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# REPORT

## Fairness assessment of the support programs implemented by ODA in the context of the local realities

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## Introduction and methodology

This study focuses on the efficiency evaluation and analysis of the small and medium enterprises' (SMEs) support mechanism provided by the Organization for the Entrepreneurship Development (ODA) as well as on the fairness assessment of non-reimbursable resources' distribution for the SMEs at the territorial level. This study addresses the topic extensively in several chapters in order to make things clear for the large audience, including the ones who are still not knowledgeable about the business support programs.

The first chapter focuses on the transition from ODIMM to ODA, emphasizing the mission and the profile of this SME support organization, describing the business support programs included in this study as well as the mechanism of the potential beneficiaries' assessment.

The second chapter includes an analysis of the territorial distribution of the financing offered via ODA programs, focusing both on their quantitative and qualitative distribution, as well as on the level of acceptance of the financing in different regions.

The third chapter dwells on the availability of the business support infrastructure in the regions, including the role and contribution of the business incubators in supporting the SME's access to financing, as well as the involvement of the consultancy companies, of specialized NGOs and public authorities in these dynamics.

The fourth chapter is focusing on the economic analysis at the district level, emphasizing the profile of the existing businesses per each district and the number of potentially eligible businesses for the support provided by ODA per every district separately.

Finally, the fifth chapter correlates the ODA support distribution with the structure of businesses at the local level, attempting to calculate the correlation indicator regarding the entrepreneurship at the local level and the interventions by ODA per every separate district. This analysis evaluates the ways in which the financing by ODA tackles the economic disparities among the regions, emphasizing the districts with the most prominent positive impact of ODA support for the entrepreneurship development, at the same time emphasizing those that benefited of these programs to a lesser extent.

## SME business support mechanism by ODA

### 1.1. From ODIMM to ODA - the mission and profile of the SME business support organization

For a better understanding of the business support mechanisms in the Republic of Moldova, it is necessary to be aware of the main institution in this area - the Organization for Entrepreneurship Development (ODA), previously known as the Organization for the Small and Medium Enterprise Sector Development (ODIMM). ODIMM, previously responsible for the development of small and medium entrepreneurship changed its name into ODA, according to the Government decision no. 487 of 2022<sup>1</sup>. This change aimed at the reorganization of the previous institution, embracing a new organizational structure and a modernized governance. This transformation was motivated by the need of segregating the essential functions, allowing for an increased control of public funds and alignment to the modern principles and requirements.

ODA aims at providing support for the development of entrepreneurship and of the SMEs in Moldova, offering financial and technical assistance and issuing financial and state guarantees. The objective of the reorganization was the elimination of the deficiencies inside ODIMM, as well as of the drawbacks related to the management of activity-specific risks. The new institution resembles in its approach to the financial institutions, integrating modern practices of corporate governance in line with the international standards.

The improvements implemented are targeting compliance to the recommendations from OECD, the European Parliament and the European Commission in the area of corporate governance, as well as to the national normative framework for the public institutions. Another objective is assurance of coherence and efficiency in the specific risks' management regarding the activity of ODA, to support the state policy for the aid of entrepreneurship and of the SMEs. At the same time, due to the reforming of ODIMM into ODA, there was achieved a diversification in the spectrum of business support programs for entrepreneurs and for SMEs, thus increasing the number of potential beneficiaries who may access the support funds.

These were vital changes for the creation of a more transparent and efficient framework for the sustainable support and development of the business sector, emphasizing the need for a solid corporate governance oriented towards continuous improvement.

*Figure 1. Logos of ODIMM and ODA*



Source: [oda.md](http://oda.md)

<sup>1</sup> [https://www.legis.md/cautare/getResults?doc\\_id=135927&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=135927&lang=ro#)

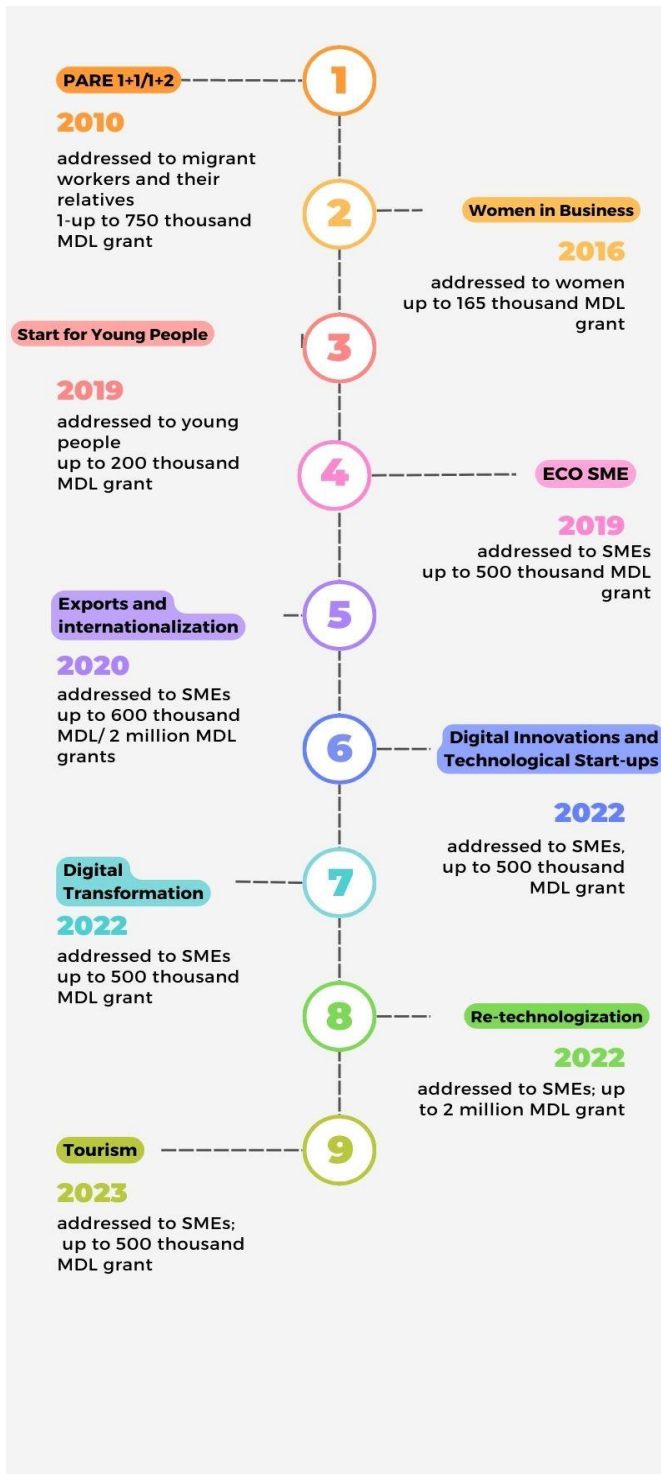


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## 1.2. Business support programs included in the study - short description

Figure 2. ODIMM - ODA programs' chronology



Source: oda.md

Considering the need for accelerating the development of the business environment in the Republic of Moldova, the Organization for Entrepreneurship Development (ODA) implements a series of business support programs thus contributing to the consolidation and diversification of this sector.

Currently ODA has a portfolio of 9 business support programs divided into three distinct categories. The category **SME Start-Up** includes the programs PARE 1+2, Women in Business, START for Young People and the Program for the support of digital innovations and technological start-ups. These programs are dedicated to the encouragement and facilitation of new businesses' development, with a special emphasis on demographic diversity and technological innovation.

In the category **business development**, ODA offers the SME Ecologization Program, Digital Transformation Program for Small and Medium Enterprises as well as the Support Program for the Development of Small and Medium Enterprises in the Tourism Area. These programs aim at improving the SME's capacities and adaptability according to the current market requirements, offering support for the diversification of activities and adaptation to the modern technologies.

Lastly, ODA developed two specific business **growth** programs: The SME Re-technologization and Energy Efficiency program and the Program for SME's Competitiveness and Internationalization. The aim of these programs is consolidation of the already existing SME's position, facilitating their modernization, efficiency growth and international promotion thereof.

These nine ODA business support programs offer grant access possibility to the persons thinking of launching a business, but also for the existing

SMEs willing to extend or modernize their businesses. Each of these programs has its own priorities and objectives and the enterprise's area of activity is an important eligibility criterion for these programs.

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### **Program for the Attraction of Remittances into the Economy „PARE 1+2<sup>2</sup>:**

General objective: consolidation of economic opportunities and inclusion of migrants into the socio-economic development of the Republic of Moldova. Beneficiaries: migrant workers and their relatives, with special emphasis on rural areas. Currently the program provides for the 1+1 Component, which implies 50% non-reimbursable financial support and 50% own contribution from remittances, with the total amount of the grant not exceeding 250 thousand MDL. There is also the 1+2 Component with the financing ratio of 30% / 70%, based on the following principle: 1 MDL invested as the own contribution of the beneficiary will be supplemented with 2 MDL as financial support on behalf of the Program. The total amount of the non-reimbursable financing shall not exceed 500 thousand MDL.

### **Women in Business Program<sup>3</sup>:**

Objective: provision of financial and non-financial support for the women-owned businesses' development. Beneficiaries: female entrepreneurs according to Law no. 179/2016, with an impact on gender equality and economic development. The program offers the possibility of accessing grants up to 165 thousand MDL for small-scale investments or for business development services in order to increase the investments' efficiency.

### **The Program START for Young People: a sustainable business at home<sup>4</sup>:**

Objective: promotion of entrepreneurship among young people and the economic integration thereof. Specific objectives: entrepreneurial mindset stimulation, facilitating the access to financing and resources, encouragement of innovations and transfer of know-how. Beneficiaries: young people aged 18-35 and their enterprises, according to Law no. 179/2016. In the framework of this Program, the young people may access funds up to 200 thousand MDL, with a ratio of 70% grant and 30% own contribution to the total project value.

### **Support Program for the Development of Small and medium Enterprises in the Tourism Area<sup>5</sup>:**

Goal: Economic growth stimulation through the support and promotion of tourism businesses. Objectives: tourism promotion, facilitating the access to financing and technical assistance, improvement of the quality of touristic services and infrastructure development, including the rural areas. Implemented by: Public Institution the Organization for Entrepreneurship Development (ODA), with the support of the Ministry for Economic Development and Digitalization and of the Ministry of Culture. This program offers to its beneficiaries a non-reimbursable financing up to 500 thousand MDL, a 30% own contribution for the total project value being required on behalf of the beneficiary.

### **Program for Digital Transformation of Small and Medium Enterprises<sup>6</sup>:**

Goal: supporting the digitalization of enterprises for economic growth and recovery. Objectives: entrepreneurial skills' development, provision of financial support for digitization, competitiveness growth and electronic commerce promotion. Beneficiaries: micro, small and medium enterprises according to Law No. 179/2016, except for certain specific categories. The non-reimbursable financing offered through the Program will account for maximum 70% of the total value of the investment project and will not exceed 500 thousand MDL for the micro, small and medium enterprises.

### **SME Competitiveness Growth and Internationalization Program<sup>7</sup>:**

Goal: supporting the enterprises in becoming more competitive and extension thereof on the international markets. Objectives: investment in innovation, export facilitation, consolidation of local and international partnerships. Beneficiaries: micro, small and medium enterprises in the Republic of Moldova. The non-reimbursable financial support may be accessed following the rule of 50% own investment and 50% non-reimbursable financial support for business development services, procurement of machinery, equipment or

<sup>2</sup> <https://www.oda.md/files/pare/2023/Ghid%20PARE%202023-10.pdf>

<sup>3</sup> [https://www.legis.md/cautare/getResults?doc\\_id=118431&lang=ro](https://www.legis.md/cautare/getResults?doc_id=118431&lang=ro)

<sup>4</sup> <https://www.oda.md/files/tinerinew/Ghid%20Start%20pentru%20Tineri%20-%2030-11-2023.pdf>

<sup>5</sup> <https://www.oda.md/files/turism/Ghid%20Turism.pdf>

<sup>6</sup> <https://www.oda.md/files/digitalizarea/newws/Ghid%20Transformare%20Digitala%20-%202023-11-30.pdf>

<sup>7</sup> <https://www.oda.md/files/internationalizare/Ghid%20Internationalizare.pdf>





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installations. For equipment - maximum 45% of the total value of the project without VAT, but not exceeding 270 thousand MDL.

### SME Ecologization Program<sup>8</sup>:

Goal: transition to a green economy model. Objectives: information and awareness, supporting the eco-innovative businesses, promotion of environmentally responsible business models. In the framework of this Program a non-reimbursable financial support (grant) is provided amounting to 500 thousand MDL, which represents maximum 70% of the eligible investment cost, while the remaining 30% account for the beneficiary's own contribution.

