

March
2026



Moldova 2030: SHAPING A EUROPEAN ECONOMY

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INTRODUCTION

The Republic of Moldova is going through one of the most important stages in its economic and political history. The process of accession to the European Union, which began with obtaining candidate country status in 2022, has reshaped the country's strategic direction and created the conditions for deep structural transformation. The unprecedented financial support provided by the European Union - estimated at €1.9 billion in grants and investments - acts as a catalyst for modernizing institutions, infrastructure, and the economy. However, this effort requires administrative capacity, political stability, and rational prioritization of public investments.

Against this political backdrop, Moldova's economy remains vulnerable and exposed to shocks. After a year like 2025, marked by moderate recovery with [economic growth of around 2.7%](#), the economy is entering 2026 in a phase of slowdown, with GDP growth [estimated](#) at about 2.3%. This trend suggests a fragile stabilization rather than a solid and sustainable recovery. This rebound is occurring in a context of heightened volatility, with an average growth of +1.8% over the past six years, but with extreme [fluctuations](#) ranging from -8% to +14%, caused by the pandemic, drought, and energy crises. Inflation has [stabilised](#) at 7% following record levels in 2022–2023, while public debt has [reached](#) around 41.3% of GDP - a sustainable level, but rising and dependent on external financing.

Moldova is undergoing a screening process against the EU acquis and has made recognized progress in justice and public administration. However, the opening of negotiation clusters has been delayed due to political blockages within the EU Council, particularly a veto from Hungary affecting Moldova due to its linkage with Ukraine in the accession process. This geopolitical context, combined with internal economic vulnerabilities, makes the current period a decisive moment for choosing long-term development paths.

EU DIAGNOSIS: MOLDOVA BETWEEN POLITICAL PROMISES AND STRUCTURAL CONSTRAINTS

The [government program](#) for the period 2025-2028 includes important objectives for economic modernization: financing 25,000 enterprises, mobilizing up to €4 billion in investments, increasing the minimum wage to 10,000 MDL, and expanding investments in infrastructure, digitalization, and irrigation. These priorities align with European directions of growth, competitiveness, and convergence. In addition, the plan includes support for small and medium-sized enterprises (SMEs) and measures to stimulate the business environment, which are essential for job creation and economic diversification.

However, the plan reveals a number of critical gaps. First, it lacks a genuine strategy for developing key industries. Although it refers to “competitiveness” and “attracting investment,” the document does not identify priority industrial sectors nor does it establish a coherent industrial policy - for example, in manufacturing, green industry, agri-processing,

or technology - that could provide medium- and long-term economic resilience. Without such a focus, there is a risk that investments and support will be dispersed, leaving the economy dependent on external financing and imports. This strategic gap significantly reduces the likelihood that Moldova will build a robust and sustainable economic structure.

Moreover, fundamental concerns persist regarding Moldova's actual capacity to effectively absorb the €1.9 billion package made available by the European Union. Although the volume of resources is substantial, public administration remains marked by institutional weaknesses and limited implementation capacity, while the success of large-scale projects depends directly on the functionality and integrity of the public procurement system. In this context, delays in structural reforms in the field of procurement - despite adopting a [new regulatory framework](#) on November 21, 2025 - raise serious questions about the execution of public procurement and the safeguards against corruption, favoritism or contract capture. Although the new regulation formally aligns procedures with European standards, it largely remains an administrative tool, without introducing real mechanisms for strategic prioritization based on economic impact, cost-benefit analysis, or rigorous control of price estimates, as is commonly practiced in EU member states. At the same time, transparency remains largely formal, as it is not supported by the systematic publication of machine readable data or by the possibility of tracking changes in real time. In the absence of such instruments, including an independent oversight and strengthened administrative capacity, the current framework risks perpetuating existing deficiencies, including risks of corruption, overpricing, and systemic delays. All these vulnerabilities call into question the government's ability to translate European financial support into tangible and credible medium-term progress.

These internal vulnerabilities are also highlighted in the [European Commission's 2025 Report](#). While the report acknowledges progress in areas such as education, foreign policy, and energy, it repeatedly emphasizes major structural limitations that contradict the accelerated ambitions of the government program. The document points to persistent issues of insufficient administrative capacity, institutional fragmentation, and only partial readiness to adopt the *acquis*, including in chapters related to the internal market, competition, economic standards, and financial supervision. The report explicitly notes that Moldova is "moderately prepared" in most technical chapters, and in some areas - such as the goods market, services market, fiscal policy, and consumer protection - progress remains at an early stage. At the same time, the Commission draws attention to the structural vulnerabilities of the economy: low productivity, excessive dependence on agriculture, an underdeveloped financial market, an almost complete absence of institutional investors, and high exposure to external shocks. This technical diagnosis stands in direct contrast to the promises of rapid growth, massive investment, and accelerated convergence outlined in the government program, which is not accompanied by a clear industrial strategy or structural measures capable of reducing these economic vulnerabilities.

