

**STATE PROGRAMME  
FOR SUPPORTING SMALL AND MEDIUM ENTERPRISE  
DEVELOPMENT DURING 2009-2011**

**INTRODUCTION**

The State Programme for Supporting Small and Medium Enterprise Development during 2009-2011 (hereinafter referred to as the Programme) represents the main mid-term political and socio-economic framework for the development of small and medium enterprises, and a real platform for small and medium businesses in Moldova.

The given Programme, developed in compliance with the National Development Strategy for 2008-2011 and the World Bank Country Partnership Strategy for the Republic of Moldova during 2009-2012, determines the strategic activity directions of the Government in the field, which are to be implemented by local and central government, and other relevant institutions, in order to enhance the efforts to represent their joint interests in substantiating the development process of small and medium enterprises.

Ensuring the continuity of the Strategy for Small and Medium Enterprise Development Support for 2006-2008, and the sustainability of the outcomes obtained as a result of its implementation, the given Programme shall serve as a basis for drafting and implementing plans of action for local and central government, as well as technical assistance projects meant to develop the small and medium enterprise sector.

The given Programme is based on modern business values and principles, being guided by the firm participation of small and medium enterprises in strengthening the economy of the Republic of Moldova. The Programme represents the result of numerous consultations with the civil society, ensuring its compliance with the priority needs of the sector.

**I. SMALL AND MEDIUM ENTERPRISES IN THE CONTEXT OF  
ECONOMIC DEVELOPMENT IN THE REPUBLIC OF MOLDOVA**

Small and medium enterprises represent the engine of the national economy and the main generator of new jobs and economic growth. Through its actions, the Government of the Republic of Moldova has focused on the problems of small enterprises and places them at the center of State policy. This

situation conditions the evolution of all initiatives from small business perspective and guarantees the priority for continuous development of small and medium enterprises.

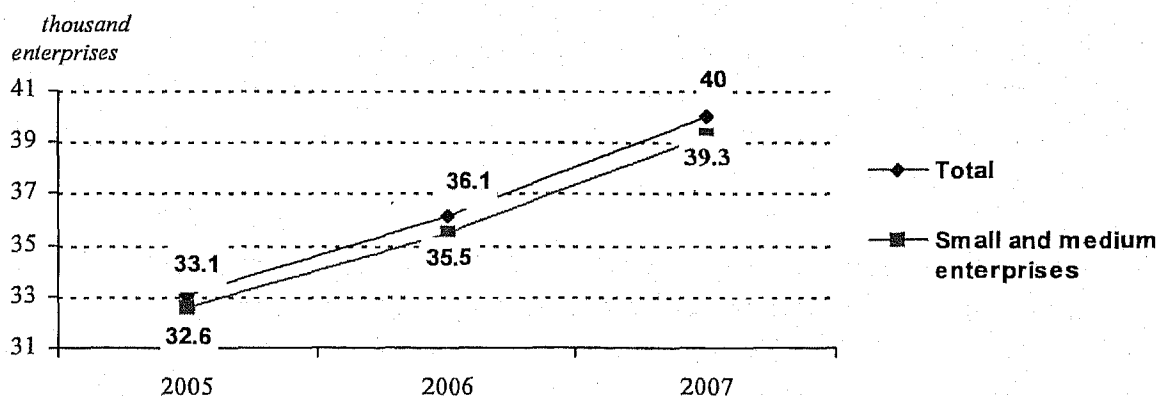
Law No. 206, dated July 7, 2006, on Support for the Small and Medium Enterprise Sector, was passed (Official Gazette of the Republic of Moldova, 2006, No. 126-130, art. 605). Subsequent amendments and completions to the law, in line with the recommendations of the European Commission resulted in the following adjustments by the Republic of Moldova to the criteria for classifying small and medium enterprises :

Enterprise Name	Average annual number of personnel (persons)	Annual income from sales and total annual value of assets (thousand lei)
Micro enterprise	1 – 9	up to 3
Small enterprise	10 – 49	up to 25
Middle enterprise	50 – 249	up to 50

According to data from the National Bureau of Statistics, at the present moment the small and medium enterprises in the Republic of Moldova represent about 98.3% of the total number of enterprises in the country, accounting for 39.3 thousand enterprises, which is 3.8 thousand more enterprises (10.7%) than in 2006, including:

micro enterprises – 30.3 thousand units;  
 small enterprises – 7.2 thousand units; and,  
 medium enterprises – 1.8 thousand units.

The evolution of small and medium enterprises is presented below:



The number of persons working at the moment within small and medium enterprises accounts for 343.5 thousand persons, having 59.8% of the total number of employees in the national economy. The sale income of small and medium enterprises accounted for 66.8 billion lei, or 45% of the sales revenues in the total economy.

Characterizing the sizes of small and medium enterprises, it is necessary to mention that in 2007 there was an average of 9 employees in a medium enterprise, and this is identical to the number registered in the previous year; the volume of sales incomes represented 1.7 million lei, or 170.4 thousand lei (11.1%) more than in 2006. The average sales income of small and medium enterprises per employee constitutes 194.4 thousand lei, or 31.2 thousand lei (19.1 %) more than in 2006. The share of small and medium enterprises in the GDP is increasing, accounting for 35%.

Small and medium enterprises from all sectors of the national economy register positive development values. The most pronounced dynamics were registered in 2007 in the wholesale and retail trade – 53.7%, followed by the processing industry – 14%, and the construction industry – 9%. This particular evolution in trade represents the flexibility of small and medium enterprises in the field, as the majority are framed in the micro-enterprise class with trade activities which perform the function of mediator in the market. These enterprises are characterized by relative volatility (inputs/outputs, or to become restructured and reoriented much quicker).

Involvement of the largest small and medium enterprises in the industrial sector proves the fact that this segment is under development, representing a process with multiple implications, because small and medium enterprises from the industrial sector experience complex organizational and production processes, which imply high-performance infrastructure, qualified personnel, and market stability.

The stability in the construction field represents the consequence of a number of factors: extension of urban and residential infrastructure as a result of real-estate sector development; unfaltering demand for industrial works and road infrastructure; construction work in the trade sub-sector of shop chains; and in the socio-cultural field, and local traditions in the construction field, which were gathered over the time.

The turnover obtained by small and medium enterprises is analyzed both by main activity sectors and by size category of the enterprises.

The small enterprises are those which provide the most important contribution to turnover in small and medium enterprises, amounting to 45.3%; they are followed by medium enterprises, with 37.2%, and micro-enterprises, with 17.5%.

The category of small and medium enterprises covers all types of companies – from businesses with only one employee to companies with 249 employees. While some small and medium enterprises offer traditional services

or handicraft items, others are advanced technology companies which develop very quickly. Regardless of the peculiar character and activity type of small and medium enterprises, they should cope with the same kind of challenges: an uncertain regulation framework; limited access to financial resources, especially for start-ups; underdeveloped support infrastructure; reduced level of participation in the public procurement process; low level of entrepreneurial culture; and, low penetration capacity in international markets.

In spite of the above causes, the implementation of the Strategy for Small and Medium Enterprise Development Support during 2006-2008 covers a number of achievements:

- introduction of the zero-share income tax for legal entities;
- reduction from 3 to 2 steps, and from 20% to 18% of the maximum share of the income tax for natural persons;
- launch of the National Programme for Youth Economic Empowerment;
- adoption of Law No. 220-XVI, dated October 19, 2007, on State registration of legal entities and individual entrepreneurs;
- implementation of the “one-stop window” principles for business registration and improvement of entrepreneurial activity licensing, etc.

The Programme shall ensure the continuity of the priority vectors identified by the Strategy and shall promote new solutions for supporting small and medium enterprise sector development.

**The strategic objective of the given Programme** aims to enhance the economic stability of the country based on the development skills of small and medium enterprises to be performed through:

- proper regulations for the sector;
- easy access to finance tools;
- high production capacities;
- qualified labor force; and,
- good counseling and assistance services.

## **II. STRATEGIC PRIORITIES**

For the purpose of implementing the objectives of the Programme in 2009-2011, the Government set out the following priority directions:

1. Assurance of a favorable legislative and normative framework for the establishment and development of small and medium enterprises;
2. Improvement of the financial environment for small and medium enterprises;

3. Promotion of entrepreneurial culture and managerial performances of small and medium enterprises;
4. Development of competitiveness and internationalization of small and medium enterprises; and,
5. Intensification of the dialogue between the Government and the private sector.

### **1. Assurance of a favorable legislative and normative framework for the establishment and development of small and medium enterprises**

The development and improvement of a viable legislative framework for the efficient operation of market institutions, and the encouragement of private initiative, a favorable investment climate and healthy competition need complex analysis and preparation, including the modern knowledge and professionalism of Programme elaborators who should be able to implement successful international practices. In a proportional way, bureaucracy is a much larger burden for small and medium enterprises than for large companies. According to a study implemented in Germany, a reduction of 25% of the administrative burden for enterprises resulted in an increase of 1.5% in the GDP in European Union countries. This objective may be attained in the Republic of Moldova only through close collaboration between national and local authorities.

We acknowledge the fact that over-regulation affects small and medium enterprises. It is necessary to have fewer, but more efficient, regulations. However, certain laws influencing small and medium enterprises in their activity fields have already been initiated and implemented.

