



UNECE

The impact of COVID-19 on the trade and business development prospects of female-owned enterprises in the Republic of Moldova



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PREFACE

As the coronavirus (COVID-19) pandemic continues to spread, its disruptive impact is becoming more pronounced, posing unprecedented challenges for all countries. Governments have seen their priorities shift overnight towards upscaling public health preparedness and emergency support measures to cater for the vulnerable segments of their populations. The challenges facing Governments are further complicated by supply chain disruptions, which have left enterprises struggling to survive. Pay cuts and furloughs have been increasing, so that losses in lives are compounded by a livelihood crisis.

If anything, countries across the globe are suffering setbacks that are akin to complex humanitarian emergencies associated with disasters. Businesses and State agencies have been exhausting their coping strategies, with lingering effects on productive capacities, institutional flexibility and business confidence. It, therefore, stands to reason to avoid treating the pandemic as a temporary shock whose impact can be swiftly reversed once normality is attained.

The implication is that any attempt to assess the impact of COVID-19 must proceed from a clear understanding of the development challenges that occupied Governments' agendas at the eve of the pandemic and ground the analysis in the context of economic vulnerability. For if there is one lesson to draw from development experiences, it would be that disasters aggravate deep-seated structural weakness. Without an understanding of these weaknesses, relief and development efforts might miss the target.

It is from this perspective that the impact of the pandemic on Moldovan female-owned micro, small and medium-sized enterprises (MSMEs) is assessed. Consistent with the UNECE Steering Committee on Trade Capacity and Standards mandate,¹ the assessment traces the way non-tariff measures (NTMs) governing trade in goods combined with lockdown measures in the Republic of Moldova and partner countries to influence these enterprises' end-to-end supply chains and long-term development prospects.

The assessment is based on a survey of agricultural and manufacturing female-owned MSMEs with active engagement in international trade. The focus on MSMEs is consistent with their important contribution to income generation. SMEs accounted for 98.6 per cent of active enterprises in 2019, employed 61.6 per cent of the labour force and generated around 40 per cent of the enterprise sector's total output, while micro enterprises stood as an important source of jobs, particularly in rural areas.²

¹See https://www.unece.org/fileadmin/DAM/trade/documents/ToR_SCTCS_Appendix5.pdf.

²National Bureau of Statistics of the Republic of Moldova, see <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6716>. The statistics do not include data on the Region of Transnistria and the municipality of Bender.

However, despite the country's progress in achieving gender equality, female-owned enterprises constitute a limited segment (about 34 per cent of registered enterprises in 2017), are concentrated in the services sector and are dominated by micro enterprises.³

The assessment was carried out over the course of January-March 2021. It used a comprehensive questionnaire that was developed by UNECE, with a view to informing gender-responsive trade policies. The questionnaire drew on the knowledge gained from the UNECE COVID-19 impact assessment, "The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises" (2020)⁴, and was pilot-tested in December 2020. In total, 101 female-owned MSMEs from across the country participated in the survey, all of which were actively engaged in trade.

UNECE shared the report with the United Nations Resident Coordinator Office in the Republic of Moldova to inform the United Nations Country Team planning processes. The findings of this assessment were reported to UNECE member States during the 2022 session of the Steering Committee on Trade Capacity and Standards and formed the basis for discussions over future activities in the area of trade. In addition, the report will be shared with United Nations Department of Economic and Social Affairs (UNDESA) as part the UNECE contribution to the United Nations effort to address the pandemic.

³National Bureau of Statistics of the Republic of Moldova (2020) "Analytical Report on participation of women and men in entrepreneurship in the Republic of Moldova"; available at: https://statistica.gov.md/public/files/publicatii_electronice/Antreprenoriat_feminin/Antreprenoriat_Femei_Barbati_2020.pdf.

⁴The studies are available at: <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

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ABBREVIATIONS

AA	Association Agreement
BCP	Border crossing point
CEFTA	Central European Free Trade Agreement
CIS	Commonwealth of Independent States
DCFTA	Deep and Comprehensive Free Trade Agreement
EN	European harmonized standards
EU	European Union
GDP	Gross domestic product
GFCF	Gross fixed capital formation
ICT	Information and communication technology
MCS	Moldovan Customs Service
MDL	Moldovan leu
MSMEs	Micro, small and medium-sized enterprises
NTM	Non-tariff measure
ODIMM	Organization for Small and Medium Enterprises Sector Development
OEC	Observatory of Economic Complexity
PCI	Product Complexity Index
PPE	Personal protective equipment
PPP	Purchasing power parity
RCA	Revealed comparative advantage
SDGs	Sustainable development goals

UN/CEFACT	United Nations Centre for Trade Facilitation and Electronic Business
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNECE	United Nations Economic Commission for Europe
USD	United States dollar
VAT	Value-added tax
WHO	World Health Organization
WTO	World Trade Organization

EXECUTIVE SUMMARY

This report assesses the impact of the COVID-19 pandemic on the development prospects of female-owned MSMEs in the Republic of Moldova. It traces the way that NTMs governing trade in goods combined with lockdown measures in the Republic of Moldova and partner countries to influence the female-owned MSMEs' end-to-end supply chains and their long-term development prospects.

The report is based on a survey of 101 female-owned MSMEs involved in agriculture and manufacturing from across the country. The owners were highly educated (with formal training up to the university level) and the majority (79 per cent) were opportunity-driven, who ventured into business to capitalize on emerging opportunities.

The female-owned MSMEs surveyed were hard hit by the pandemic, despite the Government's limited use of trade restrictions, upscaled trade-facilitation measures and relief measures. The majority were operating at a loss and were unsure as to their ability to maintain operations.

1. Trade disruptions

The female-owned MSMEs surveyed saw their supply chain operations disrupted by lockdown measures as well as the special health and safety arrangements at main border crossing points (BCPs) in the Republic of Moldova and in partner countries. The impact of the resulting disruptions was compounded by capacity shortfalls within State agencies, which manifested themselves in the form of non-tariff barriers. These barriers acted as negative transmission channels, which amplified supply chain disruptions by creating the operational bottlenecks set out below:

- **Lack of clarity over trade-related regulations and administrative procedures being applied.** Almost all the MSME female owners outsourced the preparation of trade documents to freight forwarders to cut down on their workload. However, with supply chain disruptions causing many of their traditional freight either forced to suspend activities or shut down, the female-MSME owners were struggling to familiarize themselves with applied trade-related regulations and procedures. The owners noted that published information is not sufficiently detailed, is fragmented across different websites and, in most cases, is difficult to understand.
- **Extended wait time for obtaining trade documents.** The issuance of trade documents was slowed down by continued reliance on paper-based procedures as the Government has yet to fully transition to a paperless trading environment.

- **High product-certification costs.** For products that should be accompanied by conformity assessment certificates for demonstrating compliance with regulatory requirements in export markets, delays in obtaining the required trade documents were compounded by high product testing costs. The female-owned MSMEs reported having to ship samples for testing in neighbouring European countries, given the lack of internationally recognized testing laboratories.

The above supply chain bottlenecks are not specific to the female-owned MSMEs surveyed. They are faced by all the enterprises operating in the country and were reported by male-owned MSMEs surveyed as part of the UNECE previous COVID-19 impact assessment. However, the female-owned MSMEs surveyed seem to be less resilient, as they are faced with gender specific challenges. These bottlenecks have also been acting as growth bottlenecks, evidenced by the MSMEs' limited engagement in exports. While the majority of the female MSME owners emphasized exports as a pre-requisite for growing their business, only 46 per cent sold their products abroad.

2. The impact of trade disruptions

Around 26 per cent of the exporting female-owned MSMEs lost all their export earnings in 2020, having been forced to suspend exports. Another 19 per cent saw their export earnings decrease by up to 19 per cent in 2020 in relation to the pre-pandemic period and another 13 per cent lost up to 50 per cent of these earnings. This declining trend continued, with many reporting that they were operating at a loss in March 2021. These losses were triggered by:

- **Loss of traditional partners.** Many of the export-oriented lost their traditional international buyers, who were forced to suspend production or shut down altogether under the weight of the pandemic-induced economic crisis.
- **Supply shortages.** These were caused by the closure of non-essential businesses in partner countries, delayed deliveries and increased prices. The owners reported experiencing difficulties in finding new international suppliers. Agri- enterprises were particularly affected as the supply shortages and inflated transport costs came on the heels of the severe draught, which has already harmed their increasingly thin profit margins.
- **Inflated transport costs.** Transport by road became more expensive as freight forwarders raised their fees to cover additional operating cost that were out of their control. The higher fees, combined with the COVID-19 induced delivery delays, forced several female MSME owners to shift to air transport at additional costs.

3. The ripple effects of trade disruptions

The impact of supply chain disruptions was compounded by the MSME owners' coping strategies. Only a limited segment used growth enabling coping strategies, such as production repurposing and e-commerce, with many held back by gender specific obstacles.

- **Reduced productive capacity:** The majority of the female-owned MSMEs surveyed reduced production under the weight of dwindling demand and supply shortages.
- **Limited production repurposing:** Production repurposing was pursued by 22 of the female MSME owners surveyed. The majority belonged to the clothing industry, and repurposed production to face cloth masks and disposable gowns for health care workers and medical professionals thanks to medium and large Moldovan enterprises. The latter subcontracted the female-owned MSMEs during the early period of the pandemic to fulfil large purchase orders by European buyers.
- **Limited engagement in e-commerce:** Only 10 of the female-owned MSMEs surveyed reported using e-commerce. These were already engaged in e-commerce before the outbreak of the pandemic for selling domestically. The remainder were not engaged in e-commerce.
- **Export expansion plans cancelled or put on hold:** This was the case for around 56 per cent of MSMEs, the majority of which were planning to increase exports to traditional markets.

4. Income fallout

In March 2021, many of the exporting female-owned MSMEs had stopped selling their products abroad and were operating at a loss. The impact of these losses was compounded by the MSME owners' erosive coping strategies, which are outlined below. These strategies increased the enterprises' economic vulnerability and undermined the welfare of owners' families.

- **MSMEs that saw their exports rebound were unsure as to their ability to maintain exports:** This was the case for 35 per cent of the female-owned MSMEs surveyed that regained their pre-pandemic earning levels in 2020. Another 7 per cent registered up to 50 per cent increases in export earnings in relation to 2019. MSMEs belonging to this group were occasional exporters who sold small volumes and were able to find new international buyers with the support of family and friends. However, the majority were operating at a loss in March 2021. They were unsure of their ability to maintain exports, with the inflated transport costs placing a strain on their budgets and aggravating supply shortages.

- **Sharp increase in the MSMEs' debt burden:** Some of the female MSME owners and managers were able to mitigate the stress on their wage bill and other operating costs by borrowing from relatives or using their spouses' income. These coping measures appear to be insufficient, with around 45 per cent of the owners surveyed postponing business payments over the period January 2020-March 2021, particularly salaries and loan repayments.
- **Marked deterioration in the living conditions of the MSMEs' households:** Around 66 per cent of the owners also used personal savings to maintain operations over the period January 2020-March 2021. This came at the expense of their families' welfare.
- **Dire need of government support:** In March 2021, around 92 per cent of the MSMEs emphasized the need for government assistance to maintain operations. Of this group, 72 per cent struggled to maintain operations for more than six months, having effectively depleted their personal savings.

Beyond the above, the assessment suggests that more needs to be done to facilitate the female-owned MSMEs' access to relief measures. As of March 2021, around 17 per cent of the female-owned MSMEs surveyed received government support in the form of grants and about 40 per cent said that they were not familiar with available support schemes. In addition, many noted that they were unable to benefit from government support, owing to the cumbersome application procedures or because they did not meet the eligibility criteria.

5. Growth bottlenecks

The assessment shows female-owned MSMEs as being challenged by ongoing, deep-seated growth bottlenecks:

- Lack of skilled staff
- High market access exploratory costs
- Insufficient business networks
- Weak production capacities
- Lack of extended hour childcare at a reasonable cost.

These bottlenecks, which are specific to female-owned MSMEs, have translated into high production costs, which, combined with the prevalence of counterfeits, have been undermining female-owned MSMEs' ability to compete in domestic markets, let alone to boost exports. The current conditions have aggravated these bottlenecks with adverse consequences for the MSMEs' development prospects and the welfare of their families and communities.

6. Policy implications

The assessment shows that the course of the female-owned MSMEs' recovery depends on addressing the lingering effects of the pandemic. Section 7 provides action-oriented recommendations for the Government's consideration as it forges ahead in rebuilding stronger and more resilient female-owned MSMEs. The recommendations aim at:

- Addressing the female-owned MSMEs' financial crisis
- Reducing the female-owned MSMEs' trade-related exploratory costs
- Bolstering the female MSME owners' participation in trade policymaking processes
- Supporting the female-owned MSMEs' business growth
- Further enabling the MSME owners to strike a work-family balance
- Supporting knowledge generation for gender-responsive trade policies

The recommendations comprise emergency-support measures for improving the MSMEs' resilience and strategic measures for addressing the enterprises' structural weaknesses. The emphasis is on expanding the range of support services available to female-owned MSMEs through leveraging existing women's and enterprise support organizations. This will enable the Government to ensure a high level of outreach and create dynamic synergies between relief and long-term development objectives.

The proposed recommendations support ongoing efforts to bridge the gender gap in economic activities. They provide action-oriented recommendations clustered under thematic action areas that can be mainstreamed into the new strategy for gender equality as well as the MSME post-COVID-19 strategy. The recommendations directly contribute to the achievement of Sustainable Development Goal (SDG) 5 (gender equality) and stimulate spill over effects in support of SDGs 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 16 (peace, justice and strong institutions) and 17 (partnerships for the Goals).

UNECE stands ready to assist the Government in implementing the recommendations in collaboration with the United Nations Resident Coordinator Office in the Republic of Moldova, United Nations agencies and international development partners.

1. INTRODUCTION

Situated between Ukraine and Romania, the Republic of Moldova is a small landlocked country,⁵ which belongs to the lower-middle-income group.⁶ The Government has been pursuing a trade-led development strategy, anchored in the multilateral trading system⁷ and regional trade agreements.⁸ These agreements have been complemented with reduced or duty-free access to, among others, Canada, Japan, Norway, Switzerland, Turkey, and the United States of America within the context of the generalized system of preferences schemes.⁹

The Government's development efforts entered a new phase in 2014 following the implementation of the Deep and Comprehensive Free Trade Area (DCFTA) with the European Union (EU). The DCFTA, which crowned a series of integration arrangements between the EU and the Republic of Moldova,¹⁰ provided new impetus for trade reforms. The agreement, which came into full force in June 2016, sets out detailed provisions for achieving full and complete compliance with the requirements of the EU *Acquis communautaire* relating to, among other things, tariffs and NTMs.¹¹

1.1 Reform achievements and pre-pandemic challenges

Despite progress in bringing the trade system up to the requirements of the *Acquis Communautaire*,¹² the Republic of Moldova has yet to realize the full potential of the DCFTA, other free trade agreements and economic reforms. As shown in Annex 1, exports continue to be dominated by a narrow range of products, with Romania standing as the main outlet. Moreover, trade has yet to stimulate the much-needed structural transformation, evidenced by the economy's continued reliance on low-value-added manufacturing and agriculture for income generation.

⁵The Republic of Moldova covers 33,851 square kilometres of land area and is located 50 kilometres from the Black Sea. The country's distance from the seacoast is relatively short compared to other landlocked countries. Kazakhstan has the longest distance from the nearest seacoast (3,750 km), followed by Afghanistan, Chad, Niger, Zambia and Zimbabwe, where the distance from the nearest seacoast is in excess of 2,000 km. A brief overview of landlocked countries and their profiles is available at the United Nations Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States website (<http://unohrrls.org/about-lllcs/country-profiles/>).

⁶The World Bank's income classification system assigns countries with a GNI per capita between USD 1,036 and USD 4,045 to the lower middle-income countries group. Updated country income classifications are available at: <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

⁷The Republic of Moldova joined World Trade Organization on 26 July 2001.

⁸As of 2015, the latest WTO Trade Policy Review, the Republic of Moldova had 14 regional trade agreements with 45 partners, including: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, the EU-28, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, North Macedonia, the Russian Federation, Serbia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. WTO (2015) Trade Policy Review: Republic of Moldova (https://www.wto.org/english/tratop_e/tpr_e/s323_e.pdf).

⁹WTO (2015) Trade Policy Review: Republic of Moldova (https://www.wto.org/english/tratop_e/tpr_e/s323_e.pdf).

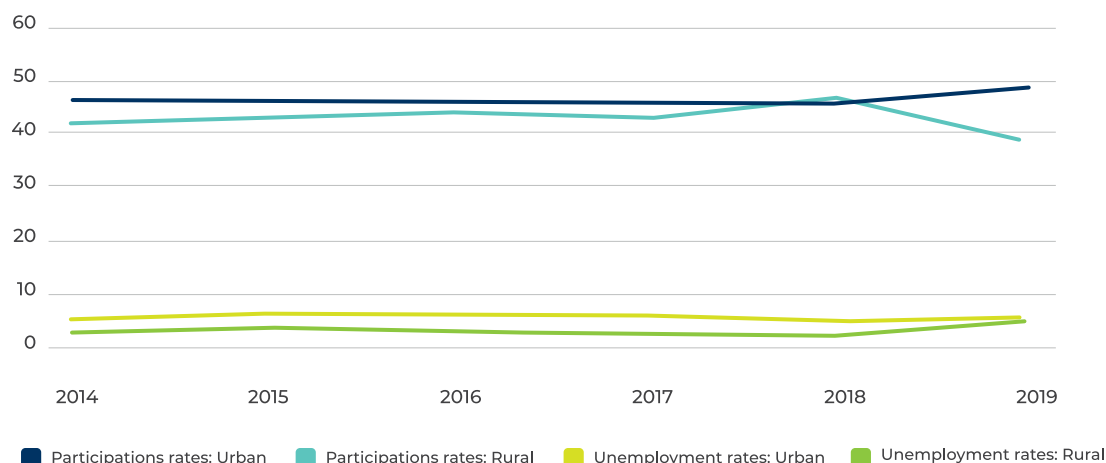
¹⁰In 2006, the EU granted preferential treatment for Moldovan exports within the context of the EU GSP scheme, which was extended in 2007 through the GSP "plus" scheme before being replaced by the comprehensive Autonomous Trade Preferences (ATP) in 2008. The ATP was replaced by the DCFTA in September 2014, which marked the provisional implementation of the Association Agreement between the Republic of Moldova and the EU. The AA was signed in June 2014 and entered into full force in June 2016. A detailed overview of the Republic of Moldova's trade relations with the EU is available at: <https://ec.europa.eu/trade/policy/countries-and-regions/countries/moldova/>. The text of the AA between the Republic of Moldova and the EU is available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.260.01.0004.01.ENG.

¹¹For a detailed overview of NTM reforms, see UNECE study on regulatory and procedural barriers to trade in the Republic of Moldova; https://www.unece.org/fileadmin/DAM/trade/Publications/ECE_TRADE_433E.pdf.

¹²The Government of the Republic of Moldova (<http://dcfta.md/eng>).

Hence, the situation whereby the economy remains incapable of generating enough jobs for its labour force. This is manifested in the continued reliance on remittances, which accounted for 15.97 per cent of gross domestic product (GDP) in 2019.¹³ With many Moldovans seeking jobs abroad, around 27 per cent of the labour force in 2019,¹⁴ unemployment remained below 10 per cent over the past decade. These rates masked a persistent rural-urban gap. The rural areas, home to around 60 per cent of the population, have been lagging the urban areas in terms of labour participation and exhibiting higher unemployment rates (Figure 1.1).

Figure 1.1 - The Republic of Moldova's labour market: Urban-rural disparities (percentage)



Source: National Bureau of Statistics of the Republic of Moldova

Furthermore, poverty remains a challenge, with 12.8 per cent of the population living below the upper middle-income poverty line of USD 5.50 per day (2011 purchasing power parity, PPP),¹⁵ amidst persisting income disparities between urban and rural areas¹⁶ and, as shown below, a gender gap in economic activities.

1.2 Women's participation in economic activities

The Republic of Moldova has been registering continued progress in achieving gender equality. As shown in Figure 1.2, female as well as male human development index (HDI) scores have registered continued improvement. This enabled the country to maintain its position in the high HDI category in 2019,¹⁷ and resulted in higher scores on the gender development and gender inequality indexes.

¹³World Bank Database; <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=MD>.

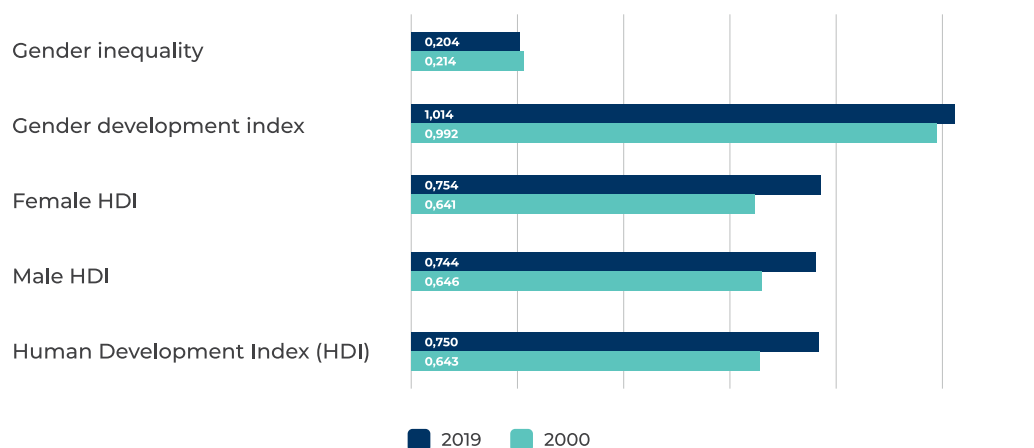
¹⁴National Bureau of Statistics of the Republic of Moldova, Labour force in the Republic of Moldova: employment and unemployment in 2019; <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6617>.

¹⁵World Bank Database.

¹⁶The highest paying jobs in the Republic of Moldova are in the country's capital of Chisinau and the lowest pay is in the southern regions. National Bureau of Statistics of the Republic of Moldova; <https://statistica.gov.md/category.php?l=en&idc=107&>.

¹⁷In 2019, the Republic of Moldova ranked at 90th out of the 189 countries and territories covered. In 2018, the country ranked 112 among the 189 countries and territories covered. See, the United Nations Development Programme, Human Development Index Report (<http://hdr.undp.org/en/data>).

