

MOLDOVA
SECOND COMPETITIVENESS ENHANCEMENT PROJECT



Matching Grant Facility

Enhancing the export competitiveness of Moldovan SMEs

Interim Impact Evaluation Report



May 2019

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Abbreviations and Acronyms

BDS	Business Development Services
BIP	Business Improvement Project
CEP II	Second Competitiveness Enhancement Project
CG	Control Group
IIE	Interim Impact Evaluation
ISO	International Organization for Standardization
MG	Matching Grants
MGA	Matching Grants Agreement
MGF	Matching Grants Facility (Implementation Unit)
MSMEs	Micro, Small and Medium Enterprises
SDR	Special Drawing Right
TG with CM	Treatment Group with Closer Monitoring
TG with RM	Treatment Group with Regular Monitoring
WB	World Bank

Improving the Export Competitiveness of MSMEs in Moldova

1. Executive summary

Under the Second Competitiveness Enhancement Project in Moldova, financed with a World Bank credit, a Matching Grant Facility was established to support Micro, Small and Medium enterprises to implement a set of activities that seek to improve their export competitiveness. Beneficiaries receive support to implement a Business Improvement Project with the assistance of business development service providers that are partially financed with a matching grant.

An interim impact evaluation has been conducted to assess the effects of the matching grants on MSMEs and the effects of applying closer monitoring to beneficiaries. The evaluation compares 3 groups: i) firms who obtained matching grants and have regular monitoring, (ii) firms who obtained matching grants and have closer monitoring, and iii) the control group of firms that not receive MG.

Available evidence collected, monitored and evaluated during the first years of Project implementation presented in this document suggests that the MGF sub-component is a successful intervention, favorably influencing the enhancement of MSMEs' export competitiveness using business development services.

Evidence shows positive results in terms of business improvements (109 MSME have improve their businesses), jobs creation (343 jobs created, with the highest impact in TG with CM where each company created 7.1 net jobs), and export sales (the average exports sales from the firms in the TG with CM attributable to the achieved export-oriented goals is US\$232,564, which is more than 2 times the average exports sales from the TG with RM, and almost 6 times more than the average exports sales from the firms in the control group). The use of business development services demonstrates to be effective for helping MSMEs improve their export competitiveness (42 percent of MG beneficiaries have already reached at least one export-oriented goal).

During the three years of monitoring, 13 percent of firms increased in size (two medium enterprises, that already achieved their export-oriented goal, have grown to large firms), 6 percent have reduced size (mostly small to micro). Moreover, the investment of government funds to partially finance the access of BDS for the enhancing MSMEs' export competitiveness shows a positive cost-benefit ratio (US\$8.2 is generated in export sales for each US\$1 of grant in the TG with CM, and US\$4.4 for each US\$1 in the TG with RM). This interim impact evaluation report will continue to be developed during Project implementation and the final report will be elaborated after the closing date of the Project in July 2021.

2. Matching Grants Facility Background

Under the Second Competitiveness Enhancement Project (CEP II) in Moldova, a Matching Grant Facility (MGF) was established to support Micro, Small and Medium enterprises (MSMEs) to implement a set of activities that seek to improve their export competitiveness. Through the provision of matching grants, the Project helps Moldovan MSMEs to partially finance business development services (BDS) and other relevant business services. Service providers support MSMEs to, *inter alia*: (i) improve existing products and services; (ii) create new products and services; (iii) improve production processes; and (iv) improve business management.

By helping MSMEs improve their businesses, the Project expects to increase the number of MSMEs developing new export-oriented activities such as (i) exporting to new markets, (ii) exporting to new customers, (iii) exporting for the first time, (iv) exporting new products, or (v) selling products into export-oriented value chains.



Helping MSMEs to get access to BDS providers and benefit from their support, firms will increase their understanding of the value of these services in contributing business growth and development. As a result, it is expected that MSMEs, after receiving the support from this project, will continue demanding these services willing to pay the total cost. It is expected that the project will contribute to the development of BDS market in Moldova.

The CEP II has allocated to the MGF about US\$2.7 million (SDR 1.94 million) and is expected to benefit approximately 250 MSMEs. The enterprises that apply must present a “Business Improvement Project¹” (BIP) to be partially funded with matching grants and make a business case for how the activities in the BIP will help them improve their export competitiveness.

¹ Business Improvement Project (BIP): A set of activities that will be undertaken from 12 to 18 months to achieve a business improvement objective using business development services that will be partially financed with a matching grant contribution of approx. US\$12,000.

3. MGF Impact Evaluation Background

The main goal of the interim impact evaluation is to assess the effects of the matching grants on the MGF beneficiaries. The central question is rather narrow, “how much difference does MGF make?” and the answer can be given by assessing the level to which the MGF indicators and MGF BIPs objectives and export-oriented goals have been achieved from its inception in December 2015 until December 2018.