Thus, the Government shall encourage central and local authorities to identify and implement efficient initiatives to improve the activity environment for small and medium enterprises. In compliance with the best international practices, the Government shall undertake and monitor the following actions:

Organization of surveys aimed at identifying the main problems encountered by small and medium enterprises as basis for defining State policy measures;

Optimization of the regulations on entrepreneurial activity and their continuous implementation;

Design of regional programs for supporting small and medium enterprise development;

Optimization of the inspection and control system, and reduction of the State's intrusion in private enterprise activities; and,

Improvement of the system for collecting and presenting statistical and administrative data, especially by implementing electronic reporting methods.

## **2. Improvement of the financial environment for small and medium enterprises**

Capital is the essential element for starting and developing a business, but identification of the most adequate funding form is frequently a major obstacle for small and medium enterprises. Investors and banks avoid funding establishment costs of small and medium enterprises due to the involved risks, and entrepreneurs do not fully acknowledge the reasons of investor and bank concerns, and this fact further complicates the granting of necessary financial assistance.

Introduction of a new innovation funding scheme for the establishment and development of small and medium enterprises, and the drafting and launching of a number of special programs for improving the financial environment for small and medium enterprises, are absolutely necessary for facilitating the access to finance.

The innovation funding schemes are found in both national programs drafted by the State, and regional programs. Namely, due to these programs, it is possible to offer State grants for the establishment of new enterprises, as well as for subsidizing certain types of activity considered to be of major importance to the economy of the country. Such a mechanism is the National Programme for Youth Economic Empowerment, launched in the context of the Youth Year to support the integration of young persons into the socio-economic life of the country.

Another challenge in this field is remittance investment and its efficient use by businesses. Taking into consideration the importance of remittance for the economy of the Republic of Moldova during the last few years, political initiatives should focus on improving large-scale investment opportunities for setting up new businesses, thus responding to the interest by migrants and their families to make investments.

The State grants small and medium enterprises guarantees through different financial tools, thereby facilitating the possibility of obtaining credits from banks. For the purpose of access to credit, the Government launched a new scheme for ensuring and guaranteeing the credits for small and medium enterprises. The risky capital investments in small and medium enterprises are also favored. A business-angels funding system is developing as an alternative for start-ups.

For the purpose of financially supporting the process of fostering the export of local products, and the actions for the prioritized development of

economic sectors, the Government has undertaken efforts to attract international credit lines.

Thus, the implementation of actions meant to improve the financial environment stipulated in the Programme is expected to significantly improve the cooperation between the banks and the Government for ensuring an increased and efficient access by small and medium enterprises to financial resources at any development stage.

### **3. Promotion of entrepreneurial culture and managerial performances of small and medium enterprises**

Another priority direction of the State policy for small and medium enterprise development is to encourage the establishment of new enterprises, to support managerial spirit, and to promote entrepreneurship as a career option.

For the purpose of achieving sustainable economic growth it is important not only to create a favorable environment for the able-bodied population in terms of labor force development and employment, but also to set up a favorable climate for cultivating an entrepreneurial spirit. Entrepreneurial spirit refers to the ability of a person to implement ideas in practice, and to plan and manage projects to achieve certain objectives.

The education in this field should cultivate abilities that generate an entrepreneurial behavior, as well as creativity, an initiative spirit, risk acceptance, self-trust, teamwork skills, etc. Depending on the education level, it is also necessary to offer specific knowledge in the business field. It is important for entrepreneurial education to be developed into a coherent framework. That is why it must become a component of vocational education programmes which are taught together with other qualifications, such as construction worker or plumber.

According to the Programme objectives, the legislative and normative framework regarding entrepreneurial education, cultivation of institutional, and managerial skills, and development of business services providers, shall be improved.

The entrepreneurial culture shall be developed through the general training system, vocational and educational systems, and by extending the re-qualification system for unemployed people, in cooperation with universities, institutions, and organizations involved in the field of small and medium enterprise counseling.

An important role for ensuring the expected results from implementing the Programme will be training the youth and other categories of the population, as

well as for the decision-making and/or execution personnel of small and medium enterprises in priority subjects: management, marketing, planning strategies, accounting, and sources and methods for investment funding.

Development of consultancy services granted to small and medium enterprises for drafting business and marketing plans, including for obtaining finance from structural funds, and for implementing market and feasibility studies, shall become a component of the process for promoting an entrepreneurial culture.

In this context, a new Curriculum for entrepreneurial education shall be developed and implemented within pre-university, secondary vocational, and secondary specialized education. Continuous national training Programmes for entrepreneurs shall be implemented.

#### **4. Development of competitiveness and internationalization of small and medium enterprises**

An increase in national competitiveness – one of the five priority directions of the National Development Strategy for 2008-2011 – develops the direction dealing with the consolidation of small and medium enterprise competitiveness as a mandatory vector for economic growth.

The Government's efforts to foster an increase in the competitiveness of small and medium enterprises sector are special, as at the present moment this sector has the largest capacity to create new work places and to ensure income sources.

As a result, the main development directions to be used for increasing the competitiveness of this sector are the following: development of technical and innovation capacities of small and medium enterprises, introduction of quality standards and quality management systems, development of business incubators and industrial parks, development of clusters as mechanisms for stimulating economic growth, promotion of intellectual property rights, and facilitation of small and medium enterprise access to internal and external markets.

The Government of the Republic of Moldova fully recognizes the importance of the innovation process within small and medium enterprises, which is necessary for their survival and prosperity at the international level, due to the fact that markets evolve rapidly and the competitive scramble from other economies becomes harsher and harsher. Implementation of research-development and innovation activities, as well as of new technologies, are the methods that may be used by Moldovan small and medium enterprises for achieving performance goals in their area of activity.



The innovation capacity of small and medium enterprises is limited, as insufficient resources are invested for use and operation of modern technologies. The relations between universities and the business sector are fragile, and there is no awareness of benefits coming from new technologies and innovations. The specialized institutions (innovation centers, technology transfer agencies, research centers, and laboratories) for the provision of assistance to small and medium enterprises in the field of new technologies and innovation are underdeveloped; and as a result, their capacity to absorb innovations is reduced.

Whenever the innovation idea is not legally protected, it will be difficult to identify the funding of a loan or a long-term investment. In such cases, companies need legal protection of their intellectual property rights.

The quality improvement of small and medium enterprise products in line with international standards and their conformity with environmental and protection norms and standards of the European Union, shall allow small and medium enterprises from Moldova to increase their capacity to sell products in local and foreign markets.

According to the European Commission Enterprise Directorate-General, business incubators are an efficient mechanism for setting up small and medium enterprises and new places of work. These incubators increase the success rate of start-ups from 45 to 85%, and use the best tested and established practices.

The set up of a business incubator network in the Republic of Moldova shall be an efficient mechanism for promoting entrepreneurship and public-private partnerships, also being an important way to re-use the buildings of public sector enterprises which are not functioning. At the same time, business incubators shall be a method to control the use of funds meant for human development and poverty reduction.

The need to develop business incubators also comes from the fact that they register much more frequent successes than the technological incubators. Business incubators represent a well-established mechanism for support, supervision, and financial control of the small and medium enterprise establishment process. The entrepreneurial skills, trained labor force, and personnel in Moldova's science sector may contribute to the recovery of the private sector and set up of new places of work.

It is also well known that the organization of small and medium enterprises as clusters increases their competitiveness, representing an important framework for development and increase in private firms. In this context, the

Government shall undertake efforts to create legislative framework stimulating the development of clusters.

One of the problems encountered by small and medium enterprises in trans-border activities relates to insufficient knowledge of available opportunities and regulations in the trans-border business fields. According to entrepreneurs, the linguistic barriers, legislative and regulation differences, limited access to funding, as well as lack of knowledge about other markets are the main reasons that prevent many small and medium enterprises from extending their activity abroad. In this respect, it is necessary to set up a large network of counseling service providers.

Thus, based on the above mentioned, the fulfillment of these actions shall allow Moldovan small and medium enterprises to improve their competitiveness indicators and to increase their possibilities to grow and become large companies, and to be important exporters in the international arena.

#### **5. Intensification of the dialogue between Government and the private sector**

During the implementation period of the Strategy for Supporting Small and Medium Enterprise Development in 2006-2008, the Government of the Republic of Moldova implemented a number of initiatives meant for consolidating the dialogue between the Government and the private sector.

The intensification of the dialogue between the Government and the private sector is implemented through its participation in the improvement of the legislative and normative framework, and the consolidation of institutional and functional capacities of the structures representing small and medium enterprises.

The Government shall continue to encourage and facilitate solid, independent, and efficient representativeness of small and medium enterprises.

In this context, the Government shall support the national associations of entrepreneurs by attracting donor support for their institutional and human capacity building, and shall facilitate their participation in European networks for business assistance and research and development programs funded by the European Commission.

The actions of this strategic priority shall allow Moldova to transition to a more mature stage of the public-private partnership, joining the community of the states that practice more civilized forms of the dialogue between business and authorities, and using similar tools for coordinating the legislative and entrepreneurial activity.

