu posedau cunoștințe în afaceri, iar angajații administrației publice nu aveau o înțelegere clară a rolului IMM-urilor, cu toate acestea, în perioada 1992-1994 au fost stabilite principiile politicii de dezvoltare a antreprenoriatului. În ultimii ani, politica statului care vizează susținerea întreprinderilor mici și mijlocii s-a dezvoltat considerabil în Republica Moldova, însă mediul de afaceri nu este încă suficient de favorabil.

Lucrarea prezintă analiza multilaterală a politicii de susținere a IMM-urilor în Republica Moldova și evaluarea impactului acesteia asupra afacerilor din diferite perspective – guvern, ratinguri internaționale și antreprenori. Rezultatele cercetării au arătat că majoritatea întreprinzătorilor, de-a lungul anilor, au indicat asupra deteriorării condițiilor mediului de afaceri, deși opiniile anumitor grupuri de antreprenori diferă semnificativ. Aceasta înseamnă că politica economică a guvernului nu ia suficient în considerare opinia antreprenorilor privind schimbările generale ale climatului de afaceri, precum și problemele specifice cu care se confruntă diferite grupuri de întreprinzători. Metodologia de cercetare se bazează pe: o analiză a datelor statistice; cadrul juridic și documentele de politici; principalele rating-uri internaționale,

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precum și rezultatele chestionării diferitor grupuri de întreprinzători din R. Moldova – femei, tineri, persoane cu dizabilități, care au fost implementate cu participarea autorilor în perioada 2016-2017.

Cuvinte-cheie: *întreprinderi mici, mijlocii și micro (IMM-uri), politică de susținere pentru IMM-uri, evaluarea politicilor, dezvoltare a afacerilor, bariere pentru antreprenori.*

Становление и легальное развитие малых частных предприятий в Республике Молдова стало возможным лишь в 90-е гг. на начальном этапе проведения рыночных реформ. Несмотря на отсутствие нормативно-правовой базы для развития бизнеса, в этот период был отмечен быстрый рост количества малых предприятий. И хотя у владельцев вновь созданных, приватизированных и реорганизованных малых предприятий отсутствовали знания ведения бизнеса, а у работников органов публичного управления не было четкого понимания роли малых и средних предприятий (МСП), тем не менее, уже в 1992-1994г. были заложены основы политики развития предпринимательства. За прошедшие годы в Республике Молдова государственная политика, направленная на поддержку МСП, получила значительное развитие, однако бизнес-среда по-прежнему остается недостаточно благоприятной.

В статье представлен многоаспектный анализ государственной политики поддержки МСП в Республике Молдова и оценка ее воздействия на бизнес с разных точек зрения – правительства, международных рейтингов и предпринимателей. Результаты исследования показали, что достаточно большое количество предпринимателей за последние годы указывает на ухудшение условий деловой среды, при этом мнения определенных групп предпринимателей значительно различаются. Это означает, что экономическая политика правительства не вполне учитывает мнения предпринимателей, касающиеся общего изменения бизнес-среды, а также конкретных проблем, с которыми сталкиваются отдельные группы предпринимателей. Методология исследования базируется на анализе статистических данных, законодательства и документов политики, основных индикаторов международных рейтингов, а также на результатах опросов различных групп молдавских предпринимателей – женщин, молодежи, людей с ограниченными возможностями, которые были реализованы при участии авторов в период 2016-2017 гг.

Ключевые слова*: малые, средние и микропредприятия (МСП), политика поддержки МСП, оценка политики, развитие бизнеса, барьеры предпринимателей.*

JEL Classification: O20, O29, P29, L26, L38.
UDC: 334.722 (478)

Introduction

The SMEs sector has formed and passed through a considerable development in the Republic of Moldova during the period of market reforms, since 1991 and to date. Throughout this period the government has been developing and implementing a policy of development of small, medium-sized and micro enterprises (SMEs), to which various support measures were used, including the adoption of laws, government policies and targeted programs, as well as the establishment of institutions whose activities are directly aimed at the development of small private businesses.

Certain aspects of SME support policy in the Republic of Moldova were addressed in scientific publications, research projects and reports of international organizations – OECD, World Bank, etc.

In most of cases, research is focused on the access of SMEs to finance, which in Moldova is largely limited. For example, Bartlett et al. [2] noted that poor access to financial resources hinders the development of SMEs and pointed on the main cause of this problem – underdeveloped banking system. At the same time, the economic crisis of 2008-2009 exacerbated the problem of access to financing sources, as credit resources declined not only in the region, but also on a global scale. V.Cerbuşca [4] analyzing various aspects of the SMEs financing in Moldova, also notes that the crediting of small business (along with the use of money from family and friends), and obtaining credit resources for Moldovan SMEs is quite a difficult problem. Kirchner and Giucci [7] mentioned that the insufficient SMEs access to finance in Moldova must be analyzed and discussed from two points of view: not just from the perspective of the problem related to the development of the banking sector, but also from the SMEs development perspective – concerning the improvement of financing their activities.