Figure 1.2 - The Republic of Moldova's human development index values, key indicators (2000, 2019)



Source: United Nations Development Programme, Human Development Data

However, these improvements proved to be insufficient for bridging the persistent gender gap in economic activity. Female labour market participation rates lagged behind those of men and have been declining over the past few years (Figure 1.3). Furthermore, the female labour force exhibits a marked concentration in a limited range of activities; namely, in public administration, education, health, social work, domestic wholesale and retail trade, and tourism, where women have been consistently more present than men (Table 1.1).

Table 1.1	Breakdown of the Republic of Moldova's female labour force by sector (percentage share)			
Sector	2016	2017	2018	2019
Agriculture, forestry, and fishing	29.7	28.4	29.0	28.6
Industry	50.1	49.7	50.0	49.2
<i>Mining and quarrying</i>	12.9	11.4	13.0	11.6
<i>Manufacturing</i>	55.9	55.1	55.1	54.3
<i>Electricity, gas, steam and air conditioning supply</i>	25.0	24.8	24.8	24.8
<i>Water supply; sewerage, waste management and remediation</i>	26.7	26.5	26.2	26.0
Construction	15.7	14.0	14.1	14.5
Services				
<i>Wholesale and retail trade; repair of motor vehicles and motorcycles</i>	50.5	50.6	49.7	50.1

Table 1.1

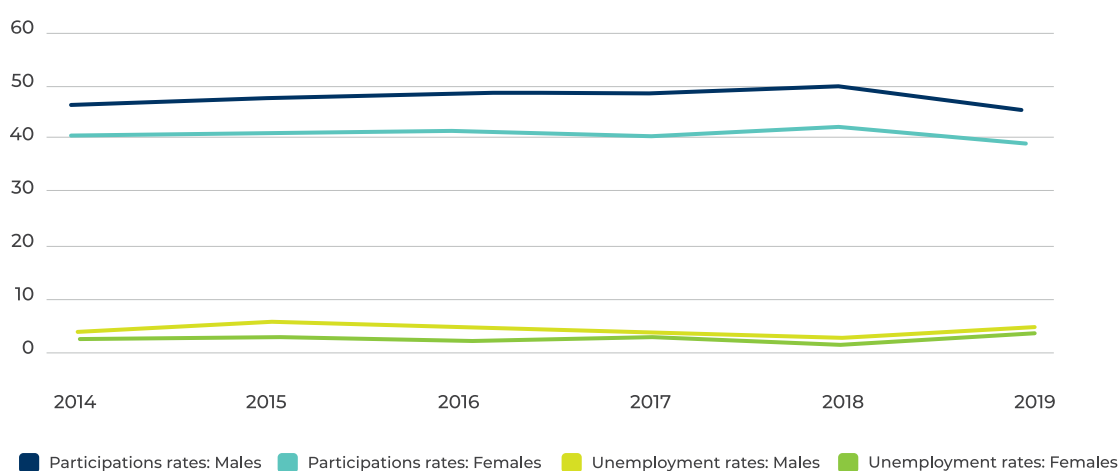
Breakdown of the Republic of Moldova's female labour force by sector (percentage share)

Sector	2016	2017	2018	2019
Transportation and storage	30.4	30.3	30.4	30.2
Accommodation and food service activities	64.8	64.1	62.6	64.2
Information and communication	47.0	47.3	47.9	47.2
Sector				
Financial and insurance activities	68.4	69.0	68.9	70.1
Real estate activities	43.1	42.4	42.5	41.6
Professional, scientific and technical activities	54.2	53.7	52.4	50.9
Administrative and support service activities	36.1	35.5	36.9	39.1
Public administration and defence; compulsory social security	44.8	44.3	43.6	44.8
Education	75.7	75.5	75.4	75.4
Health and social work	80.6	80.8	80.1	80.6
Arts, entertainment, and recreation	59.7	58.1	57.6	56.7
Other service activities	61.4	61.7	63.9	62.2
Total	53.4	53.0	52.7	52.7

Source: National Bureau of Statistics of the Republic of Moldova

Moldovan women also accept lower pay than men. Women earn about 14 per cent less than men on a monthly average basis, even though around 33 per cent of employed women are educated up to the university level, compared to 24 per cent, the corresponding figure for employed men.¹⁸ Women's lower participation rates and willingness to accept lower pay means they are less likely to be unemployed than men (Figure 1.3).

Figure 1.3 - The Republic of Moldova's labour market: Gender gaps (percentage)

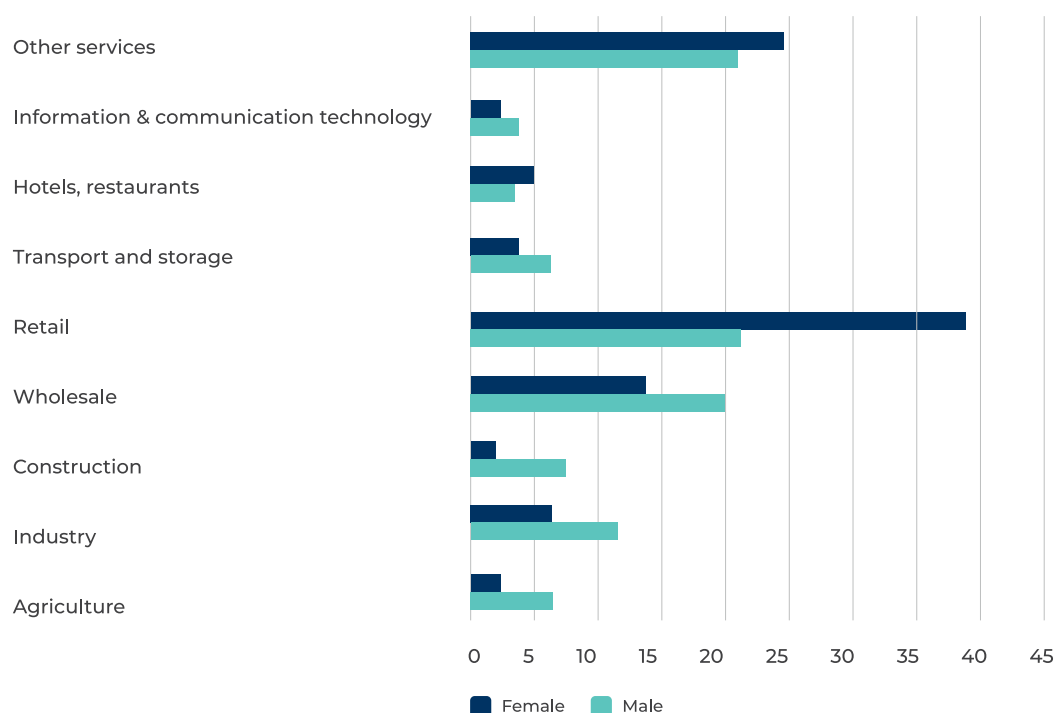


Source: National Bureau of Statistics of the Republic of Moldova

¹⁸According to the National Bureau of Statistics, in the Republic of Moldova, the salary of men was 14.4 per cent higher than the average salary of women in 2018. The pay gap decreased slightly in 2019, with men earning 14 per cent more than women on a monthly average basis; https://statistica.gov.md/public/files/publicatii_electronice/Anuar_Statistic/2020/Anuar_statistic_editia_2020.pdf.

Women are also less likely to venture into business. While the share of registered female-owned enterprises (including sole proprietorships and enterprises co-owned by women) increased by 6.4 per cent over the period 2009–2017 to 33.9 per cent, this share remains modest.¹⁹ Moreover, female-owned enterprises are concentrated in retail trade (Figure 1.4) and are dominated by micro enterprises (Table 1.2). These salient features have meant a limited engagement in exports.²⁰

Figure 1.4 – Moldovan female entrepreneurs by sector, 2017 (percentage share)



Source: National Bureau of Statistics of the Republic of Moldova

Size	Male-owned enterprises				Female-owned enterprises			
	Total	Owner	Co-Owner	Manager	Total	Owner	Co-Owner	Manager
Micro (0–9 employees)	64	63.3	72	58.9	36	36.7	28	41.1
Small (10–49 employees)	77	76	81.7	73.8	23	24	18.3	26.2
Large (250 employees and above)	82.2	92.3	76.7	82.3	17.8	7.7	23.3	17.7
Total	66.1	64.8	74.4	62.9	33.9	35.2	25.6	37.1

Source: National Bureau of Statistics of the Republic of Moldova

¹⁹National Bureau of Statistics of the Republic of Moldova (2020) "Analytical Report on participation of women and men in entrepreneurship in the Republic of Moldova"; available at: https://statistica.gov.md/public/files/publicatii_electronice/Antreprenariat_feminin/Antreprenariat_Femei_Barbat_2020.pdf.

²⁰Official statistics shows a positive correlation between the enterprises' size and engagement in trade, and this applies to both male and female-owned businesses. Only 6 per cent of micro-enterprises and about 18 per cent of small enterprises were engaged in exports in 2017 compared to 47 per cent, the corresponding figure for large enterprises. This positive correlation between the enterprises' size and engagement in trade applies to both male and female-owned businesses. National Bureau of Statistics of the Republic of Moldova (2020) "Analytical Report on participation of women and men in entrepreneurship in the Republic of Moldova"; available at: https://statistica.gov.md/public/files/publicatii_electronice/Antreprenariat_feminin/Antreprenariat_Femei_Barbat_2020.pdf.

Bridging the gender gap in economic activities²¹ has been ranking high on the national development agenda, and the period since 2006 has seen the Government ratify numerous international conventions on gender equality.²² The Government also adopted its first national plan for preventing and addressing violence against women,²³ an important milestone since violence affected about 63 per cent of women in 2016.²⁴

Efforts to ensure gender equality supported by a dedicated coordination body, the Committee for Gender Equality between Men and Women, which was established in 2006 to scale up reforms in this area.²⁵ The Committee is responsible for developing and coordinating the implementation of the national gender equality strategy, based on sector-specific plans set out by line ministries and, since August 2021, is supported by the Ministry of Labour and Social Protection.²⁶ The ministry, which serves as the lead agency for overseeing the implementation of the national strategy on gender equality, is responsible for approving the sectoral plans and ensuring proper mainstreaming of gender dimensions.

The previous “Strategy for ensuring equality between women and men in the Republic of Moldova for the years 2017–2021 and of the Action Plan on its implementation” provided for a sound basis for accelerating reforms. It covered a range of policy areas, including, among others, health, education, social services, labour market, women, peace and security, climate change and disaster management, political participation.²⁷ Implementation is supported by the donor community, particularly the EU, which is financing a range of initiatives for promoting female entrepreneurship.²⁸

However, efforts have been undermined by recurrent Government restructuring, which has been slowing delivery and complicating the task of building on achievements. These conditions have rendered it difficult to address the systemic challenges to increasing women’s participation in economic activities. Most notable among these challenges are:

²¹The gender gap is much more pronounced and important to address when you look at female-owned innovative entrepreneurs by different measures. Innovative entrepreneurship is far too low anyway, and women, even if they have the right degrees often more than men, make up around 1 per cent. See UNECE (2021) Sub-regional Innovation Policy Outlook 2020: Eastern Europe and the South Caucasus; https://unece.org/sites/default/files/2021-06/UNECE_Sub-regional_IPO_2020_Publication.pdf.

²²The Moldovan Government has ratified the Convention on the Elimination of All Forms of Discrimination against Women and various ILO Conventions, in addition to passing laws for promoting gender equality. Most recently, through Law No. 71 (2016), the Government amended 15 national laws, including the Electoral Code, the Law on Government and the Labour Code, which, among other things, provide for 14 calendar days of paid paternity leave; ban sexist advertising; and introduce 40 per cent quota for women in political party and cabinet nominees’ lists. These amendments, along with the Law on Equality of Opportunities for Men and Women (2006) and the Law on Equality (2012), laid the ground for equal opportunities with protection of victims of gender-based violence strengthened through Law No. 196 (2016). The Government also adopted the National Program for implementation of the United Nations Security Council Resolution 1325 on Women, Peace and Security for 2018–2021 and the Action Plan for its implementation. In addition, the Government signed the Council of Europe Convention on Preventing and Combating Violence against Women and Domestic Violence as part of its commitments under the Association Agreement with the European Union (EU) and several EU directives to national law, including Directive 2006/54/EC (which provides for equal treatment in labour law) and Directive 2004/113/EC (which provide to equal treatment in access to and supply of goods and services). A detailed review of progress made towards the achievement of gender equality till 2020 is provided in the Government’s report to the 25th anniversary commemoration of the Beijing Declaration and Platform for Action; https://unece.org/fileadmin/DAM/Gender/Beijing_20/Moldova.pdf.

²³Government Decision No. 281 of 3 April 2018 “The National Strategy for prevention and combating violence against women and domestic violence for the years 2018–2023”; <http://lex.justice.md/>.

²⁴National Bureau of Statistics of the Republic of Moldova; https://statistica.gov.md/public/files/publicatii_electronice/Violenta/Raport_violen_fem_eng.pdf

²⁵See Law No. 5-XVI “On ensuring equal opportunities for women and men in the Republic of Moldova”.

²⁶The Ministry of Labour and Social Protection was established in August 2021 as part of the Government reform to act as the centralized line Ministry for developing and implementing labour, social and demographic policies. These policy areas were previously under the Ministry of Health, Labour, Social Protection, which was divided into two ministries: the Ministry of Health and the Ministry of Labour and Social Protection.

²⁷Government Decision No. 259 of 28 March 2017; <http://lex.justice.md/md/370442/>.

²⁸<https://www.euneighbours.eu/en/east/stay-informed/cards/you-can-too-how-eu-supports-women-entrepreneurs-moldova>.

- Stereotypes and social perceptions of gender roles.²⁹
- Gender-based violence.³⁰
- Lack of female entrepreneurial role models. This tends to discourage women from venturing into business.³¹
- Lack of early childhood education services.³²
- Limited access to external finance at reasonable costs, with evidence pointing to unequal treatment of women by banks. The percentage of female entrepreneurs pledging fixed assets and land as collateral is higher than their male counterparts, and evidence shows that female entrepreneurs are charged higher interests.³³

At the same time, there is a need to mainstream enterprise development and export promotion into the gender strategy. As shown in Table 1.3, while the previous strategy provided for consolidating a conducive environment for bridging the gender gap in economic activities, it did not feature a focus on enterprise development. As the Government proceeds in developing a new strategy for the coming years, it is important to integrate targeted efforts for increasing the share of female-owned enterprises and equipping existing ones with the necessary support to compete in global markets.

Table 1.3	The national strategy for ensuring equality between women and men in the Republic of Moldova for the years 2017–2021	
General Objectives	Policy areas	Specific objectives
1: Ensure a comprehensive approach to promoting gender equality	Women's participation in decision-making Labour market and gender wage gaps Social protection and family policies Health care Education Climate change	1.1: Strengthen institutional and legal mechanisms for the advancement of women in decision-making 1.2: Harmonize national legislation with European standards on equal pay for work of equal value 1.3: Amend laws to ensure equitable representation of the needs of women and men in social policies 1.4: Improve social policies on child-care families to ensure equitable involvement of both parents in child-care

²⁹For example, a study by the Women's Law Center and Center for Investigation and Consultation, Sociopolis (2015) "Men and gender equality in the Republic of Moldova", showed that 90.5 per cent of men and 81.5 per cent of women consider women's most important priority to be domestic work; <https://menengage.unfpa.org/en/resources/men-and-gender-equality-republic-moldova>.

³⁰A joint study by the United Nations and the National Bureau of Statistics of the Republic of Moldova (2011), "Violence against women in the family in the Republic of Moldova", shows that about 63 per cent of women suffered from at least one form of violence perpetrated by their partners; https://statistica.gov.md/public/files/publicatii_electronice/Violenta/Raport_violen_fem_eng.pdf.

³¹International Finance Corporation (2018) "Supporting women's entrepreneurship in Moldova: Review, assessment, and recommendations".

³²International Finance Corporation (2018) "Supporting women's entrepreneurship in Moldova: Review, assessment, and recommendations".

³³International Finance Corporation (2018) "Supporting women's entrepreneurship in Moldova: Review, assessment, and recommendations".

Table 1.3

The national strategy for ensuring equality between women and men in the Republic of Moldova for the years 2017–2021

General Objectives	Policy areas	Specific objectives
1: Ensure a comprehensive approach to promoting gender equality	Education Climate change	<p>1.5: Improve social assistance policies and services through integrating the gender dimension</p> <p>1.6: Incorporate the gender dimension in medical staff training</p> <p>1.7: Promote healthy behaviours during life cycles for men and women aiming at increased accessibility to health care services</p> <p>1.8: Integrate gender dimension into teacher’s training aiming to overcome gender stereotypes and increase awareness on gender-related issues</p> <p>1.9: Incorporate the gender dimension in career consulting services to facilitate access to less conventional professions.</p> <p>1.10: Integrate the gender dimension into in sectoral strategies for addressing climate change</p>
2: Strengthen national institutional mechanisms for promoting on gender equality	Institutional mechanisms	<p>2.1: Strengthen human resources within existing institutional mechanisms at the level of ministries and central administrative authorities</p> <p>2.2: Increase the efficiency of the Government Committee on Gender Equality</p> <p>2.3: Strengthen human resources within existing institutional mechanism at the local level</p>
3: Combat gender stereotypes and advancing non-violent communication	Stereotypes in society and non-violent communication	<p>3.1: Promote gender-balanced content in media and publicity industries</p> <p>3.2: Raise public awareness of gender stereotypes and non-violent communication</p>

Table 1.3

The national strategy for ensuring equality between women and men in the Republic of Moldova for the years 2017–2021

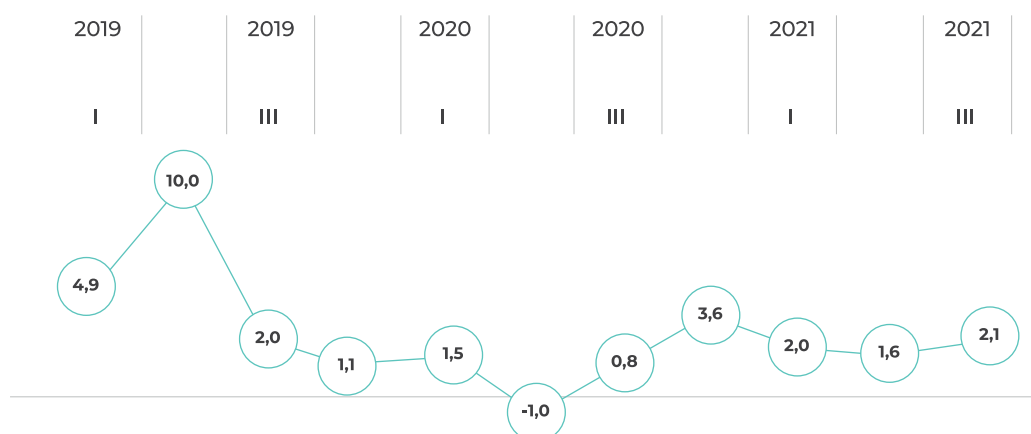
General Objectives	Policy areas	Specific objectives
4: Ensure gender equality in security and defence	Gender equality in the security and defence sector	4.1 Ensure equal participation of women and men 4.2 Integrate the gender dimension into security and defence policies
: Integrate gender sensitive budgeting in budgetary planning processes	Gender sensitive budgets	5.1: Promoting gender mainstreaming in budget programs by establishing gender-sensitive indicators 5.2: Strengthen the capacity of ministries and other central and local public authorities to ensure gender-sensitive budgeting.

Source: Government of the Republic of Moldova Decision No. 259 of 28 March 2017

1.3 COVID-19-induced economic crisis

The outbreak of the COVID-19 pandemic dealt a strong blow to the Moldovan economy, causing GDP to plummet by 7 per cent year-over-year in 2020.³⁴ The economy appears to have bounced back, with GDP growing by 10.3 per cent year-over-year in January-September of 2021.³⁵ This growth was driven by gross fixed capital formation (GFCF), which reached around USD 1.024 billion in the third quarter of 2021 up from about USD 623.1 million in the first quarter of 2021.³⁶ While modest compared to the same period in 2020 (2.1 per cent growth), the increase in GFCF cannot be understood in isolation of, among other things, the rise in net foreign direct investment (FDI) as shown Figure 1.5).

Figure 1.5 – The Republic of Moldova: Net FDI inflows, percentage of GDP



Source: National Bank of Moldova

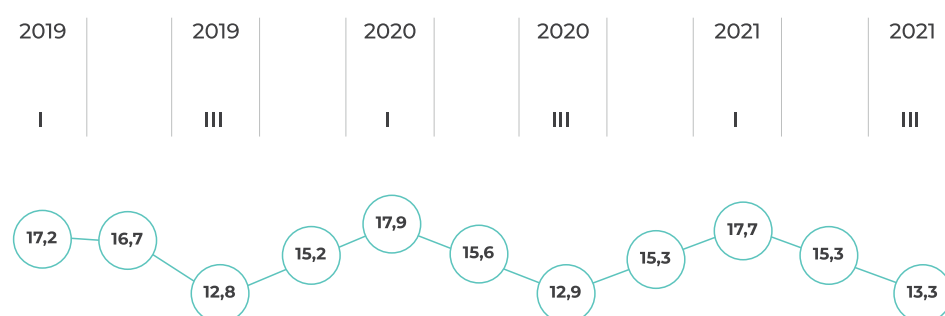
³⁴National Bureau of Statistics of the Republic of Moldova; <https://statistica.gov.md/newsview.php?l=en&idc=30&id=6765&parent=0>. The Statistics do not include data on the Region of Transnistria and the municipality of Bender.

³⁵National Bureau of Statistics of the Republic of Moldova, preliminary data; <https://statistica.gov.md/newsview.php?l=en&idc=168&id=7215>.

³⁶National Bureau of Statistics of the Republic of Moldova, preliminary data; <https://www.bnm.md/ro/content/conturile-internationale-ale-republicii-moldova-trimestrul-iii-2021-date-provizorii>.

Also contributing to GDP growth was the rise in consumer spending, which following a 2.49 per cent decline year-over-year in 2020, recorded positive growth in 2021. Consumer spending increased by 11.5 per cent in the first nine months of 2021 and reached around USD 3.06 billion in the third quarter up from USD 2.33 billion in the previous quarter,³⁷ fuelled by the Government’s relief measures (Annex 2), higher wages and remittances. Monthly wages increased to 9,176 MDL (Moldovan leu) in the third quarter of 2021 up from MDL 8,469 in the first quarter.³⁸ Remittances showed resilience in the face of the pandemic and continued to grow to account for 15.1 per cent of GDP in January-September 2021 on average (Figure 1.6).

