**Evaluation of Questionnaires – Moldova**

As part of the project, a uniform questionnaire has been prepared and sent out to various stakeholders and experts. More than 50 persons/organisations were targeted, of which 11 answered the questionnaire positively. Targeted organisations included: ministries and other policy actors, SME organisations, agricultural associations, think tanks and expert groups, banks dealing with SME financing and local representatives of international organisations. Hereby we analyse the results of the replies. The questionnaire was translated into Moldavian. In this analysis, we use the English terms of the questionnaire. The target group was also reminded via phone calls to fill out the questionnaire.

In the first part of the questionnaire template, respondents were asked to evaluate, to what extent the factors listed were impeding the development and activities of SMEs in the country. On a 1-4 scale, 1 represented “not at all”, 2 represented “somewhat”, 3 stood for “significantly”, 4 meant “very significantly”. NA was provided when the respondent did not / could not answer.

Parallel to this exercise, respondents were asked to mark “help” in case they think that an intervention by the GMU Project would be advised and welcome. Some respondents marked (or not marked) “help” parallel to giving a number from 1-4 signalling the importance of the given topic, but some others understood “help” as the means to signal “most important, very significant”, not giving a value from 1-4 but expressing that this issue is of crucial importance and policy recommendations and knowledge transfer is most welcome regarding the given obstacle.

For methodological/technical reasons, in all of those cases where the respondent was NOT giving a number value BUT marked “help” for a given topic, we understood that they consider the topic as a major obstacle to SME development in the country and calculated in the database with a number 4 value. We analyse the “help” answers separately.

The questions targeted six domains relevant for the development and daily activities of SMEs. The main domains were:

* Labour and skills,
* Red tape/bureaucracy,
* Tax burdens,
* Law and order,
* Market specificities,
* Finance and other issues.

In the table below, we provide the average value of the responses given to the seriousness of the obstacle (without the “NA” answers), and the number of “help” responses out of the 11 respondents, who considered that the project and V4-GMU experiences could add to the solution of the given problem.