Another significant problem of SMEs which is reflected in different researches is the high regulatory and administrative burden in the Republic of Moldova. In particular, a survey conducted by the National

Confederation of Employers of the Republic of Moldova has shown that in the list of the most problematic factors for the development of enterprises in the Republic of Moldova there are the following: political instability, a high fiscal burden, lack of adequately trained workforce, poor access to finance, corruption and bribery [14].

Given the pro-European orientation of the country, the Government of the Republic of Moldova has committed itself to take into account in the policy the requirements of the SBA for Europe, which fixes the priority directions of the EU in supporting SMEs. As a result, once in every 2 years, the OECD assesses the implementation of the principles set out in this document, noting the achieved progress and the most important challenges. Thus, in the most recent report (2016), the main challenges were: (i) insufficient attention to the practical implementation of strategies and initiatives, monitoring and evaluation of the achieved results; (ii) shortcomings in the banking sector, which makes it difficult for SMEs to access financial resources; (iii) limited assistance to SMEs aimed at increasing the competitiveness of Moldovan goods in European markets through support for innovation, internationalization and greening [11].

Studies, in which a special attention is paid to the individual groups of entrepreneurs, mainly focus on the group of women entrepreneurs, meaning the different roles of women and men in the labor market, in the family and other spheres of life [13; 19].

According to the authors, although the public policy of entrepreneurship development in the country is carried out around 25 years using a variety of methods and institutions, that were successful in other countries, the state activity does not lead to the desired positive results. One of the reason of this is the fact that the policy does not consider enough the entrepreneurs' opinion regarding the general business climate changes, as well as the specific problems faced by different groups of entrepreneurs.

The paper includes the following topics: (i) a brief analysis of the key indicators of the development of SMEs in the Republic of Moldova; (ii) characterization of the SMEs support policy in the country, including: the history of its formation, the basic elements of support and new directions; (iii) assessment of the public business development policy by various institutions.

The basic methods of the research include: analysis of statistical data, reflecting the development of SMEs in the Republic of Moldova; research of the legal framework and policy documents on the country's business support; assessment of the main international rankings in which Republic of Moldova is present related to the development of business. In order to identify the entrepreneurs' opinion regarding the business environment change, as well as the barriers faced by their businesses, were used the results of surveys of Moldavian entrepreneurs that have been implemented with the active participation of the authors in the last years.

The main indicators of SMEs sector

The scale of the SMEs sector in the Republic of Moldova's economy is significant. In 2017 the National Bureau of Statistics of Moldova (NBS) had records of 54.3 thousand economic agents, of which the absolute majority (98.6% = 53.57 thousand economic agents) were SMEs.

The structure of the SMEs sector includes 3 groups of enterprises - micro, small and medium that differ according to their size (number of employees, sales and assets of the enterprise). Micro-enterprises prevail in the total number of SMEs (86.2%). Small enterprises make 11.3%, medium-sized enterprises – 2.5% of SMEs (Table 1).

Table 1

Main indicators of SMEs sector in 2017

Indicators	Total SME	Including		
		Medium	Small	Micro
Number of enterprises, unit.	***53573***	1328	6061	46184
% of Total	***98.6***	*2.5*	*11.3*	*86.2*
Average number of employees, persons	***323277***	103460	112028	107789
% of Total	***61.2***	*32.0*	*34.7*	*33.3*

Source: Calculated by the authors on basis of the National Bureau of Statistics of the Republic of Moldova [10].

The SMEs sector has been demonstrating a steady growth tendency during the whole period of economic reforms since the beginning of 1990s. Like in previous years, in 2017, the positive tendency of sustainable growth in the number of SMEs remained steady (53573 units in 2017, compared to 51626 units in 2016) (Figure 1). The growth of companies throughout the years came primarily at the expense of micro and small enterprises, which have a more limited capacity. During 2015-2017, the total number of SMEs

registered within the statistical bodies marked a slight increasing trend, of 5.9%. In this period, within SMEs, a more significant growth in the number of enterprises was produced in micro enterprises, up by 6.3%.

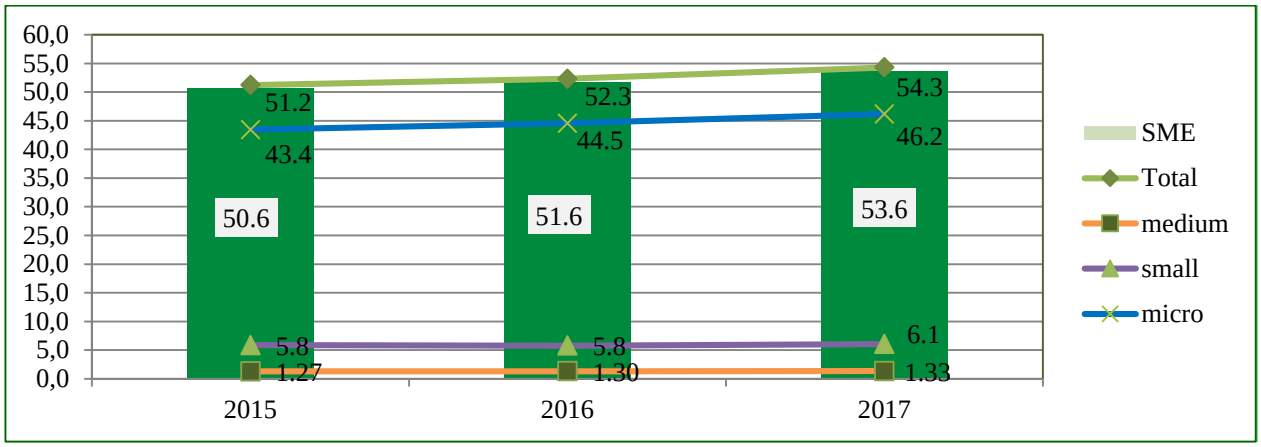

Figure 1. Dynamics of the number of enterprises in 2015-2017, thousand units
Source: The National Bureau of Statistics of the Republic of Moldova [10].