Figure 1.6 – The Republic of Moldova: Remittances, percentage of GDP



Source: National Bank of Moldova

The labour market, which appeared to be more immune to the economic crisis in 2020, also registered a positive performance record in 2021. Influenced by the Government’s relief measures, unemployment stood at 3.6 per cent in the second quarter of 2021 down from 4.2 per cent in the previous quarter, so that it remained below the pre-pandemic rate of 5 per cent in 2019.³⁹

Given the above positive trends, GDP growth is projected at around 4 per cent in the medium term.⁴⁰ However, evidence suggests that the Moldovan economy’s recovery remains fragile. The improved employment rates were underscored by low labour participation rates, which despite improvements remain a challenge (Figure 1.7).

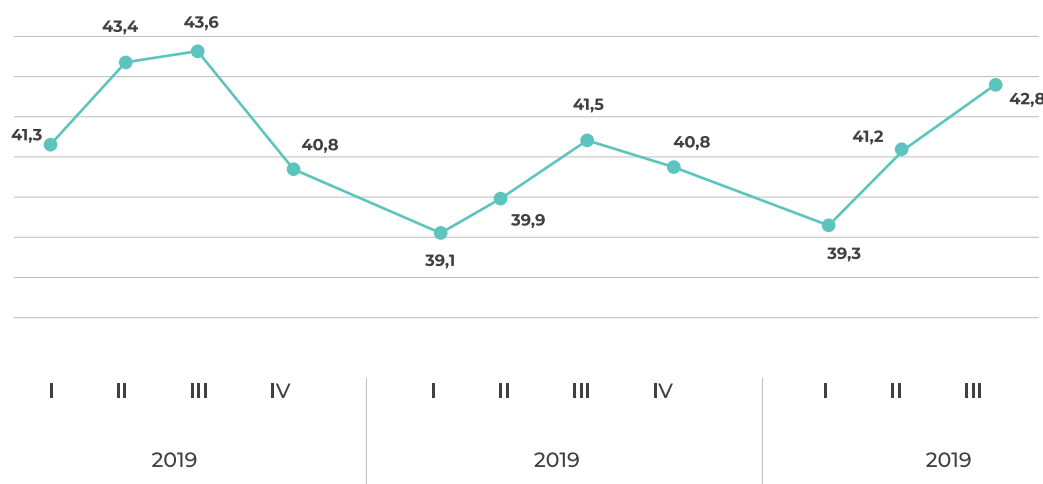
³⁷National Bureau of Statistics of the Republic of Moldova, preliminary data; <https://www.bnm.md/ro/content/conturile-internationale-ale-republicii-moldova-trimestrul-iii-2021-date-provizorii>; and, <https://statistica.gov.md/category.php?l=en&idc=191>.

³⁸National Bureau of Statistics of the Republic of Moldova, Earnings Statistics; <https://statistica.gov.md/category.php?l=en&idc=452>.

³⁹National Bureau of Statistics of the Republic of Moldova; <https://statistica.gov.md/newsview.php?l=ro&idc=168&id=7115>.

⁴⁰World Bank (2021); <https://www.worldbank.org/en/country/moldova/overview#3>.

Figure 1.7 – Evolution of the Moldovan labour participation rate 2019–2021 (percentage)



Source: National Bureau of Statistics of the Republic of Moldova

Furthermore, poverty has worsened, with the percentage of population living below USD 5.50 PPP/day increasing by 3.6 percentage point year-over-year to reach 14.2 per cent in 2020.⁴¹ At the same time, the Government appears to be struggling to curb inflation, which reached 13.94 per cent in October 2021,⁴² as the prices of food and fuel, particularly gas,⁴³ increased. These pressures come in addition to those resulting from the sweeping relief measures, which are placing a strain on the public purse, with the public debt's share of GDP accounting for 33.4 per cent in November 2021.⁴⁴

Another challenge relates to the trade deficit, as imports continued to outstrip exports. As shown in Table 1.4, following a sharp contraction during the lockdown period, imports picked up steam as of June 2020 as enterprises restocked their inventories. In contrast, exports registered a slow rebound under the weight of the enterprises' weakened production capacities and dwindling international demand and remained below pre-pandemic levels.

	Percentage change in exports and imports of the Republic of Moldova (value, year-over-year, 2020)												
	JAN	FEB	MAR	APR	MAJ	JUN	JUL	AVG	SEP	OKT	NOV	DEC	JAN - DEC 2020
Imports	-6.3	1.6	-18.3	-30.5	-26.0	-6.2	-13.2	-20.4	-11.1	-7.1	-1.7	0.00	-11.2
Exports	2.0	5.6	-6.2	-44.6	-31.6	-7.2	-0.5	-6.6	1.3	-6.0	3.7	5.1	-7.3

Source: Source: National Bureau of Statistics of the Republic of Moldova

⁴¹<https://www.worldbank.org/en/country/moldova/brief/moldova-economic-update>.

⁴²See National Bank of Moldova; <https://www.bnm.md/en/content/inflation>.

⁴³<https://balkaninsight.com/2021/11/03/government-promises-aid-as-moldovans-anxiously-await-higher-gas-bills/>.

⁴⁴Government of the Republic of Moldova; <https://mf.gov.md/sites/default/files/Buletin%20statistic%2011.2021.pdf>.

This trend persisted in 2021, with exports increasing by 25.4 per cent year-over-year in January-November in relation to the same period in 2020. Imports increased by 32.4 per cent year over year over the same period under the weight of the rising prices of gas imports.⁴⁵ This has increased trade deficit, which accounted for 27.2 per cent of GDP in the third quarter of 2021, compared to 25.2 per cent the corresponding figure in 2022.⁴⁶

In addition, the pandemic has aggravated the country's systemic inequalities. Available statistics show unemployment affecting 4.6 per cent of the population in rural areas in the first quarter of 2021, compared with 3.9 per cent in urban areas,⁴⁷ suggesting higher layoffs and job cuts. Moreover, labour participation in urban areas stood at 46.5 per cent in 2020 down from 49.4 per cent in 2019, compared to 36 and 37.6 per cent, the corresponding figures in rural areas.

The pandemic has also rendered the task of bridging the gender gap in economic activities more challenging. Working women were more affected than men, as lockdown measures exacerbated inequalities in the division of care responsibilities.⁴⁸ This caused greater withdrawal of women from the labour market in 2020, causing female participation rate to worsen. It stood at 36.1 per cent in 2020 down from 38 per cent in 2019, compared to 45.1 per cent and 47 per cent the corresponding figures for male labour force.

Women with at least one pre-school-age child were particularly affected. They registered a participation rate of 37 per cent in 2020 compared to 65.3 per cent, the corresponding figure for men. In contrast, women without pre-school-age children exhibited higher participation rates, which also exceeded those registered by men (58 per cent compared to 53.6 per cent).⁵⁰ This trend continued in 2021, with statistics showing worsening female labour participation rates (Table 1.5).

Table 1.5	Breakdown of the COVID-19 affected employed workforce by sex (percentage shares)					
	2020				2021	
	I	II	III	IV	I	II
Men	46.3	39.5	34.4	46.1	38.7	44.7
Woman	53.7	60.5	65.6	53.9	61.3	55.3

Source: National Bureau of Statistics of the Republic of Moldova

⁴⁵National Bureau of Statistics of the Republic of Moldova, preliminary data; <https://www.bnm.md/ro/content/conturile-internationale-ale-republicii-moldova-trimestrul-iii-2021-date-provizorii>.

⁴⁶National Bureau of Statistics of the Republic of Moldova, preliminary data; <https://www.bnm.md/ro/content/conturile-internationale-ale-republicii-moldova-trimestrul-iii-2021-date-provizorii>.

⁴⁷National Bureau of Statistics of the Republic of Moldova; <https://statistica.gov.md/category.php?l=en&idc=107>.

⁴⁸National Center for Studies and Information on Women's Issues Partnership for Development and UN-Women (2021) "The impact of the pandemic on gender equality"; <https://progen.md/despre-centrul-parteneriat-pentru-dezvoltare/>.

⁴⁹National Bureau of Statistics of the Republic of Moldova, Statistical Yearbook of the Republic of Moldova, 2020; <https://statistica.gov.md/pageview.php?l=en&idc=263&id=2193>.

⁵⁰National Bureau of Statistics of the Republic of Moldova, labour force statistics, 2020; <https://statistica.gov.md/category.php?l=en&idc=107&>

1.4 Scope of the assessment

This assessment draws on a survey of 101 female-owned manufacturing and agricultural MSMEs with active engagement in international trade from across the Republic of Moldova, with a view to capturing:

1. The transmission channels of the COVID-19 pandemic effects and the influence of NTMs governing trade in goods therein.
2. Supply chain disruptions and their impact on trade activities.
3. The MSMEs' coping strategies, understood in terms of the way they used their assets to maintain operations.⁵¹
4. The ripple effects of the pandemic on the development prospects of female-owned MSMEs, particularly those generated by the owners' coping strategies.

1.5 Report outline

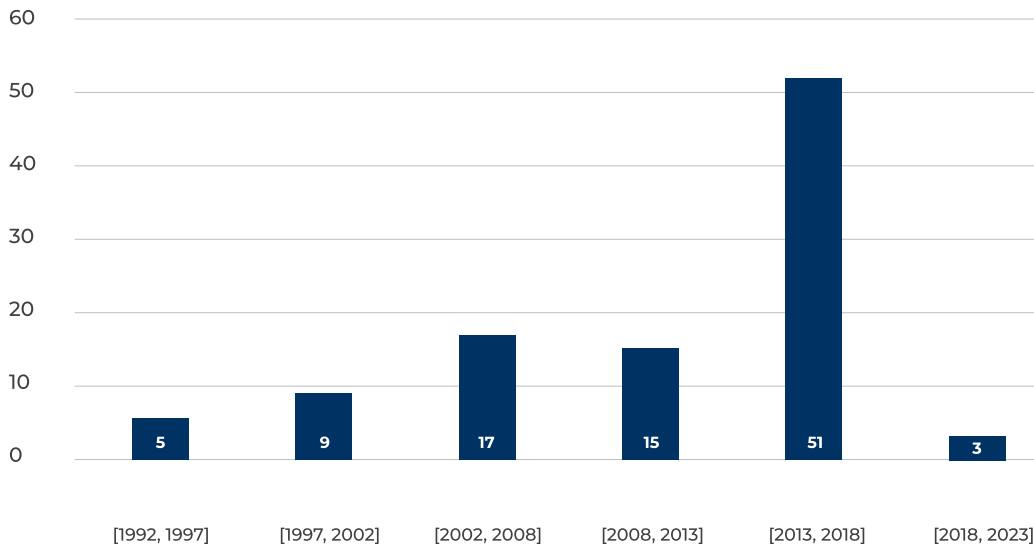
This report is organized in seven sections. The introduction is followed, in section 2, by the profile of the female-owned enterprises surveyed. Section 3 describes the transmission channels of the pandemic's effects. It shows how NTMs, combined with lockdown measures deployed by the Government of the Republic of Moldova and partner countries, created supply chain disruptions

Section 4 traces the ripple effects of these disruptions on the female-owned MSMEs surveyed and highlights the aggravating impact of the owners' coping strategies. This sets the context, in section 5, for a discussion on the MSMEs' income losses and the resulting impact on the welfare of their families. Section 6 highlights the MSMEs' growth bottlenecks. Section 7 provides recommendations for addressing the female-owned MSMEs' emergency and long-term development needs, with a view to bolstering their exports and supporting an increased and wider participation of women in economic activities.

2. PROFILE OF THE MSME OWNERS

The assessment saw the participation of 101 female-owned MSMEs with active engagement in international trade, which belonged to the manufacturing and agricultural sectors (Annex 3). As shown in Figure 2.1, the majority were established between 2013 and 2018, reflecting the optimism that was generated by the DCFTA (Section 1). Only three MSMEs were still in the start-up phase, all of which were established in early 2020 after the outbreak of the pandemic.

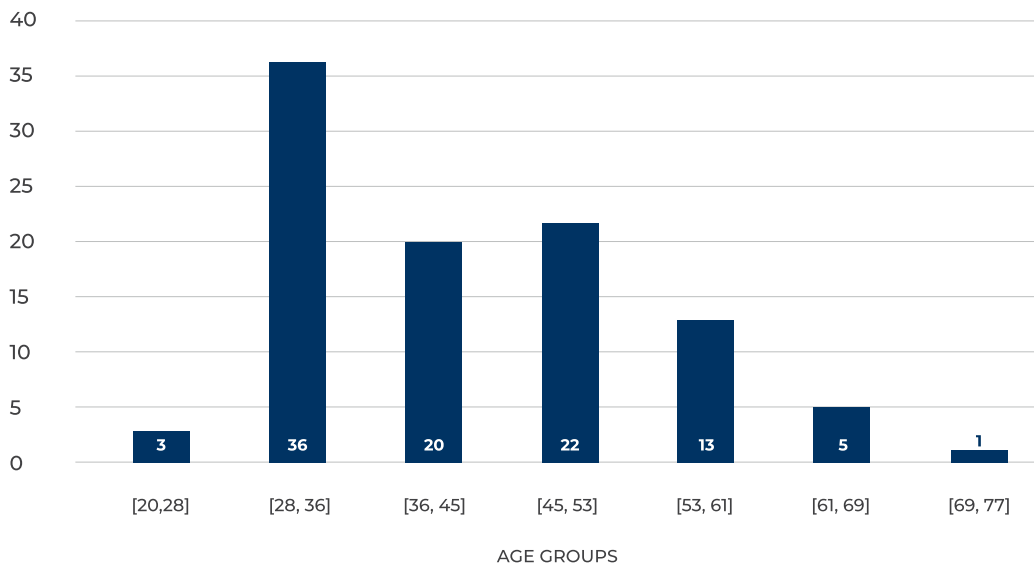
Figure 2.1 – Breakdown of the female MSME owners by establishment date (Number of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

As shown in Figure 2.2, owners between 28 and 36 years old constituted the largest segment of the female-owned MSMEs surveyed. About 88 per cent were married with at least once child, while remaining female MSME owners were either single (5 per cent) or divorced (6 per cent) with no children.

Figure 2.2 – Breakdown of the female MSME owners by age group (number of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

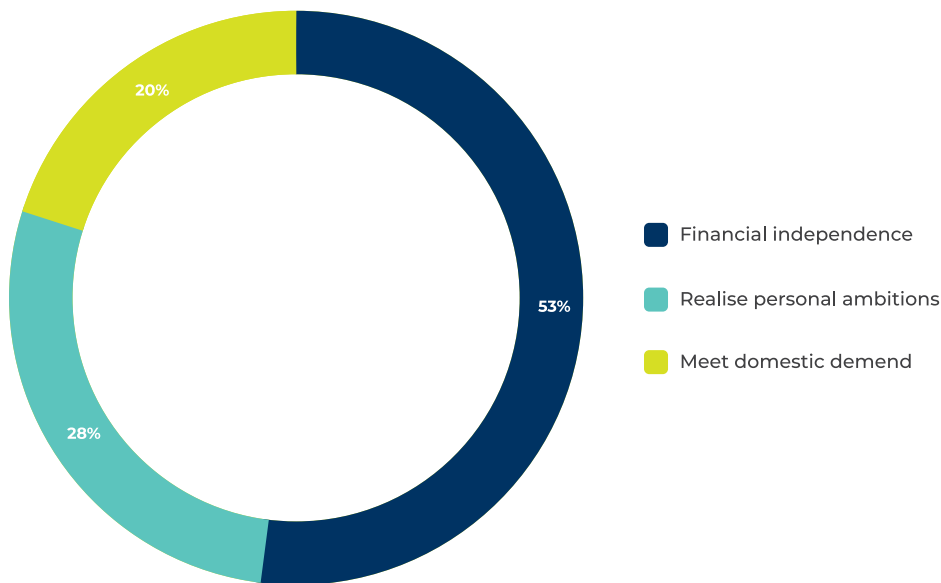
As shown below, the majority were opportunity driven and ventured into business to realize personal ambitions with the support and encouragement of their families. They were major contributors to their households' income, highly educated and many were active networkers, keen on integrating their businesses into global value chains. Their experiences provide valuable insights into the factors undermining the development prospects of female-owned enterprises and women's increased participation in economic activities.

2.1 Opportunity driven but with limited engagement in exports

Only 21 per cent of the female MSME owners surveyed were necessity-driven, who ventured into business to supplement their households' income.⁵² These belonged to households at-risk-of-poverty, with many drawing attention to their families' struggle to make ends meet. The remaining female MSME owners surveyed (79 per cent) were opportunity-driven, who sought and embraced business opportunities and change.⁵³

As shown in Figure 2.3, about 53 per cent of the opportunity-driven owners ventured into business to achieve financial independence. Another 28 per cent described their businesses as a means for realizing their personal ambitions. In most cases, these related to turning hobbies into businesses, become their "own bosses" or to a desire to establish roots in the country after spending several years abroad.

Figure 2.3 - The female MSME owners' reasons for venturing into business (percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

⁵²For an informative discussion of opportunity and necessity entrepreneurs, see, for example, Robert W. F., and Fossen, M.F (2018) "Opportunity versus Necessity Entrepreneurship: Two Components of Business Creation", IZA – Institute of Labour Economics Discussion Paper No. 11258; available at: <http://ftp.iza.org/dp11258.pdf>.

⁵³The definition of opportunity-driven entrepreneurs was coined by Peter Drucker, who argued that "entrepreneurs see change as the norm and as healthy. Usually, they do not bring about the change themselves. But – and this defines entrepreneur and entrepreneurship – the entrepreneur always searches for change, responds to it, and exploits it as an opportunity". Drucker, P. (1985) *Innovation and Entrepreneurship: Practice and Principles*. New York: Harper & Row, p. 28. The concept of entrepreneurship has taken on several meanings under the weight of the various definitions, with each bringing forward certain attributes and traits that characterize successful entrepreneurs. Drucker's definition stresses management skills, foresight, discipline and hard work and considers entrepreneurship as the bedrock for innovation. These traits were also highlighted by Joseph Schumpeter who attached more importance to the role of entrepreneurs as driving the "creative-destructive" process of modernity through venturing into innovative activities. The literature on entrepreneurship points to learning by doing, with entrepreneurs evolving through successes. This is the view taken in the review, which, following Lall, S. (1992), sees entrepreneurs as graduating into entrepreneurs in the Schumpeterian sense and transforming their enterprises into centres of innovation. For further details on Schumpeter's views on entrepreneurship, see, for example, Becker, C.M., Thorbjørn, K. and Richard, S. (eds.) (2011) *The Entrepreneur: Classic Texts by Joseph A. Schumpeter*. Stanford, California: Stanford University Press.

The remaining 20 per cent of the opportunity-driven female MSME owners ventured into business to meet domestic demand, and this was particularly the case of those engaged in the food and textiles industries. Several textile manufacturing MSME owners responded to the lack of cloths at reasonable prices during the lockdown period, while those engaged in the food industry wanted to be among the suppliers of healthy food products at competitive, affordable prices. Furthermore, for 11 per cent of the opportunity and necessity driven female MSME owners, the desire to create jobs for their communities was a priority, reflecting a strong sense of social responsibility.

However, the female MSME owners surveyed showed limited engagement in exports. The necessity-driven owners (21 per cent of the female MSME owners surveyed) considered exporting as a tremendous challenge given their modest production volumes. On their part, the opportunity-driven owners (the remaining 79 per cent) were eager to boost their exports. Yet only 46 per cent of the opportunity-driven female MSME owners sold their products abroad. They were predominantly occasional exporters, who sold small volumes on a sporadic basis, and the majority were heavily dependent on Romania as the main outlet for their products (Section 3).

2.2 Highly educated but lack business skills

Both the opportunity and necessity-driven female MSME owners were highly educated, with about 91 per cent educated up to the university level. Another 6 per cent were yet to obtain their university degrees, and the remaining 3 per cent were educated up to the primary or secondary levels.

While the owners said that they drew on the skills acquired through their formal training, it was their family support that drove their enterprises' growth, especially during the start-up phase. The importance of family support for the surveyed MSME owners is further evidenced by the fact that about 81 per cent managed their businesses jointly with a family member; in most cases their spouses, who assisted in the day-to-day business operations in their personal capacity (i.e., not as unpaid employees). Only 5 per cent of the female MSME owners surveyed reported recruiting family members on a full-time basis as unpaid staff.

This marked reliance on family support cannot be understood in isolation of the female MSME owners' lack of prior business experience in the start-up phase. Around 37 per cent launched their businesses without any prior business experience, and this group comprised former teachers, bankers, journalists, lawyers, engineers, information technology experts, students a handful of former civil servants and housewives.

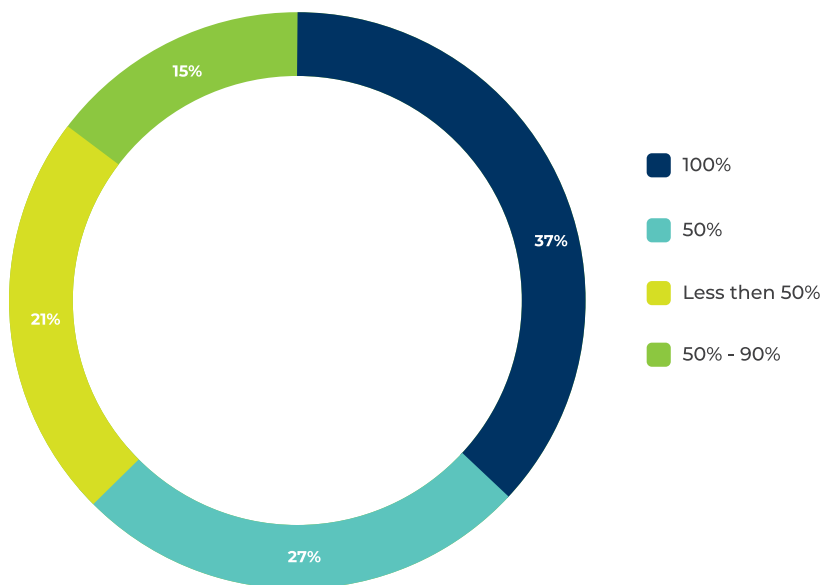
While the remaining 63 per cent had prior business experience, only 36 per cent had work experience in their respective industries and these were mainly engaged in the textile industry. The remaining 27 per cent had prior experience in other industries, namely in the fields of sales, accounting, marketing/promotion.