### **III. IMPLEMENTING AND MONITORING THE PROGRAMME**

As a continuity of the Strategy for Supporting Small and Medium Enterprise Development in 2006-2008, the State programme for Supporting Small and Medium Enterprise Development in 2009-2011 shall be implemented at the national level by the relevant ministries, institutions, and services, while at the local level, the responsibility for implementing the actions shall be entrusted to local public administration authorities. The Ministry of Economy and Trade shall coordinate the monitoring and evaluation process at the inter-department and inter-regional levels.

For the purpose of fulfilling these goals, the Organization for Small and Medium Enterprises Sector Development was set up under the Ministry of Economy and Trade to monitor and perform the synthesis evaluation of Programme implementation.

The implementation of the actions stipulated under the given Programme shall be performed within the limit of the financial means allocated for this purpose from the consolidated budget and the budgets identified through the non-governmental organizations, private sector, and international financial institutions.

#### IV. PLAN OF ACTIONS

### for implementing the State Programme for Supporting Small and Medium Enterprises Development during 2009-2011

Priority /Action	Action cost*	Funding sources	Deadline	Responsible authority	Expected result	Performance / progress indicators
1	2	3	4	5	6	7
<b>Priority 1. Assurance of a favorable legislative and normative framework for the establishment and development of small and medium enterprises</b>						
1.1. Organization and implementation of surveys focused on identifying the main problems encountered by small and medium enterprises for defining state policies	0		2009-2011	Institute of Economy, Finance and Statistics	Recommendations for drafting the state policy	Study developed. Indicators for business environment evaluation
1.2. Optimization of the regulations dealing with entrepreneur activity and their continuous implementation						
1.2.1. Continuous implementation of the regulatory reform within the framework of the World Bank technical assistance project	3 100 th lei;** (300 th USD)	Donors' assistance	2009-2011	Ministry of Economy and Trade	Information memos to the newly-developed official acts to contain regulatory impact evaluation	Number of legislative and normative acts subject to regulatory impact assessment
1.2.2. Implementation of the "one-stop window" principle for performing Customs procedures	8 010 th lei	Donors' assistance	2009-2010	Customs Service	To reduce the time for performing Customs procedures	Increased volume of exports; volume of budget incomes coming from Customs fees
1.2.3. Implementation of the "one-stop window" principle in local public institutions activity		Donors' assistance***	2009-2011	Ministry of Economy and Trade, local public administration authorities	To have electronic interconnection of local public institutions for performing data electronic exchange; to reduce the time for granting local public service related to business development	Number of authorizations and procedures for starting up an entrepreneurial activity; number of days necessary to issue an authorization
1.2.4. Implementation of the "one-stop window" principle in compulsory reporting procedures for small and medium business		Donors' assistance***	2010	Ministry of Finance, Ministry of Informational Development, National Bureau of Statistics	Modern techniques of electronic reporting and data collecting are implemented; reducing financial costs and time related to reporting	Single (electronic) reporting system created and implemented; number of reports; number of small and medium enterprises processed through the new system
1.3. Development of regional programs for small and medium enterprises support	0		2010-2011	Ministry of Local Public Administration, Ministry of Economy and	Implementation in regions of special programmes for small and medium enterprises; increased level of rural development	Indicators of small and medium enterprises' performance in regions; number of programs developed and

				Trade, local public administration authorities	Reducing the number of control bodies; instituting control and regulation functions through legislation	implemented; number of enterprises benefiting from local public administration support
1.4. Optimization of the inspection and control system, determination of the level and the modalities of state's involvement in private enterprises' activity	0		2009-2011	Ministry of Economy and Trade, central public administration authorities	Reducing the number of control bodies; instituting control and regulation functions through legislation	Number of control bodies
1.5. Improvement of the statistical and administrative data collection and presentation, especially, by implementing electronic reporting methods	105,6 th lei** (8000 euro)	Donors' assistance (International Organization for Migration)	2009-2011	Ministry of economy and Trade, National Bureau of Statistics, Customs Service, State Main Tax Inspectorate, National House of Social Insurances, National Company of Health Insurances, International Organization for Migration	Reducing the information pressure on economic units by improving the reporting system and presentation modality (based on electronic reporting); efficient and simplified system for statistical data collection and presentation	Number of reports presented to public authorities, including on-line regime
1.6. Implementation of studies on migrants and remittances. Harmonization and adjustment of the methods for migration study used by different involved institutions	52,8 th lei** (4000 euro)	Donors' assistance (International Organization for Migration)	2009-2010	International Organization for Migration	Exhaustive and veridical statistical data on migration and remittances; increased level of transparency and accuracy of statistical data	Developed study
1.7. Organization and implementation of statistical survey "Gender and Small and Medium Business"	35 th lei	State budget	2009-2010	National Bureau of Statistics, National Bank of Moldova	Fulfilled statistical survey	Gender sensitive indicators in small business
<b>Priority 2. Improvement of the financial environment for small and medium enterprises</b>						
<b>2.1. Promotion of a flexible bank policy</b>						
2.1.1. Grant of long-term bank loans with preferential interest rates	0		2009-2011	Commercial banks	Increase of access to finance of small and medium enterprises	Number of granted long-term bank loans, size of the interest rate for the granted loans
2.1.2. Implementation of new funding products and technologies in financial institutions	0		2010-2011	Commercial banks	Increase of access to finance of small and medium enterprises	Number of implemented new products; number of implementing banks; number of beneficiaries of new products
2.1.3. Grant of preferential loans with state's guarantee for the businesses generating new jobs in small and medium enterprises sector	3 000 th lei	State budget	2009-2011	Ministry of Economy and Trade, National Agency for Labor	Increase of access to finance of small enterprises; increase of the development level of	Number of preferential loans; volume of granted preferential loans; setting up

					Force Employment	small and medium enterprises from the priority fields	50 new places of work on annual basis
<b>2.2. Supporting producing small and medium enterprises from rural area</b>							
2.2.1. Granting state financial assistance and subsidies to producing small and medium enterprises from rural sector	25000 th lei		2010-2011	Ministry of Agriculture and Food Industry, Ministry of Economy and Trade	Financial assistance and subsidies granted to producing small and medium enterprises from rural sector	Number of small and medium enterprises benefiting from financial assistance and subsidies; volume of granted financial assistance / subsidies	
2.2.2. Attracting financial assistance as grants for building production capacities of small and medium enterprises from rural sector		Donors' assistance ***	2009-2011	Ministry of Economy and Trade, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Improved production capacity	Number of supported production small and medium enterprises	
2.3. Attracting technical and financial assistance programmes for fostering the set up of new enterprises by youth and women		Donors' assistance ***	2009-2011	Ministry of Economy and Trade, Organization for Promotion of Exports from Moldova, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade, Center for Competitiveness and Productivity ARIA	Improvement of the living standard of youth and women; increase of newly-created small and medium enterprises	Number of newly created small and medium enterprises by youth and women	
2.4. Drafting start-ups funding schemes	50 th lei	State budget	2009-2011	Organization for Small and Medium Enterprises Development under the	Developed scheme of start-ups support	Number of newly created small and medium enterprises benefiting from funding	

<p><b>2.5. Development of innovating funding schemes for small and medium enterprises</b></p> <p>2.5.1. Implementation of the Second Component of the Programme for Youth Economic Empowerment</p>	110400 th lei	Donors' assistance	2009 -2010	Ministry of Finance, Credit Line Directorate	Increasing the level of youth involvement in entrepreneurial activity; decreasing youth emigration flow; improvement of living standards in rural area	1000 of granted loans
<p>2.5.2. Investment of remittances in local economies development by implementing the Remittances Investment Programme 2+1</p>		State budget, local budgets, remittances ***	2010-2011	Ministry of Economy and Trade, Ministry of Local Public Administration, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Active implication of the state in attracting and usefully managing the remittances. Programme developed	Programme developed; number of projects fulfilled within this Programme
<p><b>2.6. Continuation of the process focused on attraction of credit lines from international financial institutions</b></p>	0		2009-2011	Ministry of Economy and Trade, Ministry of Finance, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Increase of the number of small and medium enterprises benefiting from loans; increase of terms of loans meant for small and medium enterprises	Number and value of long-term loans granted to small and medium enterprises, increase of the crediting term
<p><b>2.7. Development of the loan guarantees system for small and medium enterprises</b></p> <p>2.7.1. Adopting the good practices in the field of loan guarantees for small and medium enterprises, development and implementation of efficient schemes for guaranteeing loans for small and medium enterprises</p>		Donors' assistance ***	2009-2011	Ministry of Economy and Trade, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Optimization of the local guarantee system; extension of the number of loan beneficiaries; increase of the number of guarantee products	Number of trained persons; number of attended trainings and seminars; number of articles and publications; performing system of loan guarantees; developed and functional scheme