An important indicator that allows evaluating the quantitative and qualitative elements of the SMEs contribution in the economic development of the country is their share in GDP. This figure (Starting with 2007 till 2010 inclusively, and also in 2012 and 2016) has been characterized by a downward trend for many years: just in 2011, 2013, 2014 and 2015 this indicator registered a growth (Figure 2).

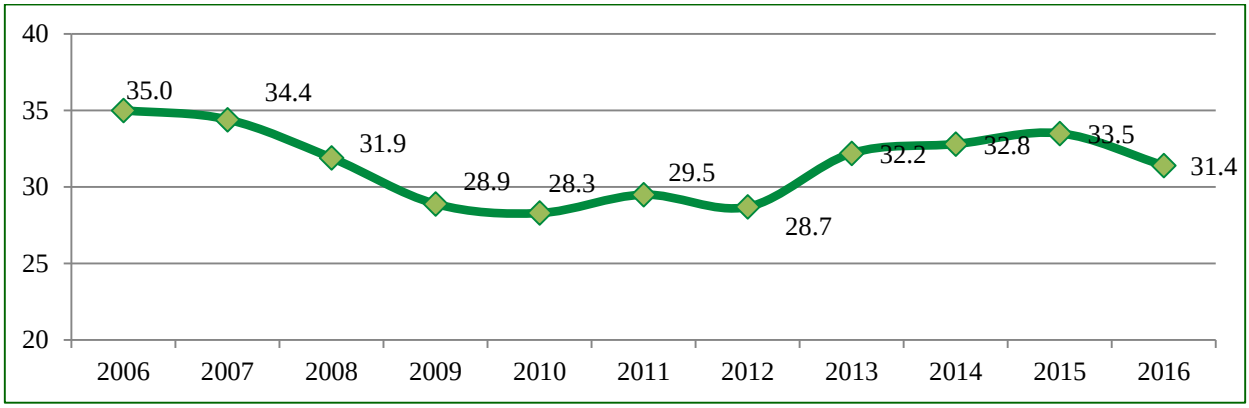

Figure 2. The share of SMEs in the GDP during 2006-2016, %
Source: The National Bureau of Statistics of the Republic of Moldova [9].

Characteristics of the SME support policy in the Republic of Moldova

Establishment of SME support policy in the Republic of Moldova. State policy for SMEs development in the Republic of Moldova has already more than a 20-year history. In the early 90s at the stage of market reforms, the regulatory framework for business development has not yet been formed, but there was a very rapid increase in the number of SE in the country. The owners of the newly established, reorganized and privatized SE, often doing business by necessity, having no other employment opportunities and income, acquired business experience in the course of work, in the absence of the necessary knowledge and often not having entrepreneurial skills. Employees of public administration authorities that had to regulate the activities of small business still had not had a clear understanding of its significance and development of the concept. However, already in 1994, the first law specifically aimed at supporting small businesses was adopted, the State program to support entrepreneurship and small business for the period 1994-1997 was adopted and a financial institution – the Fund for support of entrepreneurship and small business development was established.

Analysis of business support policies made in the following years (since the second half of the 90's), showed that the changes concerned not individual accents, but the most significant characteristics of the system. As a result, over the past 20 years, the policy of SMEs development in the Republic of Moldova underwent the following important changes [1]:

- In the 90s one of the main tasks of the state policy was to give impetus to the establishment of private business and creation of a competitive environment. That is, in the first place, it was necessary to stimulate growth of small private enterprises. At the present time, continuing to support the increase in the number of SMEs, the government declares the care for development of potential and increasing competitiveness of enterprises in order to ensure sustainable and qualitative growth of the national economy.
- In the early stages, the business development policy was directed towards the entire SME sector. However, this sector is made up of a large number of different groups with different specific problems and needs to be supported. At present, there is already some experience to identify the characteristics of individual SMEs groups, in order to take account of their needs in the implementation of policy.
- In the first decade of the formation of SMEs, business support has been actually seen as a function of the state, although in legal documents there was mentioned the possibility of cooperation with the business community. However, business establishment involves greater cooperation and dialogue between SMEs and public authorities that it is now gradually beginning to be realized.
- Since the early years of economic reform and until recently, the main role in the regulation and business support was assigned to central public administration authorities. And until now, policy on SMEs is carried out largely at the national rather than at the local level. However, it is understood that since the main contribution is made by SMEs at the local level, their support should also be carried out not in the center but in the regions.
- In the 90s, the government declared the preferential use of direct economic business support methods (tax credits, soft loans, etc.). In 2000-s, there is marked the shift towards the use of indirect methods of state support aimed at improving the operation of business support institutions and generally improving the general conditions for business development.