The lack of prior business experience in the start-up phase meant that the female MSME owners did not have business networks, management skills, and knowledge of the development opportunities and competitive threats facing their enterprises when they started their businesses,⁵⁴ rendering reliance on family support a natural path to follow. While this support was critical during the early start-up phase, it proved to be insufficient during subsequent years as competitive pressures and the demands of the day-to-day business increased (Section 6).

2.3 Major contributors to their households' income

The female MSME owners surveyed were instrumental to improving the welfare of their households. As shown in Figure 2.4, the majority were the sole breadwinners, and this was particularly the case of those engaged in textiles and food manufacturing.

Figure 2.4 - MSME owners' contribution to their households' income (percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

⁵⁴For a brief discussion of the importance of prior business experience for start-up activities, see, for example, Politis, D. (2008) "Does prior start-up experience matter for entrepreneurs' learning?: A comparison between novice and habitual entrepreneurs". *Journal of Small Business and Enterprise Development*. 15 (3): 472-489.

2.4 Occasional networkers

Only 44 per cent of the female MSME owners surveyed reported having business networks, which they forged through memberships in market support institutions, including sectoral associations, enterprise support organizations and agricultural cooperatives. The female MSME owners cited multiple memberships, and five held leadership positions as part of the board of directors. However, over 50 per cent of those belonging to the textile industry, reflecting the limited networking capabilities of the owners operating in the remaining sectors covered in the survey.

The female MSME owners reported that their memberships in market support institutions enabled the owners to:

- Improve their marketing and promotional skills.
- Learn from the experiences of other enterprises.
- Participant in joint promotional campaigns domestically and abroad.
- Pool resources in the form of combined purchase orders for sourcing raw material and equipment domestically and from abroad.
- Establish common storage and sorting facilities (agri-MSMEs).
- Access external sources of funds, including bank loans as well as public and donor-funded grants.

3. TRADE DISRUPTIONS

The period since the outbreak of COVID-19 has seen Governments across the globe introduce nationwide lockdown measures and special health and safety control arrangements at border crossing points (BCPs)⁵⁵ to contain the spread of the pandemic in line with the World Health Organization (WHO) safety guidelines.⁵⁶ These measures were implemented in parallel with restrictive NTMs, mainly temporary export restrictions, to hedge against supply shortages. In addition, many Governments introduced temporary customs duties and value-added tax (VAT) exemptions to ease the financial burden on enterprises.⁵⁷

The Government of the Republic of Moldova adopted similar measures. It introduced a nationwide lockdown from 17 March till 15 May 2020,⁵⁸ which also saw the closure of the Chişinău International Airport and 30 per cent of the country's BCPs (or 12 out of 40).⁵⁹

⁵⁵See <https://wiki.unece.org/display/CTRBSBC/Observatory+on+Border+Crossings+Status+due+to+COVID-19+Home>.

⁵⁶See <https://wiki.unece.org/display/CTRBSBC/Moldova>.

⁵⁷See <https://www.macmap.org/COVID19>.

⁵⁸Parliament of the Republic of Moldova (<http://parlament.md/Actualitate/Noutati/tabid/89/NewsId/2374/language/ro-RO/Default.aspx>).

⁵⁹Updates on lockdown measures are published at <https://gov.md/ro>, <https://wiki.unece.org/display/CTRBSBC/Moldova>; and Government's report on cross-border trade measures of 2 September 2020 at: https://www.itf-oecd.org/sites/default/files/docs/md-measures-COVID19_10.pdf.

The lockdown measures were gradually lifted as of June 2020 with the opening of the Chişinău International Airport (on 15 June 2020);⁶⁰ the easing of restrictions on non-essential businesses (as of 12 June 2020);⁶¹ and, the re-opening of BCPs (July 2020).⁶² The Government also kept NTM restrictions to the minimum and upscaled trade facilitation measures, as advanced under the World Trade Organization (WTO) Agreement on Trade Facilitation,⁶³ to mitigate supply chain disruptions.

3.1 Transmission channels

The Government of the Republic of Moldova used restrictive NTMs on a limited basis to address shortages in pharmaceutical and personal protective equipment (PPE).⁶⁴ Otherwise, the Government focused on generating financial savings for supply chain actors through tax exemptions on imports of certain medical equipment and pharmaceutical products,⁶⁵ and reinforced trade facilitation measures:

1. Transparency in trade was ensured through online publication of health protection measures.⁶⁶ Enterprises were also kept abreast of applicable trade-related rules and customs procedures through the Customs Service Trade Information Portal,⁶⁷ and could submit their enquires online through the Customs Call Centre.⁶⁸ In addition, trade partners were kept abreast of changes in NTMs and special health and safety arrangements at border crossing points through prompt submission of notifications to the WTO⁶⁹ and the UNECE Observatory on Border Crossings,⁷⁰ respectively.

⁶⁰The Chisinau International Airport was closed on 17 March 2020 and reopened on 15 June 2020. Commercial airlines were to make independent decisions as to the resumption of their services. Government of the Republic of Moldova (<https://www.COVID19healthsystem.org/countries/moldova/livinghit.aspx?Section=6.%20Measures%20in%20other%20sectors&Type=Chapter>).

⁶¹The restrictions on non-essential businesses were imposed till 30 June 2020. The Government started easing these restrictions on 12 June 2020 by permitting shopping centres and nonessential businesses to reopen provided they implement social distancing and health safety measures established by law. Government of the Republic of Moldova (<https://www.covid19healthsystem.org/countries/moldova/livinghit.aspx?Section=6.%20Measures%20in%20other%20sectors&Type=Chapter#37Transitionmeasures:Measuresinothersectors>).

⁶²<https://wiki.unece.org/display/CTRBSBC/Moldova>; and Government's report on cross-border trade measures of 2 September 2020 at: https://www.itf-oecd.org/sites/default/files/docs/md-measures-COVID19_10.pdf.

⁶³The Agreement on Trade Facilitation clarifies and improves the General Agreement on Tariffs and Trade articles V (Freedom of Transit), VIII (Fees and Formalities connected with Importation and Exportation), and X (Publication and Administration of Trade Regulations). These articles correspond to the following chapters of United Nations Multiagency Support Team (UN/MAST) NTM classification system (<https://unctad.org/en/Pages/DITC/Trade-Analysis/Non-Tariff-Measures/NTMs-Classification.aspx>): Sanitary and phytosanitary measures (Chapter A); technical barriers to trade (Chapter B); pre-shipment inspection and other formalities (Chapter C); price control measures, including additional taxes and charges (Chapter F); finance measures (Chapter G); measures affecting competition (Chapter H); distribution restrictions (Chapter J); government procurement restrictions (Chapter M); rules of Origin (Chapter O); and, export-related measures (Chapter P).

⁶⁴The Republic of Moldova introduced temporary export ban on masks, gloves, and disinfectants over the period 25 July till 31 August 2020 (<https://www.macmap.org/COVID19>).

⁶⁵Imports of undistorted ethyl alcohol have been subjected to a temporary exemption of excise duties since 26 March 2020 (<https://www.macmap.org/COVID19>).

⁶⁶<https://customs.gov.md/ro>. Moreover, enterprises could receive alerts on change in applied legislation by registering with the unified alert system (<http://officialalert.md/#/>).

⁶⁷www.trade.gov.md. The Information Point for External Trade provides reliable authoritative information on applied customs legislation and procedures and border crossing concerning goods and transportation units.

⁶⁸<https://customs.gov.md/ro>.

⁶⁹https://www.wto.org/english/tratop_e/COVID19_e/trade_related_goods_measure_e.htm.

⁷⁰<https://wiki.unece.org/display/CTRBSBC>.

2. Documentary requirements were further streamlined. Customs declarations continued to be submitted electronically,⁷¹ and the Government started issuing electronic transport authorizations in July 2020.⁷² The Government also simplified the issuance of preferential certificates of origin for goods destined to the EU, the Central European Free Trade Agreement (CEFTA) countries, and Turkey. Enterprises can submit copies of the certificates with the provision that they would provide the Customs Service with the original documents at a later stage.

3. Border control continued to proceed within the context of an integrated border management system and was risk-based,⁷³ with inbound shipments of food, sanitary products and medical equipment receiving priority clearance. In addition, the shifts at customs offices were adjusted to ensure continuous 24/7 operations, as per established (pre-pandemic) practices.⁷⁴

4. Customs and tax payments continued to be made online through the Government's online payment platform.⁷⁵

5. Transit traffic continued to be facilitated by cooperation arrangements anchored in regional agreements and UNECE international transport conventions and protocols.⁷⁶

6. The reconstruction and further development of the Moldovan customs offices at BCPs continued with the support of the EU, focusing on shared BCPs with Romania (Leuseni-Albita, Sculeni-Sculeni, Giurgiulesti-Galiti) and Ukraine (Giurgiulesti-Reni).

However, as shown below, the female-owned MSMEs' supply chain activities were severely disrupted by lockdown measures and the special arrangements at BCPs in the Republic of Moldova and partner countries. The Government's incomplete trade reforms was another complicating factor.

These shortfalls manifested themselves in the form of continued reliance on paper-based procedures, overreliance on physical inspection at BCPs and weaknesses in the conformity assessment system, so that trade disruptions were complicated by non-tariff barriers (Box 3.1). Coupled with weaknesses in the national railway network, these barriers acted as negative transmission channels, which amplified supply chain disruptions with harmful effects on the female-owned MSMEs' resilience and business development prospects.

⁷¹<https://trade.gov.md/ro>.

⁷²www.eat.anta.gov.md.

⁷³For a detailed overview of this system, see UNECE study on regulatory and procedural barriers to trade in the Republic of Moldova, Chapter 2.

⁷⁴<https://wiki.unece.org/display/CTRBSBC/Moldova>.

⁷⁵www.mpay.gov.md.

⁷⁶For a detailed overview of this system, see UNECE study on regulatory and procedural barriers to trade in the Republic of Moldova, Chapter 2.

- Delayed issuance of trade documents, as the Government has yet to fully transition to a paperless trading environment.
- Continued reliance on physical inspection of inbound cargo during customs clearance, which caused unnecessary delays.
- Lack of adequate infrastructure facilities at customs terminals, which created long queues and congestion on the Moldovan side of the BCPs.
- Lack of internationally recognized conformity assessment bodies, so that MSMEs assumed additional costs to prove compliance with regulatory requirements in export markets as they had to ship products abroad for certification.

Source: UNECE (2020) "The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises"

3.2 Impact on the female-owned MSMEs supply chains

The above-mentioned transmission channels created serious operational bottlenecks throughout the female-owned MSMEs' supply chains. These bottlenecks manifested themselves in the form of lack of clarity over applied trade-related regulations and procedures and delays in obtaining documentary requirements; the impact of which was compounded by inflated transport costs.

3.2.1 Lack of clarity over applicable trade-related regulations and procedures

Most of the export-oriented MSMEs lacked clarity over applicable trade-related regulations and procedures, having consistently outsourced the preparation trade documents and shipment activities to freight forwarders and, in a few cases, to family members so as to reduce their workload.

However, the transport disruptions caused by lockdown measures and the special health and safety arrangements at BCPs in the Republic of Moldova and in partner countries dealt a blow to the freight forwarding industry, particularly the small and medium freight forwarders who, for obvious reasons, constitute the female MSME owners' partners of choice. Almost all the MSME female owners surveyed reported that their traditional freight forwarders were either forced to suspend activities or shut down. Indeed, evidence shows that Moldovan freight forwarders were struggling to maintain operations, and many had to cease servicing countries with strict BCP safety measures.⁷⁷

Having lost their traditional freight forwarders, the owners were struggling to familiarize themselves with applied trade-related regulations and procedures. The female MSME owners said that they were unable to navigate online information, because it is not sufficiently detailed, is fragmented across different websites and, in most cases, is difficult to understand.

⁷⁷For further details on this see, UNECE (2020) *The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises*; <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

This renders it difficult to identify dated information and to discern the practical implications of applied rules for their operations. In addition, many reported that they were unfamiliar with the DCFTA and associated reforms.

Furthermore, the female MSME owners interviewed lamented the ad hoc nature of public-private sector consultations, noting that these are usually organized within the context of donor-funded projects. Several were of the view that the recommendations and issues raised by the female-owned enterprises are not properly addressed.

3.2.2 Delays in obtaining trade documents

The Republic of Moldova's continued reliance on paper-based procedures meant that the female MSME owners, just like all Moldovan exporters, were faced with extensive documentary requirements. For products that should be accompanied by conformity assessment certificates to prove compliance with regulatory requirements in export markets, the resulting delays were compounded by high testing costs, given the lack of internationally recognized product testing laboratories in the country.

This concern was raised by female exporters of honey and PPE products. The female MSME owners usually arrange for testing their products in neighbouring European countries at additional cost, given the higher testing fees. These costs have increased following the outbreak of the pandemic, as shipment by air became more expensive.

The lack of internationally recognized product testing laboratories was also raised by a saffron producer. The owner noted that she was still struggling to find a product testing laboratory, and, as such, remained unable of exporting to Europe as planned.⁷⁸

3.2.3 Inflated transport costs

All the female MSME owners surveyed were experiencing difficulties in organizing the transport of their imports and exports by road, under the weight of the special safety and health arrangements at BCPs. These arrangements forced freight forwarders to increase their fees to cover additional operating cost that were out of their control, in addition to causing delayed deliveries. These challenges were also reported by male-owned MSMEs surveyed as part of the UNECE assessment of 2020 "The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises" and, as such, are not particular to the female-owned MSMEs.

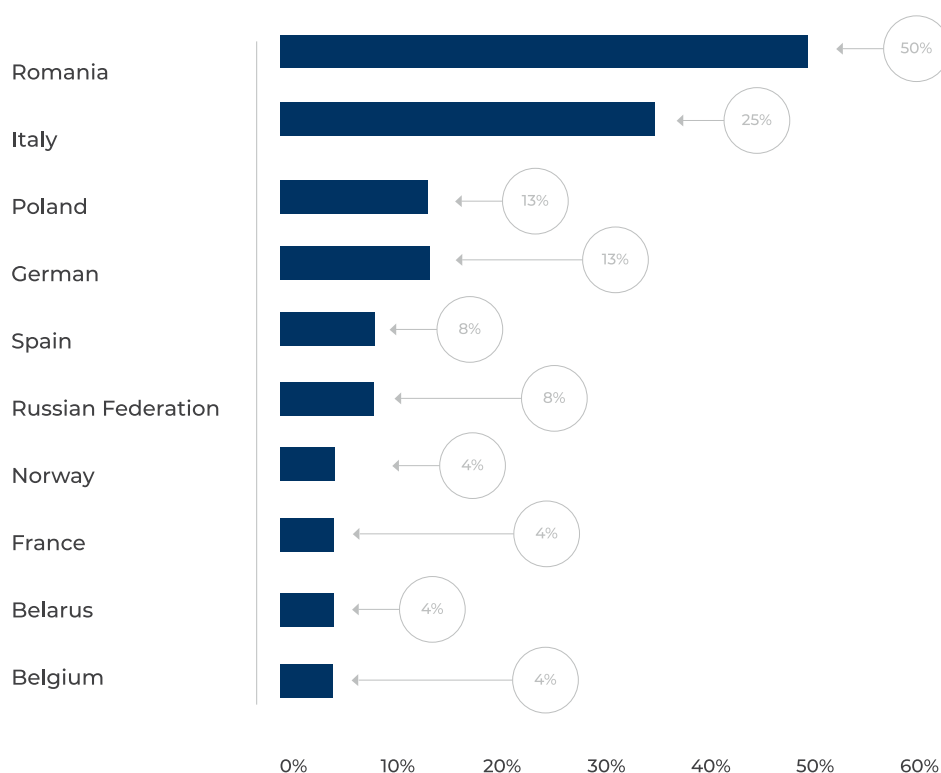
⁷⁸For further details on this see, UNECE (2020) *The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises*; <https://unece.org/trade/studies-regulatory-and-procedural-barriers-trade>.

To avoid delays, many of the established exporters with modest export volumes shifted to shipment by air at additional cost. However, shifting to air transport was not an option for occasional exporters. To maintain exports, the occasional exporters, many of which have lost their traditional freight forwarders, engaged directly with truck companies, which they identified with the help of family and friends. Those who were unable to do so, reported reducing or suspending export activities.

3.2.4 Export losses

Over 58 per cent of the exporting female-owned MSMEs surveyed lost their traditional buyers, especially in Romania and Italy (Figure 3.1), who were forced to suspend production or shut down altogether under the weight of the COVID-19 induced economic crisis.

Figure 3.1 - The female-owned MSMEs' most affected export destinations (percentage of responses)



Source: UNECE survey of Moldovan female-owned MSMEs

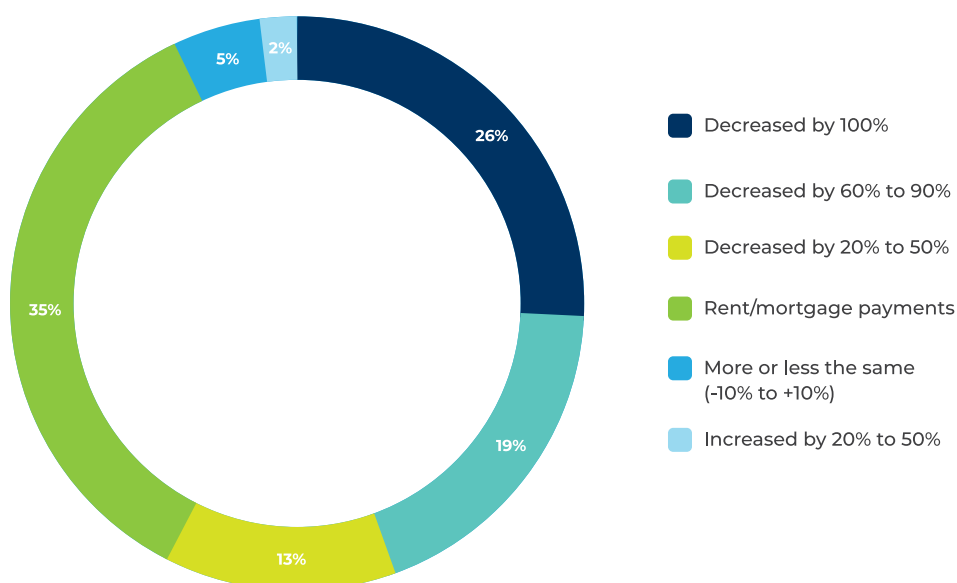
Under such conditions of dwindling demand, many exporting MSMEs saw their export earnings plummet. The female-owned MSME owners also cited supply shortages (caused by delayed deliveries, inflated transport costs and the significant increase in the price of raw materials) as the main reasons for suspending exports. Agri-enterprises were particularly affected as the supply shortages and inflated transport costs came on the heels of the severe draught, which has already harmed their increasingly thin profit margins.⁷⁹

⁷⁹For further details, see, the World Bank, Special Focus Note; <https://thedocs.worldbank.org/en/doc/7bf12b95f10a3daf7b-570718b2100e15-0080012021/related/MEU-DRM-Special-Topic-May-2021-FI-NAL-eng-Copy.pdf>.

As shown in Figure 3.2, around 26 per cent lost all their export earnings in 2020 (exports decreased by 100 per cent), having suspended exports altogether. Another 19 per cent saw their export earnings decrease by up to 19 per cent in 2020 in relation to the pre-pandemic period and another 13 per cent lost up to 50 per cent of these earnings. This declining trend continued into 2022, with many of these enterprises operating at a loss.

Female-owned MSMEs that managed to maintain pre-pandemic export earnings levels (35 per cent) or exceed their pre-export earnings level (7 per cent) were occasional exporters, who found new buyers with the help of family and friends.

Figure 3.2 - Percentage change in the female-owned MSMEs' export earnings, 2020 (year over year, percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

4. THE RIPPLE EFFECTS OF TRADE DISRUPTIONS

The impact of trade disruptions was amplified by the female MSMEs owners' coping strategies. Most notable was the scaling-down of production activities, which increased their debt burden so that they are ill-equipped to recover once normality is attained. As shown below owners who resorted to growth-enabling strategies, particularly upscaling e-commerce activities and repurposing production, constituted a minority. This section discusses the new realities created by the owners' coping strategies, while the next section looks into the ripple effects of these strategies.

4.1 Limited engagement in electronic commerce

Out of the 101 female-owned MSMEs surveyed, only 10 were engaged in e-commerce, and the majority were already selling online before the outbreak of the pandemic. Moreover, the owners' engagement in e-commerce was limited. Many used social media platforms to promote their products domestically and then proceeded to process purchase orders manually. Specifically, the owners took orders by phone or by email and negotiated the delivery terms with buyers, who chose between receiving the goods by mail or collecting them personally (e.g., from the MSMEs production facilities or from an agreed collection point).

The assessment shows that while a major concern, the female-owned MSMEs' weak information and communications technology (ICT) capacity is not the main obstacle to upscaling e-commerce activities. The owners noted that even if they had the required ICT capacities, engaging in e-commerce would remain a challenge owing to the below factors:

- The high e-payments fees and the demanding deposit requirements imposed by banks for e-payments. The e-payment fees eat away up to 3.5 per cent of sales revenues, while the deposit requirements create cashflow problems.
- The high costs associated with obtaining the special software for processing online payments (many said that the software is expensive).
- The high annual taxes for operating online stores (10,000 Moldovan leu).
- The inflated transport costs.
- The cumbersome documentary requirements for passing customs.
- The cumbersome customs clearance procedures for imports and the resulting delays, which makes it difficult to meet delivery deadlines.
- The lack of internationally recognized product testing laboratories.
- The lack of clarity over applicable e-commerce laws.
- The demanding regulatory requirements in export markets, particularly the EU.
- The international buyers' distrust in Moldovan suppliers, including female-owned enterprises.

The owners explained that above challenges undermine their competitiveness in global markets.