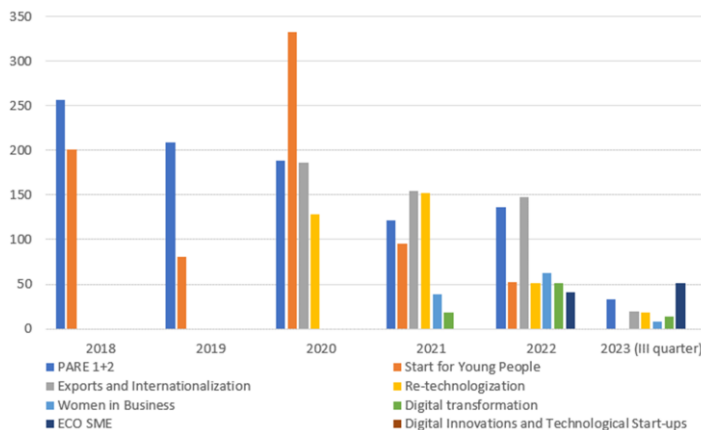
### SME Re-technologization and Energy Efficiency Program<sup>9</sup>:

Goal: modernization and energy efficiency of small and medium enterprises. Objectives: awareness-raising, financial support for modern technical solutions, cost reduction and transition to alternative energy sources. This Program may be accessed only by the SMEs that have been active for at least 24 months. In the framework of the Program, the SMEs may benefit of one of the two components available: 2 million MDL for technologies and re-technologization (50% of the project value will be covered by the state and 50% will be the applicant's contribution) or 1,5 million MDL for the procurement of machinery, equipment and installations required for the implementation of alternative energy sources (50% of the project value will be covered by the state and 50% will be the applicant's contribution).

### Digital innovation and technological start-ups' support program<sup>10</sup>:

Objective: non-reimbursable financing for innovative enterprises and technological start-ups. Beneficiaries: small and medium enterprises, individuals intending to launch a business in the specified areas. The program offers non-reimbursable financing of maximum 80% of the total investment project value, not exceeding the amount of 500 thousand MDL, a 20% own contribution from the total value being required.

Figure 3. Evolution of the number of ODA grants' beneficiaries, distributed per financing programs, the years 2018-2021



Source: Calculations of the author based on the data from ODA

Transformation program.

<sup>8</sup> <https://www.oda.md/files/ecologizare/2023/Ghid%20Ecologizare%202023-10-06.pdf>

<sup>9</sup> <https://www.oda.md/files/retehnologizare/2023/Ghid%20Retehnologizare%202023-10-06.pdf>

<sup>10</sup> <https://www.oda.md/files/Inovatii/ghidul---2022-10-31.pdf>

<sup>11</sup> <https://www.oda.md/ro/transparenta-decisionala/declaratii>



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### 1.3. The mechanism of evaluating the potential candidates by ODA

During the period 2018 - 2023, the financing programs underwent significant changes, as did also the responsible institution. Thus, when ODIMM was active, in 2018, to take part in the PARE program, the beneficiaries had to submit a complex set of documents already at the training component's stage, such as for example the concept note of the preliminary idea of the investment project, as well as all the documents confirming the legality of the remittances and of the co-financing resources.<sup>12</sup> Currently, similar conditions are stipulated in the Decision, however the requirements are clearer and more relevant, a much simpler dossier being required, with a more rigorous verification of the origins of the amount from remittances.<sup>13</sup>

Another peculiarity of the evaluation process that underwent changes is the dismantling of the Program Supervisory Committee consisting of 13 members, which only had a political function. Once with the reorganization of ODIMM, a single Financing and Risks' Committee was established for all the programs. It consists of five members, natural persons, selected and approved by the Council for a five-year mandate through a selection method applied by the Council. Therefore, the political influence on the investment projects' evaluation process was reduced and ODA acquired more autonomy versus the other state authorities. At the same time, the competence of the committee has a direct influence on the operational process and since there is a smaller number of members, the evaluation of investment projects and discussion of other aspects related to the attributions of the Committee occurs in a more efficient manner and in a shorter timeframe.<sup>14</sup>

At present, the process of grant provision by ODA includes six main stages<sup>15</sup>:

*1. Program application:*

- The program is structured into three distinct components: entrepreneurial training and consultancy, non-reimbursable financial support and loan with grant component.
- The applicants fill in on-line forms and submit the necessary documents depending on the program component.

*2. Dossier compliance examination:*

- Either the applicant will get a notification regarding the completeness of its dossier or it will get recommendations for supplementing an incomplete dossier.

*3. The pre-financing evaluation of the dossier:*

- This evaluation stage includes compliance analysis, economic-financial analysis and risks' analysis.
- External technical expertise may be requested and on-site visits and interviews may be organized in the premises of the enterprise.

*4. Approval or rejection of non-reimbursable financial support provision:*

- The Financing and Risks' Committee of ODA analyses the reports and takes decisions, prioritizing the viability of the business and its contribution to the economic development.

*5. Financing project implementation:*

- The requestor signs the financing contract and must establish the enterprise within the next 30 days.

<sup>12</sup> Governmental Decision no. 972 of 18-10-2010 on the Program for attracting remittances into the economy "PARE 1+1" for the years 2010-2021 // in the Official Gazette no. 211-212 art. 1091 of 29-10-2010

<sup>13</sup> Governmental Decision no. 622 of 07-09-2022 on the approval of the Program for attracting remittances into the economy "PARE 1+2" // in the Official Gazette no. 284-290 art. 726 of 16-09-2022

<sup>14</sup> Governmental Decision no. 487 of 13-07-2022 on the organisation and functioning of the Public Institution the Organisation for Entrepreneurship Development// in the Official Gazette no. 221-229 art. 578 of 22-07-2022

<sup>15</sup> <https://www.oda.md/ro/>

- The beneficiary must invest at least 30% from the total value of the project, also providing the supporting documents.

**6. Post-financing monitoring and evaluation:**

- The monitoring lasts for 24 months being split into the post-financing monitoring (the first 6 months) and the final monitoring (the final 6 months).
- This includes verification of the investment implementation, observance of the contractual obligations and the evaluation of finance reports and of other relevant documents.

These are essential stages for the process of grant provision by ODA, also determining the applicants' success in obtaining the requested financing. Aiming at the increase in efficiency of internal processes, but also for the simplification of access to support programs, the individuals or legal entities may submit their dossiers in electronic format, without having to show up physically to ODA premises. The applicant completes all the forms, prepares the requested documents, signs them electronically and sends them to the specific email address per each of the programs, such as for example pare@oda.md.

## **2. Territorial distribution of financing for ODA programs**

### **2.1 Numerical and value distribution of the financing offered**

In the recent years, especially after the reorganization of ODIMM into ODA, the state policies on SME financing became more inclusive and the amount of financing increased. Until 2021, the SME financial support was a rather narrow one, focusing mainly on new businesses and three distinct categories of beneficiaries – young people, women and migrants.

The numeric evolution of grants approved by ODIMM/ODA shows that the biggest number of grant beneficiaries is registered in 2020 – 834 beneficiaries. In the context of COVID pandemic the state decided to maximize the existing instruments (Program for the Attraction of Remittances into the Economy „PARE 1+2”, Program START for Young People: a Sustainable Business at Home, Women in Business Program), also introducing an additional SME Digitization Support Instrument<sup>16</sup>. The average value of one financing in 2020 represented 159 thousand MDL.

On the other hand, the value dynamic of the approved grants shows that the highest amounts by far were directed to SMEs in 2023. Thus, the data for only the first 9 months of 2023 account for approved grants in a total amount of 191,4 million MDL, which exceeds three times the amount of grants in 2019 when financing was approved in a total amount of 62 million MDL. Moreover, the estimates based on the evolutions from the first quarter of 2022 show that during the whole year 2023 ODA will approve non-reimbursable financing in a total amount of 250 -300 million MDL. The years 2022 and 2023 are also characterized by a significant growth of the value of non-reimbursable financing per company, with the values of 300 and respectively 412 thousand MDL. This fact is due to the increase in diversity and complexity of the programs administered by ODA, which also allowed to increase the spectrum of SMEs eligible for the state support.

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<sup>16</sup> [https://www.oda.md/files/digitalizarea/2020/Ordin\\_100\\_26.05.2020.pdf](https://www.oda.md/files/digitalizarea/2020/Ordin_100_26.05.2020.pdf)



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Table 1: Numerical and value evolution of grants approved by ODIMM/ODA (2018 – 9 months 2023)

Year	Number of beneficiaries	Value, mil. MDL	Average amount of the grant, mil. MDL
2018	457	90.8	199
2019	290	62.1	214
2020	834	132.4	159
2021	581	94.1	162
2022	541	162.1	300
2023	465	191.4	412

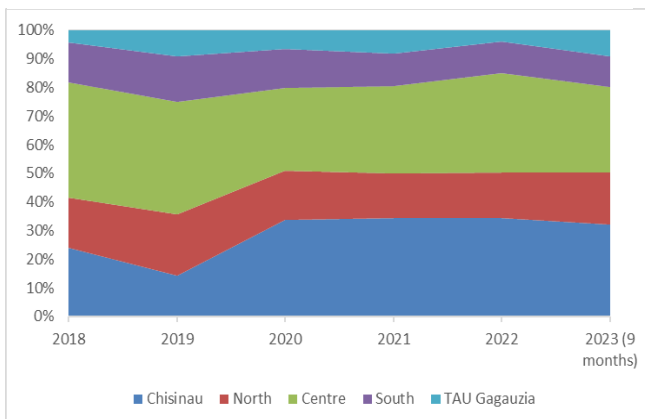
Source: Calculations of the author based on the data from ODA

Grants' number distribution per development regions shows that during the first 9 months of 2023 the biggest number of beneficiaries are from Chisinau municipium and from the region Centre, accounting for 32% and 29,9% respectively. These are followed by the regions North and South with 18,3% and, respectively, 10,8%. Compared to the year 2022 there is a noticeable increase in number of companies from ATUG and region North compared to the other regions.

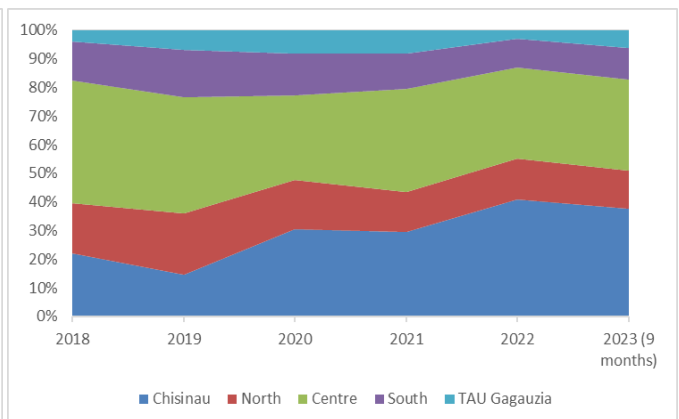
Until 2022 the differences between the numeric and the value structure of approved grants was quite insignificant. Once the number and diversity of programs was expanded, more remarkable differences emerged. For instance, those 32% of grant beneficiaries from Chisinau assimilated in the first 9 months of 2023 circa 37,5% of the value of grants, while 18,3% of beneficiaries from the North region obtained 13,5% of the total amount of financing available. These differences are related to the existence of a bigger number of competitive businesses in Chisinau that focused mainly on the business development and expansion programs with lesser focus on the programs targeting beginners.

Figure 4. Structure of grants offered by ODIMM / ODA per development regions

Structure of the number of beneficiaries



Structure of the volume of grants awarded



Source: own calculations by the authors based on the data provided by ODA

According to the cumulative data for the time period 2018 - 9 months of 2023 (Annex 1 and Annex 2), 30,5% of the total number of beneficiaries are from Chisinau municipium. Except for the capital city, the other most active territorial units are ATUG accounting for 6,8% form the total number of grants, Ialoveni (4,9%), Orhei and Hancesti accounting for 4,4% each.

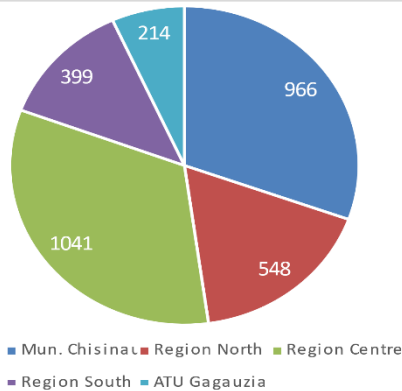


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Analyzing the number of grant beneficiaries by ODA in different regions and municipium of the Republic of Moldova, we see differences in their distribution (Figure 5). Chisinau municipium and the Center region are leaders from this perspective, having the biggest number of ODA grants' beneficiaries, accounting for a total number of 966 and 1041 accordingly. These are followed by the North region with a total number of 548 beneficiaries. Further on there is the South region with 399 beneficiaries and ATU Gagauzia with 214 beneficiaries.

Figure 5. Number of ODA grants' beneficiaries, 2018- quarter III 2023

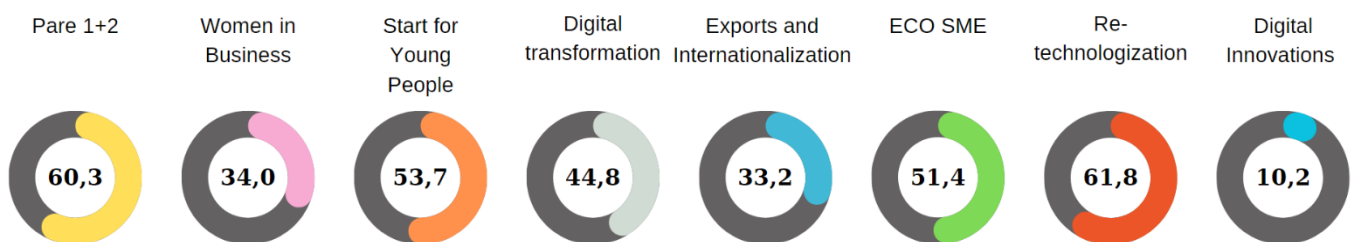


Source: ODA

## 2.2 Analysis of the level of financing acceptance in different regions

The rate of success in obtaining ODA grants varies depending on different financing programs available for enterprises (Figure 6).