Currently, SMEs development policy includes the following major components:

- Legislation regulating the establishment and business development that is primarily focused directly on SMEs.
- Documents, policy, in particular, public policies and targeted programs designed specifically to support the SMEs sector.
- Institutions supporting SMEs.

The development of legislation regulating SMEs. The process of formation of the legislation that opened the possibility to engage in private business activity started in Republic of Moldova during the period of USSR, under the conditions of collapsing of the planned economy. Thus, even in 1986-1991, as a result of the adoption of the Law "On individual labor activity", "On Cooperation in the USSR" and "On general principles of business people in the USSR", active persons obtained legal rights for opening their small private business. At the same time, the legal framework introduced the concept of "small enterprise", meaning that it needs special measures of state support.

In 1992-2000, at the initial stage of market economy, basic legislation governing the development and support of small business in the Republic of Moldova was established:

- In 1992, law "On Entrepreneurship and Enterprises" was adopted;
- After 2 years, the country's Parliament adopted the first Law "On the promotion and protection of small business";

In the early 2000s, the approach to the state regulation of the sector of small enterprises (SE) at the legislative level has changed: from preferential support for individual SE groups to the establishment of common conditions favorable for the business environment. After 2016 and up to the present time, SMEs development policy is governed primarily by the law "On support of small and medium-sized enterprises", which focuses primarily on the creation of the institutional framework and the development of the main instruments of SME support policies – strategies and programs.

Although the legislation on entrepreneurship is already formed nowadays in the Republic of Moldova, it continues to develop, in particular:

- The regulatory reform continues aimed at eliminating contradictory norms of the legislation.
- The requirements for assessing the influence of the regulatory impact on the business environment in the development of any legislation are increasing.
- The European trends, in particular, the EC recommendations – the provisions of Small Business Act for Europe and the requirements of RM-EU Association Agreement are taken into account in the Republic of Moldova.

Government strategies and programs designed for SMEs. The Republic of Moldova has accumulated years of experience in making and implementing public strategies and programs to support SMEs. Since 1994, when the

first government program focused on SE was adopted, similar policy documents were implemented almost the entire period in the country at the national level.

Nowadays, the use of national strategies and programs in the Republic of Moldova is the main method of state support for SMEs. National Strategy, which is being implemented at the national level today, Strategy for the development of small and medium-sized enterprises 2012-2020 has continuity with the previous document, and takes into account the real economic situation and the prospects for the development of SMEs. Within this document, the Government implements the following priority areas: (i) the harmonization of legal and regulatory framework to the needs of the SMEs sector; (ii) improvement of SMEs' access to finance; (iii) development of human capital through the promotion of entrepreneurship competencies and culture; (iv) improving the competitiveness of SMEs and encouraging the spirit of innovation; (v) promoting the development of SMEs in the regions; (vi) development of partnership in the field of entrepreneurship; (vii) development of women's entrepreneurship; (viii) development of green economy for SMEs. An integral part of the Strategy is the Action Plan for its implementation, which contains a specific list of measures for each priority area for the next 3 years.

Along with the Strategy for the development of small and medium-sized enterprises 2012-2020, Moldova has implemented state programs focused on fairly narrow segment of business. The main target national programs implemented in 2018 are the following:

- ***Program on Attracting Remittances into the Economy (PARE 1 + 1)*** is designed to attract investment and remittances to rural development through the creation and development of SMEs. The program operates on the basis of "1 + 1": every leu invested in business resulting from the funds earned abroad will be supplemented by 1 leu from the state (not more than 200 thousand lei). The target group of the program: migrant workers and recipients of remittances - relatives of the first degree.
- ***Program "Effective Management of Business" (GEA)*** provides for the organization of free courses on basic training modules necessary for potential or new entrepreneurs – financial management, accounting, business planning, human resources management and work legislation; VAT registration and enforcement of the legislation; accounting by domains of application; marketing; international marketing; business planning; external economic activity and customs relations.

These targeted programs include awareness, training and financial support to entrepreneurs components. However, they are designed for a small number of individuals, so they are correctly assessed as a "point" support for SMEs.

Institutional support for SMEs. Among the public institutions involved in the support of SMEs, it is necessary first of all to mention the Ministry of Economy and Infrastructure, which aims to develop public policies for SMEs. In particular, it justifies and prepares for the Government strategic directions of SMEs support at the national level; it monitors and evaluates their implementation. However, in the process of reorganizing the structure of the Ministry, the Department of SME Support Policies was merged with 2 other departments. SMEs are currently regulated by the employees of the Business environment regulation and SMEs Section, which is entrusted with a wide range of functions that go beyond the SMEs policy.

From 2007, the Organization for SMEs Sector Development (ODIMM), a State Agency, under the Ministry of Economy and Infrastructure is activating. The main objectives of its activity: implementation of the state policy in relation to SMEs, coordination of all types of financial assistance to SMEs and work with entrepreneurs.