Addressing these challenges will also enable the Republic of Moldova to further improve its e-commerce readiness. The country is among the 10 highest-ranking transition economies against the United Nations Conference on Trade and Development (UNCTAD) Business-to-Consumer E-commerce Index (2020), which assesses countries in terms of internet connectivity, financial inclusion, ICT and logistics infrastructure.⁸⁰

4.2 Limited engagement in production repurposing

Production repurposing was a coping strategy for 22 of the female MSME owners surveyed. These were engaged in the clothing industry (17 enterprises) and the production of handicrafts, honey, and hygiene products (5 enterprises). The clothing manufacturers repurposed part or all of their production lines during the first few months of the pandemic to make cloth face masks and disposable gowns for health care workers and medical professionals.

While some repurposed in the hope of landing purchase orders from hospitals, the majority of the owners were triggered by a rise in demand from European buyers. These placed large purchase orders with their traditional Moldovan suppliers. These suppliers, predominately medium and large enterprises, subcontracted part or all of the production to micro and small enterprises.

This resulted in a small cluster of vertically integrated enterprises, with the medium and large enterprises acting as the buyers. The medium and large enterprises furnished the micro and small enterprises with raw material provided by the European buyers and, to a lesser extent, from their own stocks. The medium and large enterprises also ensured compliance with the EU regulatory requirements. They shipped samples for testing by accredited European laboratories and, in some cases, the testing costs were assumed by the European buyers.

While those who repurposed to cloth face masks were well supported, the remaining female MSME owners surveyed repurposed production without any support. Some repurposed in response to shortages hand sanitizers. Others repurposed to make baby clothes during the lockdown period in response to supply shortages. Still others repurposed to maintain operations. This was the case of a honey producer who reoriented operations from bulk exports to domestic retail by selling the product in small jar containers. This was also the case of a small farmer who started growing goji berries.

Only a handful of the female MSME owners purchased new machinery. The amounts invested were modest (below EUR 10,000) and were financed using personal savings. Only one owner invested a higher amount (over EUR 20,000), which she covered using retained business earnings and personal savings.

⁸⁰UNCTAD Business-to-Consumer (B2C) E-commerce Index (2020); https://unctad.org/system/files/official-document/tn_unctad_ict4d17_en.pdf. For a more detailed discussion of the role e-commerce in influencing domestic and cross-border trader during the pandemic and beyond, see UNECE (2022) COVID-19 impact on e-commerce post-pandemic COVID-19 economic recovery: Harnessing e-commerce for the UNECE transition economies; https://unece.org/sites/default/files/2022-01/ECE_TRADE_468E_1.pdf.

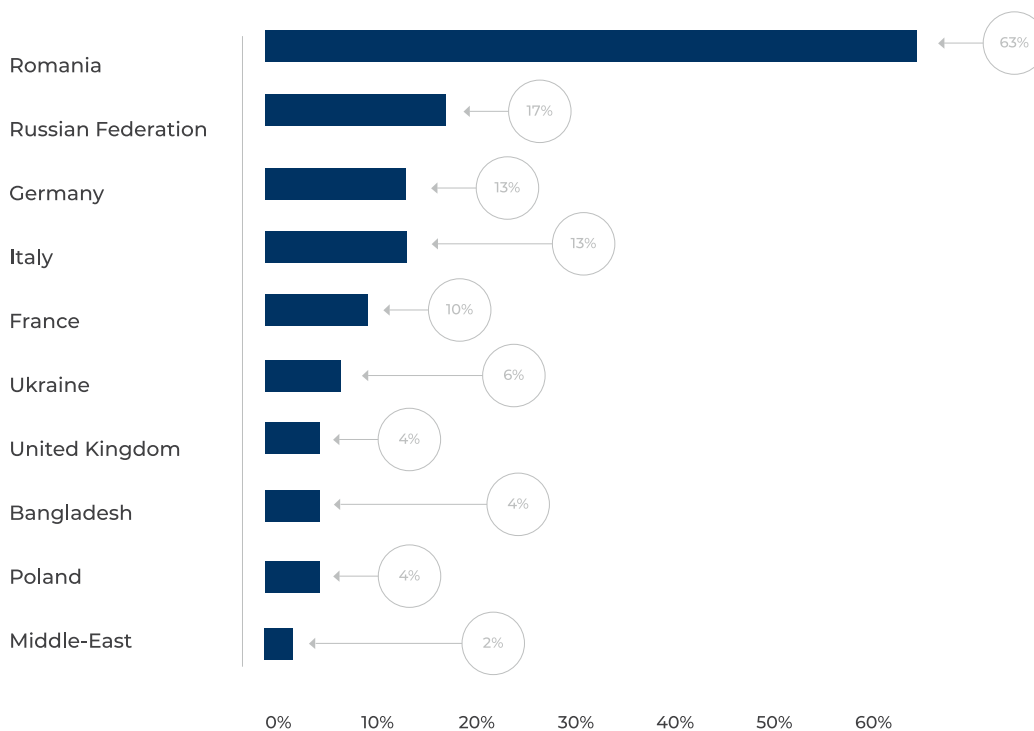
The owners' repurposing efforts were met with success. They were able to sell their new products and acquire new skills. However, many were unsure as to whether they would be able to maintain the new production lines. Those who repurposed to cloth face masks noted that they have fulfilled their obligations under the existing contracts and, as such, are unlikely to maintain the new production lines.

The remaining female MSME owners noted the lack of funds for financing investments in additional machinery, fierce import competition and counterfeit trade. The lack of raw materials at reasonable costs was also a major concern raised by all the female MSME owners, including those who were considering repurposing. At issue is not only the inflated transport costs, but also the traditional suppliers' decision to hike the prices of raw material. The owners lamented that they were unable to find alternative suppliers, and several noted that negotiations fell through because they were met with distrust.

4.3 Export development plans put on hold

The above-mentioned conditions forced many of the female MSME owners surveyed to cancel or suspend pre-pandemic export development plans. This was the case of around 56 per cent of owners; the majority of which were planning to increase exports to traditional markets, particularly to Romania (Figure 4.1).

Figure 4.1 - The female-owned MSMEs' pre-pandemic export expansion plans by destination (percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

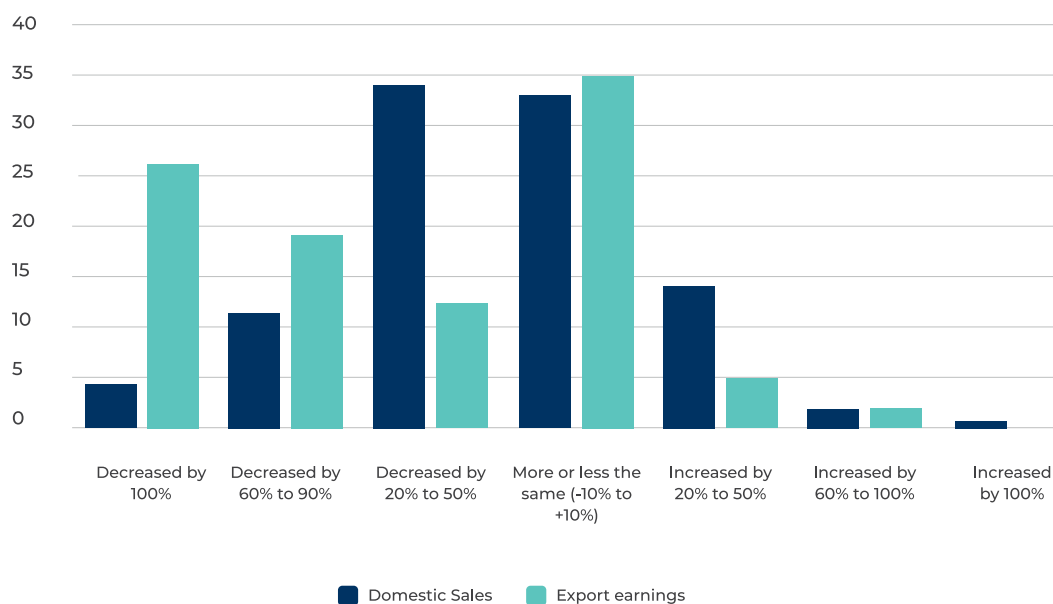
5. INCOME FALLOUT

The current conditions of dwindling international demand have increased the importance of domestic markets for the female-owned MSMEs that export. However, many saw their domestic sales plummet in the face of cheaper imports and counterfeit; the two systemic challenges that have been siphoning away the female-owned MSMEs' livelihoods before the pandemic.

Figure 5.1 compares losses in export sales earnings with domestic losses in 2020 in relation to 2019. It shows that almost all the female-owned MSMEs surveyed experienced losses in domestic sales earnings. About 50 per cent saw their domestic sales plummet, of which 34 per cent lost up to 50 per cent of their pre-pandemic levels. Another 12 per cent lost up to 90 per cent of their domestic earnings, and 4 per cent did not register any earnings (100 per cent loss).

Female-owned MSMEs that managed to maintain or exceed their pre-pandemic domestic earning levels (33 and 15 per cent of total MSMEs surveyed, respectively) belonged to the food industry or were engaged in the manufacturing of disinfectants and sanitizers. It is worth noting that MSMEs that repurposed to cloth face masks and disposable gowns were not among this group, since these products are cheaper than clothes.

Figure 5.1 - Changes in female-owned MSMEs' domestic sales and total income, 2020 (year over year, percentage of respondents)



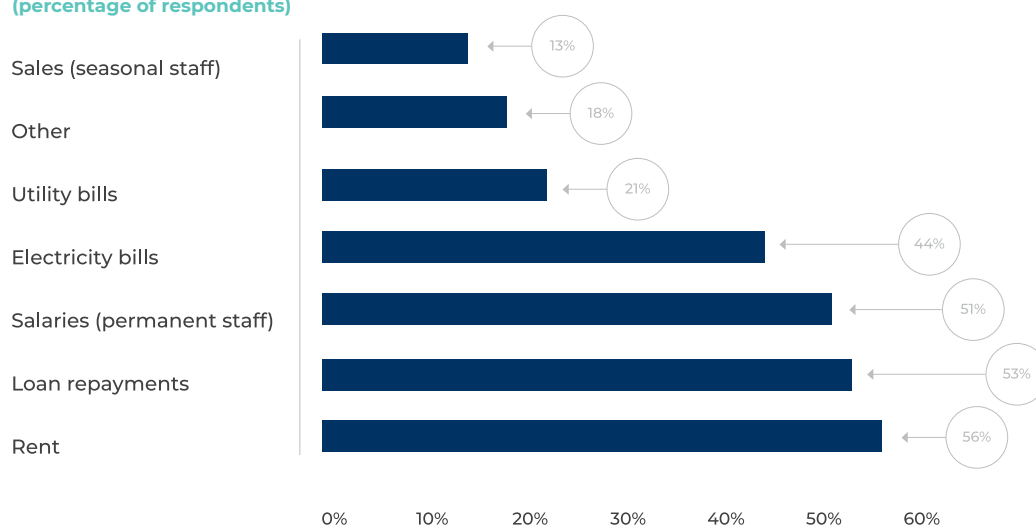
Source: UNECE survey of Moldovan female-owned MSMEs

Figure 5.1 also highlights the strong blow dealt to the exporting female-owned MSMEs. These registered a significant deceleration in revenues, with the losses in export sales earnings exceeding domestic sales losses. As a result, about 39 per cent reported losing up to 50 per cent of total income in 2020 in relation to 2019. Another 20 per cent lost up to 90 per cent of their total income, and about 3 per cent lost their entire income (100 per cent).

To mitigate income losses, the owners resorted to erosive coping strategies. About 12 per cent terminated contracts over the period January 2020-March 2021 and another 14 per cent introduced salary cuts, which they kept below 50 per cent. Yet another 25 per cent put their staff on furlough (unpaid or semi-paid leave). Most laid-off and furloughed staff were women, who were quick to resign or request unpaid leave to take care of their children. In all cases, the production departments bore the brunt of these measures, lending further evidence to the female-owned MSMEs' stunted production capacity.

The female MSME owners drew attention that the above were last resort measures, which they had to implement after running out of options. These options involved the deferment of business payments, a measure reported by 45 per cent of the owners, who postponed rents, loan repayments, salaries and utility bills (Figure 5.2).

Figure 5.2 - The female-owned MSMEs' deferred business payments, January 2020-March 2021 (percentage of respondents)

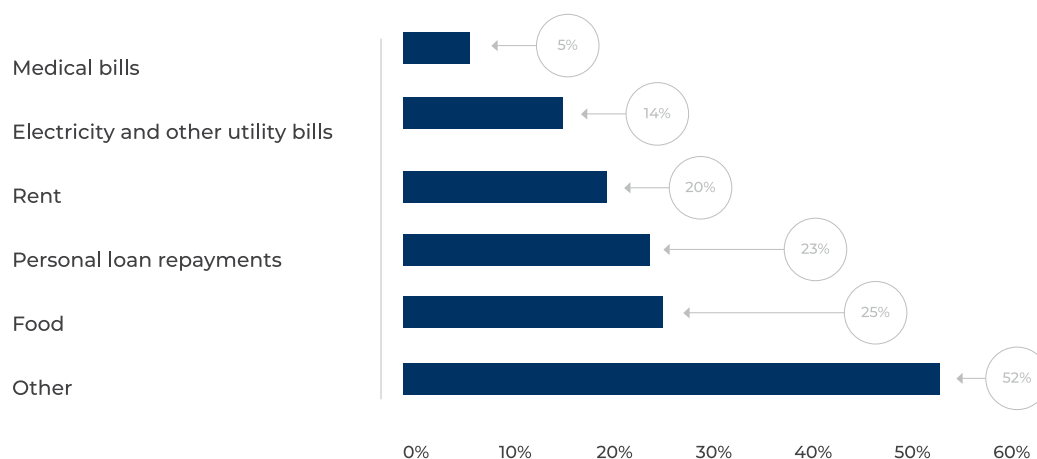


Source: UNECE survey of Moldovan female-owned MSMEs

Moreover, around 66 per cent of the female MSME owners used personal savings to cover business expenses. As shown in Figure 5.3, this came at the expense of their households' welfare, as they cut back on food and other expenditures and cancelled home improvements plans (reported under other).

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Figure 5.3 - The female-owned MSMEs' deferred household payments, January 2020–March 2021 (percentage of respondents)

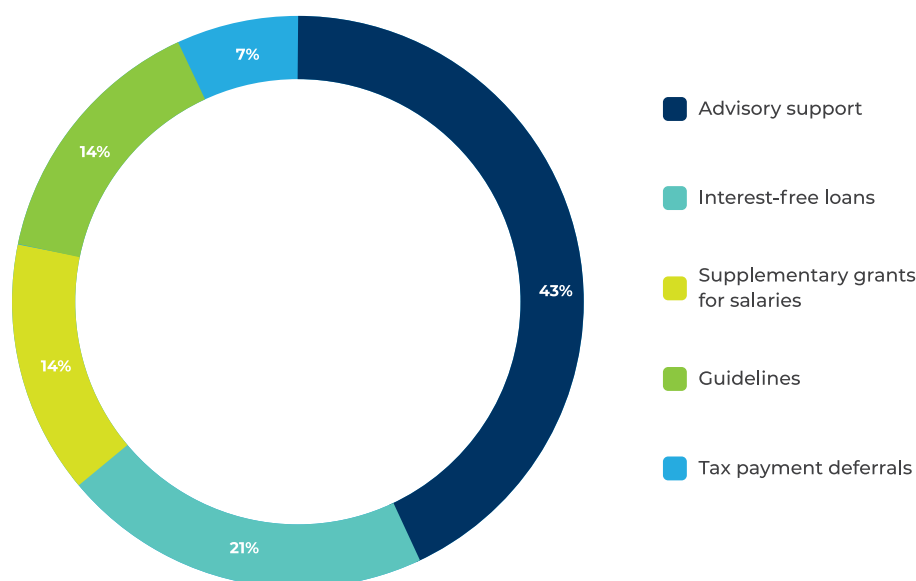


Source: UNECE survey of Moldovan female-owned MSMEs

The owners resorted to these erosive coping strategies because they were unable to obtain bank loans, in view of the high interest rates and demanding collateral requirements. Only two female-owned MSMEs managed to obtain small bank loans, which they used for covering salaries and utility bills. Moreover, the majority reported that their efforts to reschedule loan payments were met with failure, as the banks conditioned their approval to lowering the MSMEs' credit ratings; something that would only lead to higher interest rates and, thereof, higher debt levels.

Beyond the considerations above, the assessment suggests that more needs to be done to facilitate the female-owned MSMEs' access to relief measures. As of March 2021, around 17 per cent of the female-owned MSMEs surveyed received government support in the form of grants (Figure 5.4). About 40 per cent said that they were not familiar with available support schemes. In addition, many noted that they were unable to benefit from government support, owing to the cumbersome application procedures or because they did not meet the eligibility criteria.

Figure 5.4 - Government assistance received by the female-owned MSMEs, January 2020–March 2021 (percentage of responses)

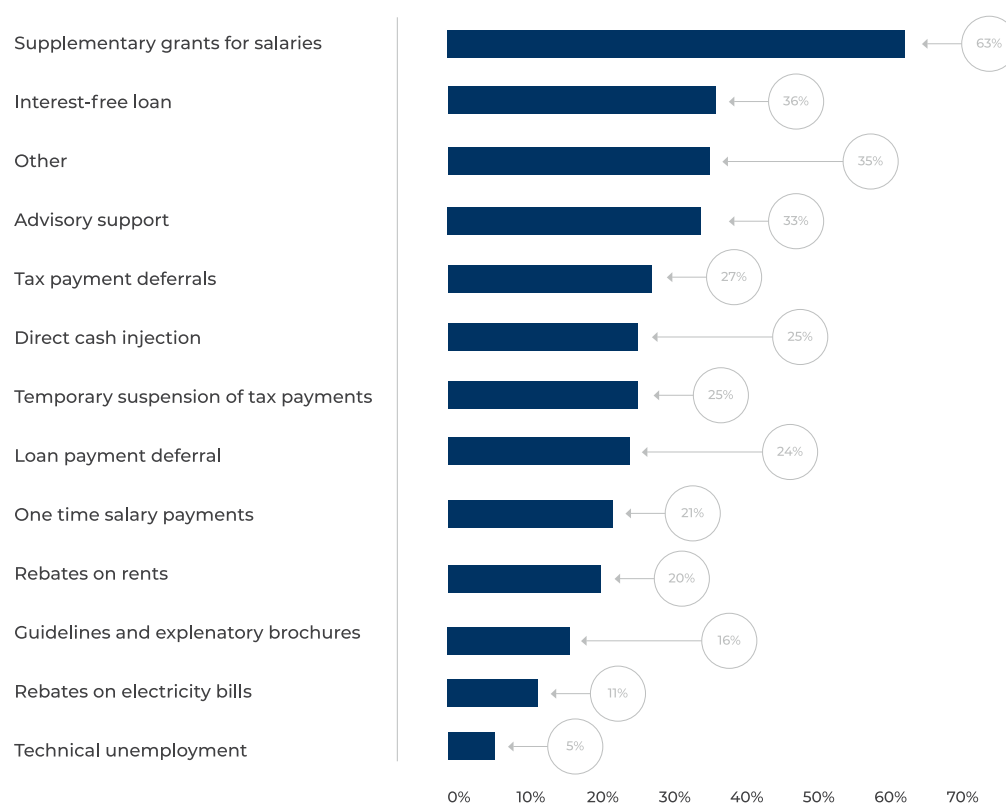


Source: UNECE survey of Moldovan female-owned MSMEs

The assessment also shows around 30 per cent of the female-owned MSMEs as receiving support through donor funded initiatives, including those launched in partnership with Organization for Small and Medium Enterprises Sector Development (ODIMM), the United Nations Development Programme and UN-Women. This support came in the form of grants for the acquisition of equipment and e-commerce funding, in addition to training and advisory services and explanatory brochures for bringing production facilities and workplaces up to COVID-19 safety requirements.

However, the support received was limited to the duration of the funding cycle and seemed to be insufficient to mitigate the economic impact of the pandemic; something which cannot be understood in isolation of these enterprises' growth bottlenecks (Section 6). In March 2021, about 92 per cent of the owners said that their survival hinges on continued government support. Of these 72 per cent needed "a lot of support" to cover, among other things, business debts and taxes (Figure 5.5).

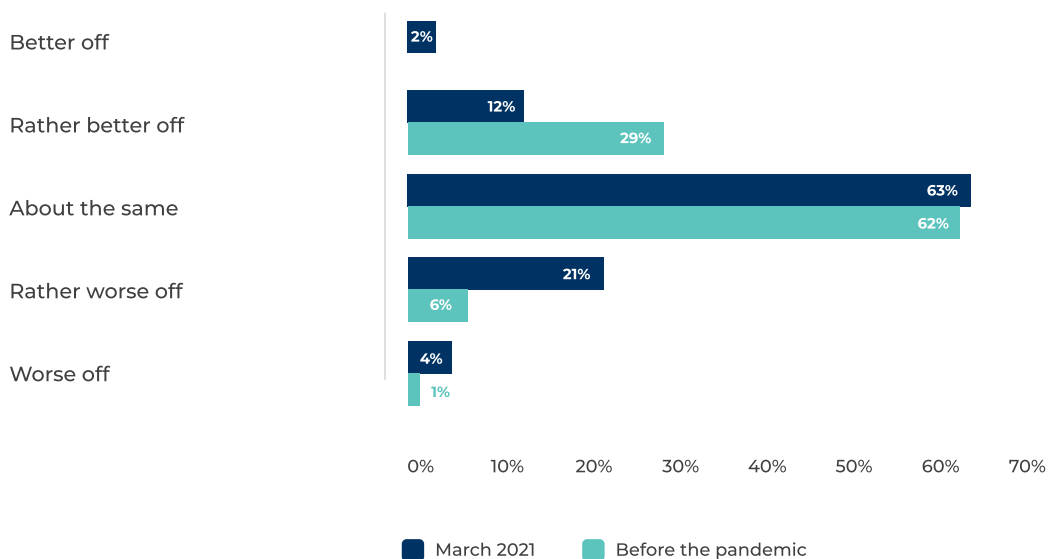
Figure 5.5 – The female-owned MSMEs' urgent needs to maintaining operations, March 2021 (percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

As most of the female MSME owners surveyed were the sole breadwinners for their households, their businesses' fallout had reverberating effect on their families' welfare. This is reflected in the owners' worsened perceptions of their living conditions in March 2021 compared to the pre-pandemic period (Figure 5.6).