Figure 6. The grants' win rate, distributed per ODA's financing programs, years 2022-q.III 2023



Source: Calculations of the author based on the data from ODA

Based on the average data per country for the years 2022-2023, we may notice a significant variability of success rates per different programs:

- Program 1+2: Registered a relatively high success rate, 60%, showing a moderate competition for this kind of financing.
- Women in Business: It has a lower success rate, 34%, which might be an indicator of more tough competition or it may be due to different selection criteria. At the same time, it should be mentioned that no grants were awarded in 2023 and there were no applications lodged, accordingly.
- Start for Young People: It has a success rate of 54%, suggesting a moderate competition with better chances of obtaining the financing.

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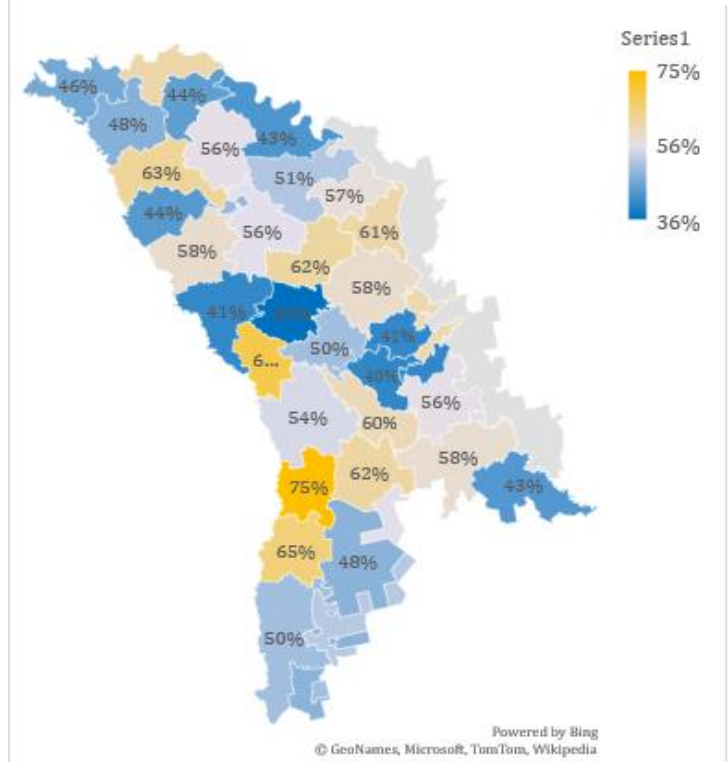


- Program for Digital Transformation of SMEs: Registered a 45% success rate, indicating a significant demand for financing addressed to digital transformation.
- SME Competitiveness Growth and Internationalization Program: It has a success rate of 33%, which may be explained either by a tougher competition or maybe it is a more specific program.
- SME Ecologisation Program: It accounts for a 51% success rate, suggesting a low competition per this program among the enterprises.
- SME Re-technologization and Energy Efficiency Program: It accounts for the highest success rate, 62%, indicating a high level of interest and a lower competition due to its narrow focus on technological innovation and energy efficiency, which became a very up-to-date topic in the context of increased prices for energy resources
- Digital innovation and technological startups' support program: It is remarked for its lowest success rate, only 10%, indicating an extremely tough competition or very specific requirements and strict selection criteria per this program. This low rate of success may be explained by the specificity of innovative projects that involve extremely high-risk levels.

According to these data, every financing program by ODA has its peculiarities regarding the competition level or chances of being awarded a grant, reflecting rather specific needs and interests of enterprises in such domains as digitization, ecologisation and innovation.

The success rate of applicants for ODA's grants in the years 2022-2023 is a reflection of the results for the financing competition (Figure 7). Based on the data available for this timeframe, the average win rate for ODA grants is 48%. In what regards the distribution of this indicator at the district levels, considerable variations are observed. The districts Leova and Nisporeni account for the highest success rates, with notable percentages of 75% and, respectively, 69%, indicating a higher efficiency in obtaining these grants. On the other hand, in the districts Calarasi and Ungheni the success rates are lower, 36% and, respectively, 41%. However, the majority of the districts fit into an interval close to the national medium, which reflects a balanced competition for ODA grants' awarding. This is also an indicator of absence of any subjective factors related to territoriality during the evaluation of the applications lodged by the SMEs. It is important to emphasize that these data are only limited to the years 2022-2023, no information being available for the previous period of time, since it was only after the reorganization of ODA that a more complex and larger results' monitoring system was established.

Figure 7. ODA grants' winrate, years 2022-q.III 2023



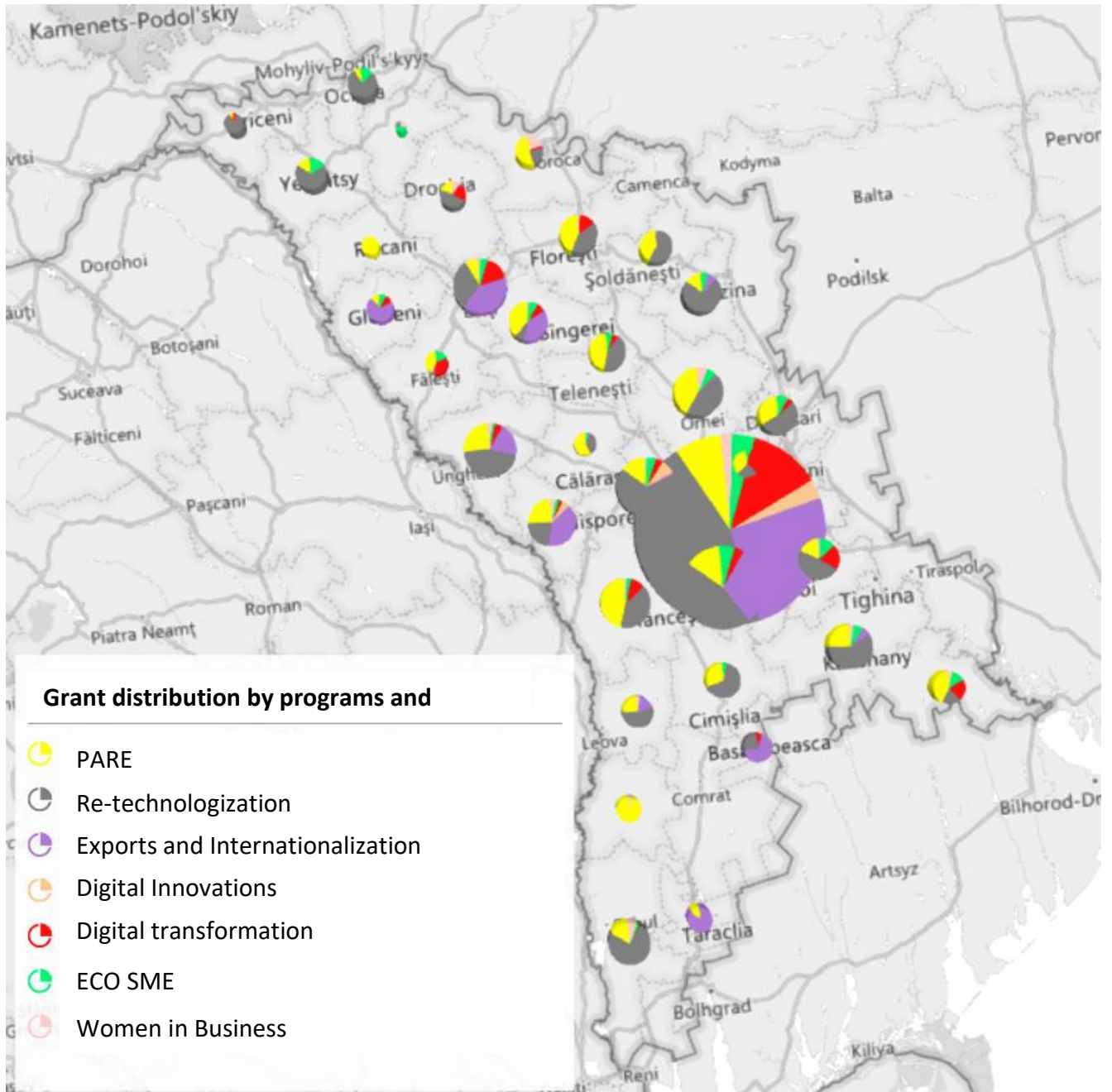
Source: The author's calculations based on ODA reports



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Figure 8. Structure of grants distributed by ODA, at the district level, timeframe 2022-q.III 2023



Source: The author's calculations based on ODA reports



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### 3. Business support infrastructure availability in the regions

#### 3.1. Business incubators and their contribution in supporting the SMEs to access financing

Business incubators are public institutions according *Figure 9. The Network of Business Incubators in Moldova*

to Law no. 179 of 21.07.2016 that provide a vital support for businesses and entrepreneurship. They offer essential services, including consultancy, mentorship and working spaces for affordable prices to incipient businesses. The hosted companies may benefit of these facilities within a three-year timeframe, which is a critical interval for their initial development.

The Moldovan Business Incubators Network (RIAM), financially and technically supported by the European Union, represents a collaboration platform for 11 local incubators according to Figure no. 9. RIAM promotes the crucial role of business incubators in the economic development at the national and international level. This network includes the business incubators from Cahul, Calarasi, Ceadir-Lunga, Cimisia, Dubasari, Leova, Nisporeni, Rezina, Singerei, Soroca and Stefan-Voda.



Source: ODA.md

Table no. 4: RIAM situation in 2022<sup>17</sup>

Name	Total number of residents	Incubated businesses in 2022	Number of jobs created	Activity years
Business Incubator Cahul	20	5	94	6
Business Incubator Calarasi	45	21	130	7
Business Incubator Ceadir-Lunga	16	6	51	9
Business Incubator Cimisia	17	2	65	6
Business Incubator Dubasari	24	3	66	7
Business Incubator Leova	17	4	27	10

<sup>17</sup> <https://www.oda.md/ro/transparenta-decizionala/declaratii>





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<b>Business Incubator Nisporeni</b>	43	7	121	9
<b>Business Incubator Rezina</b>	15	2	44	8
<b>Business Incubator Singerei</b>	30	8	121	9
<b>Business Incubator Soroca</b>	25	3	123	12
<b>Business Incubator Stefan-Voda</b>	26	5	61	8
<b>Total</b>	<b>278</b>	<b>66</b>	<b>903</b>	

Based on the data from the table above we may conclude the following:

1. Total number of residents: There are 278 residents in total.
2. Incubated businesses in 2022: there were 66 businesses incubated. Comparing the numbers - 66 incubated businesses versus 278 residents, we may conclude that part of the residents continues to operate in the framework of the BI for time periods beyond the normal 3 years limit, which may also be an indicator of a lower rate of new businesses' identification as well as of a slower speed of development of the businesses so that they are unable to separate from the incubators after the initial three years of activity.
3. Number of jobs created: The incubated businesses generated a total number of 903 working places.
4. Activity years: The business incubators have been operational for 6-12 years, the average being of 8 years.
5. The relative performance of the business incubators: Analyzing the ratio between the number of residents and number of businesses incubated we may observe variations in this regard. Certain incubators like the ones in Soroca and Calarasi have a higher number of businesses per resident, which may be an indicator of a favorable environment for running a business.
6. Creation of new working places: We may notice that in 2022 the businesses incubated in RIAM created 903 jobs, however comparing the ratio between the businesses incubated in 2022 and the ones in the previous years we may conclude that the number of jobs grew by only 23% of the total, which would account for approximately 207 new jobs created, and divided by 11 incubators it would be on average 18 working places per district were a BI exists. Although this is a positive indicator it is however insufficient considering the role of RIAM and its activity within 6 - 12 years' timeframe.

Besides business incubation, which implies provision of facilities for renting spaces for incipient entrepreneurs, the incubators also provide a range of business support services for the existing businesses as well as for the development of new businesses. These services include consultation and guidance in business; access to financing and mentorship; low-cost operational facilities; administrative and technical services; FabLab Ideas' accelerator. For instance, in 2022 the Business Incubator Cimislia provided support for 5 entrepreneurs in the application process for ODA's grants, including 2 service provision companies through "Women in Business" Program and 3 agricultural business through "PARE 1+2" Program.<sup>18</sup> In 2022, in the framework of the Business

<sup>18</sup><https://raioncimislia.md/wp-content/uploads/2022/12/Decizia-nr.-07-04-din-02-decembrie-al-IP-Incubatorul-de-Afaceri-din-Cimi%C8%99lia-pentru-anul-2022.pdf>



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Incubator Leova (IAL), there were organized 18 seminar and training sessions attended by circa 165 persons including IAL residents, entrepreneurs, pupils and individuals from the districts Leova and Cantemir.<sup>19</sup>

To increase the effectiveness of RIAM as well as for the general development of the business sector, we would emphasize the need for revision of their activities per several aspects. It is recommended to reanalyze the standard duration for businesses' incubation in order to provide for a higher level of flexibility and possibilities of timeframe adjustment to allow for sufficient time for the fortification of the incubated businesses as well as provision of space for new businesses. Organization of educational programs, mentorship sessions and networking events to support entrepreneurs and to attract the youngest ones and the less experienced in the entrepreneurship world. Extension and diversification of resources available for the residents, including facilitation of access to financing, adequate working spaces and equipment necessary for the development of the businesses, including through the support in lodging applications to ODA programs. Implementation of a continuous monitoring and evaluation system for the business incubators' performance in order to identify their level of activity and determine the required measures for either improving or maintaining the achievements. Creation of partnerships with universities, research institutions and other relevant organizations in order to provide access to expertise, additional resources and collaboration opportunities.