In addition, the EU report shows that Moldova still lacks the administrative capacity required to manage reforms and investments of the scale promised by the Government. The Commission calls for profound reforms in the way the state functions: a professional civil service, merit-based recruitment, proper performance evaluation of public officials, and their continuous training. At the same time, the EU emphasizes the need to improve the planning and management of public finances, including realistic budgeting, stricter financial control, and effective auditing. This is complemented by the requirement to align rules on competition, state aid, and the internal market with European standards, as well as to strengthen financial supervision. The report also insists on more robust management of public projects, with clear procedures, constant monitoring, and genuine transparency, particularly in public procurement. All these requirements highlight a clear gap between the Government's very ambitious goals and the actual capacity of institutions to implement them in a credible and efficient manner.

MOLDOVA'S PATH TO RESILIENCE AND EUROPEAN INTEGRATION

For Moldova to make credible progress toward accession to the EU and to build an economy capable of withstanding shocks, the government must move beyond declarative objectives and shift toward a structural reform agenda. This agenda must be pragmatic, grounded in institutional realities, and focused on developing genuine economic capabilities. In light of these findings, three pillars become essential for building a modern and resilient European economy: the development of key industries, real access to capital, and the strengthening of the SME sector - pathways through which the Republic of Moldova can transform European support into real economic convergence and sustainable prosperity.

INDUSTRIAL DEVELOPMENT: STRUCTURAL GAPS AND CHALLENGES

One of the government's major priorities should be the development of a coherent industrial policy capable of identifying the strategic sectors around which a competitive and resilient economy can be built. Moldova remains heavily dependent on agriculture, while its industrial base is fragmented and underdeveloped - two vulnerabilities that limit the pace of economic convergence and increase exposure to external risks, whether climatic, commercial, or geopolitical. Overall, the economy is dominated by low value-added activities, which reduces the country's ability to generate sustainable growth and integrate into European value chains.

The industrial structure reflects this reality: overall, the industry sector [accounts](#) for approximately 16-19% of GDP, yet its core component – manufacturing - [remains](#) limited to around 7.4% of GDP in 2025, despite [generating](#) over 83% of total industrial output. This discrepancy points to a relatively narrow industrial base, concentrated in manufacturing activities with simple technologies and low margins, making only a limited contribution to

value added. At the same time, agriculture [contributes](#) approximately 7.1% of GDP - a level close to that of manufacturing - indicating that the economy remains dependent on traditional and vulnerable sectors, lacking solid industrialization capable of absorbing labor and generating stable growth.

At the same time, the services sector dominates the economy, [accounting](#) for over 60% of GDP, further reinforcing a structure reflects a predominance of low value-added services - such as retail trade, hospitality, domestic transport, and personal services - unlike countries such as Germany or the United Kingdom, where services are largely financial, professional, technological, and engineering-based, with high value added and strong export orientation. Within this sector, IT and telecommunications represent a positive exception, [accounting](#) for around 8% of GDP and demonstrating high productivity and export orientation. However, this segment remains insufficient to offset the structural weaknesses of the economy. In the absence of a modern industrial core capable of generating demand for specialized services and supporting complex value chains, Moldova's economy remains dominated by low-productivity activities with limited potential for European convergence.

The structural weaknesses of these sectors further exacerbate this situation. Manufacturing is largely concentrated in primary processing activities (assembly, sorting, basic processing), which means that Moldova primarily contributes low-cost labor and minimal value-added operations, while complex technology, design, branding, and high profit margins are generated abroad. Agriculture remains vulnerable to climate conditions and price volatility, and dependence on a limited number of external markets means that a severe drought or a price crisis can immediately affect GDP and rural incomes. In the IT&C sector, although its contribution to GDP is impressive, the business model is dominated by outsourcing, with very few scalable proprietary products and a strong dependence on external demand. Moreover, the low level of digitalization across public administration, industrial companies, and services results in limited demand for locally developed modern solutions.

These challenges are compounded by low levels of investment in research, development, and innovation: Moldova spends only a fraction of the EU average on private-sector R&D and innovation per employee, and the country's scores in the [European Innovation Scoreboard](#) confirm a limited capacity for innovation and technological absorption. The result is an economy in which key industries do exist, but operate at the lower segments of value chains, with high vulnerability and limited room to maneuver in the face of external shocks.

The government has nonetheless taken some relevant steps to support industry, but these remain fragmented and do not yet constitute a coherent industrial policy. Although the [National Industrial Development Programme for 2024–2028](#) adopted in 2024, identifies priority sectors such as electronics, the automotive industry, agro-processing, textiles, and the food industry, this strategic direction has not yet been consistently translated into implementation instruments.

Success stories should not be overlooked. In the IT&C sector, the creation of the [Moldova Innovation Technology Park](#) (MITP) and the 7% single tax regime have accelerated the growth of the digital sector, attracting over a thousand companies and boosting IT service exports. In industry, the authorities have expanded free economic zones and industrial parks to attract export-oriented manufacturers, with the government promoting these zones as key instruments for industrialization.