Figure 5.6 – Changes in the female MSME owners' perceptions of living conditions (percentage of respondents)



Source: UNECE survey of Moldovan female-owned MSMEs

6. GROWTH BOTTLENECKS

The results of the survey show the female-owned MSMEs' development prospects as undermined by not only non-tariff trade barriers and transport connectivity problems, but also by deep-seated internal growth bottlenecks. As shown below, combined with the prevalence of counterfeit and import competition, these bottlenecks have meant that MSMEs will remain unable to pick up steam even as the economy has been showing signs of recovery.

6.1 Lack of adequate skills

All the female MSME owners surveyed reported being held back by the lack of the required skills. To begin with, as mentioned in section 2, only a limited segment ventured into business without prior business experience in their respective industries. The remaining either lacked prior business experience or gave gained only a limited set of business skills in the areas of business services (marketing, accounting and advertising). The owners also lamented the lack of skilled staff, particularly in the area of production; something which reflects at once their limited financial resources and the skill mismatch in the Moldovan labour market.⁸¹

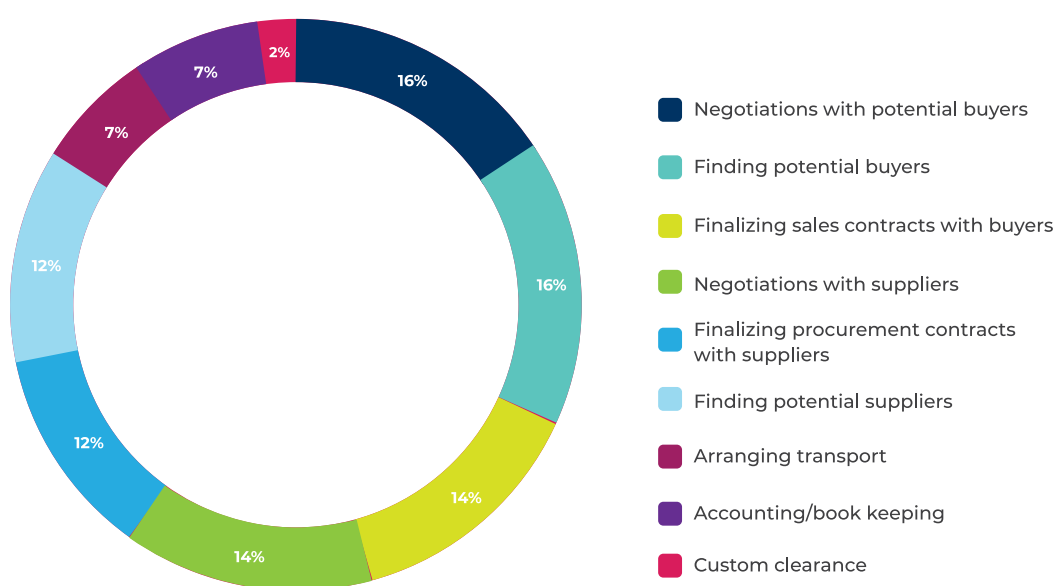
The owners explained that while important, the support of their families is insufficient to attend to daily operations and facing competitive pressures. Family members do not necessarily have the required skill set. Moreover, they are gainfully employed, so that they have only limited time to spare.

⁸¹See, for example, the World Bank (2017) "Missing skills: Results of the Skills Module of the Moldovan Labour Market Forecast Survey"; <https://documents1.worldbank.org/curated/en/524971511793797679/pdf/121666-WP-P154573-PUBLIC-Missing-Skills-Moldova-Rutkowski-Bargu-2017-09-21.pdf>.

Under such conditions, the female MSME owners find themselves consistently absorbed by the day-to-day business operations. As shown in Figure 6.1, finding and concluding negotiations with potential suppliers and buyers is the most time consuming. Many of the female MSME owners surveyed described stressful and slow-moving negotiations, because buyers have a “high level of distrust” in Moldovan suppliers.

This means that the owners have limited time for strategic management decisions, including setting out plans for, among other things, optimizing operations, improving existing production processes, and launching new product lines.

Figure 6.1 – MSME owners' use of time (% of responses)



Source: UNECE Survey of Moldovan female-owned MSMEs

6.2 High exploratory market access costs

The female MSME owners' use of time reflects high exploratory costs. These costs pose a significant strain on the owners, which is compounded by the considerable time invested in piecing together published information on applicable trade-related rules and procedures from different sources. Many were of the view that building working relations of trust with customs would go a long way in addressing this constraint and in ensuring compliance with applicable regulations.

6.3 Insufficient business networks

The majority of the female-owned MSMEs surveyed lacked adequate business networks. Memberships in market support institutions, which constitutes an important vehicle for establishing such networks, was pursued by only 44 per cent of the owners and most of these were engaged in the textile industry.

Female MSME owners operating in other sectors said that they were hesitant to join market support institutions. Some cancelled memberships, citing the limited benefits received. Others lamented the short duration of support services, as most of these tend to be linked to donor-funded projects or are dependent on government support.⁸² Still others complained about the strict eligibility criteria of enterprise support initiatives. For example, owners of micro agri-enterprises registered as peasant households said that they were unable to benefit from business development initiatives, because they do not meet the eligibility criteria.

Not only do the surveyed female MSME owners exhibit limited participation in market support institutions, but they also show limited appetite for entering sub-contracting arrangements. Barring some of those involved in the textile industry, none of the owners were engaged in sub-contracting arrangements with international enterprises.

6.4 Weak production capacities

Almost all the owners interviewed drew attention to their weak productive capacity as a main impediment to engaging in exports, and singled out the lack of technical knowhow and modern machinery as major impediments to improving product quality and achieving scale economies.

For micro and small agri-enterprises, at issue is also the lack of quality farm equipment, including tractors, ploughs, harrows, broadcast spreaders and harvesters. Many also reported lacking on-the-farm sorting and packaging facilities. In addition, several were unable to enlarge their farms because they cannot afford the rents charged by land lease holders.

Beyond the above, the female MSME owners surveyed emphasized that while important, improving their access to bank loans remains insufficient for developing their businesses. In this respect, the inward-looking enterprises were of the view that efforts should focus on improving their competitiveness in domestic markets, as a pre-condition for engaging in exports. Specifically, they emphasized the need for:

⁸²The limited duration of SME support services resulting from aid dependence has been highlighted as a major concern by Moldovan female entrepreneurs. Evidence also shows a limited awareness of enterprise support initiatives among Moldovan female entrepreneurs. For further details, see the National Bureau of Statistics of the Republic of Moldova (2020) "Analytical Report on participation of women and men in entrepreneurship in the Republic of Moldova", which draws on a survey that was conducted in 2018; https://statistica.gov.md/public/files/publicatii_electronice/Antreprenoriat_feminin/Antreprenoriat_Femei_Barbat_2020.pdf. See, also, the International Finance Corporation (2018) "Supporting women's entrepreneurship in Moldova: Review, assessment, and recommendations".

- Targeted financial incentives, e.g., tax exemptions and reduced social security benefit payments.⁸³
- Sector focused domestic promotional campaigns, e.g., exhibitions, for improving their visibility and providing them with an opportunity to compete with large domestic enterprises and imports.
- Targeted support to enable them to use e-commerce for boosting domestic sales.
- Increased emphasis on market surveillance to curb counterfeits and low-quality products. The owners noted the need for regular inspections of production facilities and products placed on the market.

The above-mentioned needs were echoed by the exporting female MSME owners. Furthermore, many highlighted the need for practical support to bring their products up to regulatory requirements in export countries. Specifically, the owners stressed the need for assistance in implementing international standards, particularly the EU harmonized standards; obtaining the CE mark; and, in improving their businesses' online presence.

For their part, the inward-looking female MSME owners said that they were hesitant to implement international standards. They cited the lack of support programmes and the prevalence of counterfeits as disincentives to standards implementation, which requires new investments that could only increase their debt burden. Several said that they were still repaying start-up bank loans and are, as such, were in no position to acquire new loans.

6.5 Other factors

Female MSME owners with pre-school-age children cited the lack of adequate childcare services as a disincentive to further developing their businesses. Childcare options for children under 3 years in public kindergartens are scarce, while private childcare is only accessible to higher-income households.

In addition, many owners reported experiencing difficulties in obtaining reasonably priced export insurance policies against political and commercial risks. Many noted that their efforts to obtain these policies have been met with failure, even before the onset of the pandemic, because insurance companies consider them as risky clients.

⁸³The social security rate for companies increased from 22.50 per cent in 2020 to 24 per cent in 2021. National Social Insurance House of the Republic of Moldova (<https://cnas.gov.md/>).

7. CONCLUSION AND RECOMMENDATIONS

This assessment traced the way NTMs deployed by the Government of the Republic of Moldova and its trade partners combined with health protection measures to influence female-owned MSMEs export activities and development prospects. In so doing, it brought into focus the growth dynamics driving these enterprises.

It showed that the impact of the pandemic was aggravated by capacity shortfalls within State agencies in the areas of trade facilitation and conformity assessment. These resulted in non-tariff barriers, which, coupled with weaknesses in the national railway network, aggravated the impact of the COVID-19 induced supply chain destructions. They acted as negative transmission channels, which amplified supply chain disruptions by inflating trade costs.

The female-owned MSMEs' resilience was further undermined by their limited production capacity. The female MSME owners do not have the required business skills set to properly manage and grow their enterprises. They also lack competent staff, something which at one reflect the weaknesses in the county's labour market and the MSMEs' limited financial resources. Combined with the female MSME owners' difficult access to bank loans and high tax burden, these conditions meant that the MSMEs' are inherently incapable of improving their competitiveness. Moreover, owners with pre-school-age children were further burdened by the lack of affordable childcare services.

These growth bottlenecks find their strongest expression in the female-owned MSMEs' limited engagement in exports. The majority of the female-owned MSMEs were occasional exporters. Those with established exporting records experienced difficulties in identifying and earning the trust of potential international buyers. They also experienced difficulties in insuring their shipments against political and commercial risks.

These growth bottlenecks meant that the female-owned MSMEs were not well placed to resort to growth enabling coping strategies, such as production repurposing and e-commerce. Rather, the majority postponed business payments and used personal savings to keep their businesses afloat at the expense of their families' welfare.

This section provides action-oriented recommendations for the Government's consideration. The recommendations, provided in Table 7.1, comprise emergency support measures for improving the MSMEs' resilience and strategic measures for addressing the enterprises' structural weaknesses. The emphasis is on expanding the range of support services available to female-owned MSMEs, through leveraging on existing women's and enterprise support organizations with the support of donors.

This will enable the Government to ensure a high level of outreach and create dynamic synergies between relief measures and long-term efforts for increasing the participation of women in economic activities.

The proposed recommendations support ongoing efforts to bridge the gender gap in economic activities. They provide action-oriented recommendations clustered under thematic action areas that can be mainstreamed into the new strategy for gender equality as well as the MSME post-COVID-19 strategy. The recommendations directly contribute to the achievement of SDG 5 (gender equality) and stimulate spill over effects in support of SDGs 4 (quality education), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 16 (peace, justice and strong institutions) and ¹⁷ (partnerships for the Goals).

The recommendations could only yield the expected results if complemented by targeted efforts to address capacity shortfalls within State agencies in the areas of trade facilitation and quality infrastructure. The Government is committed to addressing these shortfalls following UNECE recommendations, which were developed in consultation with the relevant agencies in ²⁰²⁰ as part of the COVID-19 impact assessment “The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE’s survey of micro, small and medium enterprises”. These recommendations, reproduced in Annex 4, involve targeted measures for:

- Bolstering transparency in trade
- Supporting a transition to a paperless trading environment
- Improving the national system of conformity assessment
- Strengthening regional cooperation
- Developing the transport sector

Efforts to boost the female-owned MSMEs’ export competitiveness need to be complemented by concerted efforts to promote female entrepreneurship. The female MSMEs owners surveyed exhibited a marked entrepreneurial spirit and the majority were opportunity driven. However, evidence points to shortage of female entrepreneurs, which has been attributed to the lack of female entrepreneurial role models. An example of international support in expanding and strengthening the entrepreneurial spirit within a country is UNCTAD’s Empretec programme (Box 7.1).

Continuous training and support will be necessary to enhance entrepreneurial skills, financial literacy and to help to bridge the gender gap among SMEs and entrepreneurs. UNCTAD offers the Empretec programme to support capacity-building to promote entrepreneurship, especially among MSMEs in developing and transition economies. It facilitates business expansion towards sustainable and inclusive development, including small supplier development, and social and green entrepreneurship. Consisting of a network of national centres in 40 countries, the programme offers core products that include the Entrepreneurship Training Workshop, which promotes entrepreneurial development, specifically through efforts targeted towards vulnerable groups such as women and youth. According to the 2020 report of the United Nations Secretary-General reviewing progress in the implementation of General Assembly resolution 73/225 on entrepreneurship for sustainable development, an impact assessment of Empretec in the Russian Federation found that 87 per cent of participants found Empretec training “helpful in overcoming their current business challenges”.⁸⁴

Source: UNECE, based on UNCTAD, <https://empretec.unctad.org>

UNECE stands ready to assist the Government in implementing the recommendations in collaboration with the United Nations Resident Coordinator Office in the Republic of Moldova, United Nations agencies and international development partners.

⁸⁴United Nations Secretary General (2020), Entrepreneurship for sustainable development: report of the Secretary-General, A/75/275, 27 July 2020.

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Emergency Measures			
Financial support	Female-owned MSMEs are experiencing shortages in working capital	<p>Scale up efforts to familiarize female-owned MSMEs with available government support schemes through partnering with women's and enterprise support organizations targeting female-owned enterprises.</p> <p>Scale up micro loans to enable female-owned enterprises to address shortages in working capital (especially, raw materials and shipping costs) and publish detailed information on eligibility criteria and application procedures. To facilitating the owners', consider providing these loans within the context of guarantee schemes in collaboration with women's and enterprise support organizations targeting female-owned enterprises.</p>	<p>SDG 5.c: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws</p> <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
Trade-related exploratory costs	Female-owned MSMEs are not familiar with trade-related rules and administrative procedures	<p>In addition to upscaling online publication of up-to-date information on trade-related regulations and administrative procedures (Annex 7), priority should be given to familiarizing female MSME owners with these regulations and procedures.</p> <p>Special emphasis should be accorded to familiarizing the owners with the implications of applicable rules and procedures for supply chain operations and business development. This will also put the owners in a better position to contribute to trade policymaking processes.</p> <p>Support could take the form of not only user-friendly explanatory material, but also online training courses and tailored in-person training programmes. In this respect, it is important to strengthen existing women's organizations and relevant enterprise support organizations with additional capacity (e.g., experts and training facilities) so that they could host and maintain such training facilities beyond the international funding cycle.</p>	<p>SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG: 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements</p> <p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>

⁶⁸The Republic of Moldova and Romania acceded to this Convention in 2008 and 2000, respectively (<https://www.unece.org/trans/maps/number-of-un-transport-conventions-and-agreements-per-country.html>).

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Emergency Measures			
Participation in trade policymaking processes	Female-owned MSMEs' participation in trade policymaking processes tends to be erratic	<p>Strengthen existing mechanisms with a view to ensuring the continuous participation of female-owned MSMEs in public/private-sector consultations on trade and economic policy.</p> <p>In this respect, there is a need to strengthen the Committee for Gender Equality between Men and Women with additional resources and assist it in developing a new policy document that takes into account the impact of the pandemic as well as the opportunities and challenges emerging from the DCFTA. This policy document needs to:</p> <p>Elaborate a clear vision of the respective roles of central, regional and local authorities in supporting female-owned enterprises.</p> <p>Define mechanisms for co-ordinating donor and government funded initiatives.</p> <p>Accord a clear role for women's and enterprise support organizations targeting female-owned MSMEs, so as to ensure effective integration of the enterprises' needs into policymaking processes. This would not only enable policymakers to gain clarity over the specific needs of this segment of the enterprise sector but would also help build up knowledge on success stories and, thereof, good practices in supporting female-owned MSMEs.</p>	<p>SDG 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</p> <p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p>
Structural Measures for Supporting the MSMEs' Development			
Enterprise support	Female-owned MSMEs are experiencing difficulties in finding new international buyers and suppliers	<p>Equip women's and enterprise support organizations targeting female-owned enterprises with the required capacity to establish sector-specific market intelligence services, aimed at helping female MSME owners identify export opportunities and efficient supply sources. As a starting point, these organizations could focus on sectors exhibiting a significant presence of female-owned MSMEs.</p>	<p>SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p>

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Enterprise support	Female-owned MSMEs are experiencing difficulties in finding new international buyers and suppliers	<p>Support women's, as well as enterprise support organizations targeting female-owned enterprises, in their efforts to scale up networking initiatives. Such initiatives should be sector focused and aim at:</p> <p>(i) Fostering inter-firm collaboration through supporting joint action. The emphasis should be on promoting purposeful joint actions, whereby owners are assisted in, for example, pooling resources (e.g., machinery); outsourcing part of their production to other domestic enterprises; and obtaining raw material at competitive prices.</p> <p>(ii) Linking female-owned enterprises with international buyers through, for example, financing their participation in international fairs and study tours, with a special emphasis on helping owners negotiate and obtain favourable growth enabling terms under sub-contracting arrangements</p> <p>(iii) Leveraging the diaspora for innovation-led development following UNECE recommendations provided in the "Innovation for sustainable development review of Moldova" (2021).⁸⁵</p>	<p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors</p>
	Female-owned agri-MSMEs lack the required equipment and facilities for modernizing production	<p>As part of the networking initiatives (see above), launch programmes for helping female-owned agri-MSMEs establish joint sorting and packaging facilities. This will enable enterprises, particularly those faced with low demand, to gradually increase production. Such programmes should provide financial support and professional on the choice of equipment as well as on legal and financial matters.</p> <p>As part of the micro finance schemes (see above), consider launching special credit lines to enable the female MSME owners to purchase high quality tractors, ploughs, harrows, broadcast spreaders and harvesters.</p> <p>Scale up efforts to familiarize female-owned agri-MSMEs with modern farming methods</p>	<p>SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors</p>

⁸⁵The UNECE review is available at; <https://unece.org/innovation-sustainable-development-reviews-i4sdrs>.

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
	Female-owned agri-MSMEs lack the required equipment and facilities for modernizing production	<p>Launch targeted training and mentorship programmes to help female-headed peasant households acquire the required business skills.</p> <p>Launch training and advisory support services to help female-owned MSMEs implement Good Manufacturing Practices (GMP) principles.</p>	
	Female-owned MSMEs are ill-equipped to meet regulatory requirements in destination countries	<p>Develop training programmes on standards implementation as part of the support services for female-owned MSMEs.</p> <p>To ensure sustainability beyond the international funding cycle, these programmes need to be housed in women's and enterprise support organizations targeting women and complemented by mentoring and coaching programmes to complement training on standards implementation.</p> <p>The below UNECE standards are of particular relevance for enabling female-owned MSMEs, and all the Moldovan enterprises, comply with regulatory requirements in export countries:</p> <p>(i) UNECE free of charge online self-paced training programme of studies on standards implementation for MSMEs, also available in Russian, provides enterprise support organizations and associations with a practical tool for familiarizing MSMEs with international standards with practical guidelines and case studies to help MSMEs choose and prepare plans for the implementation of standards, which often involve significant investments.</p> <p>(ii) UNECE agricultural quality standards, which cover a wide spectrum of products belonging to: fresh fruit and vegetables; dry and dried produce; seed potatoes; meat, eggs and egg; and cut flowers. The standards are intended for adoption as national standards. To date over 100 commercial quality standards have been adopted, providing a common terminology and harmonized regulatory requirements.⁸⁶</p>	<p>SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>

⁸⁶ UNECE agricultural quality standards are available at: <https://unece.org/trade/working-party-agricultural-quality-standards-wp7>.

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Female-owned MSMEs lack experience in supply chain management	<p>Equip existing women's organizations, as well as enterprise support organizations targeting female-owned MSMEs, with the required capacities to diversify their services. This includes additional expertise skills and training materials, so that they could offer training services in the areas of entrepreneurship, modern ICT management information systems, marketing, strategic planning, and supply chain management. This will help the female-owned MSMEs grow and facilitate their access to bank loans.</p> <p>Establish mentoring and coaching programmes to complement training services in the above-mentioned areas.</p>	<p>SDG 5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p> <p>SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels</p> <p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors</p>	
Female-owned MSMEs are unable to participate in e-commerce	<p>Consider distinguishing between major and occasional exporters. Given the female-owned MSMEs' modest export volumes, it would be more effective to help occasional exporters sell products on regional and international online marketplaces. Major exporters could be assisted through targeted financial support. For example, as part of the loan schemes (see above), a special credit line could be established to help MSME owners to obtain the required equipment and IT systems for bolster their online presence.</p> <p>Equip women's and enterprise support organizations targeting female-owned MSMEs with the required capacity to help owners navigate e-commerce laws.</p> <p>For placing products on global online marketplaces</p>	<p>SDG 5.b: Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women</p>	
Female-owned MSMEs experience difficulties in accessing bank loans to finance business development plans	<p>Scale up lending schemes targeting female-owned MSMEs, so as to enable them to invest in modernizing their production facilities. To facilitate the owners' access, consider providing these loans within the context of guarantee schemes in collaboration with women's organizations.</p>	<p>SDG 5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws</p> <p>SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>	

Table 7.1

Proposed measures for increasing the resilience of the Republic of Moldova's female-owned MSMEs and boosting their exports

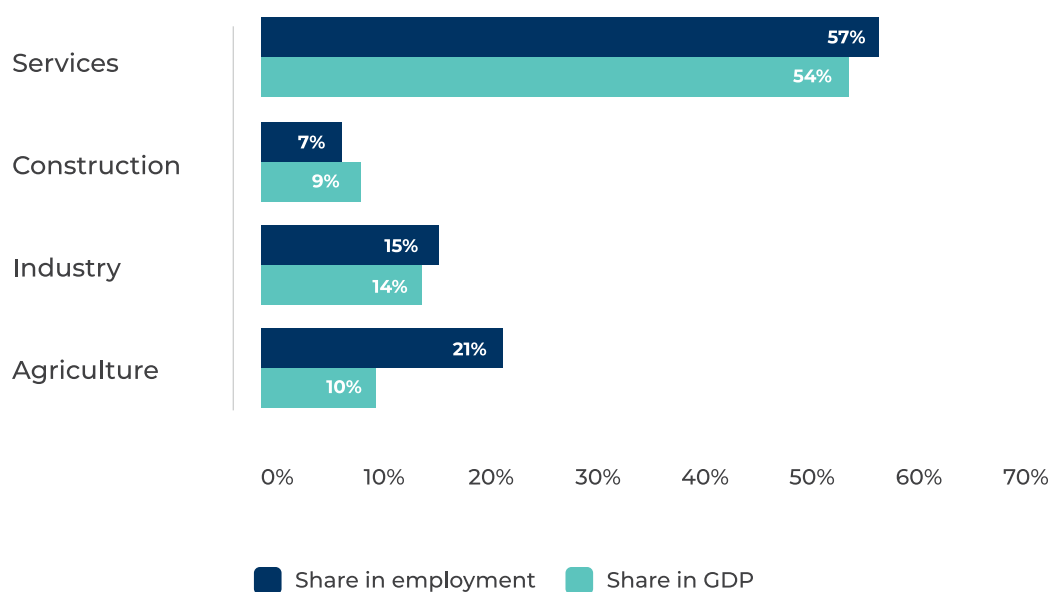
Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Work-family balance	Owners with pre-school-age children are struggling with the limited supply of childcare services		SDG 4.2: By 2030 ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education
Knowledge generation for gender-responsive trade policies	Bridging the gender gap in economic activities is undermined by the lack of statistical and nonstatistical systems for capturing and monitoring the specific challenges facing female-owned enterprises	<p>Strengthen the National Bureau of Statistics of the Republic of Moldova with the required capacity to generate gender-disaggregated data on enterprises.</p> <p>Develop mechanisms for building up knowledge on the successful experiences of female-owned enterprises and on good practices for supporting female-owned enterprises in the Republic of Moldova. These mechanisms could include, among others, qualitative surveys and case studies, with data gathering and analysis assigned to research institutions working closely with women's and enterprise support organizations targeting female-owned enterprises.</p> <p>Establish monitoring and evaluation systems for capturing the growth obstacles facing female-owned enterprises and tracking progress in addressing the identified obstacles. These systems could be based on periodical surveys by the National Bureau of Statistics of the Republic of Moldova.</p>	SDG 5.c: Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels

ANNEX 1 - COUNTRY BACKGROUND

A.1.1 Economic structure

The Moldovan economy has historically been service-based, and the past two decades has seen this sector register steady growth. As shown in Figures A1.1, services generated 53.5 per cent of gross domestic product (GDP) and employed 57 per cent of the labour force in 2019.⁸⁷ The industrial sector (including mining, quarrying and manufacturing) stood as the second biggest source of income generation and job creation, followed by agriculture and construction.

