

Republic of Moldova

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First of all it is necessary to mention the fact that the implementation of the Governmental Programs for sustaining small business in the periods 1994 – 2005, resulted in establishing a continuity and consistency of the reforms aiming the promotion of the SMEs establishment and development activities. Consequently, the evolutions of these reforms dictated the need to continue the implementation of small business entrepreneurial activities facilitation, which resulted in the elaboration and implementation of the Governmental Program on SMEs development for 2006 – 2008.

As a result of these actions, during 2002-2004, the number of the enterprises in small business sector increased by approx. 5700 units and the number of persons activating in this area increased by 43 000.

If in 2001, the small business enterprises obtained an overall negative financial result, then starting with 2003 this sector becomes profitable and registers a continuously growing positive balance account

One more interesting fact is that, since 2004, the Republic of Moldova, engaged in the accomplishment of the European Charter for Small Enterprises objectives. In the same year, Moldova, drew up and presented the first National Report for Small Enterprises, being highly appreciated by the European Commission. In 2005, a second report was drawn up.

Basically, when we are talking about the actions undertaken by the Government, we should stress the next directions:

- The regulatory reform.
- The fiscal framework reform.
- Facilitation of the access to the financial support and increase the investments in SMEs by means of progressive financial technologies.
- Improvement and development of SMEs sustaining infrastructure.
- Integration of the intellectual property rights system in SMEs activities.
- Employees training. Improving employment conditions.

1. The regulatory reform:

In order to establish an optimal interdependence level between the state regulation and the market, the Government promoted the state regulation of the entrepreneurial activities reform (or regulatory reform), aiming to decrease substantially the dependence degree between the SMEs activities and the state regulation, the SMEs financial and time expenditures on obtaining licenses, authorizations, permissions, as well as the expenditures related to the state authorities control.

In this context was approved the Concept of the state regulation upon entrepreneurial activities and the Law regarding the optimization of the legal regulatory framework and was adopted the Governmental Decision on state surveillance and control and the Governmental Decision on controls' regulation. The number of the licenses, authorizations, permissions, other documents issued by regulatory authorities and paid by entrepreneurs was diminished substantially.

In order to optimize the authorizations issuing at the entrepreneurial activities initiation stage, was approved the Governmental Decision on the unique state identification number, applied to the enterprises and organizations – the IDNO code and introduced the one-stop-shop office principle in the activity of the State Registration Chamber. Also, was modified the Law on entrepreneurs and enterprises and the Law on the state registration of the enterprises, simplifying the procedures of registration/suspending and deleting of the enterprises into/from the State Registry and the Law on the licensing of certain types of activities, decreasing the amount of activities susceptible to licensing and the number of documents needed to be presented in this case. All these and some other measures resulted in a diminishing of the number of days needed for enterprise registration to 3.

In order to simplify the financial and statistical reports, starting with 2003, was applied the simplified bookkeeping system for SMEs sector, including the farmers, lawyers and notaries.

2. The fiscal framework reform:

In order to reduce the fiscal pressure upon the economic agents, the revenue tax rate was decreased from 28% in 2001 to 20% in 2004 and 18% in 2005 and was reduced the income tax applied to the natural persons. The amendments to the article 49 of the Fiscal Code, permitted to ab-

solve the small business representatives from the revenue tax payment, in the case they respect certain conditions. Also, were made amendments to the Customs Tariff Code, regarding the decrease of custom import tariffs for some 35 positions.

3. Access to the financial support. Investments in SMEs by means of progressive financial technologies:

Understanding the fact that the access to financial support represents one of the key – issues in the SMEs sector, currently there are established new instruments aiming to facilitate the access to financial support for small business representatives and for population generally.

The dynamic analysis shows a considerable improvement of the dialogue between banks and entrepreneurs, this fact being confirmed by an increase of the overall volume of granted credits and the decrease of the interest rates. An additional stimulatory measure for the banks to increase the credits' portfolio is their absolving of the income tax payment completely for the 3-years credits and a reduction of 50 % on the credits issued for a 2 to 3 years period, under certain conditions.

Another alternative to the credits issued by commercial banks are the loans granted by micro financing organisations, there were created Loans Associations for the Citizens in almost each rural area, providing lending for their members (mostly in agriculture and food industry related activities).

In this respect, was adopted the Law on micro financing, establishing a legal framework on economic and organizational aspects of micro financing. Also, in order to equalise the rights and the responsibilities of the local and foreign investors, was adopted the Law regarding the investments in entrepreneurial activities.

In February 2005, was established the Bank Guarantee Society „GaranInvest", which offers services in guaranteeing credits. The Ministry of Economy and Trade, with the support of the Japanese Government, is implementing a programme, directed to the facilitation of the production equipment procurement in the SME sector (for equipment exceeding the cost of 50 000 USD). If the beneficiary enterprise respects the imposed condition, it has to pay only 60 % of the price.