The evaluation provides findings derived from analysis of operational data and documentation, reports; and, it presents conclusions intended to inform on the progress registered by MGF beneficiaries and the added value provided by the grant co-financing and BDS.

4. Impact Evaluation Approach

3.1. Data collection and analysis

The interim impact evaluation (IIE) was conducted based on comparison of two subsets of all eligible, and approved MSMEs, one subset of MGF beneficiaries was assigned to **treatment groups (TG)**. On the other side, the **control group (CG)** shall be consisting of approved beneficiaries that receive grant contribution at a later stage. Therefore, the beneficiaries will receive grant funding after minimum 6 months of signing the Matching Grant Agreement (MGA). Thus, the two groups are highly comparable.

To understand whether MSME competitiveness can be enhanced by matching grants alone, or if the results could be improved by combining matching grants with closer monitoring, the project will conduct the impact evaluation using two treatment groups. The first treatment group will consist of firms who obtained matching grants and have **closer monitoring (CM)**, whereas the second treatment group will consist of firms who obtained matching grants and will be supervised based on the provisions of the MGA, with **regular monitoring (RM)**. The main factors that will differentiate the treatment group with closer monitoring is a monthly follow up the MGF team conducts by email and by phone with the MSMEs, and a six-months visit after the MSME signs the MGA. (see the differences in Annex 1)



The impact on the MSMEs, forming both treatment groups, are measured by comparing data used as baseline and progress data. The initial data (baseline) from each beneficiary is collected at the stage of application submission from 3 sources: 1) the application form, 2) the Business Improvement Project, and 3) the applicant's financial reports. While the progress data is gathered from 3 sources as well: 1) the monitoring onsite visits, 2) progress reports (semi-annual and annual), and 3) the financial reports.

The evaluation compares whether the outcomes of the two treatment groups are statistically different from each other. In this way, it will be possible to identify the effect of the matching grants on their own, and the combined effect of the matching grants and the more intense monitoring approach. Therefore, this approach allows us to outline the effect of a closer supervision on BIP implementation and export sales revenues, to draw recommendations and to determine ways to improve the results of the matching grant facility.

3.2. Synthesis

The synthesis phase is then devoted to constructing answers to the impact evaluation questions and formulating conclusions based on the data collected throughout the process. The final output of the synthesis is described below.

3.3. Methodology

During the application process, the MGF beneficiaries that get their BIPs approved and the grant agreement signed are randomly assigned to ensure that each participant has the same opportunity to be assigned to any of the 3 groups. During Project implementation, the evaluation measures and compares semi-annually the export sales that the MSMEs in each group generate exclusively from the exports linked to the export-oriented goals achieved during or after the implementation of their business improvement projects (exporting to new markets, exporting to new customers, exporting for the first time, exporting new products, or selling products into export-oriented value chains).

Business Improvement Project Impact		
Impact	US\$	
	Before	After
Exported to new markets? (sales in US\$)	\$0	
Exported to new customers? (sales in US\$)	\$0	
Exported for the first time? (sales in US\$)	\$0	
Exported new product/service? (sales in US\$)	\$0	
Sold new or improved product/service to a export-oriented value chain? (sales US\$)	\$0	

In order to assign the MSMEs to the control group or to the treatment groups, the MGF team uses a *by chance procedure*. The BIPs that have been approved by technical and validation committees are included in blank envelopes by one team member, after that, another team member mixes the envelopes, and then, another team member picks one third from the pool of envelopes to assign it to the control group, leaving the other two thirds of the envelopes assigned to the treatment groups.

Figure 1: MGF beneficiaries' distribution into impact evaluation groups



After the firms are approved and the MG Agreements are signed, the firms are listed based on the order the MGF team received and registered their applications². Based on that order, each 3rd firm is assigned to the firms that will get closer monitoring and the other 2 are assigned to the firms that will get regular monitoring³.



Over the current implementation period (December 2015 to December 2018), the MGF team received applications from 205 enterprises, of which 193 enterprises had signed the MGA to receive support from the MGF and 12 were rejected. From the 193 eligible firms, 85 firms integrate the treatment group with regular monitoring, 45 firms the treatment group with closer monitoring and 63 firms the control group. (Table 1)

In the second half of MGF implementation, the percentage assigned for each type of monitoring will be reversed in order to get an equal number of beneficiaries in each treatment

² Every firm gets a registration number after their applications are submitted and the eligibility criteria is complied.

³ The first firm that was submitted for WB no objection does not count in this process.

group by the end of the CEP II. That means, each 3rd firm will be assigned to the firms that will get regular monitoring and the other 2 will be assigned to the ones getting closer monitoring.