2.7.2. Guaranteeing the loans of small and medium enterprises through the State Fund for Loan Guarantees	8000 th lei	State budget, Donors' assistance ***	2009-2011	Trade Ministry of Economy and Trade	Facilitation of the access to finance of the small and medium enterprises; extension of the number of credit beneficiaries; increased of the number of guarantee products	Number of granted guarantees; volume of granted loans; amount of granted guarantees
2.7.3. Establishment of a national network of the Fund for Loan Guarantees for small and medium enterprises		Donors' assistance***	2009-2011	Ministry of Economy and Trade, Ministry of Finance	Facilitation of the access of small and medium enterprises to finance for optimizing their development	Number of transaction carried out through guarantee funds; number of granted guarantees
<b>2.8. Assurance of financial mediation in remittances transfer options</b>						
2.8.1. Implementation of the project for training migrants-users of financial-banking services on how to benefit from such services	330 th lei** (25000 euro)	Donors' assistance (International Organization for Migration)	2009-2010	Financial-banking institutions from the Republic of Moldova, IOM	Increasing number of users of financial-banking services	Increase of the number of users and number of used services
2.8.2. Consolidation of the capacities of the micro-funding organization and those of the Savings and Credit Association in the field of remittances transfer services provision	0		2009	National Commission of the Financial Market, Savings and Credit Associations, micro-financing organizations	Extension of the credit and loan services for beneficiaries from rural area; development of new schemes for granting loan services for the members of the Savings and Credit Associations	Number of users of financial-banking services from rural area
2.8.3. Involvement of the State Enterprise "Posta Moldova" in the system of remittances transfer and distribution in national and foreign currency	50 th lei	Financial means of the S.E. "Posta Moldova" and the financial assistance of the Universal Mail Union	2009	Ministry of Economy and Trade, Ministry of Informational Development, S.E. "Posta Moldova"	Improving the access to transfer services in rural zones	Number of users of financial-banking services from rural area
2.8.4. Creation of the remittances-based schemes for guaranteeing the loans	0		2009-2011	Financial-banking institutions	Increased number of credits for business launch purpose	Number of credits
<b>2.9. Extending the implementation of new technologies in remittances' transfer</b>						
2.9.1. Extending the range of financial services, increasing competitiveness and reducing the costs of these services ("account-on-account")	0		2009-2011	Financial-banking institutions	Reducing the duration and the costs for remittances' transfer; increased quality of	Time necessary to transfer remittances and cost of this operation; number of



system, pc-banking, internet-banking, mobile-banking, phone-banking, ATM-banking)					the services	financial-banking services, their attractiveness and quality
2.9.2. Implementation of the bank services for remittances' transfer via cell phone	0	2009-2011	National Bank of Moldova, Ministry of Informational development, telecommunication companies	Simplification of transfer formalities	Time necessary for transferring remittances and cost of this operation	
2.10. Media coverage of finance opportunities	0	2009-2011	Ministry of Economy and Trade	Increase of population level about finance opportunities	Number of organized events	
<b>Priority 3. Promotion of entrepreneurial culture and managerial performances of small and medium enterprises</b>						
<b>3.1. Improvement of the legislative and normative framework regarding entrepreneurial education</b>						
3.1.1. Carrying out the study and drafting the report on legislation in force compliance with the level of entrepreneurial culture in small and medium enterprises sector	0	2009-2011	State budget	Ministry of Economy and Trade, Ministry of Education and Youth, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Determining the development trends for small and medium enterprises sector; identifying the problems of the small and medium enterprises sector	Study developed
3.1.2. Developing and monitoring the implementation of the Entrepreneurial Education Curriculum in pre-university, secondary professional and secondary vocational education	300 th lei	2009-2011	State budget, Donors' assistance	Ministry of education and Youth, Moldova Academy of Science	Development of the new curriculum introducing the new subjects related to the entrepreneur spirit; implementation of programs on development of entrepreneurial culture; increase of entrepreneurial knowledge among students and pupils	Number of pupils/students-beneficiaries; number of educational institutions which implemented the curriculum
3.1.3. Developing, editing and distributing didactical materials for the entrepreneurial education course	10000 th lei	2009-2011	State budget, Donors' assistance	Ministry of Education and Youth, Moldova Academy of Science	Increase of youth interest for entrepreneur activity by ensuring them with useful and up-to-date information	Number of distributed didactical materials and number of initiated businesses
3.1.4. Training the didactical personnel for teaching the entrepreneurial education course	700 th lei	2009-2011	State budget, Donors' assistance	Ministry of Education and Youth	Ensuring the education system with didactic personnel in the field of entrepreneurial	Number of didactical personnel trained in the field, number of education

							activity	institutions ensures with the necessary number of didactical personnel
3.1.5. Developing and implementing the National Programmes for entrepreneurs' continuous training	900 th lei 2500 th lei	Financial means of the Chamber of Commerce and Industry, state budget	2009-2011	Chamber of Commerce and Industry, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Improvement of entrepreneurial skills; promotion of entrepreneurial culture	Number of developed programmes; number of beneficiaries		
3.1.6. Implementation of the I Component of the of the Programme for Youth Economic Empowerment "Entrepreneurial Training and Consultancy"	1100 th lei	State budget	2009-2010	Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Improvement of the entrepreneurial skills among youth; increase of the level of youth involvement in entrepreneurial activity	Number of programme beneficiaries; number of newly-created enterprises		
3.1.7. Analysis of the international practice regarding the training in entrepreneurial culture and implementation of training programmes	300 th lei	Financial means of the Chamber of Commerce and Industry, Donors' assistance ***	2009	Ministry of Economy and Trade, Chamber of Commerce and Industry, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Development of new training programmes in line with international practices	Study implemented		
3.1.8. Implementation of the good practices regarding entrepreneurship support among youth and women		Donors' assistance ***	2009-2010	Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Increase of youth and women's involvement in entrepreneurial activity	Number of enterprises set-up and managed by youth and women		
3.1.9. Facilitation of the access of small and medium enterprises to information through: - www.businessportal.md and electronic newsletter; - single consultancy and assistance office HELP DESK (hot-line, "one-stop window"; on-line consultancy, SME navigator); - operational network "European Enterprise"	66 th lei** (5000 euro)  1500 th lei	Donors' assistance (International Organization for Migration) (ENTANSE 2 Your business)	2009-2011	International Organization for Migration, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Facilitation of small and medium enterprises' access to information resources; Reduction of time costs of the small and medium enterprises in regards to the entrepreneurial activity; facilitation of access to	Office established and functional; number of informed beneficiaries; monthly edition of the information bulletin (in electronic version) regarding the news on entrepreneurial		

<p>3.1.10. "Implementation of the Moldo-German Programme for managers' qualification increase" supported by the Ministry of Economy and Technologies of the federative German Republic and by the German Association „InWEnt"</p>	<p>1 mil. lei + (0,2 mil. (2009) + 0,4 mil. (2010) + 0,4 mil. (2011)</p>	<p>State budget, Donors' assistance</p>	<p>2009-2011</p>	<p>Ministry of Economy and Trade, Chamber of Commerce and Industry</p>	<p>Increase of professional training level of managers; development of the new generation of managers; increase and consolidation of bilateral and multilateral economic collaboration relations.</p>	<p>environment (legislation, funding, projects, training, etc.) Number of programme participants; number of organized training measures</p>
<p><b>3.2. Cultivation of institutional and managerial skills</b></p>						
<p>3.2.1. Building institutional capacities of the Economy Units within the Rayon Council for developing and implementing actions meant to support small and medium enterprises' development</p>	<p>52,8 th lei** (4000 euro)</p>	<p>Donors' assistance (International Organization for Migration)</p>	<p>2009</p>	<p>Ministry of Economy and Trade, Ministry of local public Administration, International Organization for Migration</p>	<p>Enhancing capacities of the employees of local public administration by ensuring them with useful information and consultation related to the activity of small and medium enterprises</p>	<p>Number of trained and consulted employees from Rayon Councils</p>
<p>3.2.2. Building institutional capacities of the Rayon Consultancy Centers for small and medium enterprises. Equipping the centers with modern technique</p>	<p>66 th lei** (5000 euro)</p>	<p>Donors' assistance (International Labor Organization)</p>	<p>2009-2011</p>	<p>Ministry of Economy and Trade, local public administration authorities, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade, International Labor Organization</p>	<p>Granting support for modernizing the consultancy centers for small and medium enterprises</p>	<p>Increasing the number of regional consultancy centers for small and medium enterprises; number of small and medium enterprises which requested for consultancy and information</p>
<p>3.2.3. Building institutional and administrative capacities of the Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade</p>		<p>Donors' assistance ***</p>	<p>2009-2011</p>	<p>Ministry of Economy and Trade, Organization for Small and Medium Enterprises under the Ministry of Economy and Trade</p>	<p>Quality increase for services and assistance granted to entrepreneurs by the personnel of the Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade</p>	<p>Establishment of four subsidiaries and increase of the number of trainings, internships, workshops</p>
<p>3.2.4. Continuous improvement of the banking</p>	<p>2000 th lei</p>	<p>Donors' assistance</p>	<p>2009-2011</p>	<p>Banks' Association,</p>	<p>Quality increase for bank services,</p>	<p>Number of organized and implemented trainings and</p>