**Table – summary of results**

|  |  |  |  |
| --- | --- | --- | --- |
| **Nr** | **Domain/Obstacle** | **average of responses to seriousness of problem** | **nr of "help" responses** |
| 1 | Labour & Skills |  |  |
| A | Low market skills of entrepreneurs / Inadequate business education | 3,18 | 4 |
| B | Lack of business experience | 3,09 | 2 |
| C | Lack of experience in foreign trade, in EU in particular | 3,60 | 6 |
| D | Lack of knowledge of EU regulations | 3,55 | 6 |
| E | Lack of language skills and contacts abroad | 3,00 | 3 |
| F | Low availability of high skill workers | 2,91 | 2 |
| G | Low availability of low-skill workers | 2,36 | 1 |
| H | Demographics / low number of young labor market entrants | 2,91 | 2 |
| I | High emigration | 3,36 | 1 |
| J | Expensive labor / Mismatch between labor cost and productivity | 2,27 | 0 |
| K | Employer-employee conflicts | 2,00 | 0 |
| L | Low labor market flexibility | 2,73 | 1 |
| M | High syndicalization / Excessive power of labor unions | 1,73 | 1 |
| N | Low labor ethics | 2,70 | 0 |
| O | Low business ethics | 3,18 | 1 |
| 2 | Red Tape /Bureaucracy |   |   |
| A | Difficulties in registering company | 1,64 | 1 |
| B | High cost of market entry | 2,73 | 3 |
| C | Difficulties to expand business activities / bureaucratic obstacles | 2,82 | 3 |
| D | Non-transparent / inconsistent regulations | 2,91 | 4 |
| E | Poor overall regulatory framework / Excessive burden of regulations | 2,82 | 4 |
| F | Foreign trade barriers | 3,09 | 5 |
| G | Institutional differences with EU | 3,30 | 6 |
| 3 | Tax burden |   |   |
| A | Unstable and non-transparent tax rules and/or their applications | 3,27 | 5 |
| B | High cost of compliance | 3,09 | 2 |
| C | High effective SME presumptive tax rates | 3,00 | 3 |
| D | High effective personal income tax rates | 2,91 | 3 |
| E | High effective corporate income tax rates | 2,73 | 2 |
| F | High effective value added tax / trade tax rates | 3,00 | 2 |
| G | High custom charges | 3,09 | 3 |
| H | Other high taxes and fiscal fees/charges | 3,00 | 3 |
| 4 | Law and order |   |   |
| A | Weak property rights / weak contract enforcement | 2,73 | 2 |
| B | Crime and violence (low safety) | 2,55 | 1 |
| C | Corruption / Clientelism / Favoritism | 3,73 | 4 |
| D | Weak judiciary | 3,45 | 4 |
| 5 | Market |   |   |
| A | Small market size / Weak demand | 3,18 | 2 |
| B | Barriers for exports to foreign markets | 3,64 | 4 |
| C | Unfair competition / Uneven playing field / Informal economy | 3,64 | 4 |
| D | Monopolization / Excessive market power of some participants | 3,82 | 4 |
| E | Weak market position of SMEs | 3,36 | 5 |
| F | Weak professional organizations of SMEs | 3,27 | 4 |
| G | Weak analytical and policy advocacy of SME organizations | 3,10 | 2 |
| H | Discriminatory practices of authorities | 3,11 | 2 |
| I | Unfair privileges for foreign investors | 2,60 | 3 |
| J | Macroeconomic instability (demand, inflation, exchange rate) | 3,18 | 1 |
| K | Political instability | 3,50 | 2 |
| L | Insufficient market information/governmental support for SMEs | 3,27 | 2 |
| M | Weak support/lack of support by international organizations | 2,80 | 4 |
| N | Low level of activities of venture capital | 3,38 | 2 |
| 6 | Finance and other |   |   |
| A | Difficulties in accessing financial services | 3,20 | 3 |
| B | High cost of credit | 3,40 | 3 |
| C | Inappropriate infrastructure | 3,18 | 2 |
| D | Weak professional organizations of SMEs | 3,09 | 3 |
| E | Difficult access to internet / Lack or low quality of business websites | 1,82 | 0 |
| F | Lack of open communication channels with EU | 3,40 | 5 |

In the field of Labour and skills, the followings were identified as impeding factors to SMEs (values above 3):

|  |  |
| --- | --- |
| Lack of experience in foreign trade, in EU in particular | 3,60 |
| Lack of knowledge of EU regulations | 3,55 |
| High emigration | 3,36 |
| Low business ethics | 3,18 |
| Low market skills of entrepreneurs / Inadequate business education | 3,18 |
| Lack of business experience | 3,09 |
| Lack of language skills and contacts abroad | 3,00 |

At least 4 people considered the followings as areas where V4-GMU expertise can help:

|  |  |
| --- | --- |
| Lack of knowledge of EU regulations | 6 |
| Lack of experience in foreign trade, in EU in particular | 6 |
| Low market skills of entrepreneurs / Inadequate business education | 4 |

The replies evidently show the importance of EU27/V4 cooperation in the fields related to EU regulation and experiences with EU trade. Furthermore, in business education help also may be needed. Regarding low business ethics and high emigration of skilled workforce, the problems were identified as important, but the issue should rather be solved domestically/ by the economic actors themselves.

