**“Transfer of Know-How for Small and Mid-Size Businesses in Georgia,**

**Moldova and Ukraine”**

**17 October, 2014**

**Venue: Jolly Alon Hotel**

**37, Maria Cibotari str., Chisinau**

**MINUTES**

The program started with Petru Veverita’s opening words, welcoming the participants and describing the main features of the project. The main objective is to provide assistance to the stakeholders in Moldova, Georgia and Ukraine in their efforts to develop analytical and policy advocacy capabilities by opening new channels of communication with the SMEs and NGOs on the basis of the experience of four Visegrad countries: Czech Republic (CZ), Hungary (HU), Poland (PL) and Slovakia (SK) (the V-4 countries) and the rest of the European Union. The project partners are working in pairs (Moldova with Hungary) and are now in the finalisation phase of the White Paper reports, the main topic of which is the main characteristics of Moldovan SMEs and barriers to their operation and growth and good practices from Hungary (and other Visegrad countries) to help improving the situation of SMEs in Moldova. As soon as the White Paper will be finalised, its executive summary and main findings will also be translated into Romanian and shared with the participants of workshops and interested stakeholders.

Renata Anna Jaksa also welcomed the participants, and introduced the project team as well as the methodology of the study that was prepared. Then Magdolna Sass presented the main policy findings of Chapter 3 of the European Competitiveness Report 2014. She focused at the issue of internationalisation and the main factors behind that – internal (to the firm – firm characteristics and specific advantages) and external (related to the home country or to the host country). The presentation ended with a discussion on the room for manoeuvre of policy actions, starting with the indirect policy measures, improving framework conditions for the development of companies and growing export activities, and direct, specific, targeted policies. A discussion followed on the main preconditions of SME internationalisation as well as on the specificities of Moldova.

In the next part, Magdolna Sass presented the main developments in foreign trade and foreign direct investments between the Visegrad countries and Moldova, including the main challenges and opportunities. Regarding the bilateral trade of V4 and MD, it can be stated that they are not the closest partners, the share of Moldova remains below 0.2 % in total trade of each V4 and below 0.8 % in extra-EU trade, in spite of their relative geographic closeness and common economic history during the CMEA-era (and thus still surviving personal networks). But the importance (share in total) is growing over time, especially for Poland and Hungary, both in exports and imports. In terms of exports from V4 to Moldova, there are significant changes between 2000 and 2012, moving towards a less diversified structure (except for SK). The leading products are: 1.) Machinery and transport equipment (CZ: over 60 %, HU: 44%, PL: 29%, SK: 50 %) – which are most probably produced mainly by local (V4) affiliates of multinationals; 2.) Manufactured goods classified chiefly by material (PL: leading with 34%, SK: second with 28%, CZ: third with 11%) 3.) Chemicals second in CZ (16%) and HU (15%) – latter consists most probably of pharmaceuticals and 4.) Food is still relatively important in PL (12%), HU (11%) and SK (9%).

In terms of imports from Moldova to V4, there are major changes between 2000 and 2012, overall there is a move towards the dominance of “Miscellaneous manufactured articles”. The structure of traded goods differs country by country. Leading articles are: 1.) Miscellaneous manufactured articles: in CZ (51%), Hungary (90% - overwhelming), SK (62 %), 2.) Beverages: CZ (29%), SK (16%). In the case of Poland: a more diversified structure with more product groups with similar shares is present: Food and live animals (28%), Miscellaneous manufactured articles (26%), Manufactured goods classified chiefly by material (14%), Crude materials (14%), Beverages (12%).

The participants clarified that most likely the popular trade items, which are the most important export productsof Moldova to the Visegrad group countries, “PARTS; BEDDING, MATTRESSES, MATTRESS SUPPORTS, CUSHIONS AND SIMILAR STUFFED FURNISHINGS”, “SLEEPING-BAGS” as well as “MEN'S OR BOYS' COATS, CAPES, JACKETS, SUITS, BLAZERS, TROUSERS, SHORTS, SHIRTS, UNDERWEAR, NIGHTWEAR AND SIMILAR ARTICLES OF TEXTILE FABRICS, NOT KNITTED OR CROCHETED (OTHER THAN THOSE OF SUBGROUP 845.2)” are all subcontracted textile industry outputs, there is no major multinationals residing in the country producing directly these products. However, Western European multinational companies outsource the production of these items to Moldova in the framework of outward-processing trade. Experts also warned that statistics were prepared based upon the Eurostat data that also includes Transnistria, which may be responsible for a few major export products of Moldova, for example the Electrometers (a machinery product), the major export item to Poland.

After this presentation, participants debated the role of outsourcing for Moldova, stating that this is just a “temporary” position. Hungary also had a period when the economy strongly relied on subcontracting, but as the country developed, minimal wages were raised, etc, this had changed. It would be interesting to see if the lessons learnt by the V4 countries regarding the outsourcing industry leaving these countries – especially in the textile-clothing industry - can be useful for Moldova. Experts participating in the workshop expressed interest in further collaboration concerning that topic.

In the following presentation, Renata Anna Jaksa introduced the issue of reduction of administrational burdens (definition, main types, measurement methodology, etc) and shared some lessons from the project titled “Simple State”, conducted in Hungary in 2011. The project built on a broad consultation series with companies, SMEs regarding their needs in cutting red tape. An interesting result was a list of “irritation” that included not the most costly or most peculiar administrational regulation but the ones that irritated business actors the most. Cutting red tape is a must for all national governments, partly because in times of rigid or limited public budget, this could be one of the most fair and generous support to increase the competitiveness of the businesses, partly because other countries are doing it as well, and it is easy to fall back (such as in the ranking of the World Bank “Ease of Doing Business”.

The last presentation focused at the more central outcomes of the White Paper prepared in the framework of the project. The main case studies (1. Simplified tax schemes, 2.e-Taxing and other eServices, and a governmental one-stop shop portals, 3. Entrepreneurship training and education 4.Producers’ associations to help small producers reach the market, 5.Winery associations to promote local wine and wine tourism, 6.A more detailed statistics system on the Moldovan SMEs) were shortly presented. Finally, some selected comparative results were shown from the MD – UKR online survey regarding the main obstacles in front of SME development in these countries.

In the closing discussion, the role of entrepreneurship trainings was raised. It is important to note that it requires a different type of training, education to target start-ups with no specific value added but with a local market potential (e.g. a local bakery, etc) than to support a potential supplier to a multinationals (the latter requires more specific, more targeted policies, personal one-by-one trainings, etc.) The roles of innovation and imitation have also been raised. Finally, the need to understand EU regulation was mentioned, especially in times of Russian embargos, when Moldovan businesses and agricultural producers must be able to turn towards Western, most importantly, EU markets, and they are not always equipped with the relevant trade, marketing, packaging etc. requirements.

The workshop ended with success, the authors of the White Paper gaining new insights and the participants collecting information on a variety of interlinked topics from EU policies on competitiveness through foreign trade of Moldova and finally the importance of reduction of administrational burdens and other case studies. Petru Veverita and Renata Anna Jaksa thanked the participants for their comments and suggestions. The event was closed with coffee and food served for the participants and a networking opportunity.