### 3.2. Existence of consultancy companies, specialized NGOs and the activism of public authorities

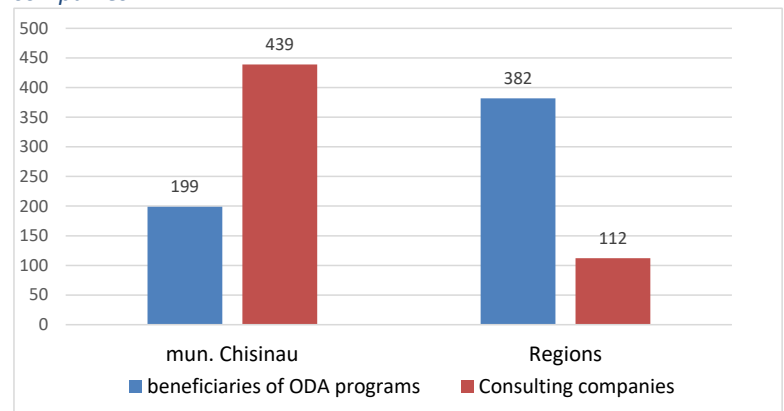
In the framework of the efforts for SME support and development, a diversity of entities such as the consultancy companies, specialized non-governmental organizations (NGOs) and public authorities play an essential role in the distribution and directing of resources towards the respective enterprises at the territorial level.

As for the most popular types of consultancy services, the most frequently required one is "strategic consultancy" (market analysis, business planning, sales, reorganization), accounting for circa 30% of the total number of requests.

According to the statistical data, in 2021 there were 551 companies active in the Republic of Moldova with the main activity area being "Consultancy in business management". Geographically, the majority of them are located in mun. Chisinau - 439 companies, while in the other regions there are 112 companies in the area of business consultancy.

Comparing these numbers with the number of beneficiaries of ODA grants' programs in the respective year (Figure nr. 10), we may observe that in mun. Chisinau there were 199 beneficiaries, accounting for 45 % from the total number of winning casefiles per country level. In mun. Chisinau, per one beneficiary of ODA programs there are 2,2 consultancy companies, while in the rest of the country there are 0,29 such companies per beneficiary. We may assume that availability of a higher number of consultancy companies and organizations in mun. Chisinau has an impact on the quality of programs'

Figure 10. The geographical distribution of business consultancy companies



Source: The authors' calculations based on the study - the management consultancy market in the Republic of Moldova 2020-2021

<sup>19</sup> <https://ial.md/wp-content/uploads/2023/10/Raport-de-Activitate-IAL-2022.pdf>



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applications, also increasing the win rate for those who are accessing their services. The businesses from the other territories of the country have a narrower access to such consultancy services.

Moreover, the AMCOR study mentioned above, that also includes the results of a survey done with 25 Moldovan business consultancy companies, shows that 60% of them cover with their activities only the regions Chisinau and Centre, while 40% claimed being able to cover the whole territory of the country.<sup>20</sup>

Another constraint in the local consultancy market development relates to its dependency on the public projects available, including the ones financed by donors. The consultancy market's study performed by AMCOR shows that 60% of consultancy companies are mainly implementing public projects, including the donor supported ones, while the private projects are prevalent for only 1 in 5 companies. This also means that there are few companies willing to pay from their own resources for the consultancy services, not having a full understanding of the value provided by them.

To conclude, the entrepreneurs do not usually have enough time and knowledge to manage applying to business support programs, like the ones provided by ODA, while the young people and the individuals who are just thinking of launching a new business through these programs may not be sufficiently well prepared to develop a good quality business plan. Thus, turning to the consultancy companies that do not only have specialists trained in the area of business administration but who also have a working experience with investment programs and grants, the future entrepreneurs as well as the existing ones may save time and increase their quality by hiring them for the drafting of the application casefile and of the business plan.

Dwelling on the data presented above, we conclude that there is a need for information regarding the existence of such consultancy services in the territory, as well as a need for an accessible database of all such services' providers, followed by an awareness-raising campaign regarding the role of consultancy for business management.

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<sup>20</sup> Management consultancy market in the Republic of Moldova: 2020-2021. Accessed link: [https://amcor.ro/wp-content/uploads/2021/10/Studiu-piata-2021-RM\\_logo.pdf?fbclid=IwAR3UbtPQAVMzVvU8TdtXjbyNf5z9JE6tg3V\\_-OtMqPhzdV11BoXL0o-dBc](https://amcor.ro/wp-content/uploads/2021/10/Studiu-piata-2021-RM_logo.pdf?fbclid=IwAR3UbtPQAVMzVvU8TdtXjbyNf5z9JE6tg3V_-OtMqPhzdV11BoXL0o-dBc)



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## 4. Economic Analysis at the District Level

### 4.1. The profile of the existing businesses at the district level

The prominent disparities regarding the economic development in the Republic of Moldova do not only generate economic differences but also significant social problems. Certain administrative-territorial units encounter major challenges finding themselves in a deep crisis. Although the main contrast is registered between Chisinau and Balti, as well as between these two and the rest of the country, there are nevertheless districts that succeed in implementing efficient economic development policies aimed at supporting the growth and diversification of local businesses. However, these are rather exceptions from the general landscape of economic inequalities.

To identify the development profiles of the districts, the statistical indicators in the area of entrepreneurship were analyzed, showing the trends and evolution thereof over the time. The examined indicators include the evolution in number of enterprises, number of employees, revenues from sales registered by the enterprises and by sectors of economy. The indicators were analyzed for the timeframe 2018-2022, for SMEs separately and correlated with the indicators for big enterprises.

**NOTE:** The modification of the Law on small and medium enterprises regarding the increase in the threshold of the turnover for SMEs from 50 million MDL to 100 million MDL had a significant effect on the reconfiguration of the SMEs' classification. Pursuant to these modifications there were registered a series of shifts from the initial classification as big enterprises to the category of SME. Analyzing these changes at the level of districts and regions we may conclude that this modification had a significant effect on the number of re-qualified SMEs. At the national level there was recorded a net decrease by 401 big enterprises that turned to be reclassified as SMEs as a result of the new classification criteria. More exactly, Chisinau municipium lost 265 enterprises, while the most significant drop down was recorded in the region Centre - 56 re-qualified SMEs. There were also modifications registered in other regions too: region North lost 43 SMEs, region South - 22, and ATU Gagaguzia - 15.

At the district level there are variations from district to district. For example, such districts as Anenii Noi, Briceni, Drochia, Edinet and Falesti suffered relatively small losses, while in some other districts such as Hancesti, Ialoveni, or Ungheni there were registered more significant decreases.

This legislative modification has a considerable impact on the distribution of ODA programs, since this change re-calibrated the sample of SMEs eligible for the financing. Provided that some of these re-classified enterprises might have a higher financial capacity and a richer experience in accessing financing, it is assumed that certain districts and regions might benefit at a larger extent from this legislative modification, having an increased access to resources and financing.



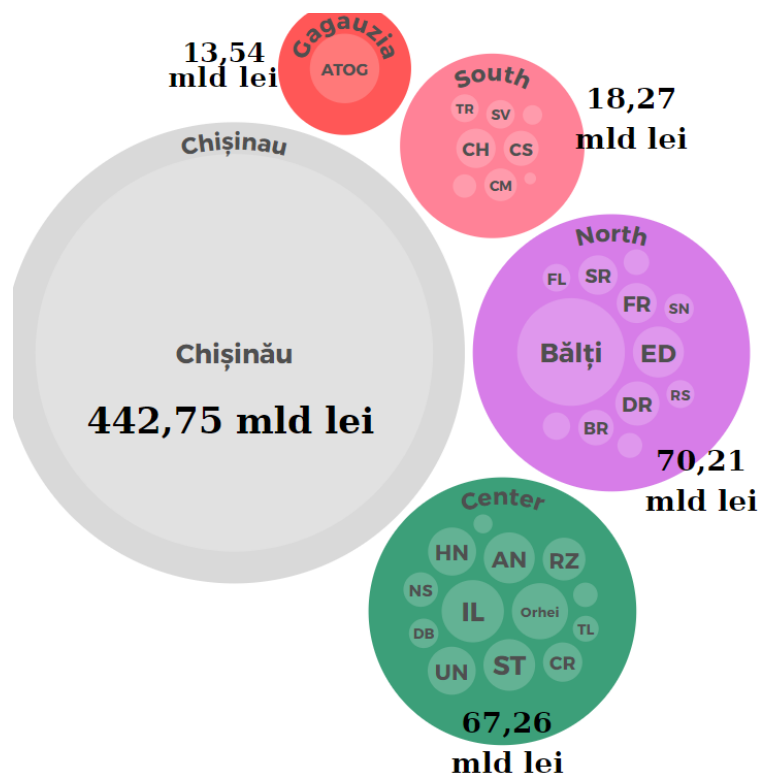
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### Analysis of sales revenues of the companies

Analyzing the differences in the sales **revenues** at the level of districts and regions of the Republic of Moldova in 2022 (figure 11), we may observe significant differences between Chisinau and the rest of the administrative units. Chisinau has a leading position with the total amount of revenues of 442,7 billion MDL, being followed by Balti and ATU Gagauzia with considerably lower levels of revenues: 32,5 and 13,5 billion MDL accordingly.

Figure 11. Turnover distribution at the territorial level, 2022



The highest sales revenues are accounted for the companies from the districts Ialoveni, Orhei, Straseni, Edinet and Anenii Noi, each having more than 7 billion MDL as sales revenues. It must be emphasized that these are the districts in close proximity to Chisinau, except for Orhei and Edinet, having economically robust localities. In contrast, the districts Basarabeasca (395 million MDL), Soldanesti (1,01 billion MDL) or Leova (1,07 billion MDL) - having a smaller number of population - account for smaller revenue levels. At the regional level, the regions Centre and North account for circa 70 billion MDL each, as sales revenues.

Analyzing the sales revenues per capita, Chisinau is leading with 657 thousand MDL per capita, which is almost double compared to Balti that accounts for 343,7 thousand MDL per capita. On the other side, the district Basarabeasca accounts for values

below 30 thousand MDL per capita - more exactly 24,7 thousand MDL, almost 27 times less than the medium for Chisinau.

### SME number evolution

As for the total number of SMEs, the biggest number of SMEs compared to other economically developed zones is recorded in mun. Chisinau or region Centre (Figure 12). Thus, the municipium Chisinau and Balti, ATUG, the districts Ialoveni, Orhei, Ungheni and Straseni, are the only ATUs accounting for more than 1000 SMEs in 2022. On the other hand, the biggest increase in number of SMEs during the timeframe 2018-2022 was registered in the districts with a medium number of SMEs – Briceni (+52%), Glodeni (48%), Calarasi (47%). The districts Basarabeasca (146 SMEs), Taraclia (308 SMEs) and Soldanesti (331 SMEs) registered the slowest growth rates.