However, these measures remain fragmented and often lack systemic impact. Despite the existence of an adopted industrial strategy, there is no clear “trickle-down” effect visible in the broader economy: grant programs implemented by the Organisation for Entrepreneurship Development (ODA), and the development of industrial parks are not explicitly aligned with priority sectors and do not generate a critical mass of investment in the targeted industries. Many industrial parks and free economic zones [remain](#) underutilized or nearly empty due to incomplete infrastructure, weak or politicized management, their location far from key logistics routes, as well as the lack of linkages with universities and innovation centers - resulting in very low levels of innovation and technological upgrading.

At the same time, World Bank studies [highlight](#) that Moldova’s free economic zones often function as enclaves, with limited linkages to the local economy and a reduced impact on broader industrial development. European Commission assessments also [confirm](#) that these zones have failed to attract major investments and are dominated by low value-added activities such as trade and logistics, rather than advanced manufacturing.

For these instruments to generate real structural effects, they should not be treated as separate interventions, but as stages of a coherent chain of economic development strategy. This chain should begin with business incubators, where entrepreneurial initiatives are developed and tested, continue with support for scaling through grants and financial instruments managed by the Organisation for Entrepreneurship Development (ODA), and culminate in the integration of firms into industrial parks and European value chains. At present, this sequential logic is missing: incubators operate in isolation, grants are distributed in a fragmented manner, and industrial parks are not systematically supplied with firms ready for large-scale production. In the absence of such connectivity, public interventions risk remaining dispersed and failing to generate structural transformation.

Moreover, Moldova needs to align its industrial strategy with several directions that have strong European potential: the green energy industry and equipment for the energy transition (solar panels, batteries, cabling, electronic components), advanced agri-food processing, digital services, as well as electronics and mechatronics - sectors in which the EU is actively seeking regional partners. At the same time, it is essential that this orientation moves beyond the current logic, which is predominantly focused on traditional sectors such as automotive, textiles, or primary processing, where value chains are already dominated by global players and Moldova’s role risks remaining limited to low value-added execution activities. Without early strategic positioning in emerging industries - particularly those

linked to the green and digital transition - Moldova risks missing the opportunity to build its own competitive advantages and move up the value chain.

Connecting industrial parks to European value chains and to the logistics corridors of the Trans-European Transport Network (TEN-T) could transform Moldova into a nearshore production platform for the EU market. However, this objective should not be limited to the role of a low-cost hub, but rather should be oriented toward attracting investments in higher value-added segments capable of generating technology transfer, innovation, and sustainable industrial development.

POLICY RECOMMENDATIONS FOR SUSTAINABLE IMPACT

I. MOVING FROM ASSEMBLY TO HIGHER VALUE-ADDED ACTIVITIES

The state must support firms in transitioning from simple assembly for foreign clients to the creation of their own products, with Moldovan branding and higher value added. This transition can be supported through grants such as [innovation vouchers](#) dedicated to prototype development and product design, financing the acquisition of modern equipment, following models applied in several EU member states. Such instruments enable firms to access external expertise in design, engineering, or testing without developing costly in-house research and development capacities, thereby reducing the initial risks and costs of innovation and accelerating the transition from idea to commercial product.

For ODA grants to genuinely contribute to industrialization and economic growth, a shift in focus is needed, from fragmented, micro-oriented support toward instruments targeted at firms in the growth and industrial upgrading phase. The current [average grant](#), at around €20,000, is insufficient for applied innovation, technological upgrade or the development of proprietary products in productive sectors, while over 50% of grants are [focused](#) on inclusion policies (youth, rural entrepreneurs, women etc.) rather than industrial policy. The ODA should clearly implement programs with explicit industrial objectives and develop fewer but larger, co-financed grants targeted at SMEs with scaling potential, structured around a “step-up” logic: firms should be able to access successive rounds of support only if they demonstrate concrete economic progress - such as increased productivity, the launch of new products, or entry into external markets.

Nr.	Denumirea programului	Proiecte investiționale evaluate	Proiecte investiționale aprobate	Valoare granturilor, mii lei	Valoarea investițiilor, mii lei
1.	START pentru Tineri	100	75	12.688,30	24.472,47
2.	Programul de susținere a antreprenoriatului feminin	110	80	21.567,74	32.943,73
3.	„PARE 1+2”	97	75	23.853,52	55.090,00
4.	Ecologizare a IMM	58	40	13.076,79	25.280,05
5.	Program de sprijin a IMM din domeniul turismului	80	49	17.398,48	36.117,83
6.	Transformare Digitală a IMM	133	90	24.640,66	42.429,23
7.	Programul de susținere a Inovațiilor Digitale și Start-upurilor Tehnologice	57	20	8.785,89	18.727,63
8.	Retehnologizare și eficiență energetică a IMM	200	136	117.095,94	273.656,17
9.	Creșterea competitivității IMM și internaționalizare a acestora	25	21	7.813,23	18.315,20
10.	Programul de sprijin al micilor producători	13	10	3.642,90	6.257,94
	TOTAL	873	596	250.563,45	533.290,25

Figure 1. SME Support Programs Managed by ODA. Source: ODA IP, Progress Report 2025.