system activities, usage of success practices in crediting small and medium enterprises				Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	qualification increase, increase of small and medium enterprises' access to financial resources	study visits; number of credit beneficiaries; number of articles and publications
3.2.5. Organization and implementation of the courses for improving the responsibilities dealing with the development of small and medium enterprises sector from business support organizations and institutions	200 th lei	Donors' assistance (Chamber of Commerce and Industry)	2009-2011	Ministry of Economy and Trade, Economy Division from the Rayon Councils, Chamber of Commerce and Industry, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Quality improvement of the provided services; increase of the number of offered products and services	Number of beneficiaries; number of trainings
3.2.6. Consolidation of the dissemination of the information for members of civil society through: a) developing regional information campaigns for the large public; b) developing brochures, guides and informative leaflets; c) promoting the good practices examples through television, radio and written media; d) developing information campaign for improving financial knowledge of migrants and their families from Moldova who receive remittances	400 th lei 105,6 th lei** (8000 euro) 396 th lei** (30000 euro)	State budget, Donors' assistance (International Labor Organization)  (International Organization for Migration)	2009-2011	Ministry of Economy and Trade, local public administration authorities, International Organization for Migration,  International Labor Organization, Organization for Small and Medium Enterprises' Development under the Ministry of Economy and Trade	Diminishing the time for collecting the data by the interested persons through information dissemination methods	Number of published guides, leaflets, and brochures; number of rayons where information campaigns were organized; number of impact evaluation surveys implemented before and respectively after the information campaign
3.2.7. Organization of seminars, round tables, workshops for economic units aiming to develop the entrepreneurial culture and managerial performances	500 th lei 300 th lei	Donors' assistance (Chamber of Commerce and Industry)	2009-2011	Ministry of Economy and Trade, organization for Small and Medium Enterprises	Increase of entrepreneurial culture and managerial performances	Number of participants - economic units from small and medium enterprises sector; number of organized seminars, round tables,

			(Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade)		Development under the Ministry of Economy and Trade, Chamber of Commerce and Industry		workshops
3.3. Development of business services providers network by training them and fostering the demand for consultancy	700 th lei	Donors' assistance (Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade)*** (Chamber of Commerce and Industry)	2009-2011	Ministry of economy and Trade, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade, Chamber of Commerce and Industry	Improving the quality of the services offered by the business services providers; increasing the trust level of small and medium enterprises in business services providers; increasing the level of professional training of business services providers	Quality system developed; number of certified business providers; number of organized training among business services providers	
<b>Priority 4. Development of competitiveness and internationalization of small and medium enterprises</b>							
4.1. Development of technical and innovating capacities of small and medium enterprises							
4.1.1. Study of innovation activities, research and development within small and medium enterprises	0		2010-2011	Moldova Academy of Science, Agency for Innovation and Technologic Transfer	Study developed for defining the future actions for supporting small and medium enterprises	Number of recommendations for supporting the innovation activity within small and medium enterprises sector	
4.1.2. Development of the innovation culture, research and development for small and medium enterprises sector and encouragement of cooperation with the research and innovation at national and international level		Donors' assistance ***	2009-2011	Moldova Academy of Science, Agency for Innovation and Technologic Transfer, Intellectual Property State Agency	Cooperation of small and medium enterprises with the research and innovation institutions at national and international level	Number of enterprises implementing innovation results; number of used patents; number of agreements concluded between small and medium enterprises and national and international research and innovation institutions	
4.1.3. Creation and development of innovation infrastructure and technologic transfer for small and medium enterprises (innovation		Donors' assistance ***	2009 - 2011	Moldova Academy of Science, Ministry of Economy and Trade, Agency for	Created infrastructure; entities with facilities for innovation structures, facilities for	Share of innovation products and services in the total volume of products and	

incubators, scientific-technologic parks, clusters)				Innovation and Technologic Transfer	transferring knowledge to created and developed small and medium enterprises	services; number of newly funded innovation small and medium enterprises
4.1.4. Development of research-innovation and development indicators in the national statistics system (sector of small and medium enterprises)	0		2009 – 2010	Moldova Academy of Science, National Bureau of Statistics	System of monitoring and evaluating the activities of the innovation small and medium enterprises	Share of small and medium enterprises which develop their own innovation activities; number of innovating small and medium enterprises
4.1.5. Promotion of small and medium enterprises' investments in new technologies and in research-development-innovating activities	0		2009 -2011	Moldova Academy of Science, Agency for Innovation and Technologic Transfer	Increase of investment volume in small and medium enterprises for procuring and implementing new technologies	Volume of implemented investments; number of procurements of new technologies
<b>4.2. Implementation of international and European standards and of the quality management systems in the small and medium enterprises' activity</b>						
4.2.1. Implementation of quality management systems (QMS), including the ones integrated in the small and medium enterprises sector according to the international and European standards	19,8 th lei** (1500 euro ) certification of a quality management system	Donors' assistance, economic units' own financial means	2010-2011	Ministry of Economy and Trade, Center for Competitiveness and Productivity ARIA	Enterprises certified in quality management system	Number of small and medium enterprises supported in implementation of European standards, number of small and medium enterprises certified in quality management system
4.2.2. Training the leadership and the personnel of small and medium enterprises in the field of quality management and preparation of documented procedures	60 th lei/ for an enterprise of 20-30 employees	Donors' assistance, economic units' own financial means	2009-2010	Center for Competitiveness and Productivity ARIA	Increase of personnel qualification within small and medium enterprises	Number of trained employees
4.2.3. Implementation of food security management system according to ISO 22 000 in the small and medium enterprises from the agro-food sector		Donors' assistance ***	2009-2010	Ministry of Agriculture and Food Industry, local public administration authorities, Center for Competitiveness and Productivity ARIA	Quality improvement of food products manufactured by small and medium enterprises	Number of small and medium enterprises qualified according to ISO 22 000
<b>4.3. Integration of small and medium enterprises</b>						

<b>in business incubators and industrial parks</b>						
4.3.1. Creation and development of the business incubators network	22672 th lei	Donors' assistance	2009-2010	Ministry of Economy and Trade, local public administration authorities, Organization for Small and Medium Enterprises under the Ministry of Economy and Trade	Improvement of infrastructure for small businesses; creating premises for launching and developing small businesses; increase of competitiveness of small business	Established and functional network of business incubators; number of incubated enterprises, newly created jobs
4.3.2 Organization of trainings for business incubators' managers	500 th lei 500 th lei	Donors' assistance (Chamber of Commerce and Industry) (Organization for Small and Medium Enterprises under the Ministry of Economy and Trade)	2009-2011	Organization for Small and Medium Enterprises under the Ministry of Economy and Trade, Chamber of Commerce and Industry	Increase of business managerial capacities	Number of trained persons
4.3.3. Attraction of technical assistance for industrial and technologic parks' development		Donors' assistance ***	2009-2011	Moldova Academy of Science, Ministry of Economy and Trade	Supported industrial and technologic parks which allow the development of local and foreign investments in production innovating activities	Number of supported industrial parks; volume of attracted investments; number of newly created jobs
<b>4.4. Development of clusters as mechanisms for fostering economic growth</b>						
4.4.1. Implementation of a feasibility study and development of the concept on clusters' development in the Republic of Moldova		Donors' assistance ***	2009	Center for Competitiveness and Productivity ARIA	Developed feasibility study	Number of clusters possible to be developed in the country
4.4.2. Development of the methodical material necessary for clusters' establishment and activity	0		2010	Institute for Economy, finance and Statistics	Set of methodical materials developed	Number of developed methodical material
4.4.3. Development of clusters' network in small and medium enterprises sector		Donors' assistance ***	2010-2011	Organization for Small and Medium Enterprises development under the ministry of	Active cluster-pilot	Functional cluster; number of enterprises within the cluster; number of created clusters; turnover within the cluster

					Economy and Trade			
<b>4.5. Promotion of the intellectual property rights for small and medium enterprises</b>								
4.5.1. Launch of activity pre-screening services for small and medium enterprises regarding the usage of intellectual property	800 th lei	Donors' assistance	2009-2011	Intellectual Property State Agency	Identification of solutions for ensuring the optimal protection and efficient usage regime for the intellectual property	Number of small and medium enterprises benefiting from intellectual property right		
4.5.2. Training the managers and the accountants in the field of intellectual property value assessment and including it in the social capital and in the accounting balance sheet of the small and medium enterprises	400 th lei	State budget, Donors' assistance	2009-2011	Intellectual Property State Agency	Increase of the accounting balance sheet and increase of the social capital of the small and medium enterprises; increase of competitiveness and investment attractiveness of small and medium enterprises	Number of trained managers and accountants		
4.5.3. Granting consultancy and training entrepreneurs in the field of intellectual property rights use and protection by organizing specialized seminars, round tables, and workshops	400 th lei	Financial means of the Intellectual Property State Agency	2009-2011	Intellectual Property State Agency	Awareness increase of small and medium enterprises about the need to protect and efficiently use the intellectual property	Number of trainings organized for small and medium enterprises; number of trained persons; number of consultations and services requested by small and medium enterprises		
4.5.4. Dissemination of information regarding the advantages of using intellectual property objects for development of enterprises and promotion of success models	300 th lei	Financial means of the Intellectual Property State Agency	2009- 2011	Intellectual Property State Agency, Agency for Innovation and Technologic Transfer	Consolidation of capacities for accessing and using the information regarding intellectual property; availability of an intellectual property guide for small and medium enterprises	Number of publications, informational material, press releases developed and disseminated to small and medium enterprises		
<b>4.6. Facilitation of small and medium enterprises' access to internal and foreign markets</b>								
4.6.1. Increasing the processing capacities of agricultural products with added by the small and medium enterprises from rural localities	4600 th lei	State budget	2009-2011	Ministry of Agriculture and Food Industry	Increasing the number of small and medium enterprises processing added-value agricultural products	Number of created small and medium enterprises		
4.6.2. Reducing the number of certificates and acts necessary for the export of goods from the country, including the establishment of a simpler regime for the export of certain types of products	600 th lei	State budget	2009	Ministry of Economy and Trade, Ministry of Agriculture and food Industry, State Customs Service	Facilitated export on foreign markets; small and medium enterprises fostered in export activity	Reduced number of acts for performing the export procedure		