ODIMM develops and implements targeted state programs. SMEs Support Fund is a part of the agency, which currently provides credit guarantee services to SMEs. The Fund provides loan guarantees for start-ups and already working SMEs, including those whose access to traditional financing sources is limited.

A number of state institutions are involved in the provision of certain services to business, sometimes on concessional terms. Among these are: International Exhibition Centre "Moldexpo"; Organization for Investment and Export Promotion (MIEPO); networked business incubators, providing support to start-up entrepreneurs, working in the districts; Agency for Innovation and Technology Transfer (AITT) etc.

New directions and priorities for SMEs development policy in the Republic of Moldova. In recent years, the Moldovan Government specifically harmonizes the SME support policy with the principles of the Small Business Act for Europe, and starting with 2014, is guided by the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of Moldova, of the other part (RM-EU Association Agreement). Below there are presented some of the new directions of the state policy for SMEs development in the Republic of Moldova.

Clusters. Improving the competitiveness of SMEs and increasing their contribution to economic and social development cannot be achieved just by the efforts of state institutions, but it also involves businesses initiatives through their cooperation and integration in all forms. One of the promising possibilities of SMEs growth potential

is their co-operation in the form of clusters. The Government has developed and adopted in the summer of 2013 the Concept of cluster development of the industrial sector of the Republic of Moldova. Currently, has been elaborated a research project "The analysis of the potential of clusterization in the Republic of Moldova in the industrial sector" allowing identifying in which sectors and regions of the country cluster initiatives could have a greater chance of success.

The statistical analysis for the mapping process led to the identification at the regional level of several industries that have a higher degree of specialization. Among them can be highlighted [7]:

- manufacture of beverages (in the Classification of Economic Activities of Moldova – C110) in the Central region, the South region and in ATU Gagauzia;
- manufacture of wearing apparel, except fur (C141) in the North region, the South region, in ATU Gagauzia;
- manufacture of wire and cable; manufacture of connection to them (C273) in the North region;
- manufacture of bakery and pastry (C107) in the Central region and in the South region;
- manufacture of other textiles (C139) in the Central region.

Women entrepreneurship. Research of the participation of Moldovan women in the economy, including entrepreneurial activity, showed the existence of gender inequality. Although the women from the Republic of Moldova have significant experience and have a good education, their entrepreneurial potential still remains largely untapped. Women are owners and managers, to a greater extent, of small enterprises (by number of employees) and enterprises and businesses in a developing stage. Support for women's entrepreneurship, until recently, was carried out in the framework of employment and gender equality policies. But in 2016, adjustments were made in the Strategy for the Development of the SMEs sector in the period 2012-2020, in particular, a new priority had been added – "The development of women's entrepreneurship in the Republic of Moldova", which provides for specific measures supporting women's entrepreneurship.

"Green" economy. The low level of competitiveness of the Moldovan SMEs does not allow them to actively promote their products on the European markets. Given the high share of agricultural production and processing industry in the Moldovan economy, the competitive advantage for Moldovan producers could be products related to "green" economy. A survey conducted by NIER (National Institute for Economic Research), showed that even businessmen who are aware that the greening of business will provide them with a competitive edge, face significant financial problems and difficulties of an administrative nature. In order to reduce the above-mentioned barriers, "The development of green economy for SMEs" priority, which provides more precise measures of support, was added in the 2016 in the Strategy for the Development of the SMEs sector in the period 2012-2020.

Evaluation of public policy by the Government, international rankings and Moldovan entrepreneurs

All major policy documents adopted by the Moldovan Government point on the need to improve conditions for business development. In particular, measures aimed at creating a favorable business environment are provided by the National Development Strategy "Moldova-2020", Government's action programs, the Roadmap for the improvement of competitiveness, Strategy for the Development of the SMEs sector in the period 2012-2020 and other national strategies and programs. Accordingly, the public administration reports and speeches of their leaders are often marked by measures aimed at improving the business climate, which is accompanied by a positive evaluation of activities by the Government. For example, at a meeting with the representatives – development partners and business community, Prime Minister of the Republic of Moldova Pavel Filip presenting on 02/05/2018 the work of the government indicated that already several actions have been taken, including the reduction of the number of institutions with control functions from 58 to 18, reduction of the number of permissive acts by about 60%, simplification of the reporting procedures [8].

Nevertheless, according to the results of international rankings and surveys of entrepreneurs, held with the participation of the authors, the business environment in the country has not improved significantly.

Republic of Moldova's position in international rankings. The research carried out in recent years by well-known international institutions and rating agencies, first of all, World Bank (Doing Business) and World Economic Forum (The Global Competitiveness Report) provide an opportunity to compare the business climate in a number of countries, including Moldova. These ratings do not only present the trends in changes of the situation in a particular country, but also demonstrate the rhythm of these changes in comparison with other countries.

Moldova in Doing business – 2018. In the World Bank rating – Doing Business 2018, Moldova remained on the same position as the previous year. Thus, in the Doing Business 2018 ranking, Moldova ranks 44th out of 190 countries. Rating is based on 10 key indicators (Table 2).