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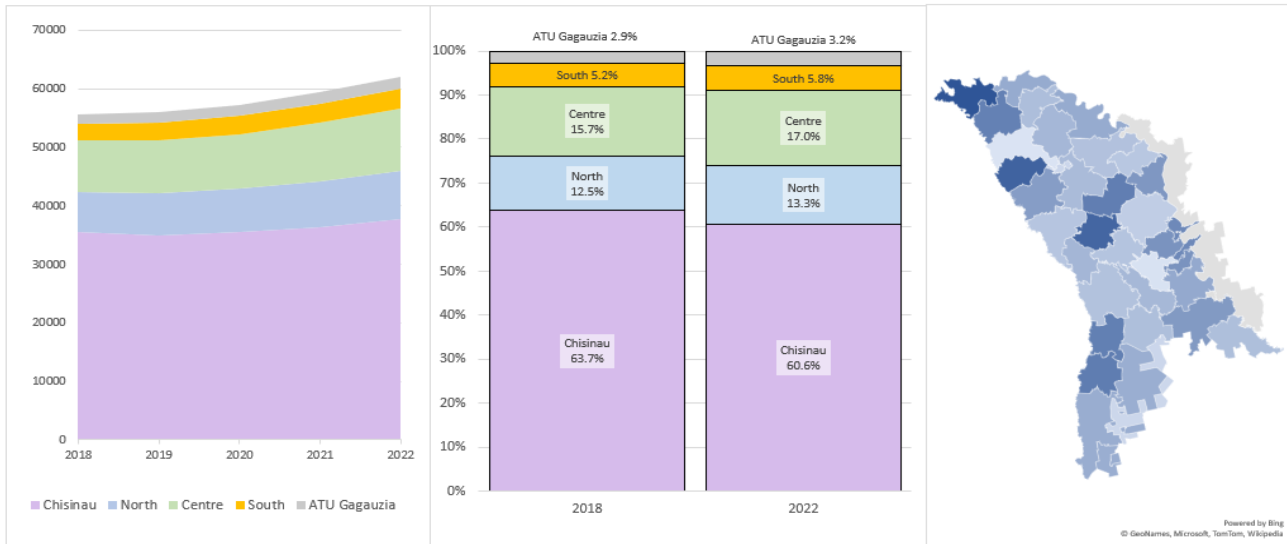


Figure 12. Number of SMEs per districts and development regions

SME number evolution per development regions, 2018-2022

Share of SMEs per development regions, 2018, 2022

SME number growth rate per districts, 2022/2018



Source: The authors' calculations

### SMEs per 1000 inhabitants

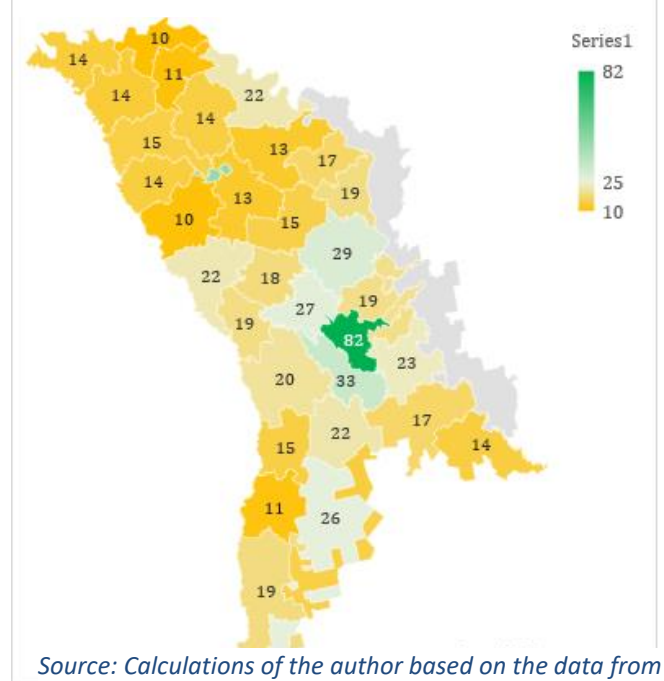
The data regarding the density of small and medium businesses in the Republic of Moldova measured in number of SMEs per 1000 active population depicts a variable business landscape in different districts and regions of the country (Figure 13).

At the general level, mun. Chisinau is remarkable for a high density of 82 SMEs per 1000 active population, which is an indicator of a vibrant and dynamic entrepreneurial environment. On the other end, the less populated districts such as Ocnita or Falesti account for only 10 SMEs per 1000 active population, which is an indicator of a more limited entrepreneurial activity.

There are also significant variations recorded even between the districts from the same region. For example, in the region North, the district Soroca accounts for 22 SMEs per 1000 active population, while in Briceni and Donduseni the number is 14 and 11 accordingly. These differences may be an indicator of economic and social gaps in the framework of the same region. It must be mentioned that only the municipium Chisinau and Balti have this indicator (number of SMEs per 1000 active population) higher than the national average (30 SMEs/1000 active population in 2022).

There are also areas showing an increasing interest for business, such as Ialoveni (33), Orhei (29), Straseni (27), ATUG (26), Anenii Noi (23). This may be

Figure 13. No. of SMEs per 1000 active population, 2022



Source: Calculations of the author based on the data from



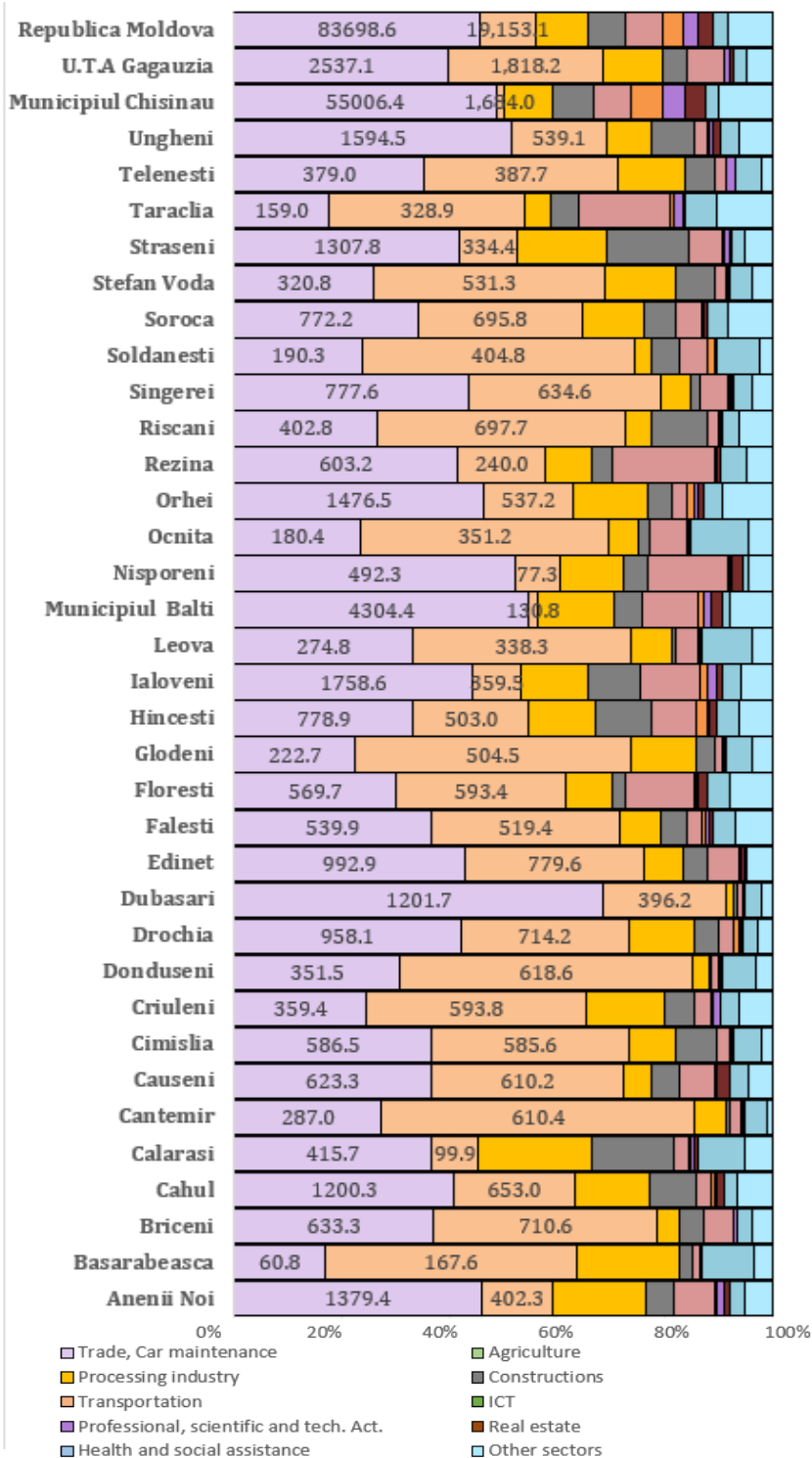
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an indicator of a favorable climate for business development or of a more robust economic infrastructure in the region.

### Diversification of local economy

Figure 14. Sales' revenues' distribution per total enterprises, illustrated per economy sectors and districts, 2022



Source: IBS

To evaluate the degree of economic diversification of the districts and to analyze the major differences between Chisinau, Balti and other regions, the turnover per activity sectors was assessed (Figure 14). The economic activity sectors are reflected in the turnover per different areas such as agriculture, mining industry, processing industry, power and thermal energy, constructions, commerce, transportation, HoReCa, information and communications, finance activities and many others.

Based on the analysis of the turnover per each activity sector in the mentioned municipium and districts we may observe significant differences in the economic diversification. At the national level, the major economic sector to be mentioned is the trade and repairs of vehicles, accounting for 45 % of the total sales revenues registered in 2022. The other important sectors following are agriculture accounting for 10,4% and the processing industry with 9,8 %.

At the regional level, for instance, Chisinau has a significant diversification in a wider range of sectors, showing significant turnover in the processing industry, wholesale and retail commerce, professional, scientific and technical activities as well as in other areas. These are an indicator of a more complex and diversified economy. In contrast, certain districts and regions show



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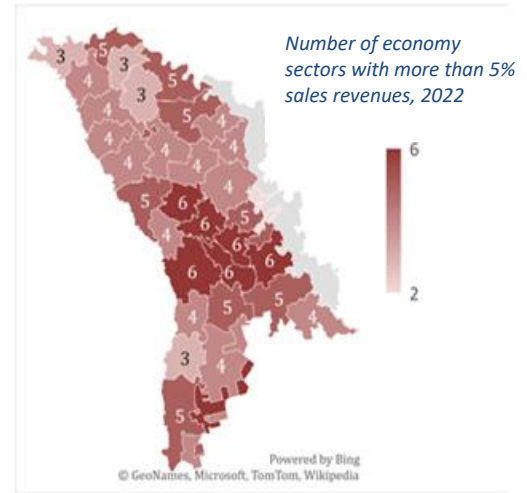


turnovers concentrated per specific sectors, such as agriculture in the districts Cantemir (58%), Donduseni (54%), Glodeni and Soldanesti 51% each. In the districts Dubasari, Balti, Nisporeni and Ungheni the commerce sector has a considerable share, over 50% of the total sales accomplished in 2022. This indicates the specialization of the economy per certain domains. The highest share of industry is registered in the districts Criuleni, Calarasi, Glodeni and Stefan Voda.

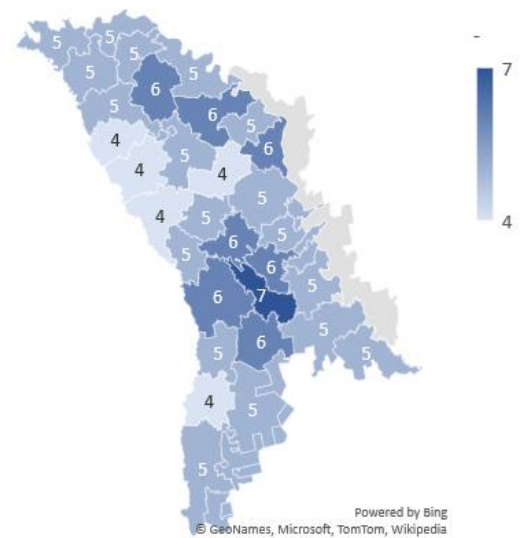
The diversification of the local economy represents an essential prerequisite for regional stability and resilience. The diversification degree identification primarily dwells on the identification of economy sectors that contribute by more than 5% of the total sales' revenues at the district level (Figure 15.1) or per total number of employees (Figure 15.2). In this regard, there are significant differences among different districts of the Republic of Moldova. For example, in the district Dubasari there were registered only two sectors of economy generating over 5% of revenues. On the other hand, there are other districts, like Chisinau, Ialoveni, Straseni or Hancesti with a more extensive level of diversification registered: six sectors of economy contributing with more than 5% of the total sales revenues as well as per the total number of employees. These differences in the level of diversification may have an impact on economic resilience and adaptation capacity of the regions against the changes and difficulties peculiar to the specific markets for the respective sectors.

Attempting to identify the relationship between the rhythm of SME number growth and the turnover indicators per sectors, we may notice that the districts or regions with a higher speed of SME number growth do not necessarily imply a higher degree of economic diversification. For example, the districts with higher rates of SME number growth, such as Briceni, Glodeni, Calarasi or Cantemir, do not always have a high level of economic diversification but may rather display a higher concentration per several specific sectors.

Figure 15. The local economic diversification from the point of view of sales revenues' analysis and of the number of employees distributed per sectors of economy



Number of economy sectors accounting for more than 5% from the total number of employees per district, 2022



Source: NBS





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### Evolution of the number of employees

The analysis of the evolution in number of working places in 2022 compared to 2018 shows considerable variations among different regions and districts of the Republic of Moldova (Figure 16). These numbers also reflect the changes in the labor force occupational structure also providing a picture of the economic dynamics of each of the regions during the respective timeframe.

At the national level, we observe a general decrease by 2% of the number of working places in the enterprises in 2022 versus 2018. However, this decrease is not uniform in all the regions, but it rather shows considerable variations. The most prominent discrepancies in the evolution of the number of working places were registered in the region South, with a decrease by 7,5% of the average number of employees (Figure 17). On the other hand, in the region Centre there is only a 0,3% decrease of the number of employees registered in the real economy sectors.

There are only 10 districts registering an increase in number of employees in SMEs, 5 of them belonging to the region Centre. The most prominent growth in number of employees is registered in the districts Telenesti (+18%), Orhei (+9%) and Anenii Noi (+7%). On the other hand, there are 6 districts accounting for a more than 10% decrease in number of employees in 2022 compared to 2018, out of which 3 are in the region South including Cantemir (-22%), Basarabeasca (-18,6%), Nisporeni (-19%), Cimislia (-16%).