4.6.3. Granting consultancy and training to the employees of the small and medium enterprises with the aim to develop export strategies, to improve the marketing techniques and export management	60 th lei	Donors' assistance	2009	Organization for Promotion of Exports from Moldova	Increase of professionalism of the personnel of small and medium enterprises; increase of the export capacities of the enterprises; developed training programme	Number of trained entrepreneurs
4.6.4. Development and continuous consolidation of economic, commercial relations and promotion of exports of local goods on foreign markets through the diplomatic missions of the Republic of Moldova	0		2009-2011	Ministry of Foreign Affairs and European Integration, Ministry of Economy and Trade	Moldovan small and medium enterprises promoted by the diplomatic missions	Volume of exports
4.7. Creation of the competitiveness monitoring and evaluation system for small and medium enterprises based on the indicators used by OECD Investment Compact		Donors' assistance ***	2009-2011	Center for Competitiveness and Productivity ARIA, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade	Integration of the republic of Moldova in the OECD Compact regarding regional policies for small and medium enterprises	Functional evaluation system
4.8. Stimulation of small and medium enterprises' involvement in the development of the trans-border cooperation and in regional business partnerships		Local budgets, Donors' assistance, trans-border cooperation funds ***	2009 -2011	Ministry of Economy and Trade, local public administration authorities, Organization for Small and Medium Enterprises Development under the Ministry of Economy and Trade, Organization for Promotion of Exports from Moldova	Facilitation of commercial exchanges and relations between the small and medium enterprises from the Republic of Moldova and their counterparts from the neighboring countries	Number of commercial operations of trans-border cooperation; number of supported trans-border cooperation initiatives
4.9. Building the capacities of the economic units in the field of investment projects drafting and business development	300 th lei	Donors' assistance (Chamber of Commerce ad	2010	Organization for Small and Medium Enterprises Development	Economic units from the small and medium enterprises trained in the field of investment projects	Number of implemented success investment projects; number of trained economic units

			Industry)			under the Ministry of Economy and Trade, Organization for Promotion of Exports from Moldova, Chamber of Commerce and Industry	drafting	
<b>4.10. Promotion of e-business</b>								
4.10.1. Development of the study regarding the use of communication informational technology and electronic trade by the small and medium enterprises	0			2009-2011	Ministry of Informational Development	Drafted reports; defining the decisions for supporting further on the sector of small and medium enterprises	Number of reports assessing the barriers encountered by small and medium enterprises for accessing Internet	
4.10.2. Support the use of advanced IT and modern and efficient communication systems by the small and medium enterprises			Donors' assistance ***	2009-2011	Ministry of Informational Development	Increased share of small and medium enterprises with access to Internet	Number of small and medium enterprises with access to Internet; number of small and medium enterprises promoting their activities through a web page	
<b>4.11. Facilitation of the small and medium enterprises' access to public procurements</b>								
4.11.1. Development of the study regarding the access of small and medium enterprises to public procurements	86 th lei		State budget	2009	Ministry of Economy and Trade, Agency for Material Reserves, Public Procurements and Material Aid	Drafted reports	Number of reports assessing the barriers encountered by small and medium enterprises for accessing public procurements system	
4.11.2. Training the economic units from the sector of small and medium enterprises in the field of public procurements	150 th lei		Donors' assistance	2009 -2011	Ministry of Economy and Trade, Agency for Material Reserves, Public Procurements and Material Aid	Personnel trained for accessing the market of public procurements	Number of trained persons; number of organized trainings	
4.11.3. Improvement of the present-day regulation in the field of public procurements for small and medium enterprises	387 th lei		State budget	2009 -2011	Agency for Material Reserves, Public Procurements and Material Aid	Improved legislative and normative framework	Number of improved legislative and normative acts	
4.11.4. Completing the Electronic Public Procurements System Portal with an additional module with the automated	200 th lei		State budget	2010-2011	Agency for Material Reserves, Public Procurements and Material Aid	Created and updated database	Functional database	

database of offers of goods and services if the small and medium enterprises									
<b>Priority 5. Intensification of the dialogue between the Government and private sector</b>									
<b>5.1. Participation of the private sector to the improvement of the regulation framework and decision making process</b>									
5.1.1. Establishing a permanent dialogue between central public administration and national associations of entrepreneurs and small and medium enterprises	0		2009-2011	Ministry of Economy and Trade, Institute for Economy, Finance and Statistics, Nongovernmental organizations	Consultation of stakeholders interested in approving some policies with major impact or some tax or legislative amendments	Number and impact of actions carried out in partnership with the national associations of small and medium enterprises			
5.1.2. Developing a consulting system with the business environment for drafting public policies meant for the small and medium enterprises sector	0		2009-2011	Ministry of Economy and Trade, local public administration authorities	Efficient and professional dialogue with the structures involved in the development of small and medium enterprises	Number of new actions and programs for the development of the small and medium enterprises' sector based on a large consensus			
5.1.3. Establishing joint working groups of the representatives from the public and private sectors who shall take part in drafting policies in the field of small and medium enterprises' development	0		2009-2011	Ministry of Economy and Trade, Ministry of Local Public Administration	The normative act for setting up the joint working groups	Decisions of the meetings			
5.1.4. Ensuring citizens' and business community's access to e-governing services, in line with the National Strategy for building the informational society	0		2009-2011	Ministry of Informational Development	Provision of services in electronic format through the governmental portal Government-business	Number of public access points to the Government-business portal			
5.2. Organization of the annual Forum of small and medium enterprises	1500 th lei	State budget	2009-2011	Ministry of Economy and Trade, local public administration authorities, Organization for Small and Medium Enterprises	Extension of the possibilities regarding the support and the development of small and medium enterprises; analysis of the problems and elaboration of recommendations regarding the support and	Number of actions within the framework of the Forum; number of participants to the Forum; volume of sales within the Exhibition of the small and medium enterprises; number of concluded contracts of established council by product profile			
5.3 Building institutional and functional capacities of the representative structures of the small and medium enterprises	0		2009-2010	Development under the Ministry of Agriculture and Food Industry	Development and support of enterprises so as to improve their competitiveness	Number of meetings, etc.			
5.3.1. Establishment of Councils by product profile (producers of: milk, meat, sugar, fruit, tinned food from vegetables, etc.)	0		2009-2010	Ministry of Economy and Trade	Identification and classification of enterprises	Number of meetings, etc.			
5.3.2. Establishment of regional consultative	0		2009-2010	Ministry of Economy and Trade	Identification and classification of enterprises	Number of meetings, etc.			

associations, attracting the representatives of the public and private sectors					Economy and Trade, Ministry of Local Public Administration, local public administration authorities	of obstacles existing in the development of the small and medium enterprises' sector; development of regional plans of action for supporting the development of small and medium enterprises in compliance with the objectives of the Program	meeting reports
<b>5.4. Supporting the representatives structures of the small and medium enterprises to take part in trans-European networks</b>							
5.4.1. Involvement of the small and medium enterprises' sector in social programs through the national system of EU grants' management, as well as in other programs co-funded by EU so as to promote social entrepreneurship programs	0		2009-2011	Representative associations and organizations of small and medium enterprises	Establishment of the mechanism for efficient investments in non-profit entrepreneurship and consolidation of the potential of those involved in social entrepreneurship	Number of developed and implemented social programs; number of small and medium enterprises involved in social programs	
5.4.2. Participation of the representative structure of small and medium enterprises in projects within the framework of the trans-European networks and promotion of Single Market potential use by the small and medium enterprises	3000 th lei 500 th lei	State budget (Organization for Promotion of Exports from Moldova), financial means of the Chamber of Commerce and Industry	2009-2011	Ministry of economy and Trade, Chamber of Commerce and Industry, Organization for Promotion of Exports from Moldova	Developing the trans-European links by supporting the participation in fairs and commercial visits; facilitation of local small and medium enterprises' access to the Single Market; promotion of small and medium enterprises' internationalization	Trans-border commercial volume; number of joint enterprises created in the selected field; implemented promotion and information campaign	
5.4.3. Involvement of small and medium enterprises in collaboration process under the umbrella of the Euro-regions "Upper Prut", "Lower Danube" and "Prut-Siret-Nistru"	300 th lei	State budget, Donors' assistance	2009-2011	Mayorality of Balti municipality, Chamber of Commerce and Industry (Balti subsidiary), Cahul Rayon Council, Ungheni Rayon Council, representative associations and organizations of	Establishing economic-financial relations from the Republic of Moldova, Romani and Ukraine; increase of the trans-border commercial volume	Trans-border commercial volume; number of joint enterprises created in the selected fields	