At the same time, public support should be conditional on measurable outcomes, such as increased productivity, new products, exports, and integration into value chains, so that grants become a catalyst for structural transformation rather than a mechanism for maintaining small firms at a subsistence level. At present, ODA [reports](#) do not include impact assessments, meaning that it is unclear how many of the supported companies have developed new products, entered external markets, or successfully transitioned from subcontracting to own production. Going forward, grants should be conditioned and monitored through clear indicators -such as prototypes developed, products certified, and exports achieved - so that public support generates real transformation rather than merely administrative activity.

II. TRANSFORMING INDUSTRIAL PARKS INTO STRATEGIC ECONOMIC HUBS

Industrial parks must be transformed from simple rental spaces into specialized economic platforms, deliberately built around clearly defined sectors such as green energy, agri-processing, electronics, IT, or mechatronics. The introduction of a national specialization framework, assigning each park a clear economic profile, is essential to move beyond the ad hoc development of existing parks. In this context, the government’s intention to [create](#) eight additional industrial parks and improve existing ones, implicitly acknowledges the limitations of the current model; however, in the absence of clear performance criteria, genuine depoliticization of management, and explicit integration into European value chains

and major logistics corridors, there is a risk that the new parks will replicate the same vulnerabilities and extend a model with limited economic impact.

For specialization to produce real effects, it must be supported by targeted investments in sector-specific infrastructure and professional services for investors - from prototyping facilities, laboratories, and specialized storage to technological consultancy, export support, and European certification. At the same time, industrial parks must be functionally connected with universities, technical colleges, and innovation centers, so that skills development, applied research, and prototyping are integrated into industrial activity. Only by aligning these elements with available European funding instruments (CEF, InvestEU, clustering programs) and through annual performance monitoring can industrial parks become strategic economic nodes, rather than merely rental platforms with no structural impact.

III. DEVELOPING REGIONAL INDUSTRIAL CLUSTERS AND SKILLS ECOSYSTEMS

Moldova needs well-defined regional industrial clusters in which companies, universities, technical colleges, and industrial parks work together to develop products, technologies, and specialized skills. Within such ecosystems, firms share suppliers, logistics, and infrastructure; universities provide applied research and technical expertise; and technical colleges ensure vocational training tailored to the needs of each sector. Industrial parks become the physical space where this cooperation materializes - through pilot lines, shared laboratories, and facilities for testing and prototyping. This model reduces costs for firms, increases innovation, stimulates technology transfer, and enables the creation of local value chains - an essential condition for producing higher value-added goods and remaining competitive on the European market.

Moldova already has several dual education initiatives, implemented primarily in partnership with companies in the automotive, electronics, textiles, construction, and services sectors. Institutions such as the Centre of Excellence in Construction, the Centre of Excellence in Energy and Electronics, colleges in Bălți and Cahul, as well as some vocational schools, offer dual programs in which students combine theoretical learning with practical training directly in enterprises. However, these programs remain fragmented and are not integrated into a regional industrial development strategy. There is also a lack of dual education programs specifically designed to meet the needs of potential clusters - for example, in agri-food technologies, advanced electronics, or renewable energy.

For dual education to support the development of clusters, it must be expanded and adapted through curricula designed jointly with firms in each industrial park, dual programs tailored to the priority sectors of each region, incentives for companies to actively participate in training (such as subsidies, tax deductions, and facilities within industrial parks), the introduction of internships in shared laboratories within industrial parks; and the

creation of formal university–industry partnerships for applied research and prototype development. In this way, dual education becomes a central component of regional clusters, providing precisely the technical skills needed to develop competitive industries and to reduce the chronic shortage of skilled labor.

SMALL AND MEDIUM ENTREPRISES: GROWTH CONSTRAINTS

Small and medium enterprises (SMEs) represent the numerical backbone of Moldova’s economy, but not its engine of growth, as they are structurally far more fragile and underdeveloped compared to their European counterparts. At the end of 2023, there were approximately 63,700 active economic agents, of which around 88% were microenterprises, employing up to nine people and operating with very low turnover and asset thresholds. SMEs form only a thin layer between microenterprises and large companies, while large firms - although accounting for just 0.8% in number - concentrate approximately 55% of total sales and around 35% of total employment. This structure points to a polarized economy: a large number of small firms with limited capacity for accumulation and growth, and a small core of large companies that dominate the market.