Table 2

Position and evolution of "Doing business" indicators for the Republic of Moldova

Indicators	Position (of 190 countries)		Modification 2018/2017	DTF		Modification DTF 2018/2017
	2017	2018		2017	2018	
Position of the Republic of Moldova	44	44	..	72,80	73,00	+0,20
1. Starting a business	44	23	+21	91,96	93,76	+1,80
2. Dealing with construction permits	165	165	..	51,77	51,98	+0,21
3. Getting electricity	73	80	-7	74,60	74,65	+0,05
4. Registering property	21	20	+1	82,57	82,60	+0,03
5. Getting credit	32	42	-10	70,00	70,00	..
6. Protecting minority investors	42	33	+9	66,67	66,67	..
7. Paying taxes	31	32	-1	84,62	84,55	-0,07
8. Trading across borders	34	35	-1	92,32	92,32	..
9. Enforcing contracts	62	62	..	60,87	60,87	..
10. Resolving insolvency	60	65	-5	52,61	52,56	-0,05
Number of countries	***190***	***190***				

Source: The Doing business reports 2017, 2018 [17; 18].
Note: "+" indicates an improvement of the situation; "-" shows a worsening;

The lowest positions in the ranking Moldova registered in the "obtaining building permits" indicator (165th position), which did not change its position as compared to the previous year and "access to electricity" (80th place), marking a worsening with 7 positions. The most significant worsening was marked by the "getting credit" indicator (10 positions). However, some indicators have improved their position in the ranking. Improvement of the position in the ranking was marked only by three indicators: the „business registration" indicator (+21 positions), the indicator "protection of minority investors" (+9 positions) and the "property registration" (+1 position).

The report also uses the indicator „Distance to Frontier" score (DTF), which is based on a scale of reference used from 0% (if the weakest performance is observed) and up to 100% (for compliance with the best worldwide available procedures).

Moldova recorded a total score of 73.00 points for the DTF indicator in 2018, reflecting a slight improvement of +0.20 points over the previous year.

Moldova in the Global Competitiveness Report. According to the Global Competitiveness Report (2017-2018), Moldova has ranked 89th position of the 137 countries that participated in the study. In comparison with the Report 2016-2017, Moldova's ranking increased by 11 positions. Global Competitiveness Index has 12 indicators – factors determining the level of competitiveness (Table 3).

Table 3

Position and evolution of the Republic of Moldova in the Global Competitiveness Index

Indicators	2016-2017	2017-2018	Modification 2017-2018/2016-2017
Global Competitiveness Index	**100**	**89**	↑*+11*
Subindex A: Basic requirements			
Institutions	128	119	↑*+9*
Infrastructure	86	88	↓*-2*
Macroeconomic environment	100	81	↑*+19*
Health and primary education	95	97	↓*-2*
Subindex B: Efficiency enhancers			
Higher education and training	91	83	↑*+8*
Goods market efficiency	107	97	↑*+10*
Labor market efficiency	91	94	↓*-3*
Financial market development	129	124	↑*+5*
Tehnological readiness	58	53	↑*+5*

Indicators	2016-2017	2017-2018	Modification 2017-2018/2016-2017
Market size	124	120	↑*+4*
Subindex C: Innovation and sophistication factors			
Business sophistication	127	120	↑*+7*
Innovation	133	128	↑*+5*
Number of countries	***138***	***137***	

Source: The Global Competitiveness Reports 2016-2017; 2017-2018 [15; 16].

Taking into account the different levels of countries development, the importance of these factors on the level of competitiveness is not identical in all countries. Depending on the factors' contribution to the competitiveness, the Report identifies three stages of countries, namely: competitiveness determined by factors (i) production, (ii) efficiency and (iii) innovation. In this standing, Moldova is at stage I, namely competitiveness due to factors of production (unqualified or low qualified labor; predominant use of natural resources). At the same time, maintaining competitiveness at this stage of development requires, first, a well-functioning of public and private institutions (pillar 1). In this context, has to be noted the unfavorable position of the country in these indicators. Institutions indicator gives an unfavorable position for several areas of critical importance to business development: property rights (126th), judicial independence (position 132nd), favoritism in decisions of government officials (123rd), the efficiency of legal framework in settling disputes (126th).

It is important to underline that the improvement with 11 positions of our country in the ranking in 2017-2018 as compared to the previous year must be analyzed in the context of a considerable descent (worsening of the situation) with 16 positions of the Republic of Moldova in the previous period: 2016-2017 compared to 2015-2016. Thus, if it is to compare how the position of the Republic of Moldova in 2017-2018 has evolved compared to 2015-2016, then we notice a 5-point worsening.

In the Global Competitiveness Report 2017-2018, better places Moldova has obtained at the pillars:

- Technological readiness (53th place),
- Higher education and training (83rd place),
- Macroeconomic situation (81st place).

As in the previous years, in the period of 2017-2018, the lowest ranking positions, the Republic of Moldova occupies at the following indicators:

- Innovations (128th place),
- Development of the financial market (124th place),
- Institutions (119th place),
- Business sophistication (120th place) and
- Market size (120th place).