Table 1: Impact evaluation groups as of December 2018

No.	Type of Impact Groups	Number of MSMEs	Percentage
1	Treatment Closer Monitoring	45	23%
2	Treatment Regular Monitoring	85	44%
3	Control	63	33%
Total:		193	100%

5. Key Characteristics of the Matching Grants

Matching grant percentage: the MGF provides financial support on a matching basis (up to 50 percent) to MSMEs interested in using business development services to improve their businesses and thus, increase their export competitiveness. Firms can also use up to 30 percent of the total amount of the BIP to finance equipment that contributes to the BIP objectives⁴.



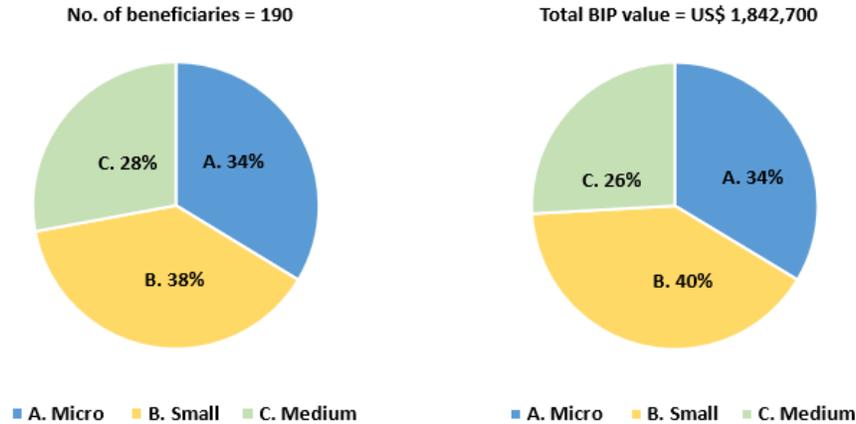
Matching grant amount: MSMEs can get financial support up to approx. US\$12,000 equivalent in local currency. The average amount of the Business Improvement Projects is approx. US\$19,800, from which US\$10,100 has been invested by the beneficiaries and US\$ 9,700 has been provided as matching grants.

⁴ BDS providers supporting the first group of beneficiary MSMEs included the improvement or renew of equipment as recommendation to reach the objective of creating new products/services, improving production processes or/and improving their products/services. For that reason, starting June 2018, all MGF beneficiaries were notified by the PIU that up to 30 percent of the approved grant amount could be used for the co-financing of the equipment needed for the implementation of the export oriented activities approved under the BIP.

6. Key Characteristics of the MG beneficiaries

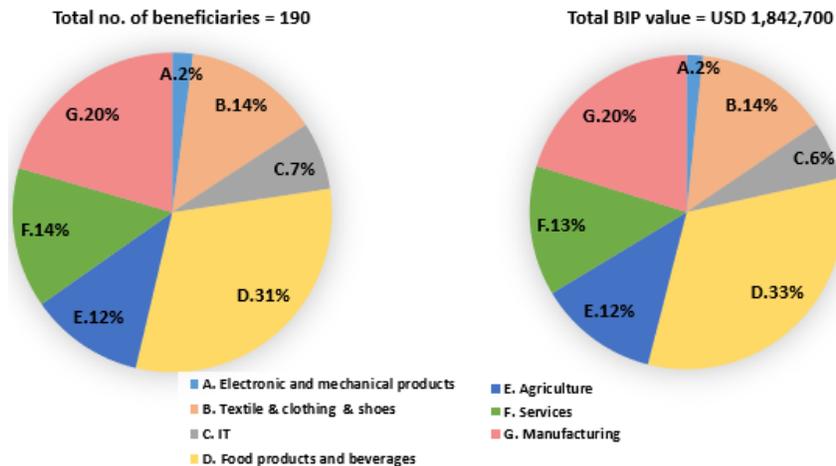
By enterprise size: the MG beneficiaries are MSMEs⁵ that are distributed proportionally by size in terms of number of MSME and value of their BIPs.

Figure 2: MGF Beneficiaries' Distribution by Size



By field of activity: the MG beneficiaries are active in all sectors. From the total number of beneficiaries, 31 percent comes from the food and beverages sector; 20 percent from manufacturing; 14 percent from agriculture; 12 percent from manufacturing; wearing apparel and shoes; 14 percent services; and, 9 percent IT and manufacture of electronic/mechanical products.