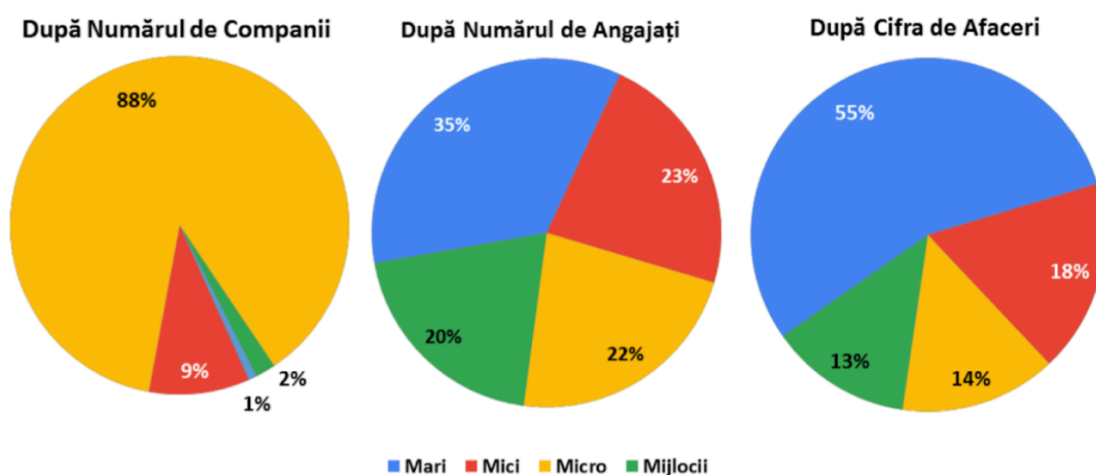


Figure 2. Distribution of Economic Agents by Enterprise Size, 2023. Source: NBS.

Compared to the EU, the share of large firms in Moldova appears higher in numerical terms, but this difference is due to classification criteria. Moldova has harmonized the classification of SMEs based on the number of employees, but has retained much lower thresholds for turnover and assets - up to ten times lower than in the EU. In other words, what constitutes a functional SME in the EU, with the capacity to invest and export, often remains in Moldova a very small, vulnerable firm dependent on the domestic market.

As a result, firms that would be classified as small or even micro in the EU, are considered “large” in Moldova. Although the statistical thresholds differ from those in the EU, the actual distribution of sales and employment shows a similar concentration in a small number of

large firms. This indicates that the weakness of SMEs in Moldova is not merely a matter of definition, but a structural issue related to capacity and scaling.

Although manufacturing and trade together [account](#) for approximately 55% of total employment, the structure of turnover reveals a significant imbalance: more than half of total revenues are generated by trade. This points to a labor-intensive manufacturing sector with low productivity, alongside a commercial sector that handles large volumes - largely based on imports - without generating significant value added.

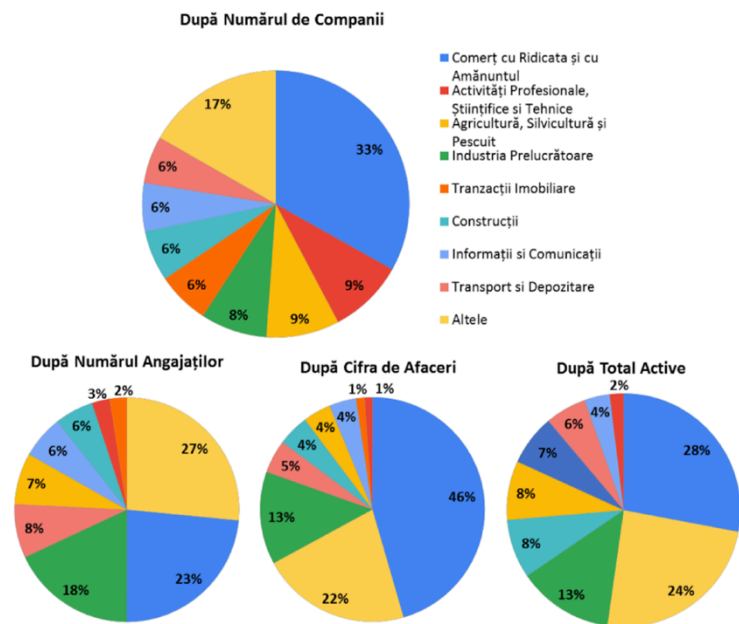


Figure 3. Key Indicators of Enterprise Activity by Economic Sector, 2014–2023. Source: NBS.

The government acknowledges these vulnerabilities and, in recent years, has sought to address them through a combination of financial support programs and structural reforms. These programs- such as the [Small Producer Support Programme](#) and the [Programme for Enhancing the Competitiveness of Local Producers](#) - are designed to help firms invest in equipment, improve production processes, obtain certifications, and, in principle, transition from small-scale activities to more competitive markets. In their stated logic, these instruments are intended to reduce productivity gaps, support SME modernization, and facilitate their integration into regional and European value chains.

In practice, however, their impact remains limited and is concentrated almost exclusively on microenterprises and very small producers. Data from ODA reports show that financial support is distributed across a large number of beneficiaries, with relatively small grant amounts and through programs primarily targeted at microenterprises and startups. This structure suggests that most beneficiaries are firms with fewer than ten employees, while medium-sized firms with the potential for scaling, exporting, and integrating into value chains receive only a limited share of public support.

In practice, existing programs operate only partially in line with their intended purpose, helping microenterprises remain active and make incremental adjustments, but failing to address the core challenge of SME growth and resilience. Without an explicit recalibration toward small and medium-sized firms with scaling potential - including larger financial

instruments, selection criteria focused on export capacity and productivity, and rigorous monitoring of outcomes - public support will continue to mitigate short-term vulnerabilities without transforming the long-term economic structure.