Figure A1.1 - Breakdown of GDP and labor force by sector (2019)



Source: National Bureau of Statistics of the Republic of Moldova

The services sector continues to be driven by wholesale and retail trade, along with real estate.⁸⁸ Moreover, the move away from industrial and agricultural activities has not been accompanied by improved productivity levels. The enterprises belonging to these sectors continue to be held back by weak technological capabilities, lacking the skills and resources for efficient specialization in technology-intensive activities, for extending and deepening these activities, and for drawing selectively on other technologies to complement existing capabilities.⁸⁹

These structural weaknesses find their strongest expression in the country's limited export mix. As shown in the next section, exports continue to be dominated by products with low value-added, as enterprises are awkwardly placed to adapt to consumer preferences and to meet the regulatory requirements in destination countries, particularly the EU.

⁸⁷National Bureau of Statistics of the Republic of Moldova (https://statistica.gov.md/public/files/publicatii_electronice/Anuar_Statistic/2020/Anuar_statistic_editia_2020.pdf). The Statistics do not include data on the Region of Transnistria and the municipality of Bender.

⁸⁸Ibid.

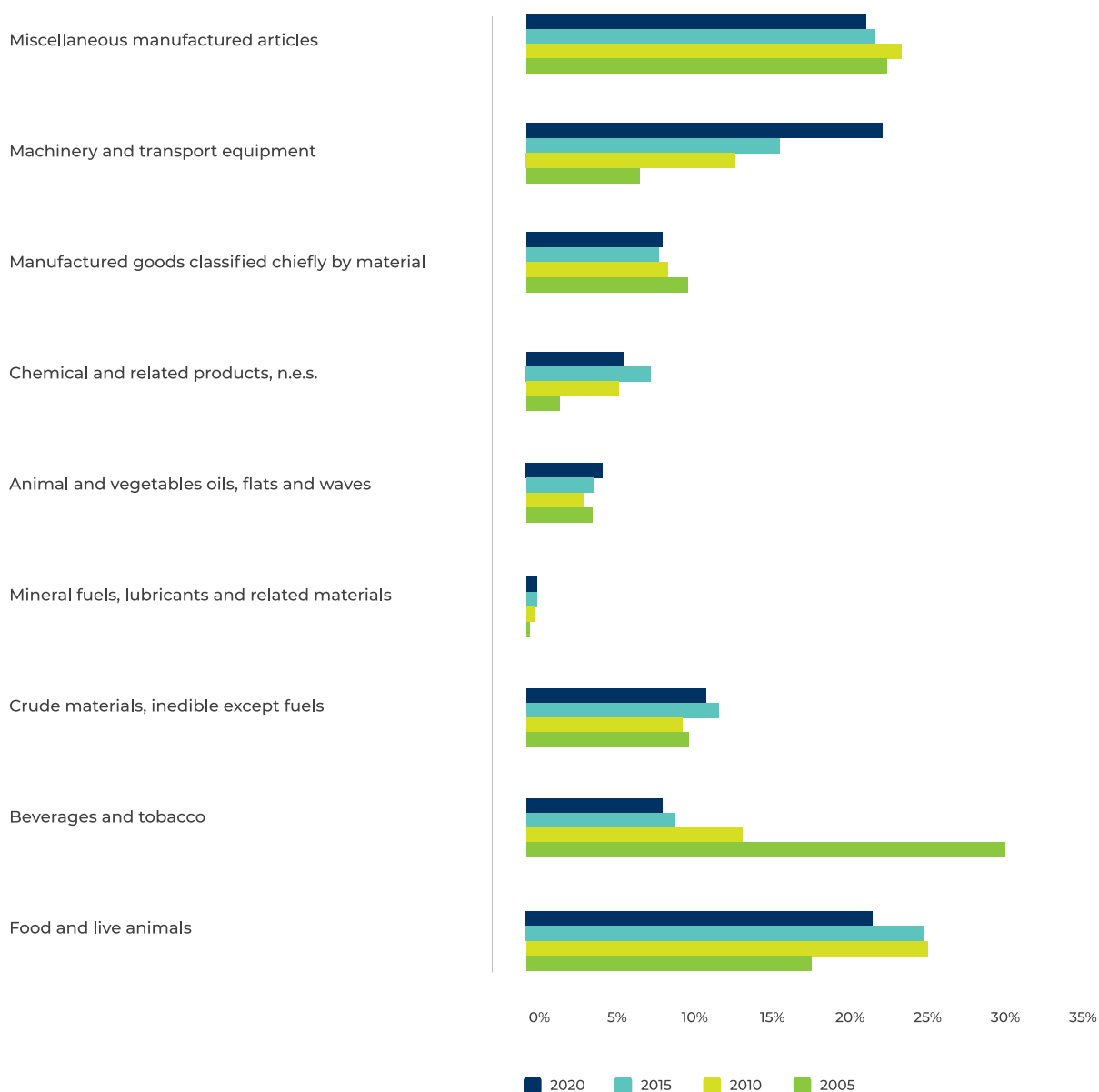
⁸⁹For a concise discussion of this concept, see Lall, S. (1992) Technological Capabilities and Industrialization, *World Development*, Vol. 20, No. 2: 165–186.

A1.2 The trade sector

The Republic of Moldova boasts an impressive trade diversification record, with the export product concentration index carrying a value of 0.1⁹⁰ and the import product concentration index well below the threshold of 1.⁹¹

However, as shown in Figure A1.2, exports continue to be driven by relatively low value-added manufactured goods and primary products. Combined with Moldovan enterprises' heavy reliance on international markets for sourcing raw material, this narrow export mix has meant that imports continued to outstrip exports, causing a fiscal leakage of USD 2.95 billion in its 2020 trade deficit.⁹²

Figure A1.2 - Republic of Moldova's main exports by sector, 2005–2020 (Share in total exports-SITC Rev.4)



Source: National Bureau of Statistics of the Republic of Moldova

⁹⁰Calculated using United Nations Comtrade data. The value of the export concentration index ranges between zero and one. An index with a value closer to 1 point to a heavy concentration in a limited number of sectors, with one indicating that only a single product is exported. UNECE (2017) Regulatory and Procedural Barriers to Trade in the Republic of Moldova: Needs Assessment, Chapter 4 (https://www.unece.org/fileadmin/DAM/trade/Publications/ECE_TRADE_433E.pdf).

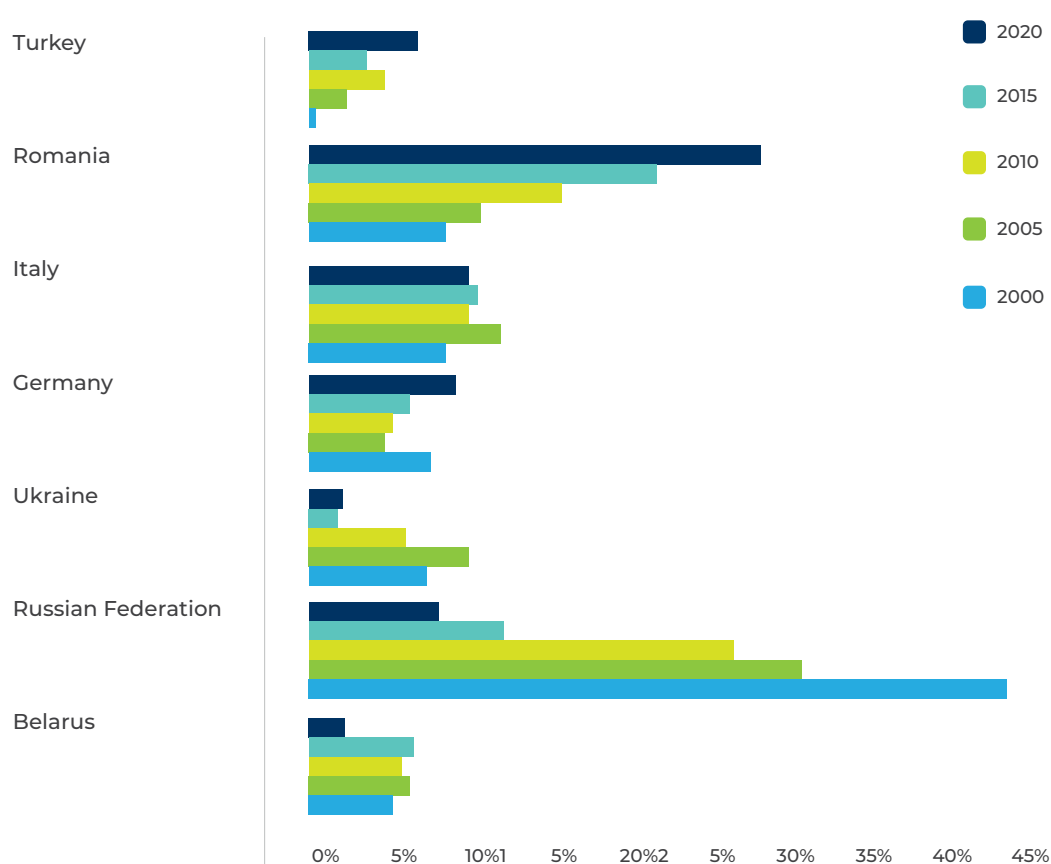
⁹¹Calculated using United Nations Comtrade data. The value of the import product concentration index ranges between zero and one. An index with a value closer to zero signifies that imports are distributed among many types of products. UNECE (2017) Regulatory and Procedural Barriers to Trade in the Republic of Moldova: Needs Assessment, Chapter 4.

⁹²National Bureau of Statistics of the Republic of Moldova.

As regards trade partners, the past two decades have seen a re-orientation of exports of the Republic of Moldova away from the Commonwealth of Independent States (CIS) towards the EU. By 2019, the share of the EU in exports of the Republic of Moldova stood at 67 per cent, up from 51 in 2007, while the share of CIS dropped from 41 per cent to 16 per cent during the same period.⁹³

This shift has been mainly driven by Romania, which joined the EU in 2007.⁹⁴ As shown in Figure A1.3, Romania accounted for the largest share of exports of the Republic of Moldova in 2019 (27.5 per cent), followed by Italy (9.6 per cent), the Russian Federation (8.9 per cent), and Germany (8.5 per cent).

Figure A1.3 - The Republic of Moldova's main export markets (Percentage share)



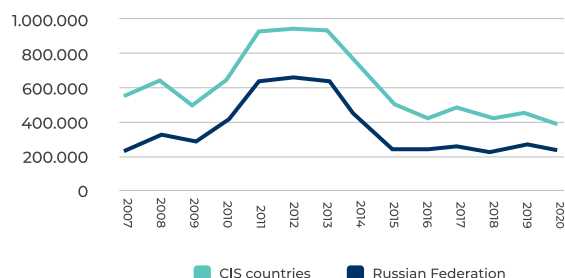
Source: National Bureau of Statistics of the Republic of Moldova

Romania, along with the Russian Federation, has also been driving regional trade patterns of the Republic of Moldova. This is demonstrated in Figures A1.4 and A1.5, which show Moldovan exports to the Commonwealth of Independent States (CIS) and EU, as mirroring the evolution of exports to Romania and the Russian Federation.

⁹³National Bureau of Statistics of the Republic of Moldova.

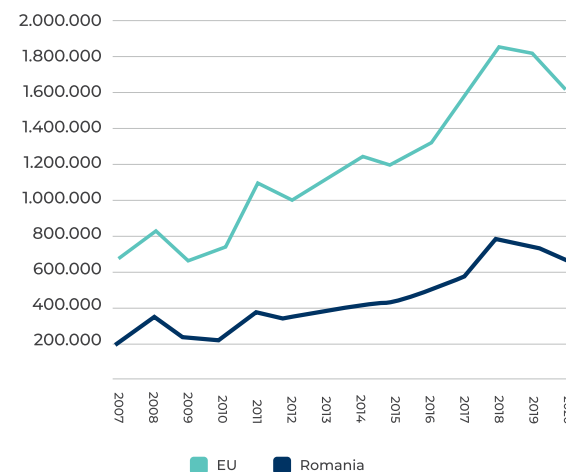
⁹⁴Romania joined the EU on 1 January 2007.

Figure A1.4 - Moldova's exports to CIS and the Russian Federation (USD thousand)



Source: National Bureau of Statistics of the Republic of Moldova

Figure A1.5 - Moldova's exports to Romania and the EU (USD thousand)



Source: National Bureau of Statistics of the Republic of Moldova

A1.3 Modest steps towards structural transformation

The above figures mask modest steps towards structural transformation. As shown in Table A1.1, the Republic of Moldova's highest complexity exports, as measured by the product complexity index (PCI), are in machines for testing mechanical properties, machinery equipment for non-domestic heating or cooling systems and copper foil manufacturing.

Products (Harmonized System) HS4	PCI
Machines for testing mechanical properties of material	1.63
Machinery, non-domestic, involving heating or cooling	1.43
Copper foil, thickness (except any backing) < 0.15mm	1.25
Binoculars, monoculars, telescopes, etc.	0.96
Slag wool, rock wool, insulating minerals not asbestos	0.81
Nickel tubes, pipes and tube or pipe fittings	0.79
Electric transformers, static converters and rectifiers	0.77
Derivatives of cyclic alcohols	0.68
Bar, rod, hot-rolled alloy steel, irregular coils	0.67
Signals etc. for rail, tram, waterway, port, airfield	0.6

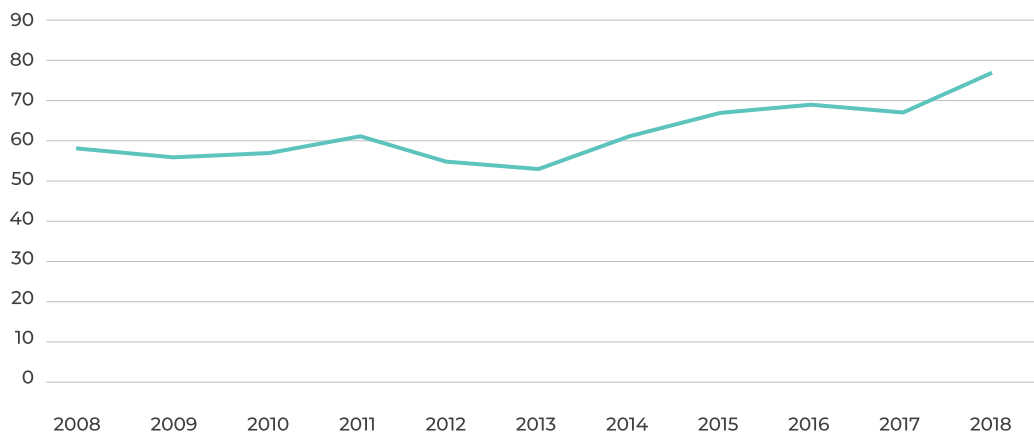
Source: Observatory of Economic Complexity⁹⁶

⁹⁶The PCI ranks the diversity and sophistication of the productive know-how that went into manufacturing of individual product. It is used as a proxy for measuring the technical and knowledge intensity of products.

⁹²Observatory of Economic Complexity (<https://oec.world/en/profile/country/mda>)

However, these successes seem to fall short of sustaining a continuous move towards increased specialization in technology-intensive/knowledge-based activities with high value-added, with its position in the economic complexity index (ECI) fluctuating over the past 11 years (Figure A1.6).

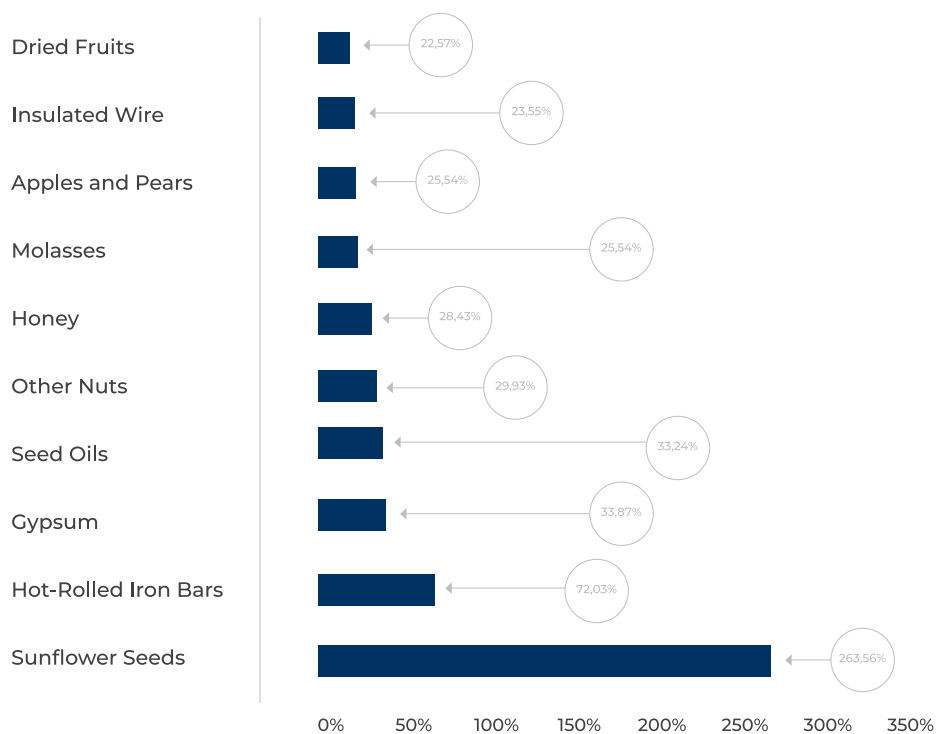
Figure A1.6 - The Moldovan economy's position in the ECI (2008-2018)



Source: Atlas of Economic Complexity (2008-2017); Observatory of Economic Complexity (2018)

Moreover, except for hot-rolled iron bars, the Republic of Moldova does not have export advantages, measured in terms of the revealed comparative advantage (RCA) index,⁹⁷ in any of its top products of complexity index. As shown in Figure A1.7, the country's export advantages are mainly in agricultural products.

Figure A1.7 -Top 10 competitive exports (RCA Index. 2018)



Source: Observatory of Economic Complexity

⁹⁷The RCA indicates whether a country is specializing in products with trade potential. It is based on the idea that if a country exports more than the global average exports of a specific product, then the country has a comparative advantage in that product. If the RCA is higher than 1, then the producer is said to have an RCA in producing a certain good.

ANNEX 2 - THE GOVERNMENT OF THE REPUBLIC OF MOLDOVA'S RELIEF AND SUPPORT MEASURES

Area	Measures
Tax relief	<p>Deferment of tax payments until 25 June 2020.</p> <p>Suspension of tax audits until 1 June 2020.</p> <p>Suspension of the 2019 audit obligations for enterprises that were hard-hit by lockdown measures.</p> <p>Reduction of value added tax (VAT) from 20 to 15 per cent as of 1 May 2020 (Only for enterprises involved in the food industry and hospitality sector).</p> <p>VAT Refund Program (1 May-31 December 2020) of MDL 1 billion (USD 56 million).</p>
Enterprise support	<p>State subsidies for enterprises that were forced to suspend operations during the lockdown period (state of emergency), with a view to enabling them to cover social and health insurance contributions. The subsidies involved financing interest rates on bank loans taken out by the enterprises over the period March-May 2020 (for up to three months).</p> <p>Exemptions from patent payments for patent holding enterprises that were forced to suspend operations during the lockdown period.</p> <p>Interest Grant Programme facilitating businesses' access to credit: Co-financing interest rates on bank loans taken out by the enterprises as of 1 May 2020 (the programme was launched in April 2020 with duration until end 2020).</p> <p>Grants in the amount of LEU 100 million (approx. USD 5.6 million) to support entrepreneurs, with a special emphasis on female entrepreneurs.</p>
Employment	<p>The amount of unemployment benefits was increased by 55 per cent and eligibility criteria were expanded to cover returning migrant workers.</p> <p>The minimum amount of "guaranteed monthly income" for low-income families was increased by almost 20 per cent.</p> <p>Reimbursement of 43 per cent of the monthly salaries of employees sent into technical unemployment during the lockdown period.</p>
Economic stimulus	<p>Base rate applicable to short-term monetary policy operations reduced by 2.25 percentage points to 3.25 per cent.</p> <p>Reserve ratio in local currency decrease by 6.5 percentage points to 34 per cent.</p> <p>Reserves ratio in freely convertible currencies increased by 1.0 percentage point to 21 per cent.</p> <p>Deferral of payments under banks loans till 30 June 2020.</p>
Other	Mortgage guarantee programme.