Figure 16. The evolution of the number of employees distributed by sizes of enterprises, 2018-2022

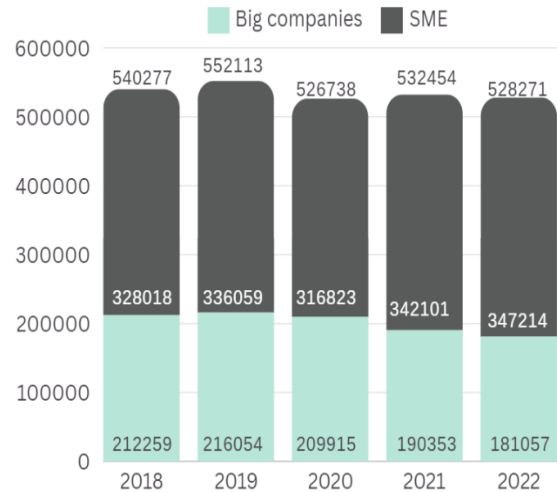
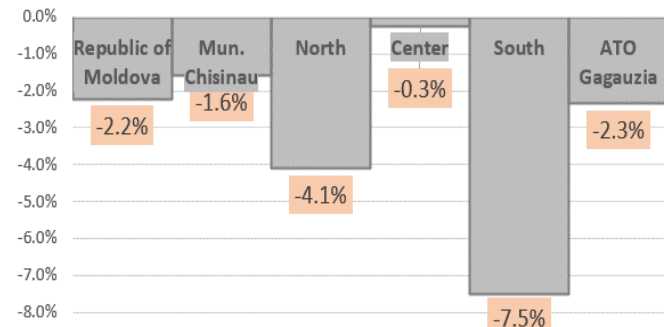
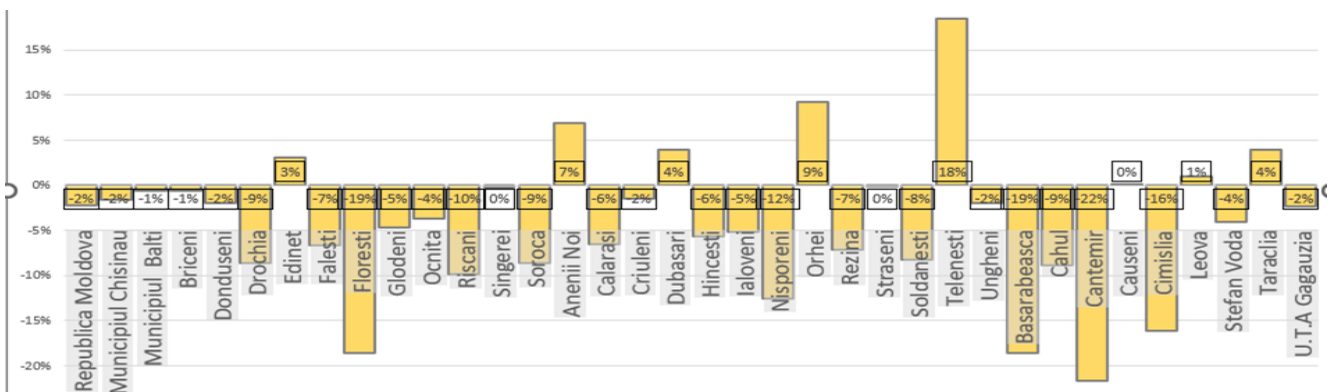


Figure 17. The evolution of the average number of employees in 2022 compared 2018, per development regions



Source: NBS

Figure 18. The evolution of the medium number of employees distributed per districts in 2022 compared to 2018



Source: NBS



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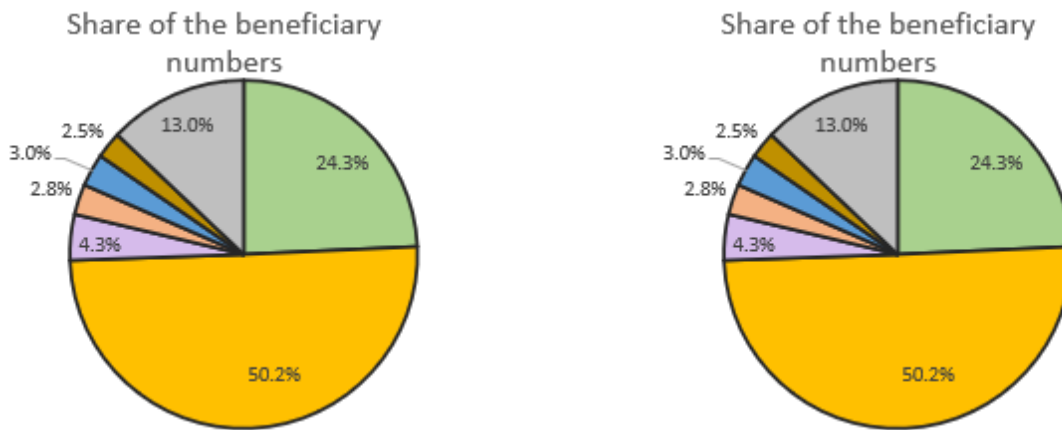


#### 4.2. The number of businesses potentially eligible for ODA per district

The distribution of ODA funds per economic sectors emphasizes a range of differences between the share of the number of beneficiaries and the share of grants offered. The sectors with the highest share of beneficiaries include agriculture, forestry and fishery, accounting for 33.4% of the total number of ODA grants' beneficiaries. At the same time, the processing industry also accounts for a considerable percentage of 32.1% from the total number of beneficiaries.

However, analyzing the share of offered grants' volume, we may see certain variations. Although the processing industry account for a significant share of grants as well, 50.2% of the total amount of grants released, the share of agriculture, forestry and fishery is considerably lower, only 24.3%. This may also indicate the fact that although the agriculture and the related sectors attract a big number of beneficiaries, the values of grants offered for these areas are much smaller compared to other sectors such as the processing industry.

Figure 19. ODA grants' distribution per volume of grants and number of beneficiaries per economy sectors



Source: NBS

Figure 20. The sectors of economy with the smallest share of the total number of beneficiaries and amounts of ODA grants in 2018-2023

ACTIVITY SECTORS	G46, G47 COMMERCE	B MINING INDUSTRY	D ENERGY SUPPLY	E PUBLIC SERVICES	H TRANSPORTATION AND STORAGE	K FINANCIAL AND INSURANCE	L REAL ESTATE	N ADMINISTRATIVE SERVICES	O PUBLIC ADMINISTRATION AND DEFENSE	P EDUCATION
SHARE IN NUMBER OF BENEFICIARIES	0%	0,4%	0,4%	1,1%	2%	0%	0,1%	1,5%	0%	1,6%
SHARE IN GRANTS' VALUE	0%	0,8%	0,3%	0,9%	1,1%	0%	0,8%	0,8%	0%	1%

Source: Calculations of the author based on ODA data



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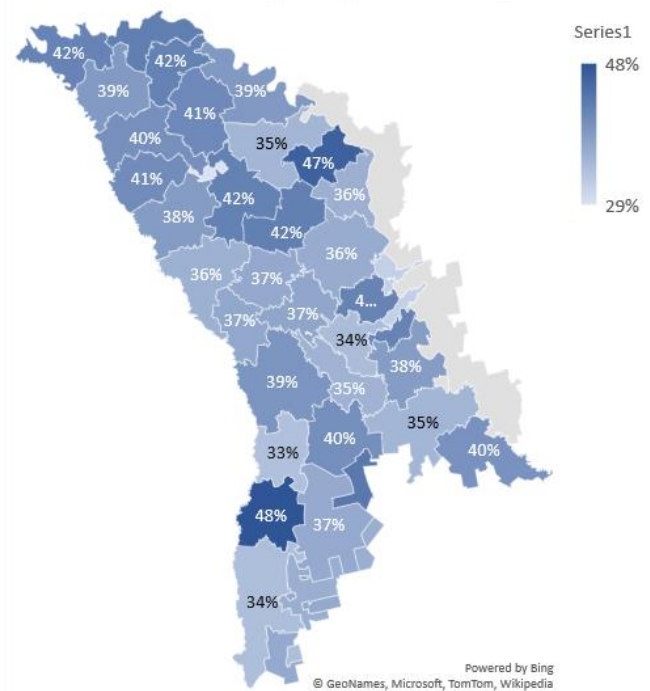
The methodology used for the identification of the number of eligible SMEs for ODA financing dwells on a thorough analysis of the data about ODA financing per sectors of economy in 2022-2023, timeframe for which the Organization for Entrepreneurship Development provided relevant information. In the framework of this analysis, we tried to identify and emphasize the sectors of economy accounting for the lowest share in number of beneficiaries and the total amount of grants provided.

We excluded from our list the economic sectors accounting for less than 2% of the total number of ODA beneficiaries, focusing primarily on the sectors with a more considerable contribution for the support of entrepreneurship. Besides that, we also examined separately the situation of the G45 sector, wholesale and retail commerce; maintenance and repairs of vehicles and motorbikes. We selected exclusively the enterprises from the subsector Maintenance and repairs of vehicles and motorcycles, accounting for approximately 61.2% of the total number of enterprises in the sector G45. This approach helped us better focus on the segments that had a more significant influence on the entrepreneurial landscape.

To validate and ensure the correctness of the obtained data, we also consulted the NBS report on “Demography of enterprises in the Republic of Moldova”,<sup>21</sup> which stated that only 72.9% of the enterprises are active, which contributed to a better understanding of the general context of the business environment regarding its level of activity and performance. This research allowed us to develop a more comprehensive and trustworthy picture regarding the number of SMEs and to fundament the conclusions and decisions in a relevant and validated analysis framework.

The number of eligible SMEs varies significantly, Chisinau having the leading position accounting for 20,569 eligible SMEs, followed by districts as Soroca (580), Hancesti (570) and Ialoveni (903). These districts registered the highest numbers of SME eligible for financing. Nevertheless, the share of eligible SMEs from the total number of SMEs present in a district or region shows a different perspective. The districts with the highest share of SMEs eligible for ODA programs include Cantemir (48%), Basarabeasca (43%), Soldanesti (47%), Ocnita (42%) and Telenesti (42%), emphasizing a strong concentration of SMEs eligible for financing in these areas. In contrast, the municipium Chisinau with a high absolute number of eligible SMEs has a rate of 34%, which may be an indicator of a more diversified economy. These data suggest that although Chisinau has a high number of eligible enterprises, the smaller districts have a higher concentration of eligible SMEs, which may also reflect

Figure 21. The share of SMEs eligible for ODA financing



Source: Author's calculations

<sup>21</sup> [https://statistica.gov.md/index.php/ro/demografia-intreprinderilor-in-republica-moldova-in-anul-2021-9557\\_60197.html](https://statistica.gov.md/index.php/ro/demografia-intreprinderilor-in-republica-moldova-in-anul-2021-9557_60197.html)



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a higher need for financial support opportunities for these local communities necessary for the development of entrepreneurship.

The analysis of the share of eligible SMEs for ODA financing from the total number of SMEs provides a different prospective. We may notice that the districts with a high share of SMEs eligible for financing (between 30% and 50%) are not necessarily the ones with a high density of SMEs per 1000 active population. For example, in the case of the districts Cantemir, Soldanesti or Basarabeasca, there is a significant share of SMEs eligible for financing even though the density of SMEs is relatively low. Thus, even though the share of SMEs eligible for grants is higher in these districts, the more active presence of these districts in the list of grant beneficiaries is limited due to the smaller total number of SMEs. In contrast, Chisinau has a smaller share of SMEs potentially eligible for grants due to a higher economic diversification, but at the same time it excels through a more considerable numerical presence.

## 5. Correlation between the distribution of ODA support and the structure of businesses at the local level

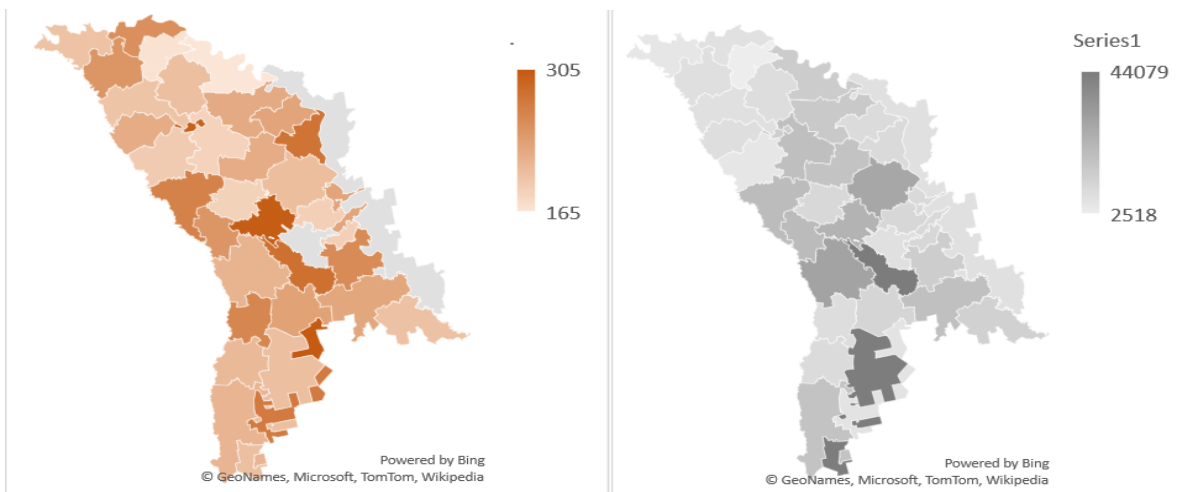
### 5.1. Grants' distribution at the district level

During the analysis of the programs of the Organization for Entrepreneurship Development (ODA), we could observe significant differences among the administrative-territorial units (ATUs) of the Republic of Moldova.