POLICY RECOMMENDATIONS FOR SUSTAINABLE IMPACT

I. REFORMING BUSINESS INCUBATORS INTO GROWTH PLATFORMS

In their current form, most business incubators in Moldova operate primarily as subsidized office or workshop spaces, rather than as instruments of economic growth. Their role is largely limited to providing reduced rent and basic administrative services, without generating a steady pipeline of firms that exit incubation larger, more productive, and market-ready. In the absence of clear selection criteria and performance objectives, incubators tend to host very small firms that remain at the same stage for years, without scaling, investing, or integrating into value chains.

The core issue is not the lack of incubators, but their operational model. Incubators are not designed as “production lines” for viable firms, but as passive hosting structures. They do not [require](#) clear growth plans, do not condition access on economic objectives, and do not systematically track post-incubation outcomes. As a result, there is no consistent “pipeline” of firms progressing to the next stage of development - whether into industrial parks or into the market. Incubation thus becomes a comfort zone rather than a transitional phase toward maturity.

The key recommendation is to reposition incubators as active scaling platforms rather than rental spaces. Access to incubation should be conditional on a credible development plan, and the duration of incubation should be strictly limited, with clear targets: revenue growth, investments made, initial commercial contracts, and readiness for scaled production. Incubators should be sectorally specialized and directly connected to large companies, investors, and markets, enabling incubated firms to test products, secure pilot orders, and learn real industry standards. The evaluation and funding of incubators should be based on measurable economic outcomes: how many firms graduate, how many survive, and how many grow, rather than on occupancy rates.

II. TURNING GRANTS INTO GROWTH INSTRUMENTS

Grants managed by ODA represent the main public financial support instrument for SMEs; however, their current structure is fragmented and predominantly oriented toward microenterprises and small-scale interventions. Grant amounts are relatively low, the number of beneficiaries is high, and support is dispersed across multiple programs with similar objectives. This model helps sustain the activity of small firms, but does not provide adequate instruments for firms in the scale-up phase, which require more substantial capital

for technological upgrading, expansion, and access to external markets. Although there are some initiatives, such as '[Growing SMEs](#)', these are not integrated into a coherent firm development pathway and do not sufficiently differentiate support across the stages of start-up, growth, and internationalization.

For ODA grants to become sustainable, they need to be restructured along the lines of firms' development stages, with a clear distinction between start-up support and instruments dedicated to small and medium-sized firms with real growth potential. For this segment, grants should be fewer but larger, combined with private co-financing, and explicitly linked to investment plans, productivity improvements, and integration into value chains. At the same time, it is necessary to introduce impact indicators - such as turnover growth, exports, and additional investment attracted - and to consolidate or eliminate underperforming programs. Without such a shift, public support risks reinforcing an ecosystem of small firms dependent on grants, rather than fostering a core of competitive and scalable SMEs.

III. INTEGRATING SMEs INTO VALUE CHAINS

One of the major vulnerabilities of Moldovan SMEs is their lack of integration into functional value chains, whether domestic, regional, or European. Most SMEs operate in isolation, primarily within the domestic market, especially in trade and services, or as low value-added subcontractors. Although public policy documents frequently refer to integration into value chains, concrete instruments that connect small firms with real demand from large companies, exporters, or external markets remain limited or absent.

To address this weakness, SME policies must shift explicitly from generic support to demand-driven measures linked to real contracts. A key instrument is the development of [supplier development programs](#), through which SMEs are selected, assessed, and supported to become suppliers for large companies or existing foreign investors. These programs should include technical and quality audits, dedicated financing to meet required standards (certifications, traceability, process digitalization), and pilot contracts that enable SMEs to gradually integrate into stable supply chains.

At the same time, it is necessary to introduce targeted support schemes for compliance and standardization, particularly for EU markets, environmental standards, and ESG requirements. These costs often represent a major barrier for SMEs and cannot be effectively covered through general grants. Support should be conditional on the existence of a potential buyer or commercial partner, in order to avoid financing certifications without real economic use.

Another missing instrument is the creation of functional *matchmaking platforms* to connect local SMEs with large companies, exporters, investors, and relevant public projects. These platforms should not be simple databases, but active intermediation mechanisms: demand lists from large companies, concrete calls for local suppliers, buyer-supplier events, and

facilitation of initial contracts. Functional models already exist in the EU. In Germany, chambers of commerce and industry operate programs that integrate SMEs into the value chains of large industrial producers, starting from real procurement needs. In Denmark, the public agency *Business Denmark* implements supplier development programs that combine SME capacity-building with assisted matchmaking toward large companies and public projects. In both cases, the focus is on real demand rather than self-promotion, with the state playing an active role as an economic intermediary.

For Moldova, such platforms should be directly linked to industrial parks and ODA programs, while strategic public procurement can be used to create predictable demand for SMEs - particularly in agri-processing, green energy, or industrial components - while strictly respecting competition and transparency rules.