Source: International Monetary Fund (<https://www.imf.org/external/index.htm>); Government of the Republic of Moldova (<https://www.covid19healthsystem.org/countries/moldova/livinghit.aspx?Section=6.%20Measures%20in%20other%20sectors&Type=Chapter#37Transitionmeasures:Measuresinothersectors>; https://www.legis.md/cautare/getResults?doc_id=121284&lang=ro)

ANNEX 3 – PROFILE OF THE FEMALE-OWNED MSMES SURVEYED

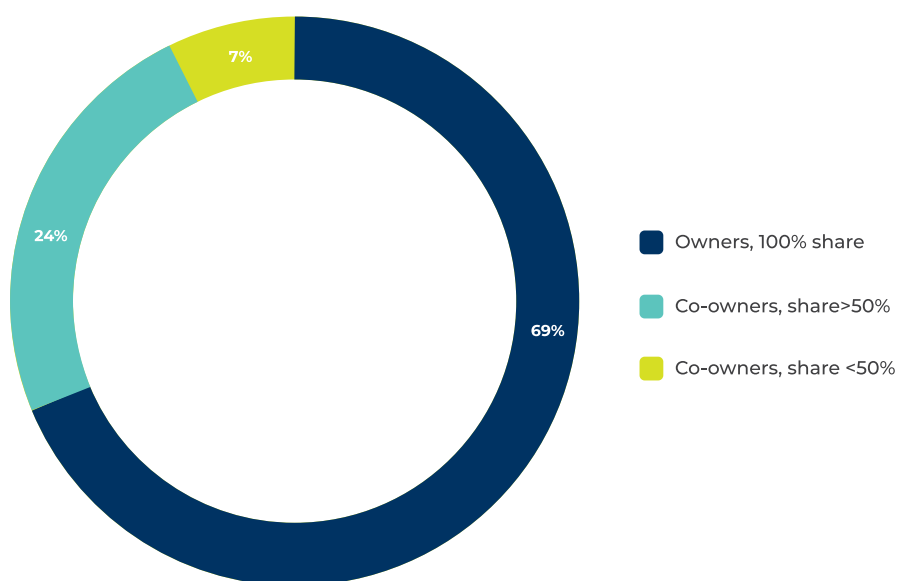
The assessment draws on a survey of 101 female-owned MSMEs from across the Republic of Moldova. This annex provides a breakdown of these enterprises by location, size and economic activity.

A3.1 Ownership

The Republic of Moldova does not have a definition of female-owned enterprises. Official reports follow international definitions and criteria, whereby female-owned enterprises are defined as being majority controlled (i.e., at least 51 per cent ownership) or managed by women (i.e., enterprises with women in senior management roles).⁹⁸

As shown in Figure A3.1, around 69 per cent were fully controlled by women (100 per cent ownership). Another 24 per cent were jointly owned by women, with women holding equal shares, 50-50, or majority control (over 50 per cent of the shares) and assuming senior roles. The remaining 7 per cent were jointly owned, with women controlling less than 50 per cent of the enterprises' shares.

Figure A3.1 - The female-owned MSMEs surveyed by ownership (percentage of respondents)



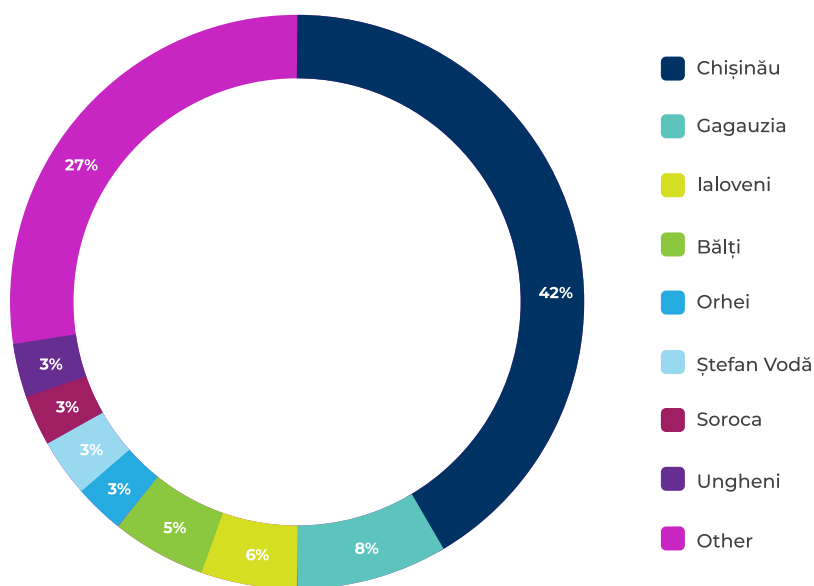
Source: UNECE survey of Moldovan female-owned MSMEs

⁹⁸National Bureau of Statistics of the Republic of Moldova (2020) "Analytical Report on participation of women and men in entrepreneurship in the Republic of Moldova"; available at: https://statistica.gov.md/public/files/publicatii_electronice/Antreprenoriat_feminin/Antreprenoriat_Femei_Barbati_2020.pdf.

A3.2 Location

Mirroring the countrywide spatial distribution of enterprises, Chişinău was home for the largest segment of the female-owned MSMEs surveyed (38,61 per cent).⁹⁹ As shown in Figure A3.2, the Centre districts of Şoldanesti, Ungheni, Calarasi, Orhei, Dubasari, Straseni, Criuleni, Nisporeni, Hancesti, Ialoveni and Anenii Noi accounted for the second-largest segment.

Figure A3.2 - The female-owned MSMEs by geographic location (percentage of responses)



Source: UNECE survey of Moldovan female-owned MSMEs

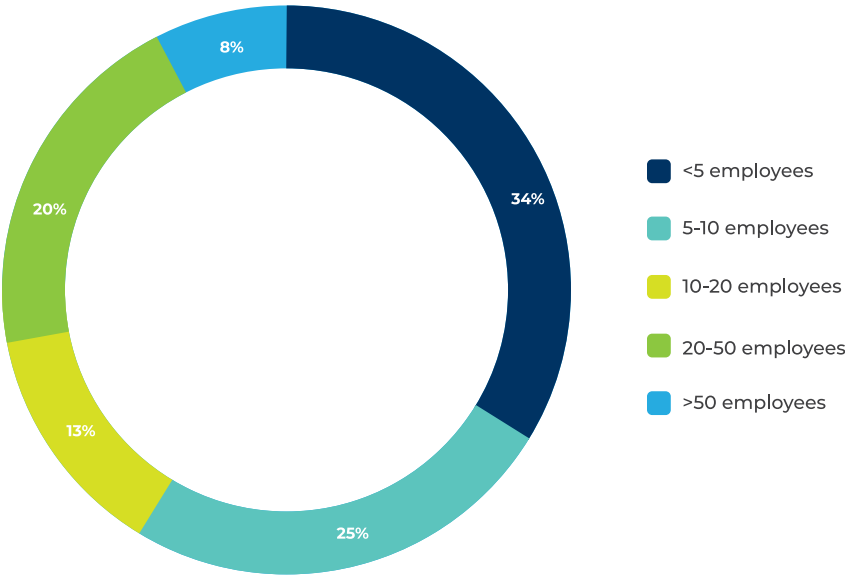
A3.3 Size

Micro enterprises, employing fewer than 10 persons represented the largest segment of the female-owned MSMEs surveyed (59 per cent). As shown in Figure A3.3., small enterprises, employing between 10 and 49 persons accounted for the second largest segment (39 per cent), with medium-sized enterprises, employing between 50 and 249 persons, accounting for the remaining balance (8 per cent).¹⁰⁰

⁹⁹Chişinău accounted for 62 per cent of total registered enterprises in 2019 (statistica.gov.md).

¹⁰⁰The classification of MSMEs follows the EU Commission Recommendation 2003/361/EC "Concerning the Definition of Micro, Small and Medium-sized Enterprises".

Figure A3.3 - The female-owned MSMEs by size (percentage of responses)



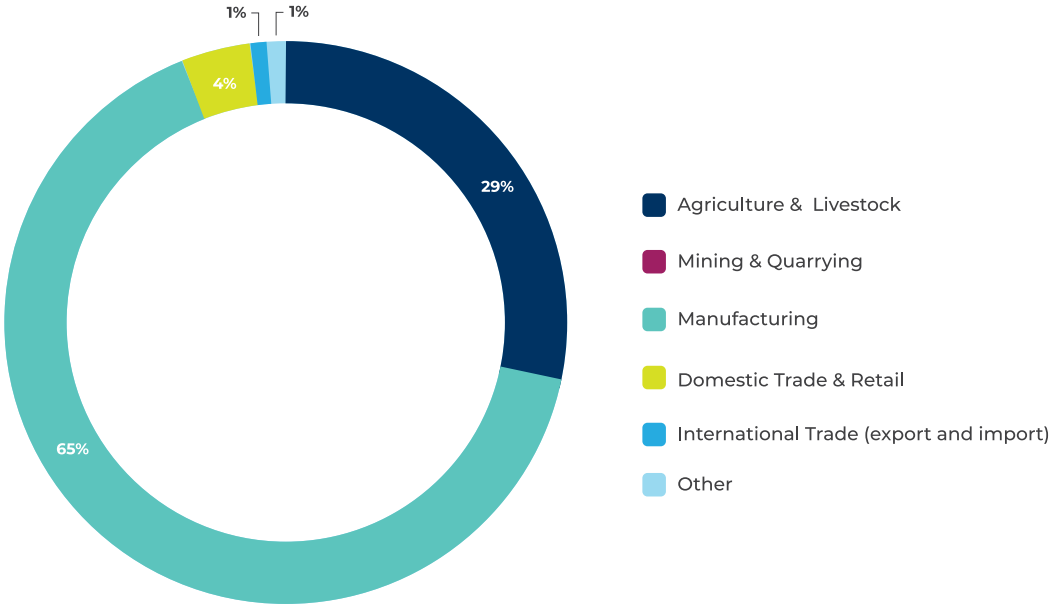
Source: UNECE survey of Moldovan female-owned MSMEs

A3.4 Economic activities

As shown in Figure A3.4, the majority of the female-owned MSMEs belonged to the manufacturing sector. These accounted for 65 per cent of the enterprises surveyed, followed by those involved in agricultural activities, including harvesting and animal husbandry (29 per cent).

The manufacturing MSMEs represented strategic sectors, including food and beverages; metals and fabricated metals; textiles and apparel; transport machinery and equipment; and chemicals. Enterprises engaged in textiles, leather and apparel manufacturing accounted for the largest segment, or 29 per cent of the enterprises surveyed, followed by those belonging to the food and beverages industry.

Figure A3.4 - The female-owned MSMEs by sector (percentage of responses)



Source: UNECE survey of Moldovan female-owned MSMEs

Proposed measures for stronger and more resilient Moldovan MSMEs

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Emergency Measures			
Financial support	MSMEs are experiencing shortages in working capital	Expand the scope of emergency credit schemes to cover all sectors and publish detailed information on application procedures.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
	Freight forwarders are experiencing shortages in working capital	Establish emergency credit schemes to support forwarders and publish detailed information on application procedures.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Legal support	MSMEs are ill-equipped to resolve commercial disputes with international buyers and buyers	Establish legal advisory facilities to help MSMEs resolve commercial disputes with international suppliers and buyers. Such facilities can be hosted by enterprise support organizations.	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
Regional cooperation	Outbound cargo destined to/transiting through Romania is delayed by congestions at the Romanian side of the Leușeni - Albița BCP	Strengthen cross-border cooperation through joint control arrangements guided by, among others, the World Customs Organization Revised Kyoto Convention and the UNECE International Convention on the Harmonization of Frontier Controls of Goods.¹⁰¹ Such arrangements could involve, among others things, joint processing (e.g., single stops), common facilities (e.g., administrative buildings, road and parking areas and utilities) and common technical equipment (e.g., scanners).	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular in developing countries
	Outbound cargo destined to/transiting through Turkey is delayed by the lack of clarity over applied safety and health protection arrangements at the Turkish side of BCPs	Intensify the exchange of information with relevant Turkish authorities on situational awareness and applied safety and health protection measures at BCPs, inter alia, through online exchange of information using electronic data interchange (EDI).	SDG: 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements

¹⁰¹The Republic of Moldova and Romania acceded to this Convention in 2008 and 2000, respectively (<https://www.unece.org/trans/maps/number-of-un-transport-conventions-and-agreements-per-country.html>).

Proposed measures for stronger and more resilient Moldovan MSMEs

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Emergency Measures			
	Outbound cargo to/through countries with which the Republic of Moldova has quota-based road transport arrangements is constrained by the existing permits-issuance system	<p>Revise the existing road freight permits issuance system. The permits should be issued based on the forwarders' actual cargo traffic (volume and direction).</p>	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Structural Measures			
Customs clearance	Customs clearance procedures are still paper-based	<p>Establish the Single Window facility, following UN/CEFACT Recommendation 33 on establishing a single window as envisaged in national trade facilitation plans.</p> <p>Establish the legal framework for an international single window, following UN/CEFACT Recommendation 35 on establishing a legal framework for an international trade single window.¹⁰²</p> <p>Link the ASYCUDA World system to the EU New Computerized Transit System, since ASYCUDA World is fully operational nationwide, and has a built-in transit module.¹⁰³</p>	<p>SDG 17.10: Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organization, including through the conclusion of negotiations under its Doha Development Agenda</p> <p>SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries</p>
	Moldova's Authorized Economic Operator (AEO) audits, controls and authorizations are not recognized internationally	<p>Establish mutual recognition arrangements/agreements of AEO audits, controls and authorizations between MCS and its counterparts in the Central European Free Trade Agreement, EU, Turkey and other trade partners in accordance with the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade (SAFE).</p>	SDG 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries
	At the border, Customs terminals lack the required infrastructure	<p>Equip border Customs terminals with:</p> <ul style="list-style-type: none"> • Parking and waiting areas for trucks and other vehicles. • Facilities for vehicle and goods inspection. • Modern traffic management for segregating commercial and private traffic; transit consignments; and "fast track" consignments. • Non-intrusive inspection equipment (e.g., X-ray and gamma-ray scanners). 	SDG 9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

¹⁰²https://www.unece.org/fileadmin/DAM/trade/Publications/ECE-TRADE-401E_Rec35.pdf.

¹⁰³Regulation (EC) No 837/2005 and Decision No 4/2005 of the EC/EFTA Joint Committee on Common Transit make the use of the NCTS compulsory for all EU/ common transit declarations

Proposed measures for stronger and more resilient Moldovan MSMEs

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Conformity assessment	MSMEs assume additional costs to prove compliance with regulatory requirements in export markets due to the lack of internationally recognized conformity assessment bodies	<p>Support the National Accreditation Centre of Republic of Moldova (MOLDAC) in its efforts to develop competence in new areas, including certification of persons and verification bodies, and further improve existing competences in accordance with international and regional standards (including the International Organization for Standardization, ISO; the International Electrotechnical Commission, IEC, and the European harmonised standards, ENs) as follows:</p> <ul style="list-style-type: none"> • Implement the national accreditation scheme for verification bodies according to ISO14065:2013. Specifically, equip MOLDAC experts and assessors with the necessary expertise knowledge and skills through advanced training courses and practical experience (advanced training courses and study tours and participation in assessments undertaken by other EA recognized national assessment bodies). • Further develop the national accreditation scheme for inspection according to ISO/IEC 17020:2012. Specifically, equip MOLDAC experts and assessors with the necessary expertise knowledge and skills through advanced training courses on the different aspects and applications of this scheme, with a special emphasis on the EU New Approach Directive. • Further develop the national accreditation scheme for product certification according to ISO/IEC 17065:2012. Specifically, equip MOLDAC experts and assessors with the necessary expertise, knowledge and skills through advanced training courses on the different aspects and applications of this scheme, with a special emphasis on the EU New Approach Directive and Moldova's strategic export and imports. 	SDG 9.4: By 2030 upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities

Proposed measures for stronger and more resilient Moldovan MSMEs

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Conformity assessment	MSMEs assume additional costs to prove compliance with regulatory requirements in export markets due to the lack of internationally recognized conformity assessment bodies	<ul style="list-style-type: none"> Develop a national accreditation scheme for the certification of persons according to ISO/IEC 17024. Specifically, equip MOLDAC experts and assessors with the necessary expertise, knowledge and skills through advanced training courses and practical experience (advanced training courses and study tours and participation in assessments undertaken by other EA recognized national assessment bodies). Further develop national testing laboratories. Specifically, equip testing laboratories with modern equipment and expertise skills through advanced training courses and study tours. 	SDG 9.4: By 2030 upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, all countries taking action in accordance with their respective capabilities
Transport development	The national railway system is underdeveloped	Accord priority to ensuring full implementation of the concept note and Action Plan for 2018-2021 on the restructuring of the Moldovan railway sector. <small>104</small>	SDG 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Enterprise development	MSMEs are facing unfair competition from counterfeit products ¹⁰⁵	<p>Strengthen the Agency for Consumer Protection and Market Surveillance with expertise skills and additional resources to enable it to conduct checks of products placed on the market on a more regular basis.</p> <p>Further develop the existing information sharing mechanisms between the Agency for Consumer Protection and Market Surveillance and MCS. This will help the agency in preparing its annual plans as decide on activities related to sampling, testing and destroying dangerous counterfeit products.</p>	<p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors</p> <p>SDG 3.9d Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks</p>

¹⁰⁴https://gov.md/sites/default/files/document/attachments/intr13_122.pdf.

¹⁰⁵The Republic of Moldova ratified most of international conventions in the field of intellectual property, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights Agreement, and its legislation is harmonized with the European Directives. These include the law on market surveillance, the law on general product safety (transposing EU Directive 2001/95) and the civil code (transposing Directive 85/374/EEC on liability for defective products), which together provide the legislative basis for bringing the national market surveillance system up to the EU rules. MCS ensures intellectual property rights protection through its electronic risk profiling system, which has been effective in curbing the inflow of counterfeit products (<https://customs.gov.md/ro/articles?tag=news&tag=customs-fraud&page=1>). Efforts are underway to establish a Rapid Alert System for dangerous non-food products (RAPEX) based system to facilitate the exchange of information on dangerous non-food consumer products (<https://eu4business.eu/programme/support-quality-infrastructure-framework-within-dcfta-context-republic-moldova>). For an overview of the MCS risk-based clearance module and the Republic of Moldova's conformity assessment system, see UNECE Study on Regulatory and Procedural Barriers to Trade, Chapter two (https://www.unece.org/fileadmin/DAM/trade/Publications/ECE_TRADE_433E.pdf).

Proposed measures for stronger and more resilient Moldovan MSMEs

Area	Challenges	Recommendations	Contribution to sustainable development goals (SDGs)
Structural Measures			
Enterprise support	MSMEs are ill-equipped to meet regulatory requirements in destination countries	<p>Develop training programmes on international standards implementation, particularly the European Union (EU) harmonized standards, to enable MSMEs to achieve compliance with health, safety, and environmental regulatory requirements in destination markets, particularly the EU. Implementing international and EU standards also enable MSMEs to benefit from the DCFTA and engage in e-commerce.</p> <p>Launch targeted technical assistance programmes for food producers to enable them to implement the Hazard Analysis and Critical Control Points (HACCP).</p>	SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
	Farmers are ill-equipped to withstand droughts	<p>Strengthen vocational training institutions with resources to develop targeted training for: (a) existing MSMEs' employees to improve their skill sets within their areas of work; and (b) unemployed individuals whose skills could be upgraded to the specific requirements of the demanding jobs within their areas of work. The emphasis should be on enabling the individuals on acquiring the necessary skills for engaging in production activities with high value added.</p> <p>Develop advanced, forward-looking curricula and programmes within the higher education institutions, which tailor both the content and approaches to industry needs.</p> <p>Establish a national skills-matching strategy (or sectoral/ field-specific matching strategies) for guiding the above.</p>	<p>SDG 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value-added and labour-intensive sectors.</p> <p>SDG 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.</p>
	MSMEs are ill-equipped to engage in e-commerce	<p>In addition to the above training programmes:</p> <ul style="list-style-type: none"> • Launch credit schemes for enabling the MSMEs' to procure the necessary ICT equipment and skills. • Launch linkages programmes to integrate MSMEs with regional and global value chains. Such programmes should target both labour-intensive industries and those with technology intensive activities and could be tailored to create: (a) horizontal collaboration, such as sharing the costs of expensive equipment or research and development; (b) vertical collaboration through facilitating the decentralization of the production process; and/or (c) exchange of information on technology and common problems. 	SDG 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

Source: UNECE (2020) "The impact of COVID-19 on trade and structural transformation in the Republic of Moldova: Evidence from UNECE's survey of micro, small and medium enterprises"

Impact of COVID-19 on structural transformation in the Republic of Moldova

The disruptive impact of the corona virus disease (COVID-19) on all aspects of everyday life poses unprecedented challenges for all countries. Governments have seen their priorities shift towards upscaling public health preparedness to contain the spread of the highly infectious disease and, later, to mitigate the effects of those measures on the economy and on vulnerable segments of the population. The challenges are further complicated by supply chain disruptions that have left enterprises struggling to survive. Pay cuts and furloughs have become the norm, and some of the steepest drops in output of the past century indicate that an economic crisis is compounding this public health emergency.

This review traces how non-tariff measures (NTMs) governing trade in goods influence end-to-end supply chains in Republic of Moldova and highlights the lingering effects of the pandemic. Undertaken in the context of UNECE's Studies on Regulatory and Procedural Barriers to Trade under the Steering Committee on Trade Capacity and Standards, the assessment uses UNECE's evaluation methodology for designing targeted interventions for rebuilding stronger and more resilient post-COVID-19 economies.

UNECE supports closer economic relations among its 56 member States in the pursuit of the UN Sustainable Development Goals (SDGs) and the 2030 Agenda. Its Trade and Economic Cooperation and Integration programmes assist member States in better integrating their economies into the world economy and in promoting enabling and promoting a better policy, financial and regulatory environment conducive to inclusive economic growth, innovative and sustainable development and higher competitiveness in the UNECE region.

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