*Figure 22. ODA grants' distribution at the district level, cumulatively for the timeframe 2018 - q. III 2023*

*The amount of an average ODA grant per beneficiary, 2018-2023, thousand MDL*

*The total amount of ODA grants per district, 2018-2022, thousand MDL*



Comparing the average amount of a grant offered per beneficiary, there are significant differences emphasized. The municipium Chisinau registered an average grant value of 243 thousand MDL, while such districts as Soroca or Criuleni accounted for much lower values, circa 165-187 thousand MDL. These substantial differences indicate the considerable variations in the financial resources offered to each beneficiary in different regions of the country, but also the higher competitiveness of Chisinau in attracting grants compared to other regions.



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As for the total number of beneficiaries, there are also considerable discrepancies registered. The presence of the municipium Chisinau was a significant one, with an impressive number of beneficiaries, while in smaller districts such as Donduseni or Leova there was a smaller number of enterprises that benefited from ODA support.

## 5.2. The share of ODA grants' beneficiaries from the total number of eligible SMEs

The analysis of data regarding the share of ODA grants' beneficiaries from the total number of eligible SMEs (Annex 3, Figure 23), for the timeframe 2018 - 2023, elucidates considerable differences in the distribution thereof per regions and municipia of the Republic of Moldova.

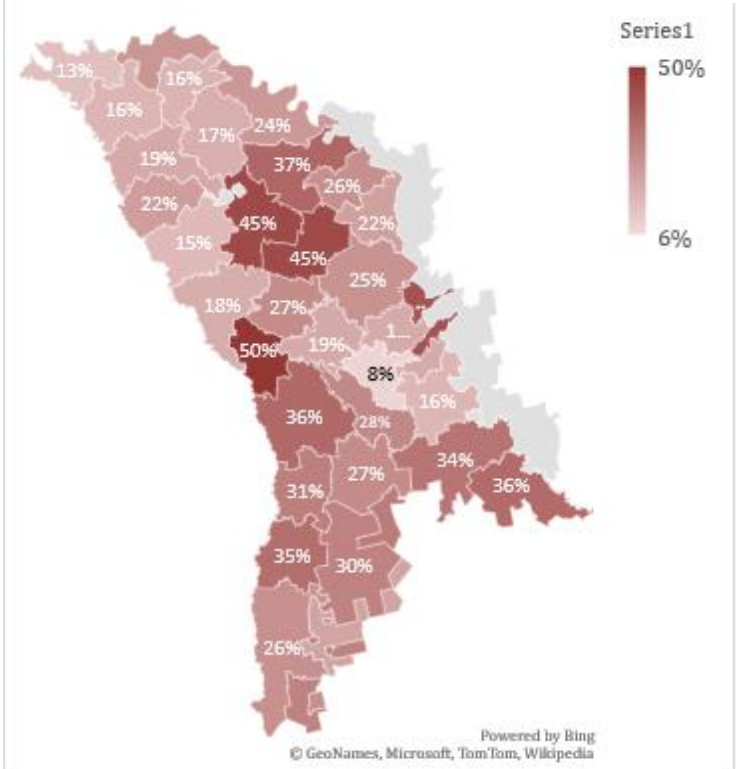
The municipium Chisinau being the economic center of the country accounts for 8% of ODA grants' beneficiaries in the total number of eligible SMEs, which is below the national average of 15%. Apparently the regions North and Centre account for the highest share of ODA grants' beneficiaries, 18% and 26% accordingly, indicating a higher level of access to ODA financing compared to the national average.

On the other hand, there are also districts characterized by significant proportions of ODA grants' beneficiaries compared to the total number of eligible SMEs. For example, such districts as Floresti, Singerei, Nisporeni and

Telenesti present extremely high shares, 45%, indicating an active involvement of the SMEs from these regions in the projects financed by ODA. On the contrary, the municipium Balti is positioned below the national average having the share of 6%, which may be explained through a lesser developed agriculture and agricultural potential while the economic diversification is much higher, the agriculture being one of the mostly supported sectors in the framework of ODA programs.

The analysis of the annual data elucidates significant differences among districts during the timeframe 2018 - 2019, emphasizing a higher degree of access to ODA financing in certain regions compared to others. For example, in 2018, every fifth eligible SME (19,2%) for ODA financing in the district Telenesti obtained the financing from ODA, and approximately one in six eligible SMEs in the district Singerei received financing (15,5%). In contrast, these percentages are significantly higher than the cumulative share for 5 years of the grants beneficiaries in the total number of eligible SMEs during this timeframe in such districts as Briceni (13%) or Falesti (15%). This may be an indicator of the fact that, particularly in these districts, the access to ODA financing was more prominent and accessible for the eligible SMEs compared to other regions or to the

Figure 23. The share of ODA grants' beneficiaries (cumulatively for 2018-q. III 2023) in the total number of eligible SMEs at the national level



Source: Author's calculations



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national average. These districts may have had conditions that are more favorable or may have implemented projects of higher interest for the funds provided by ODA in the respective specific timeframe.

### 5.3. Investments in fixed assets

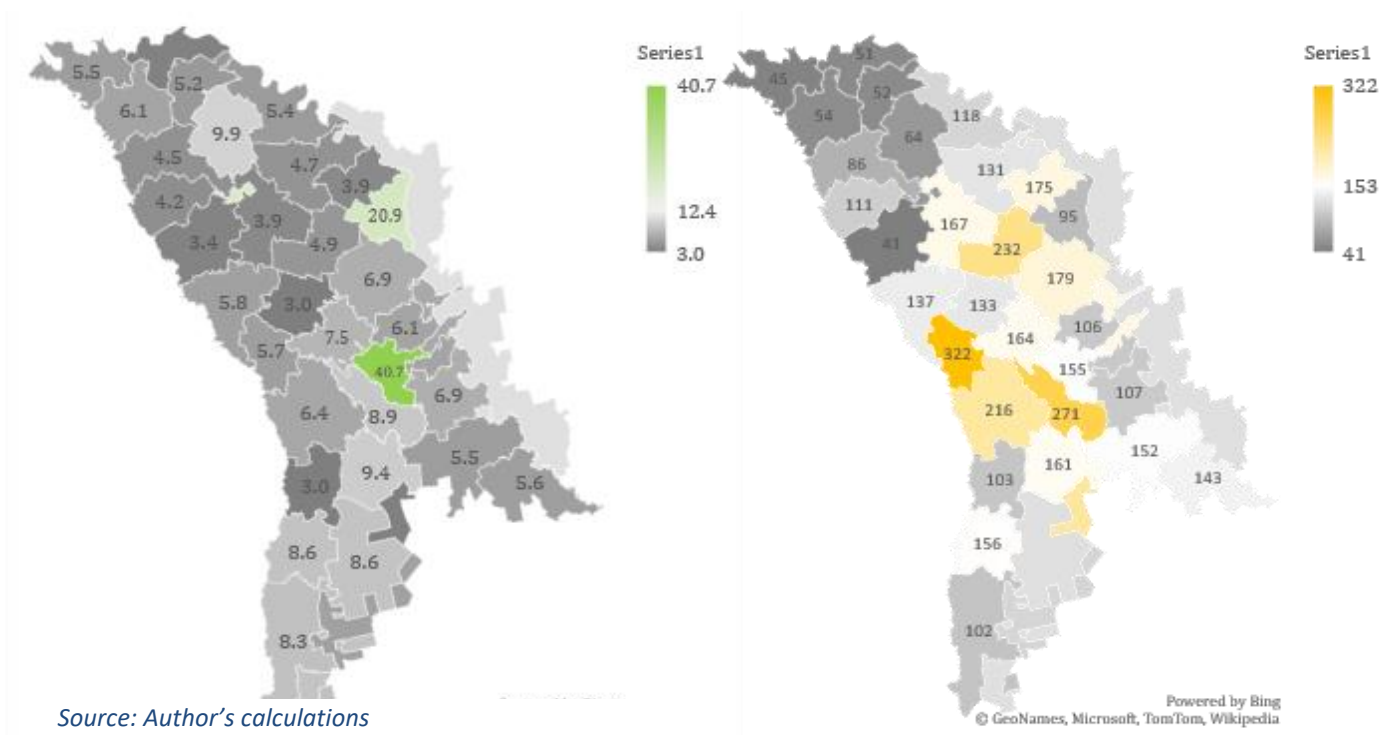
Investments in fixed assets have a significant impact on the entrepreneurship level if it represents an essential economic infrastructure for business growth and development. Via the investments in fixed assets such as buildings, machinery, equipment and technologies, a solid and sustainable platform is generated for the prosperity and extension of businesses.

To evaluate the correlation between the distribution of ODA financing and the investments in fixed assets, there were analyzed the data regarding the average annual investments per active individual in the districts of the Republic of Moldova and ODA grants correlated to the annual size of active population. These data elucidate a significant difference between the situations in the capital versus the other districts.

Figure 24. Investments in fixed assets from private sources per active individual, cumulatively for 2018-2022

Average investments per active person, thousand MDL

Average ODA investments per active person, MDL



Source: Author's calculations

higher in the municipium Chisinau, amounting to approximately 40,7 thousand MDL, compared to other districts such as Basarabeasca (3,2 thousand MDL), Calarasi (2,9 thousand MDL) or Leova (2,9 thousand MDL). These figures indicate considerable differences for investments per active individual between the capital and the regions that are lesser populated and economically developed in the Republic of Moldova. At the same time, 6 out of the 10 districts with the smallest average amount of investments in fixed assets per active individual are located in the region North.

Comparing these data with ODA grants per annual numbers of active population in 2018-2022 we may notice a considerable difference between the invested amounts. At the same time, the ODA grants per active individual also account for considerable variations in different districts, like Nisporeni (322 MDL) or Ialoveni



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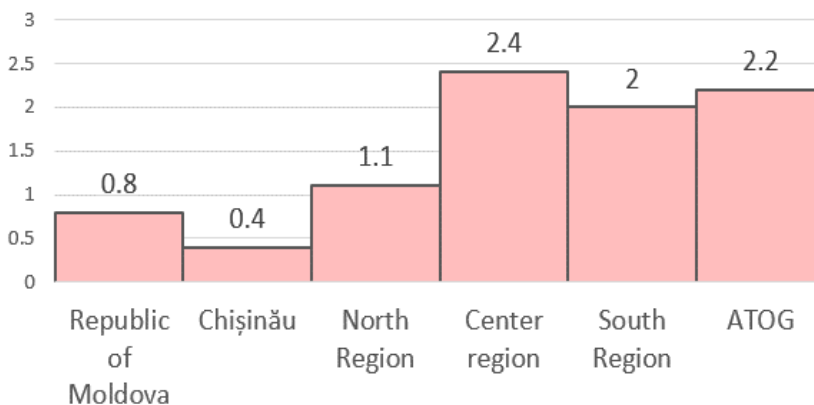


(271 MDL) compared to the districts with lower levels of revenues such as Falesti (41 MDL) or Briceni (45 MDL). It must also be noted that 8 out of 9 districts registering less than 100 MDL per active individual of ODA grants are from the region North. This emphasizes significant discrepancies in the distribution of ODA grants between the capital and the other regions, suggesting more prominent investments in the municipium Chisinau to the detriment of other regions that are less populated and less economically developed.

Even though such districts as Basarabasca or Calarasi are not positioned among leaders regarding the number of beneficiaries and amount of ODA grants acquired, the impact of their investments is felt considerably in the economies of the respective regions. For example, the share of ODA investments in these districts is 6,2% and 4,2%, accordingly. Thus, every MDL invested in these economically disadvantaged districts via ODA programs has a significantly higher impact, contributing to the support and development of these areas that are facing bigger economic challenges.

The share of ODA investments in the total amount of investments in fixed assets for the years 2018-2022 indicates a considerable variation among the different regions of the Republic of Moldova. Generally, at the national level, this share stays at the level of 1,1%. However, there exist significant differences among the regions from the lowest level in the region North with a share of 0,4%, up to the higher levels in the region Centre 2,4%, region South 2%, and ATU Gagauzia 2,2%.

Figure 25. The share of ODA investments from the total amount of fixed assets, average for 2018-2022, %



Source: Author's calculations



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## The correlation between ODA programs and the entrepreneurial situation at the local level

The performed analysis emphasizes a clear correlation between the level of business development at the local level and the amount of ODA investments into the region. The assessment of the level of entrepreneurial development dwells on the number of SMEs per 1000 active population, offering a relevant picture of the entrepreneurial situation in the regions. The impact of ODA financing was examined based on the share of ODA grants' beneficiaries in the total amount of eligible SMEs, offering a perspective on the absorption of ODA financing at the district level.

After having identified the medians of the indicators, the Analysis emphasized four distinct types of districts, situating each of them into a specific quadrant of the graph resulted from the correlation of the two variables analyzed.