LIMITED CAPITAL, LIMITED GROWTH: STRUCTURAL GAPS IN THE FINANCIAL SYSTEM

Access to capital is one of the most significant bottlenecks in the Republic of Moldova's economy and the main reason why investment levels remain insufficient. In 2024-2025, total investment is estimated at only 20-22% of GDP, well below the level required for convergence with European economies (30-35%). This chronic underinvestment affects the modernization of the manufacturing sector, the adoption of new technologies, infrastructure development, and the transition to green energy - precisely the areas essential for EU accession preparedness.

A significant part of the problem stems from companies' limited access to bank financing. According to the [2024 World Bank Enterprise Survey](#) approximately 38% of firms in Moldova have a loan or a line of credit, meaning that more than half of companies have no access to formal financing at all. Unlike EU economies, where firms can rely on a wide range of non-bank instruments - such as leasing, factoring, venture capital, or capital markets - in Moldova, banks remain virtually the only source of external capital, indicating a limited capacity to finance investment.

The situation is even more difficult for SMEs, which face high collateral requirements, lack of assets, and often insufficient financial histories to meet banking standards. Although banks are liquid and prudent, they tend to favor short-term financing oriented toward trade and working capital, rather than long-term investment. As a result, many firms rely on internal savings, remittances, or informal sources, which limits their capacity for modernization and growth.

The result is that the structure of financing in Moldova remains dominated by traditional and narrow sources:

Financing Channel	Current status
Bank Credit	✓ Dominant, but costly and short-term
Equity (Own Capital)	✓ Available, but accumulates slowly
Public Grants	✓ Targeted, but with limited structural impact
Foreign Investment	✓ Concentrated in low value-added sectors
Capital Market	✗ Virtually non-existent

At the same time, foreign capital remains volatile and predominantly oriented toward low value-added activities. Although foreign direct investment has remained relatively stable in recent years, it has followed a slightly declining trajectory- [reaching](#) 1.83% of GDP in 2024 -which has not translated into a structural transformation of the economy. Investments continue to be [concentrated](#) in sectors with low margins and limited integration into complex value chains, while flows into advanced industries such as digitalization, modern agri-processing, or green energy remain limited. The main constraints lie in investor perceptions of risk: political instability, weak infrastructure, a small domestic market, bureaucratic hurdles, and the absence of a coherent industrial policy.

Moreover, even under favorable macroeconomic conditions, this type of capital remains opportunistic and easily relocatable to lower-cost economies – trends observable in Poland and Romania as well as various other Asian countries- highlighting that Moldova’s challenge is not simply to attract more foreign capital in general, but to attract strategic investment capable of generating technology transfer, sustainable investment, and high value added.

When it comes to domestic capital, Moldova has a legislative framework that, in theory, should encourage internal accumulation: incentives for reinvested profits, [accelerated depreciation](#), investment exemptions, and, more recently, the ‘[373 program](#)’, which provides subsidized interest rates for business modernization. However, the impact of these instruments remains limited. Most firms operate with low margins and do not generate sufficient profits for reinvestment, while access to financing remains constrained due to strict banking requirements related to collateral and risk. This creates a legislative paradox: incentives exist, but the domestic capital needed to utilize them is insufficient.

This structural deficit is further exacerbated by the absence of institutional investors. Moldova does not have occupational pension funds, and the insurance market remains underdeveloped, with limited products and low investment capacity. Although the National Bank of Moldova (NBM) has modernized governance regulations for insurance companies, and the National Commission for Financial Markets (NCFM) issued the first license for a voluntary pension fund administrator in 2024, in practice there are still no active private

funds capable of accumulating long-term savings and channeling them into productive investment. The European Commission's recommendation is clear: Moldova needs a serious reform effort in the insurance and pension sectors in order to create a domestic capital pool capable of supporting investment in productive sectors.

In the capital market segment, Moldova is only partially aligned with EU standards and has not made significant progress in recent years. The adoption of the [Capital Market Development Strategy 2025–2030](#) represents an important first step, including the diversification of financial instruments (green bonds, mortgage bonds, project bonds), the modernization of digital infrastructure, and integration with regional markets, including through memoranda with the Bucharest Stock Exchange. However, there is a significant gap between the ambition of the strategy and the reality of the market. The strategy does not clarify the real sources of liquidity for these instruments, does not define incentives for attracting institutional investors, nor the tax regime applicable to new financial instruments. Moreover, the fundamental risks of a small market - low liquidity, volatility, and the lack of long-term investors - are not addressed systematically.

All these limitations - excessive dependence on bank credit, the volatility of foreign capital, weak domestic profits, and difficult access to government programs - reveal one clear fact: Moldova lacks internal mechanisms for long-term capital accumulation. This is not merely an issue of access to credit but a structural problem within the country's financial architecture.

POLICY RECOMMENDATIONS FOR SUSTAINABLE IMPACT

I. MAKE THE STATE A PREDICTABLE MARKET ANCHOR

Over the past decade, state issuances have been sporadic, with rare market presence, lacking an annual predictable calendar published at the start of the year for 3-5 years ahead - instead announced individually - and without simultaneous coverage of key maturities (3, 5, 7, 10 years), preventing the formation of a functional yield curve. Although improvements emerged from 2024 (e.g., 7-year and 10-year issuances), the pace, volumes, and lack of systematization remain insufficient to anchor the market and provide institutional investors - pension funds, insurance companies, or investment funds - with safe, standardized, and liquid assets for long-term capital placement. Without this consolidated benchmark, corporate or municipal issuances remain difficult to price and sell, leaving the market fragmented and reliant on ad-hoc solutions. In European economies, the state deliberately issues bonds not only for funding but to build the invisible infrastructure of the capital market.

