

# Moldova

In BEEPS V, the three largest business environment obstacles identified by Moldovan firms were corruption; political instability; and workforce skills (Chart 1). Large firms also felt constrained by electricity issues, while young firms placed labour regulations among the biggest obstacles. In BEEPS IV, access to land; workforce skills; and access to finance were the three major constraints.

## Higher prevalence of corruption and continued concerns about workforce skills

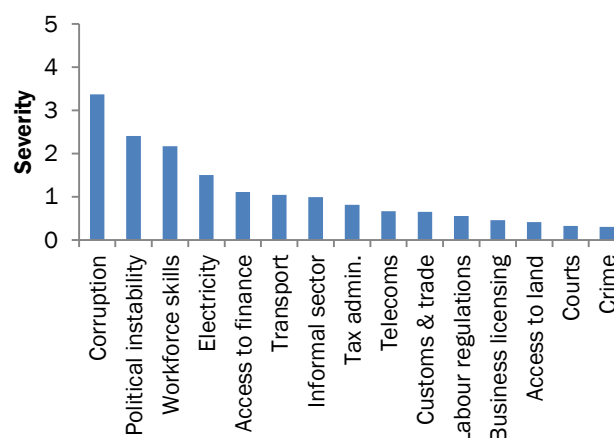
Since BEEPS IV the relative severity of **corruption** for Moldovan firms has significantly increased, moving from eighth place in BEEPS IV to first place in BEEPS V. Moldovan firms were much more likely to report that an informal payment was expected or requested than an average firm in eastern Europe and the Caucasus (EEC) region. The share of firms reporting that an informal payment was expected or requested in relation to applications for various items has increased significantly since BEEPS IV: for an electrical connection from 1.6% to 23% (Chart 2); for a construction-related permit from 22.8% to 42.4%; for an import licence from 5.9% to 8.6%; and for an operating licence from 6.9% to 22%. There have been some improvements, too: the share of firms reporting that informal payments were expected or requested in meetings with tax officials decreased from 14.2% to 12.4%, and the informal payments made by firms to public officials to “get things done” dropped from 2.9% to 0.2% of total annual sales.

**Political instability** due to the fragility of the ruling coalitions has been a major concern in Moldova since April 2009, preventing the country from passing judicial reforms. However, there have been some positive developments since the general elections in 2012 in the areas of freedom of the media, the police and education.

Lack of skilled workers is a point of concern for firms. Since nearly 285,000 of Moldovan migrants live in Russia (about 8% of the total population), 170,000 in Ukraine and 90,000 in Italy, it is not surprising that firms complain about the lack of educated and **skilled workforce**. Indeed, in Moldovan firms the share of full-time employees with a completed university degree was substantially lower than the EEC average – 30.1% versus 45.8% (Chart 3). Large firms have notably lower shares of university graduates among their full-time employees than SMEs.

There have been improvements in **access to land**, as indicated by its low ranking as an obstacle, moving from first to 13th place. Since BEEPS IV, Moldova made registering property easier and less time consuming by eliminating the requirement for cadastral sketches.

Chart 1. Business environment obstacles



Estimated for a hypothetical "average" firm. Higher values correspond to a weaker business environment.

Chart 2. Informal payments to be connected to electricity

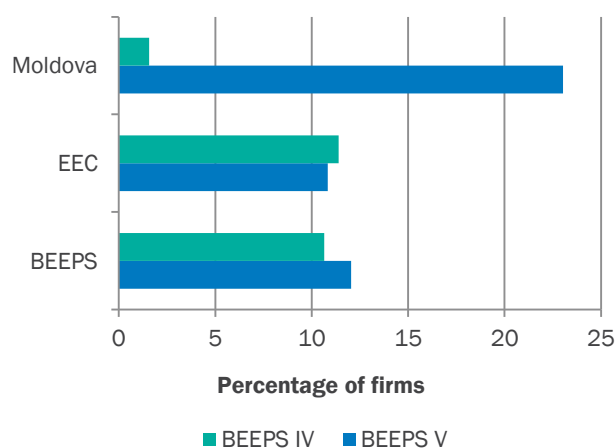


Chart 3. Employees with a university degree