In the period 2017-2018 compared to the previous period (2016-2017), the Republic of Moldova registered positive changes on most of the pillars:

- Institutions (an improvement of 9 positions);
- Macroeconomic situation (an improvement of 19 positions) - this change being driven by the improved position on Gross National Savings, % GDP (+13 positions); Inflation annual, % change (+20 positions); General Government Debt, % GDP (+13 positions); Country Credit Rating 0-100) (Best) (+4 positions);
- Higher education and training (an improvement of 8 positions);
- The efficiency of the goods market (an improvement of 10 positions);
- Development of the financial market (an improvement of 5 positions);
- Technological readiness (an improvement of 5 positions);
- Market size (+4 positions);
- Business sophistication (+7 positions);
- Innovations (+5 positions).

It should be noted, however, that against the background of worsening of the position in the ranking of most of these pillars from the previous period (2016-2017 compared to 2015-2016), the improvements in this year's ranking (2017-2018) are rather a "return" of the positions of previous years (2015- 2016).

In this period (2017-2018) negative changes compared to the previous period, marked 3 pillars: Infrastructure (a descending of 2 positions), Health and Primary Education (a descending of 2 positions), Labor Market Efficiency (a descending of 3 positions).

Evaluation of public policies by entrepreneurs. Since government policy support for SMEs is designed to improve business conditions, then when evaluating the policies it is advisable to take into account the opinion of entrepreneurs. The authors of this paper have participated in the organization of surveys and interviews with Moldovan entrepreneurs in recent years. In particular, they set goals to identify and analyze business problems:

- caused by access to resources
- defined by the impact of regulatory management and control bodies
- related to the business environment – in the broadest sense.

All questionnaires and guides for interviews were developed by the authors.

SMEs problems caused by access to resources. A significant part of barriers that entrepreneurs face on a daily basis, are the problems associated with the resources, their presence / absence, quantitative and qualitative characteristics, as well as easy access of SMEs to them.

Specifying the problems of Moldovan SMEs, due to the resources, the entrepreneurs, as a rule, put on the first two places: access to financing and problems with staff.

Unmet SMEs need in financial resources consistently ranked first among business problems in all polls conducted in the country since 1997. In different periods, the difficulty of access to sources of financing was indicated by 70 to 95% of entrepreneurs (if the respondents had the opportunity to mark all the problems). Specifying the reasons for difficult access to financial resources, entrepreneurs most often noted a high percentage of the loan and the significant expense for its processing; the difficulty of obtaining credit procedures; fear of credit default risk and lack of collateral, inadequate credit assessment.

The main mentioned reason is the high percentage of the loan and the liquid collateral requirement due to the high risk of default. This, in turn, is connected not only with professional and business qualification of personnel, but also to the instability of the economic and political situation. At the same time, unrealized SMEs need in financial resources is largely due to lack of interest of commercial banks in dealing with small clients.

The problem of lack of financial institutions focused on small businesses is exacerbated by a low level of income of Moldovan citizens.

The second most important problem of the Moldovan SMEs is associated with the staff. The importance of this problem has been increasing in recent years. The growth of the importance of staffing problems reflects primarily the negative processes in the labor market of Moldova, demonstrating a decrease of skilled workers.

According to entrepreneurs and experts, the complexity of the staffing is caused by the outflow of skilled workers and professionals, and generally the most active people of the country, as in Moldova, they cannot be offered jobs with appropriate working conditions and wages. Another reason that contributes to the difficulty of recruiting can be the lack of infrastructure institutions operating in the labor market. However, many Moldovan businesses, especially smaller ones, are mainly using informal sources for staff search and recruitment (family, friends, and former colleagues) without addressing to the employment centers and recruitment agencies. This greatly limits the ability of SMEs.

Lately, the staff problem, according to representatives of business, gets only worse. While in previous years, entrepreneurs have complained in the first place of the lack of highly skilled workers (and it could be already increased in the enterprise under the guidance of qualified colleagues), at the moment there is a lack of workers in certain professions, especially qualified workers.

Separate groups of entrepreneurs in varying degrees encounter these barriers, and the specifics of their problems should be taken into account in the SME support policies. Below are the results of the surveys of individual groups of entrepreneurs who are underrepresented in business. In particular, we are talking about entrepreneurs – women, young (graduates of vocational education) and persons with disabilities. The research was carried out in 2016-2017 with the participation of authors in the framework of the projects organized by ODIMM, CEDA and institutional project of National Institute for Economic Research (NIER) [3; 5; 13].

Comparing the problems of access to resources of various groups of entrepreneurs, the following was revealed (Table 4):

Table 4

Types of resources, which significantly limits the business development*, %

Type of resources	Women	Persons with disabilities
Financial resources	83.3	100.0
Human resources	56.6	35.1
Equipment, technologies	53.5	18.9
Real estate	51.0	32.4
Information	46.1	57.1
Raw material, materials	38.5	32.4

** Respondents had the opportunity to give multiple answers.*
Source: [5; 13].

- Entrepreneurs with disabilities are relatively more likely to need financial resources and information. A higher need for finance can be explained by the very low level of involvement of persons with disabilities in labor activity, especially business, and in general, their weak visibility in society, which can cause more mistrust towards them by potential lenders / investors. Such a perception of persons with disabilities is common in the society. The relatively higher need of entrepreneurs with disabilities in information is probably related to the many barriers in their lives that physically restrict their access to state institutions;
- Women entrepreneurs relatively more often have referred to restrictions related to the human resources, equipment / technology and real estate. The revealed differences can be explained by the fact that entrepreneurs with disabilities are relatively more likely to own a smaller business and are engaged in services sector.