In the domain of red tape /bureaucracy, the issues that are at least significant impediments to SME development are the followings:

|  |  |
| --- | --- |
| Institutional differences with EU | 3,30 |
| Foreign trade barriers | 3,09 |

At least 4 people considered V4-GMU help as useful in these topics:

|  |  |
| --- | --- |
| Institutional differences with EU | 6 |
| Foreign trade barriers | 5 |
| Non-transparent / inconsistent regulations | 4 |
| Poor overall regulatory framework / Excessive burden of regulations | 4 |

EU regulation and paperwork is often considered as complicated not only by non-EU actors but EU companies /SMEs as well. It is a question whether a.) a more detailed explanation and further support services to EU regulation / trade requirements would help, or b.) steps on behalf of the Moldovan government should be taken to more harmonisation with EU regulation hence simplifying the burden of double administration for those having international economic relations. A “c.)” solution, where the EU simplifies its own regulation and institutional setting is not expected, although in the Small Business Act the EU foresaw more simplification, in practice the steps taken are small and slow.

In the domain of taxing and customs regulations and charges, 5 out of the 7 obstacles were considered at least as significant:

|  |  |
| --- | --- |
| Unstable and non-transparent tax rules and/or their applications | 3,27 |
| High cost of compliance | 3,09 |
| High custom charges | 3,09 |
| High effective SME presumptive tax rates | 3,00 |
| High effective value added tax / trade tax rates | 3,00 |
| Other high taxes and fiscal fees/charges | 3,00 |

Important to note that we do not have information of which custom charges they consider significant, whether the eastern or western trade is more affected by this, and although the EU aims to lessen customs with important business partner regions, the customs rate still could be high for Moldovan SME partners. ??? Hol áll ez a kérdés most – leellenőrizni.

The only area where V4-GMU help was needed by more than 4 respondents was the stability (or rather: the lack of stability) of transparent tax rules. It is questionable though whether the activities of this project can have a direct effect on stability of those regulations.

|  |  |
| --- | --- |
| Unstable and non-transparent tax rules and/or their applications | 5 |

In the field of law and order, there were only 4 topics listed, and 2 of them were considered as significant obstacles by the respondents:

|  |  |
| --- | --- |
| Corruption / Clientelism / Favoritism | 3,73 |
| Weak judiciary | 3,45 |

Also, these two areas were indicated as needing V4-GMU help by 4 people. These domains are, on the other hand, among the hardest to handle. In the fields of corruption, the role of international and watchdog organisations is high, on the other hand clientelism and favouritism are issues that are not necessary properly addressed in other countries neither. Regarding the judiciary system, most likely an overall reform can lead to better functioning.

In the domain of market obstacles, 12 out of the 14 questions received a value higher than 3, which evidently shows a lot of tensions in terms of availability and functioning of the markets.

|  |  |
| --- | --- |
| Monopolization / Excessive market power of some participants | 3,82 |
| Barriers for exports to foreign markets | 3,64 |
| Unfair competition / Uneven playing field / Informal economy | 3,64 |
| Political instability | 3,50 |
| Low level of activities of venture capital | 3,38 |
| Weak market position of SMEs | 3,36 |
| Weak professional organizations of SMEs | 3,27 |
| Insufficient market information/governmental support for SMEs | 3,27 |
| Small market size / Weak demand | 3,18 |
| Macroeconomic instability (demand, inflation, exchange rate) | 3,18 |
| Discriminatory practices of authorities | 3,11 |
| Weak analytical and policy advocacy of SME organizations | 3,10 |

It is important to highlight that the weak analytical and policy advocacy of SME organisations can clearly be targeted in the framework of this project, while some other obstacles – such as macroeconomic instability – are beyond the capacities of this exercise.

The following fields were mentioned by at least 4 respondents as ones needing V4-GMU project help:

|  |  |
| --- | --- |
| Weak market position of SMEs | 5 |
| Monopolization / Excessive market power of some participants | 4 |
| Barriers for exports to foreign markets | 4 |
| Unfair competition / Uneven playing field / Informal economy | 4 |
| Weak professional organizations of SMEs | 4 |
| Weak support/lack of support by international organizations | 4 |

Finally, in the domain of financial and other issues, six questions were asked and 5 out of those 6 were considered as significant obstacles:

|  |  |
| --- | --- |
| High cost of credit | 3,40 |
| Lack of open communication channels with EU | 3,40 |
| Difficulties in accessing financial services | 3,20 |
| Inappropriate infrastructure | 3,18 |
| Weak professional organizations of SMEs | 3,09 |

The only topic that received a low mark was “Difficult access to internet / Lack or low quality of business websites”, which clearly indicates the relatively high level of ICT diffusion and use in the country, also supported by other sources.