4. Improvement and development of SMEs sustaining infrastructure:

At the moment in Moldova do exist 65 consultancy centres, 29 Small Business Associations, 11 business promotion centres, 6 business incubators, 1 technological park – which are promoting coherent measures of providing consultancy to the SMEs sector representatives.

Also, a 2 million USD cross border pilot – project on rural financing and SMEs development is implemented in Ungheni, financed by FI-DA, having as a goal the building of institutional capacities and informational assistance for the land – owners. Its efforts are completed by 3 consultancy projects „Start-up", „Voucher" and „Hot line", launched in Ungheni, with the assistance of the Biz-Pro Moldova. In Balti are functioning one BizPro and one TACIS project on SMEs development.

5. Employees training. Improving employment conditions.

The National Agency for Employment, through its 35 offices is involved in the development of professional skills:

- Provides services on professional orientation and training programs up to 9 months.
- By means of "The employment club", the local authorities are offering informational support, psychological assistance and individual assistance in employment.

Referring to the contribution of the SMEs to the macroeconomic growth and social development, it should be stressed that small enterprises represent approximately 92 % of the total enterprises number in the country. The private sector weight in the GDP arrives at 72% in 2004 and 75,4% in the first 9 months of 2005. The number of persons activating in this area increased by 43 000 between 2002 and 2004, presently representing almost 30 % of the wage earners in the Republic of Moldova. Other statistical data is also presented in the chart included in Annex).

During the implementation of the Governmental Program on SMEs development for 2002 – 2005, there have been a series of consultative mechanisms established, providing for a political dialogue with the structures representing entrepreneurs' interests. Presently, there are registered more than 60 Business Associations, 25 of them being relevant in the public – SMEs dialogue process. On 30th of September 2005, 10 Associations joined their efforts in creating the Business Associations Alliance for SMEs Development.

Another measure in this respect is the budgetary financing of the National Contest "The best entrepreneur in small business". The annual exhibition "Small Business", became an alienable element of the small business development infrastructure.

In its Program on SMEs development for 2006 – 2008, the Government of the Republic of Moldova is planning to undertake a full package of measures in order to:

1. Promote a favourable policy in this sector, establishing a more efficient legislative, institutional and fiscal framework
2. Facilitate the access to the financial resources

3. Develop the entrepreneurial culture and provide modern consultancy services
4. Increase the competitiveness of the Moldovan SMEs on the international level
5. Promote an efficient public – private dialogue.

ANNEX

The role of the SMEs in the macroeconomic growth and social development.

Chart 1. The dynamic growth of the SMEs number

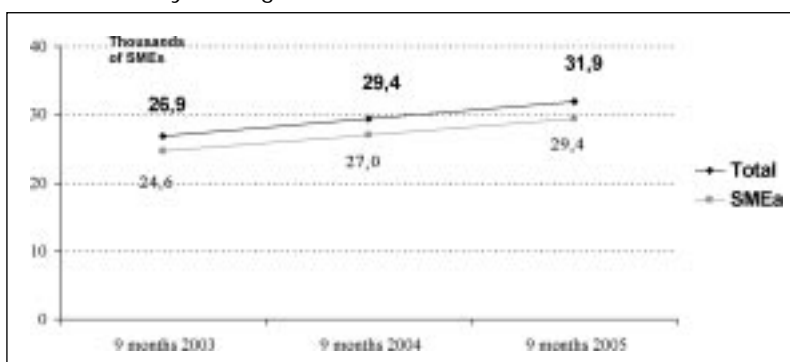


Table 1. The weight of the SMEs in national economy

	SMEs	SMEs rate in economy (%)	SMEs turnover (million lei)	Turnover / Enterprise (thousands lei)	SMEs sector financial results	Positive financial balance SMEs (%)
1999	18 385	92	6 489	368	-301 mil. lei	31
2000	19 996	93	7 930	413	-180 mil. lei	31
2001	20 518	89	9 164	447	-451 mil. lei	32
2002	22 138	89.68	10 833	489	-242 mil. lei	35
2003	22 928	89.33	13 443	586	215 mil. lei	38,4
9 months 2003	22 437	90.84%	12 306	548	395 mil. lei	36.09%
9 months 2004	26 991	91.73%	14 027	520	480 mil. lei	36.4%

Table 2. Employment in the SMEs sector (comparison with the overall value)

		Employees	
		number	%
Overall enterprises number	29 423	572 786	100%
SMEs	26 991	170 154	29.7%
Micro enterprises	21 726	69 896	12.2%
Small enterprises	5 265	100 258	17.5%
Large enterprises	2 432	402 154	70.3%

Table 3. Employment in the SMEs sector

	Employees number		The SMEs employees rate (% of the overall value)
	In all kinds of economic units	In SMEs sector	
1999	629 415	147 156	23,4%
2000	545 242	156 974	28,8%
2001	520 765	122 954	23,6%
2002	513 759	130 432	25,4%
2003	517 272	140 138	27,1%
9 months 2003	512 874	151 382	29,52%
9 months 2004	572 786	170 154	29,7%