Assessing the impact on the business of regulatory influences of the state, female respondents indicated the insignificant impact of the registration procedure of enterprises: only 7.3% of respondents noted that the registration of a business, to a large extent, had a negative impact on the development of their enterprises. At the same time, all 100% of interviewed entrepreneurs with disabilities pointed to the significant complexity of the process of enterprises registration. It can be concluded that in this case it is not the complexity of the business registration process itself, but, in general, the barriers in life and activities of persons with disabilities that limit their access to state institutions (the absence of elevators, etc.).

Problems of SMEs development related to the business environment. The competitiveness of companies significantly depends on external conditions, ie the business environment. Under the business environment we mean a set of legal, economic, scientific, technological, natural-geographic, socio-cultural, political and other conditions influencing the activity of entrepreneurs, but that are beyond their control. Environment can stimulate or, conversely, discourage entrepreneurial activity, so it is important its monitoring in the development of business policies.

The results of a study conducted by the World Bank in 2017 "The Cost of Regulating Entrepreneurial Activity" showed that only about 20% of entrepreneurs believe that the business environment in the country has improved; 23% – that the situation has worsened; 57% of respondents state that no changes occurred [12].

Separate groups of entrepreneurs differently assess the business environment and its change. When assessing the changes in the business environment in 2016 and the first half of 2017, the most negative perception of the business climate was noted by entrepreneurs with disabilities: 89.2% of respondents felt that the business environment had deteriorated and only 2.7% – that it had improved [5]. Among women entrepreneurs, the proportion of people who pointed to the deterioration of the business climate is much lower, but almost half of respondents noted this – 47.7%, while 13.2% of respondents considered that the conditions for business development improved [13]. These data are presented in Table 5.

Table 5

The opinion of entrepreneurs (women and persons with disabilities) about the trends in the business environment, 2016-2017, % *

Groups of entrepreneurs	Tendencies in changing of the business environment,% *		
	Improvement	Worsening	No changes
Women	13.1	47.7	39.2
Persons with disabilities	2.7	89.2	8.1

*Source: [5; 13]. * % entrepreneurs that assessed the problem*

The given data mean that the policy of supporting small and medium-sized businesses in the Republic of Moldova needs further improvement, including in strengthening the differentiated support of various groups of entrepreneurs.

Main conclusions

- Nowadays, the state policy for SMEs development in the Republic of Moldova is implemented in many areas and with a wide range of techniques – improvement of legislation, implementation of targeted programs and development of institutions that support SMEs.
- Analysis of the SMEs public support system and its development in the Republic of Moldova has revealed its advantages and disadvantages. The main pros and cons of modern SMEs development policy are presented below:

Policy advantages:

- A legal framework that regulates the basic aspects of entrepreneurship has been developed;
- A policy for SMEs, which is implemented through the adoption of national strategies, programs and plans for their implementation has been adopted at the national level;
- The main objectives of the SMEs support policy are implemented within the framework of state institutions, primarily in the Ministry of Economy and Infrastructure, local administration bodies and ODIMM;
- Various methods and directions of SMEs development, that are effectively used in countries with a market economy have been tested and implemented;
- Measures are taken to improve public policy, so that it should be tangible at the enterprise level: first of all, a number of regulatory procedures related to registration, licensing, accounting and reporting, and business closure have been simplified; the number of controlling bodies has been significantly reduced.
- Pro-European vector continues to develop, allowing Moldova to receive advice and financial support from the EU, where SMEs are considered as one of the key factors for economic development, as well as to participate in the Eastern Partnership program.

Policy weaknesses:

- Fiscal nature of most of the measures implemented in the process of regulation of entrepreneurial activity;
- A weak coordination of the activities of state institutions involved in the business regulation;
- Transfer of the state support for business priorities widely used in developed countries in completely different conditions without sufficient regard for national specificities;
- Pre-emptive regulation of SMEs at the national level;
- The system of differentiated support for different groups of enterprises is poorly developed in the SMEs policy;
- Existence of an unattractive image of the country as a poor, characterized by political and economic instability, with a high corruption component, which is not conducive to attract investment in the business, especially foreign investment;
- Proposed and implemented support measures are rarely discussed with entrepreneurs; the dialogue that takes place, as a rule, is formal and not resultative.

When substantiating and developing the SMEs support policies the Ministry of Economy and Infrastructure analyzes the situation in the SMEs sector, however many barriers continue to be extremely important for the business. Furthermore, a relative majority of entrepreneurs over the years indicates deterioration in the business environment conditions, herewith the opinions of certain groups of entrepreneurs vary significantly. This means that the government's economic policy pays not enough attention to the problems of different groups of the SMEs sector, leading a mismatch between policies and the actual situation.

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