Therefore, the state's role should be enhanced not only through a more active presence as an issuer, but also through derisking tools and mechanisms to attract long-term private capital. A concrete solution is the creation of a public-private investment fund, with

independent governance, that invests 20-30% equity stakes in projects from energy, agro-processing, or industry - for example, co-financing a new factory or solar park alongside private investors. This fund acts as a temporary derisking instrument: it reduces initial risk through state involvement, proves project viability over 7-10 years, then exits (sells its shares), paving the way for subsequent private capital. Without these smart catalytic mechanisms, even well-designed pension and insurance reforms risk lacking real investment backing, and domestic savings will remain trapped in bank deposits or dependent on volatile external capital.

II. MOBILIZING THE BANKING SECTOR

Moldova's banking sector is stable, well-capitalized, and highly liquid, yet its contribution to financing productive investments remains limited - the key issue being its weak capacity to channel capital effectively. The banking sector dominates the financial system almost entirely, holding around 90% of financial assets in an economy with just 10 banks, four of which are also investment firms. The [Government's Strategy for Capital Market Development](#) acknowledges the central role of banks but treats them primarily as technical intermediaries for the capital market, rather than active players in mobilizing long-term capital. The Strategy proposes no mechanisms to incentivize banks to take on a controlled investment role, nor does it clarify how elevated liquidity and savings concentrated in deposits can be transformed into productive investment financing.

To overcome this bottleneck, introducing a limited role for banks as anchor investors is necessary, following proven European market-building best practices. This participation should not be generalized or permanent, but organized as a pilot program with clear exposure limits, strict eligibility criteria, and transparency obligations. Banks can act as initial investors in corporate, green, or project bonds exclusively for productive investments - not refinancing or speculative operations. The goal is not market substitution, but creating initial confidence, pricing benchmarks, and liquidity to attract other investors. Without these adjustments, the banking system will remain well-capitalized and liquid, while the economy stays underinvested - confirming Moldova's problem is not a lack of money, but the financial system's inability to direct it toward development.

III. DOMESTIC CAPITAL DEVELOPMENT

Moldova's long-term capital market remains structurally blocked because institutional investors either don't exist or operate far below capacity. Although private pension legislation has been modernized, the current framework fails to create conditions for a real market. No tax incentives exist to make employee and employer contributions attractive- the main driver of participation in EU countries. The law lacks an auto-enrolment mechanism essential for reaching critical mass, and sets no clear rules for fund investment policies, risk limits, or eligible assets.

In insurance, a key weakness is the absence of savings-linked life insurance products - policies that combine financial protection with long-term capital accumulation in European economies. These enable households to save while insurers invest collected funds in bonds, infrastructure, or stable assets. Moldova's market is dominated by mandatory policies like Auto Liability Insurance without a savings component, so insurers accumulate no investable resources and fail to finance the real economy. This gap blocks domestic capital formation and keeps the sector purely operational, not investment-oriented.

To make this framework operational, real tax incentives are needed: deductibility of contributions for employees/employers and tax exemption on fund gains during accumulation. Auto-enrolment for companies above a certain size would ensure broad participation and stable contributions. Insurers must be reoriented toward investment products with clear portfolio management rules. Meanwhile, the state should issue long-term instruments - government, municipal, or green bonds - to provide safe assets for funds and insurers. A complementary solution is a public-private investment fund to mobilize domestic and external capital for strategic sectors like energy, agro-processing, and industry. Only through modernized fiscal, institutional, and market mechanisms can Moldova transform domestic savings into productive capital and reduce structural reliance on bank credit and volatile foreign investment.

IV. STREAMLINING CAPITAL ACCESS FOR SMEs

Even when market actors and instruments exist, Moldovan companies face major operational barriers to capital market financing. Transactions are complex, costly, and slow on a low-volume market, with fragmented and insufficiently digitized trading, settlement, and custody processes. Without standardized procedures and regional interoperability, financial instruments remain illiquid, preventing companies from raising capital at predictable costs.

An immediate priority is simplifying market infrastructure to cut financing costs and time. Full digitalization, automated straight-through processing flows, and functional integration with Romania's settlement/custody systems would enable faster, cheaper issuance and trading. This would boost liquidity, establish reference pricing, and make the market practical for funding - not just formally existent.

For SMEs, market access must be scaled to their size, following the EU's SME Growth Markets model. This framework allows small and medium firms to raise capital via proportional rules: standardized offering documents, reduced periodic reporting, lower listing/trading costs, and simplified investor procedures. A similar segment in Moldova would let SMEs issue bonds or shares affordably while protecting investors. Without such adaptation, the financial market remains inaccessible to most companies and irrelevant for productive investment financing



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