**Quadrant I:** Districts with developed entrepreneurship and low level of involvement in ODA grants' attracting. It includes the municipium Chisinau and Balti, as well as the districts Anenii Noi, Ungheni, Criuleni, Straseni, Rezina and Soroca. These regions have a high density of small and medium enterprises (SMEs) versus the number of active population (on average more than 20 SMEs/ 1000 active population), displaying a dynamic and well-structured entrepreneurial activity. However, the ratio between the number of SMEs eligible for ODA financing and the total number of beneficiaries from these districts is rather small, demonstrating a lower level of involvement or of access to ODA financing. On the other hand, the small share of ODA grants' beneficiaries is explained by a higher diversification of economies in these districts and these areas still prove to be competitive in attracting ODA financing in absolute values. It must be mentioned that in the case of municipium Chisinau the apparently lower rate of grants' assimilation is due to a high number of existing enterprises, which means that de facto we cannot speak of a low level of grants' assimilation or about a lack of information among SMEs.

**Quadrant II:** Districts with a high level of entrepreneurial activism and consistent engagement in attracting ODA grants. This category includes Cahul, Calarasi, Cimislia, Ialoveni, ATU Gagauzia, Hancesti, Dubasari and Nisporeni. These districts showed an active engagement in ODA grants' accessing, which is obvious from the high rate of finance programs beneficiaries, like for instance in the district Nisporeni with a 50% share of grants' beneficiaries in the timeframe 2018-2023 from the total number of SMEs eligible for financing. In other words, practically every second enterprise eligible for financing became a grant beneficiary. These districts also account for an intensive entrepreneurial activity that is reflected in a high number of SMEs per total number of active population, varying between 18 (Cahul and Calarasi) and 33 (Ialoveni).

**Quadrant III:** Districts with a high degree of ODA grants' absorption but with a small number of active SMEs. It includes the districts Telenesti, Leova, Basarabasca, Causeni, Cantemir, Stefan Voda, Floresti and Singerei. These districts registered a high degree of ODA grants' absorption reflected in a high rate of grants' beneficiaries versus the total number of eligible SMEs. However, the number of active SMEs in these districts is smaller, which suggests a possible need for the stimulation of entrepreneurial activities or for the facilitation of access to ODA grants.

**Quadrant IV:** Districts with a low level of entrepreneurial development and low absorption of ODA financing. This category includes the districts Briceni, Falesti, Edinet, Donduseni, Drochia, Riscani, Taraclia, Glodeni and Ocnita. These regions account for a low level of entrepreneurial development and, at the same time, for a low engagement in the attraction of ODA grants. The small number of SMEs versus the total number of active





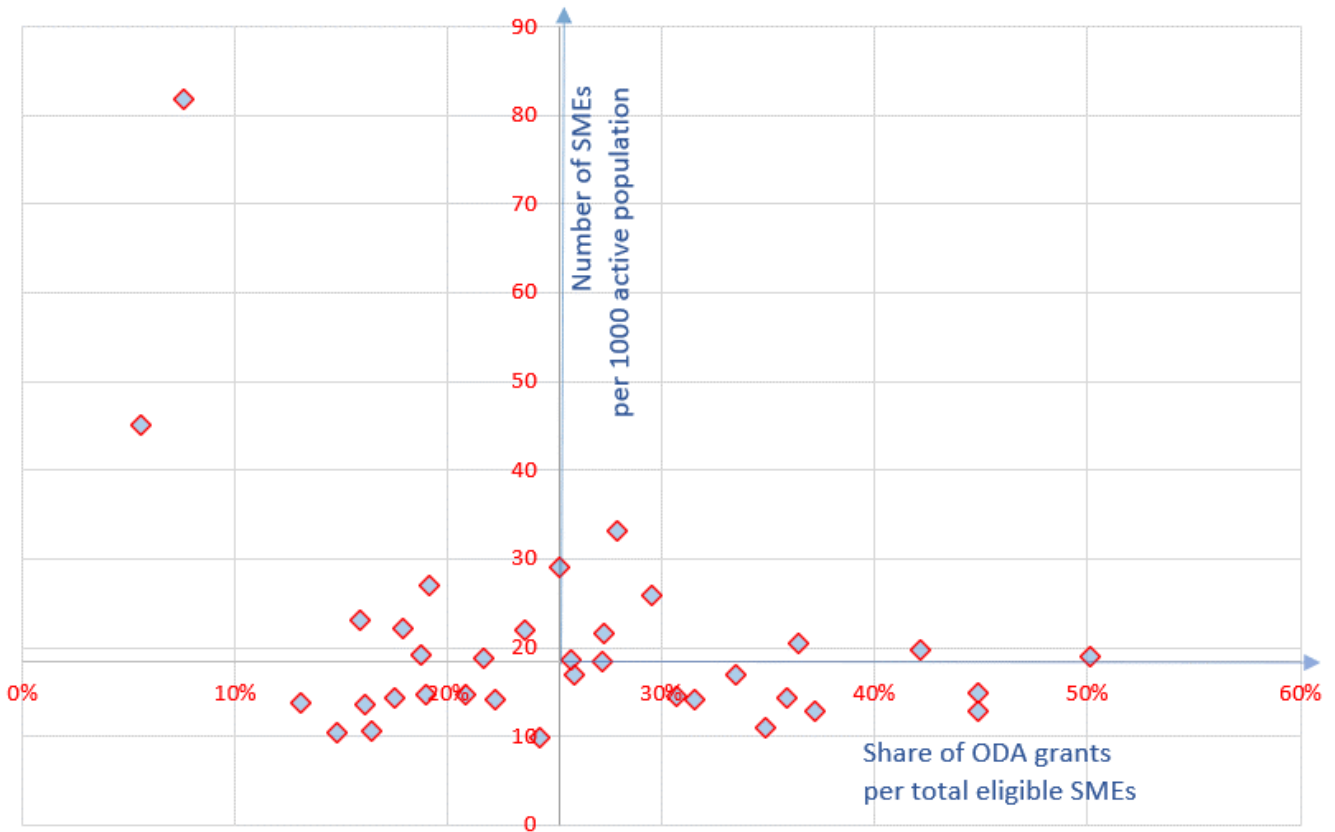
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population (below 15) may be an indicator of the need for support and stimulation of the local entrepreneurial activity also facilitating the access to ODA financing for these disadvantaged regions since there are districts like Briceni or Falesti where 15% of the eligible SMEs obtained an ODA grant.

This detailed analysis may provide a clearer vision on the economic situation and the different necessities of the regions, contributing to the development of more efficient strategies for funds distribution and economic development at the local level.

Figure 26. Correlation of the entrepreneurship level of development with ODA grants' distribution per districts  
Source: Author's calculations





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## CONCLUSIONS AND RECOMMENDATIONS

Dwelling on a comprehensive analysis of the correlation between the programs financed by the Organisation for the Development of Entrepreneurship and the entrepreneurial situation at the local level, the conclusions and recommendations below stem from a detailed analysis of multiple economic and social aspects regarding these regions. The data obtained and analysed in details emphasize a complex picture regarding the correlation of ODA programs and the entrepreneurship development in different regions of the country. This analysis facilitates a more in-depth awareness of the economic dynamics and of the way in which ODA financing may influence the direction of the economic development at the local level. The conclusions and recommendations comprehended in this report aim at the provision of an up-to-date framework and guidance for the optimisation and improvement of the future strategies and financing programs for the support of entrepreneurship and sustainable development at the regional level.

### CONCLUSION

- The previous three years are characterized by a significant diversification of SME support programs. Compared to 2021 when the state support in form of grants was only accessible for young people, migrants and women and the emphasis was mainly on start-ups, the situation changed considerably so that ODA is currently implementing 9 grants' programs that cover almost entirely all the spectrum of SMEs' needs.
- The reorganisation of ODIMM into ODA may be appreciated as a positive measure from the point of view of grants' beneficiaries. Full digitization of the application process made the process of lodging the casefiles much easier and the establishment of the Committee for Financing and Risks improved the process of casefiles' assessment and diminished the political clientelism in resource allocation.
- Considering the success rate of the applications lodged to ODA programs from the territorial perspective, the majority of districts fit into a national medium interval (48%), which reflects a balanced level of competitiveness in obtaining ODA grants. This is also an indicator of absence of any subjective factors related to territoriality during the evaluation of the applications lodged by the SMEs.
- The business incubators generally show rather modest levels of performance and the main benefit provided by them remains to be offering of working spaces for enterprises for rent for preferential prices. Even though the maximum incubation period is 3 years, many businesses continue their stay in business incubators for longer periods.
- According to statistics, in 2021 there were 551 active companies with the main area of activity "Consultancy in business management" in the Republic of Moldova. Geographically, the majority of them are located in mun. Chisinau - 439 companies, while in the other regions there are 112 companies in the area of business consultancy. Compared to Chisinau where there are 2.2 consultancy companies per one ODA programs beneficiary, this ratio is 0.29 companies per beneficiary in the rest of the country. We may assume that availability of a higher number of consultancy companies and organisations in mun. Chisinau has an impact on the quality of programs' applications, also increasing the win rate for those who are accessing their services. The businesses in the rest of the country's territories have a narrower access to such consultancy services.
- The data regarding the density of SMEs per 1000 inhabitants emphasize significant differences in the intensity of entrepreneurial activity among the regions and the districts of the Republic of Moldova. The municipium Chisinau is remarked due to its high density of 82 SMEs per 1000 active population,

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which is an indicator of a vibrant and dynamic entrepreneurial environment. In contrast, the districts with a smaller number of population such as Ocnita or Falesti registered low numbers, only 10 SMEs per 1000 active population, which is an indicator of a more limited entrepreneurial activity.

- There still exist high disparities also concerning the level of economic diversification at the local level. Compared to the district Dubasari that has only two sectors of economy generating more than 5% of revenues, the other districts such as Chisinau, Ialoveni, Straseni or hincesti show a higher level of diversification accounting for up to 6 sectors of economy that contribute with more than 5% of the total sales revenues as well as a higher number of employees. These differences in the levels of diversification may have an impact on the economic resilience and adaption capacity of the regions to the changes and challenges related to the markets peculiar for these sectors.
- The share of ODA grants' beneficiaries in the total number of eligible SMEs unveils significant differences between the districts, emphasizing a more prominent access to ODA financing in certain regions compared to the others. In 2018, such districts as Telenesti and Singerei registered a considerably higher share of eligible SMEs that acquired ODA financing compared to others. For instance, in Telenesti, one in five eligible SMEs received financing, and in Singerei almost one in six eligible SMEs received ODA financing, which is considerably higher than the cumulative average per five years (2018 - q.III 2023) in the districts Briceni or Falesti. This discrepancy emphasizes an unusual situation, suggesting a higher accessibility and interest for ODA financing in certain districts in those specific periods of time, while other districts had lower presence or more limited access to such funds.
- The structure of ODA grants' beneficiaries shows priority given by the state to processing industries and agriculture, which cumulatively account for circa 2/3 of the total number of grants' beneficiaries in almost equal proportions.
- Even though such districts as Basarabasca or Calarasi are not positioned among leaders regarding the number of beneficiaries and amount of ODA grants acquired, the impact of their investments is felt considerably in the economies of the respective regions. For example, the share of ODA investments in these districts is 6,2% and 4,2%, accordingly. Thus, every MDL invested in these economically disadvantaged districts via ODA programs has a significantly higher impact, contributing to the support and development of these areas that are facing bigger economic challenges.
- According to the methodology applied in the framework of this analysis we may conclude that from the total number of SMEs from the country circa 35% are eligible to take parte in ODA programs (belong to the sectors included in the conditions of the program and are active businesses), accounting for circa 21 thousand enterprises. Out of them the highest chances to access a grant lies with the SMEs from the processing industry and agriculture - activity areas with the higher eligibility and priority given in the framework of ODA programs.

## RECOMMENDATIONS

1. Accomplishment of a market analysis for the identification of the NGOs and companies providing consultancy on entrepreneurial matters aiming at the mapping and development of a single database, accessible for all the citizens. Thus, ODA will be able to simplify the access of persons willing to start a business or to develop an already existing business, including via support programs, to good quality consultancy services by verified providers.
2. Reviving the efforts of RIAM thus extending the area of coverage with business support services. Incentivizing the BI management in achieving new performances via the provision of supplementary



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financing or through the participation in diverse development programs. Revision of the business incubation concept and of its duration.

3. Correlation of the entrepreneurship development level with ODA grants distributed per districts lays down the following recommendations:
  - We recommend that in the following period of time ODA provides more resources and attention for the **support programs' promotion** for the districts Briceni, Falesti, Edinet, Donduseni, Drochia, Riscani, Taraclia, Glodeni and Ocnita, that were remarked for a low level of entrepreneurial development and of ODA financing absorption.
  - Moreover, these districts require more determined actions on behalf of the state for the **stimulation of entrepreneurial initiatives**, since these districts account for the lowest density of SMEs. For example, we would recommend that these districts should be **taken into consideration as a priority** for the selection of locations where multifunctional industrial platforms shall be implemented<sup>22</sup>. Besides that, the state may also provide bigger targeted facilities for attracting investors in these districts. Otherwise, higher attention for the stimulation of entrepreneurial initiatives is also required for the districts Telenesti, Leova, Basarabasca, Causeni, Cantemir, Stefan Voda, Florești și Singerei, which also have a density of SMEs below the average level even though they show rather good rates of assimilation of ODA resources.
  - In addition, we would also recommend that during the next evaluation of grant-based support programs one should take into consideration the fact that evaluation grid should include the zone that the company originates from as one of the elements for evaluation, so that higher scores were awarded to the areas with the smallest density of SMEs.

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<sup>22</sup> <https://www.iplatforms.gov.md/en>



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