5.4.4. Organization of investment Forums	1200 th lei	State budget, (Organization for Promotion of Exports from Moldova)	2009-2011	small and medium enterprises	Ministry of Economy and Trade, Organization for Promotion of Exports from Moldova	Collaboration international economic units; establishment of new sale markets	Volume of investments	attracted

\* do not need additional financial means from the state budget

\*\* according to the exchange rate of the national bank of the republic of Moldova as per the situation of December 1, 2008

\*\*\* in the limit of the financial sources attracted through donors' assistance

GOVERNMENT OF MOLDOVA

# Rethink Moldova

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Priorities for Medium Term Development



**Report for the Consultative Group Meeting in Brussels**

**24 March 2010**

***List of abbreviations***

ANRE	National Agency for Energy Regulation
CCCEC	Centre for Combating Economic Crime and Corruption
CPI	Consumer Price Index
CPT	Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESRP	Economic Stabilization and Recovery Program
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
ICT	Information and communications technology
IDC	Initial Detention Centre
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IT	Information Technology
ITES	Information Technology Enabled Services
MCC	Millennium Challenge Corporation
MDG	Millennium Development Goals
MIEPO	Moldovan Investment and Export Promotion Organization
NDS	National Development Strategy
NPEEY	Program for the Economic Empowerment of Youth
ODSME	Organization for Development of Small and Middle Enterprises
PPP	Public-private partnership
RDA	Regional Development Agencies
SIDA	Swedish International Development Agency
SME	Small and medium-sized enterprise
UN	United Nations
USAID	United States Agency for International Development
VET	Vocational Education and Training
WB	World Bank

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# Rethink Moldova

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## *Priorities for Medium Term Development of the Republic of Moldova*

### **I. Introduction**

Consistent with the Government Programme, this document presents the vision of the Government of the Republic of Moldova for achieving its five-pillar reform priorities: European integration, economic recovery, rule of law, administrative and fiscal decentralization and reunification of the country.

In presenting this vision, Rethink Moldova draws from several strategic planning frameworks: the Economic Stabilisation and Recovery Programme, the National Development Strategy, the EU-Moldova Action Plan, the Eastern Partnership and the Partnership and Cooperation Agreement between Moldova and the European Union. These frameworks are still valid and Rethink Moldova is not a substitute for them, nor is it a strategic planning framework in its own right. Rethink Moldova is a call to our partners to assist the Government of the Republic of Moldova in delivering its vision.

The Government of Moldova regards European integration as the most fundamental priority of domestic and foreign policy. In the Government's view the most efficient way to achieve political, economic and social modernization of the country is to implement responsibly the commitments leading the country on the path to European integration. To this end, we are determined to implement an ambitious agenda for European integration. The Government has consulted widely in drafting policies for the development of the Republic of Moldova, and in particular has engaged in an active dialogue with the civil society organizations as partners.

Underlining the paramount importance of its European agenda, the Government of Moldova has restated in a national policy document the provisions of the EU-Moldova Action plan, which technically expired in 2008. Unlike previous Governments, who engaged in the rhetoric of European integration but took little action, this Government is convinced that bringing the Republic of Moldova closer to its strategic goal of full accession to the European Union can only be achieved through swift and tangible change. The Government has already embarked on dynamic, result-oriented talks with its main foreign partners. In turn, our partners are reassessing their relations with Moldova in light of the new political reality which gives new impetus to our ties.

Moldova is committed to carrying out fundamental reforms which continue our transition to a European democracy, including ensuring a separation of powers, independence of the judiciary, respect for human rights and freedom of the media. We have already taken specific actions. The Joint Statement of the EU - Republic of Moldova Cooperation Council of 21 December 2009 set the tone for an intensified dialogue. On 12 January 2010 Moldova and the EU launched negotiations on an Association Agreement which will raise the bilateral relationship to a new level. This Agreement is a framework to bring Moldova closer to the EU through political association and economic integration. Both the EU and Moldova have reaffirmed their desire to start talks on the creation of a

Deep and Comprehensive Free Trade Area. In addition, the two parties have agreed to establish dialogue on visa liberalization for the citizens of Moldova.

The new political reality in Moldova and the Government's vision of European integration for Moldova, including through an efficient and result-oriented activity within the Eastern Partnership, provide solid grounds for Moldova's development partners to RETHINK MOLDOVA. Based on the changes in Chisinau, now is the time to "reinvent" relations with Moldova. At the same time, Moldovans should reinvent Moldova, making it an attractive place for investment. The Government of Moldova is ready to take up this challenge and make things work in Moldova. Yet, this effort, in order to be successful, needs the support of our partners and friends.

The world financial crisis hit the Moldovan economy hard, and represents the first hurdle the country faces on its path towards the European Union. The situation is further complicated by the political motivation of the previous administration, which continued with business as usual through the end of their mandate rather than addressing the crisis. A substantial response was proposed by the current Government through its Economic Stabilization and Recovery Programme. The Programme, recently backed by the IMF, focuses on public expenditure rationalization, enhancement and targeting of safety nets, and liberalization of the highly regulated economy.

The Economic Stabilization and Recovery Programme will put Moldova back on a sustainable macroeconomic path but it cannot in and of itself bring the livelihood of Moldovans closer to the level enjoyed by citizens of nearby EU countries. This can only be achieved through dramatic improvements in public service provision, massive investments in infrastructure, a shift towards an export-focused economy, and deep reforms of the judiciary and education systems. These transformations require a level of resources and expertise that can only be put together in partnership with Moldova's development partners, including the private sector.

Notwithstanding these immediate priorities, the Government stands behind its ongoing commitments to the protection of human rights and democracy. Moreover, the Republic of Moldova is keen to achieve the Millennium Development Goals set for 2015 as assumed by its signing of the Millennium Declaration and reflected in the National Development Strategy for 2008-11.

## II. Recent economic developments

The Republic of Moldova's economic performance over the last several years was built on poor foundations. On the surface, the country was quite successful, with its GDP growing at an average rate of 5% between 2006 and 2008, reaching 7.2% in 2008 itself, while monetary and fiscal positions were kept in check. The overall fiscal balance had a deficit of only 1% in 2008 and efforts have been made to bring inflation down. But vulnerabilities existed: economic growth was a function of consumption, mostly of imported goods, and was fuelled by remittances from abroad which grew at an alarming rate: remittances accounted for 30% of GDP in 2008, ranking among the highest in the world.

Having originally been seen as a problem that could be tackled later, the global economic crisis had a major and abrupt impact on the economy of the Republic of Moldova. After registering double-digit growth rates for most of the decade, in 2009 remittances fell 27%, reflecting plunging economic activity in countries with large numbers of temporary Moldovan workers. Foreign Direct Investment fell abruptly to 2% of GDP from a pre-crisis level of 11.4%. Exports of goods and services decreased by a hefty 22%, although the decrease of imports was even higher – 35%, meaning no overall negative impact on GDP performance.

The combination of these factors brought a decline in GDP performance of 9% in real terms. At the end of the fourth quarter of 2009 the number of unemployed reached 73,900, almost double the comparable period in 2008. Reduced disposable incomes, especially for the 40% of Moldovans living in households that receive remittances, as well as an overall decrease in consumer confidence resulted in deflationary pressures. The CPI at the end of 2009 was only 0.4% after several months of deflation. Deposits held with domestic banks decreased by 3.7% in comparison with the end of 2008, while credit to the real economy shrunk by 4.9% in the same period. Lending conditions also worsened in real terms despite expansionary monetary policy followed by the National Bank of Moldova (NBM).

Despite managing to avoid a financial crisis, the recession has taken its toll on credit quality. Stress tests conducted by the NBM confirm that most banks' portfolios are robust to various risks. However, the share of nonperforming loans of total loans increased by 10 p.p. from the beginning of the year, amounting to 16.3% in December 2009, and one medium-size bank became insolvent in June 2009.

Worse still, throughout most of 2009 the Republic of Moldova did not respond with adequate, if any, anti-crisis measures. Disputed elections in April 2009 brought democracy issues to the fore. Early elections were held in July 2009, bringing the current Government to power on September 25th, 2009. Both the crisis and pre-election spending hikes resulted in a large fiscal gap. Over the first nine months of 2009, budget revenue dropped over 10% relative to 2008 due mainly to a drop in VAT receipts, nontax revenue, and import duties. Despite the budgetary implications a number of wage and pension increases were enacted by the former Government, draining limited budget resources even further. The fiscal deficit increased from 1% of GDP in 2008 to about 6% of GDP between January and September 2009, financed mainly by a drawdown of previously accumulated balances in budget accounts and heavy domestic borrowing.

### III. Reform agenda

The Economic Stabilization and Recovery Plan (ESRP), which the new Government approved during its first 50 days in office, aims to re-launch economic growth within two years. Already being implemented, the ESRP intends to achieve the following objectives:

- Stabilize public finances and optimize allocation of scarce resources according to policy priorities;
- Stimulate economic recovery through market reforms, access to credit and public investment in infrastructure;
- Alleviate the impact of the economic downturn on the most vulnerable.