While all these 5 topics were seen as important, only one - Lack of open communication channels with EU – was indicated as an area where V4-GMU support could be useful.

In the second part of the survey, respondents were asked which sectors they consider as the most important ones regarding international transfer of knowledge and support activities.

The most responses (10) arrived to the domains of agriculture, including sustainable agriculture and the food and beverages industry. The wine industry has been mentioned as of specific importance.

|  |  |  |
| --- | --- | --- |
| Agriculture, wine, food industry | Agriculture | Moldova is an agricultural country –therefore the need of new techniques, methods, studies, assistance and so on. |
| Agriculture |   |
| Sustainable agriculture | Especially the organic one |
| Agriculture | The SMEs in the agricultural sector face the highest number of challenges regarding the access to funding, predominantly high risks, the small sales market, difficulties entering the foreign markets and so on. |
| Agriculture, particularly high value added, that would include the wine industry as well.  | Moldova would have a significant potential in this field if it received qualified assistance. |
| Agriculture (winemaking) | Moldova is an agricultural republic. Vineyards and orchards processing, plant (crop) growing and so on. |
| Bread making and bakery products | Performance equipment, cut spending, increasing productivity and product quality. |
| Food processing |   |
| Food processing | Especially of the organic products |
| Industrial: especially the food industry |   |
| Tourism | Tourism | It can be observed there is a lack of studies, methods and so on, that could lead to a growth in the number of tourists in Moldova. |
| Rural development, especially tourism. | In Moldova the rural area has very strong traditions and it needs qualified assistance, not only in the field of agriculture. |
| Tourism | Poorly developed sector in Moldova |
| Rural tourism |   |
| Textile | Textile | Sector with growth potential. |
| Garment, textile, footwear industry | Industries with a rich history and a very high potential  |
| Textile industry (clothing and footwear) | Performance equipment, cut spending, improved productivity, production quality and export. |
| Energy | Power (energy) industry | EE and ER, cut spending, new equipment, increased productivity, reducing the energy consumption |
| The energy sector | Limited competition, small sales market, high investment cost and so on. |
| Lifestyle | New sector of the Moldovan economy that requires studies, research and so on. |
| Other | Commerce |   |
| ICT | Currently the most dynamic sector and with enormous potential. |
| Trade, transport and construction | Sectors that proved they have a say in connection to the GDP |
| Other sectors such as the engineering industry, the furniture industry and so on | Also, sectors with a high potential which proved that, if the necessary conditions were created, they have the right to exist in Moldova as well. |
| The manufacturing industry | The lack of processing technologies according to international standards, the high investment cost, the small sales market, difficulties entering the foreign markets and so on. |
| S | Business associations | Capacity building, management , corporate governance |
| Consultancy services |   |

The tourism sector has been mentioned on 4 occasions while the textile and the energy sectors on 3. Important to note that among other sectors, the support and capacity building of business associations and development of consultancy services have also been mentioned.

Finally, in the third part of the survey, respondents were asked to provide any further suggestions they considered as relevant for the V4-GMU project. The following areas were mentioned where an exchange of experiences, knowledge transfer may support the Moldovan SMEs:

|  |
| --- |
| Reducing bureaucracy |
| Reducing corruption |
| Carrying out an exchange of experience, establishing contacts |
| Familiarizing with the requirements of the European market |
| Dissemination of the best practices in the field |
| Concordance of the EU and Moldavian laws/legislation |
| Applying modern technique and technology |
| Training of specialists in relevant fields |

The current project aims at providing support on various domains. The responding experts are invited to the Moldovan expert workshop that discusses the preliminary results and draft Green Paper prepared.