While providing a much-needed focus on actions that have to be undertaken in the immediate future, the ESRP is no substitute for a medium to long term reform agenda of the Government. The National Development Strategy 2008-2011 remains at the heart of the Government's vision. Macroeconomic stability and an efficient public administration are still prerequisites for meeting the NDS objectives of (1) Strengthening democracy, rule of law and human rights; (2) Resolving the Transnistria conflict and reintegration of the country; (3) Improving competitiveness of the national economy; (4) Development of human capital, employment and inclusion; and (5) Regional development.

The Government fully realizes that there is need for a new National Development Strategy following the current one. In this regard, the Government is keen to use information and communication technology (ICT), as a tool to rethink and transform the current development paradigm and to enable the transition of Moldova to the next generation of economy, society and government. The Government sees ICT as a new engine of sustained growth, and citizen-centric government transformation.

The development of a new National Development Strategy will be undertaken in full partnership with civil society along with our development partners, including private investors. Progress towards negotiating a new European Union – Republic of Moldova Association Agreement will provide a stronger framework for a future NDS. For now though, the focus is on crisis management and implementation of reforms.

Below are the Government's priorities for which we seek the assistance of all our development partners. They are centred on responsible governance; economic recovery; and human capital. This does not limit Government intervention to these areas alone – more is being done in the fields of education, the judiciary, health etc., including on-going reforms funded from the general budget with support from development partners. However, provided we can secure additional financing, the reforms noted below will take Moldova further and more swiftly to a position of economic stabilisation and along the path to European integration.

The reform programme presented in this document reflects the Government's priorities and the significant investment financing needs of Moldova. However, it must be noted that not all financing

needs are expected to be addressed through official development assistance. In this regard, the present report highlights public-private partnerships (PPP) as an option for Government intervention.

In the period ahead, the Government will seek support from donors as well as the private sector in meeting financing needs. Meanwhile, agreements on external assistance will be guided by the principles of maintaining debt sustainability and macroeconomic stability, as well as the Moldovan economy's absorptive capacity. The Government will ensure that new external support will be consistent with the macroeconomic framework under Moldova's programme with the IMF.

## **A. Responsible Governance**

Our strategic objective is to create an efficient, professional, honest and transparent public administration aligned with democratic principles and enabled to provide high value services to Moldova's people. Better institutions are also of paramount importance in tackling the economic crisis and moving ahead towards European integration. The Government is keen to use information and communication technology (ICT) to help strengthen governance and public service delivery.

Previous Governments, in cooperation with development partners, have taken steps to advance public administration reform, anti-corruption measures, funding of the judiciary and public finance management. However, lack of political commitment resulted in incomplete reforms that did not provide the benefit that the Moldovan people expected. Now, the new Government is fully committed to improving the quality of administrative performance and public services delivered to its citizens.

## Effective civil service

Public Administration Reform is an ongoing effort in the Republic of Moldova. In 2005 it began as a result of a functional review of all central government authorities and a review of the decision making process, but has delivered mixed results. The initial target of downsizing the civil service was compromised by the transfer of a large number of civil servant functions to sub-ministerial agencies. The separation of policy making functions from administrative functions was only partial. It was not until September 2009 that the recommendations of the functional review became fully reflected in the structure of the new Government.

The Law regarding the civil service was approved in July 2008 providing clear roles for civil servants and rules for their hiring, promotion and dismissal. In November 2008 the Law regarding the transparency of the decision making process was passed by Parliament, establishing rules for the participation of civil society in the governance process.

A new remuneration system intended to motivate civil servants is in the pipeline. An audit and classification of the civil service is currently being finalized and will become the foundation for a new wage system based on merit and professional performance. Its governing principle – equal pay for equal work – provides incentives for civil servants to undertake responsibilities and hard work irrespective of age or any other kind of favouritism. Unfortunately, the full scale implementation of the new system has been delayed by the budgetary implications of the economic crisis.

The costs associated with the implementation of this policy are estimated at around €100 million. This includes the costs of deploying an electronic human resource management system that will strengthen public payroll management. To manage effectively the transition to the new system, a topping-up scheme for officials with top qualifications is deemed necessary. In this regard, the Government will set up a Capacity Building Fund in partnership with our development partners. This will provide a bridge to the new pay system for civil servants that will become effective in 2012 as a sustainable and forward-looking solution to ensure a motivated civil service.

### Challenge

Enhance quality and motivation of civil servants through the implementation of the new remuneration system for civil servants

### Policy instruments

Topping-up scheme for officials with top qualifications;

Electronic human resource management system;

Implementation of new law regarding the civil service pay.

## Anti-corruption

Corruption has become systemic in numerous areas of Moldova's economic activity. Uncertainty associated with economic transition, unstable social safety nets, widespread state capture by various interest groups, and a large shadow economy have created an environment for corrupt practices. Key challenges to achieving economic growth, accountable governance, and improved social conditions for Moldovan citizens are to reduce the incidence of corruption and reverse society's acceptance of it.

As of 2009 the Republic of Moldova ranks 89 in the Corruption Perception Index produced by Transparency International for 180 countries. Clear progress in the control of corruption can be attributed to the implementation of Threshold Country Program with the assistance of the MCC, as well as through the support of other development partners in this issue. More has to be done.

Opaque regulation limits competition and favours a small number of interest groups. Invisible to the broad public, these groups have benefited from extracting high rents from their business activity at the cost of impoverished Moldovans. Immediately after taking office our Government lifted numerous trade restrictions, providing space for fair competition. We also plan to expand e-Governance programmes, detailed below, as a crosscutting mechanism to simplify workflows and make resource allocation, public services, and information provision more transparent. This will help to minimize opportunities for corruption.

Much has been invested in the institutional capacity of the Centre for Combating Economic Crime and Corruption. However, public oversight of the anti-corruption body must be strengthened, enabling it to control corruption within government as effectively as it does outside. To this end the Government will develop a new strategy which takes a systemic approach to the control of corruption.

In parallel, the Government will set up automated systems for road traffic surveillance on national highways serving international routes and on road segments with high rates of traffic accidents. This will have a decisive impact on road safety, in which the Republic of Moldova performs much worse than its peers, but will also reduce incentives for corruption.

<b>Challenge</b>	Improve control of corruption
<b>Policy instruments</b>	Approval and implementation of the new Anti-corruption Strategy Unified information system of CCCEC Anti-corruption campaign Setting up automated systems for road traffic surveillance on the national highways



## **Fiscal and administrative decentralization**

Similar to many countries in transition, administrative decentralization in the Republic of Moldova was not mirrored by fiscal decentralization. As a result, local public authorities became dependent on transfers from the central budget and lacked ownership for policy implementation at local level. Removal of the corporate income tax in 2008 furthered the deterioration of local public finances. Moreover, the mechanism for budgetary transfers from central to local governments provided space for political manoeuvre, awarding those raions (districts) which were more loyal to the central Government and penalising those in opposition.

With support from the UN and SIDA, the Government has launched a programme of Decentralization Reform which takes a rights based and gender responsive approach to advance administrative and fiscal decentralization and to ensure real local autonomy. Decentralization will advance in sequence, expanding the areas of responsibility for local and municipal governments and separate the different tiers of government. In the first stage this includes design, policy-planning implementation and horizontal coordination of the components for a national strategy.

As a second stage, decentralization will consist of a revised assignment of responsibilities to local and sub-national governments, based on the criteria of exclusive, shared and delegated functions, compatible with criteria of allocation efficiency. At this stage the decentralization strategy will clarify the functions and role of regional government agencies and decentralized local governments, phased through the transfer of exclusive responsibilities (communal service, public transport, water and sewerage, garbage collection, transport and landfill administration), with some shared functions (primary and secondary education, primary health services, social services, community based services and residential institutions).

Alongside the redesign of competencies, decentralisation will include the reengineering of the current local government revenue system: assigned (own revenues) and transfers (shared revenues, equalization grants, earmarked and non-earmarked grants). Assigned revenues include property tax (on buildings, land and vehicles, for citizens and companies), taxes on using public property, notary taxes, and non-fiscal revenues (in general rents on using public property – land and buildings). Decentralisation will address both vertical and horizontal imbalances of the current system. Imbalances related to local economic underdevelopment 'pockets' will be equalised through non-earmarked and earmarked grants.

Finally, decentralisation will increase the fiscal and institutional capacity of local government via process learning and pilot projects, the introduction of monitoring systems, and quality-standards in the delivery of local public services. We will provide local authorities with a better financial footing, while at the same time setting up a clear mechanism for inter-budgetary transfers. There is an opportunity to use Integrated Financial Management Information Systems (IFMIS) as part of the larger e-Government agenda to support improved financial management alongside transparency building measures such as posting online of public information related to intergovernmental transfers or tax revenue collections.

**Challenge**

Fiscal and administrative decentralization

**Policy instruments**

Redesign of the current inter-budgetary system in Moldova to the emerging needs and demands of the local governments

Coordination and Implementation of the strategy on decentralisation of education, and adjustment of functions to local capacities

Enhance current equalization policies of resources and grant-allocation, at the national and regional level

Capacity building of local and sub-national governments

Expand fiscal base for the local governments and increase institutional budgetary capacities

Expand municipal-level public private partnerships in setting and maintaining public services and adjust existing framework to the existing opportunities at the local and sub-national level