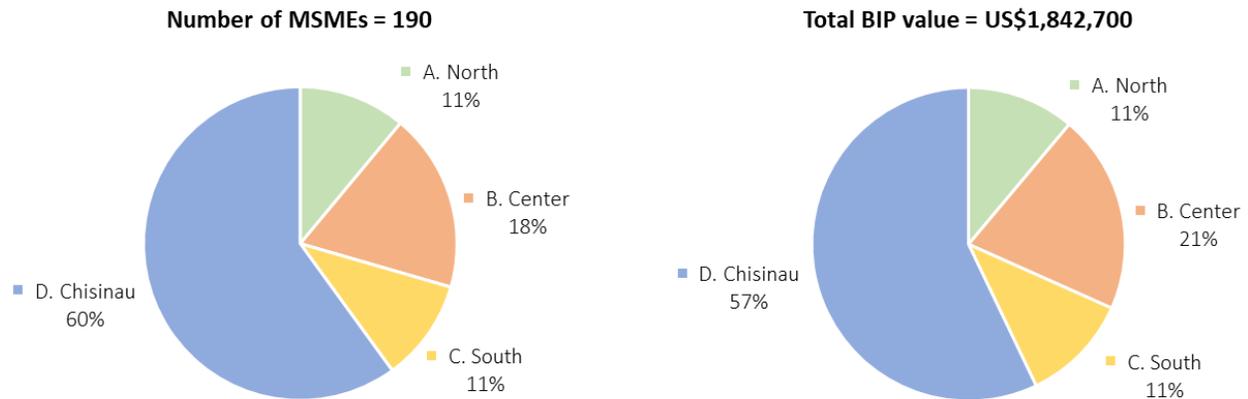
Figure 3: Sectoral Distributions of MGF Beneficiaries



⁵ MGF beneficiaries are classified as micro, small or medium enterprises based on the number of employees at the time of their application: <9 Micro, <49 Small, and 249 Medium.

By geographical area: 60 percent of beneficiaries are carrying out their projects in Chisinau, 18 percent are located in Moldova’s Central region, 11 percent in the Northern region, and 11 percent in the Southern region of the country. The concentration of the BIPs in the capital city, largely reflects the national productive structure.

Figure 4: MGF Beneficiaries’ Distribution by Geographical Area



7. MGF progress

7.1. Status of the Business Improvement Projects

Most beneficiaries have initiated their Business Improvement Projects. 77 percent of firms have launched⁶, are implementing⁷ or have completed their BIPs. See table 2.

Table 2: Status of the Business Improvement Project by Evaluation Groups

Status of BIPs	Number of MSMEs		Treatment CM Group		Treatment RM Group		Control Group	
	Count	Percentage	Count	Percentage	Count	Percentage	Count	Percentage
Not launched	43	22%	5	11%	13	15%	25	40%
Launched	27	14%	3	7%	7	8%	17	27%
In progress	86	45%	21	47%	46	54%	19	30%
Completed	34	18%	15	33%	17	20%	2	3%
Cancelled	3	1%	1	2%	2	3%	0	0%
Total:	193	100%	45	100%	85	100%	63	100%

⁶ BIP that was launched (with at least one BDS initiated) but received no grant reimbursement yet.

⁷ Includes 5 beneficiaries that completed the original number of BDS planned within the BIP and then decided to extend it with new services.

The approach with a closer monitoring is being effective for helping beneficiaries to be on track with their BIP's activities. Firms within the treatment group with closer monitoring have a higher ratio of BIP completion. The rate of completed BIPs (33 percent) within the treatment group with closer monitoring is 13 percentage points higher than the rate under regular monitoring (20 percent).

7.2. Business Development Services included in the MSMEs' BIPs

The amount of BDS required by beneficiary MSMEs are exceeding the estimated amount for the entire life of the Project. While the Project estimated about 500 BDS for the entire lifecycle, the beneficiary MSMEs have included so far 1,311 BDS in their BIPs of which 624 services (48 percent) have been implemented. (see Table 3). The cumulative value of the total number of BDS is US\$1,83 million from which US\$736,000 have been already reimbursed to the MSMEs.

The BDS included in the BIPs have been grouped into the 8 categories described below. Annex 2 shows the activities grouped in each category.

- A. Quality management and certification
- B. Computerized information systems
- C. Market analysis and research
- D. Business management improvement
- E. Production process improvement
- F. Development strategy and planning
- G. Research and Development
- H. Marketing and promotion

Firms show the need of technical assistance to promote their brand and their products in the international market. "Marketing and promotion" is the category of the services more demanded by MSMEs. More than 50 percent of the firms have included in their BIPs the need of support for branding development, corporate identity, designing of packages and labels, development a marketing strategy, website development, promotion, e-marketing, among others.

Other group of firms understand that high quality products are needed to enter the international market since these type of products are the ones preferred by potential partners in other countries; for that reason, more than 10 percent of the firms included in their BIPs the

need of technical assistance for quality management and certification, such as ISO 9001⁸, ISO 22000⁹, Hazard Analysis and Critical Control Points Certification (HACCP)¹⁰, specialized accreditations.

Firms also recognize the need of technical assistance to improve their business management and the skills of their employees. 10,6 percent of firms included in their BIPs activities related to staff trainings, improving business processes and operations, human resources management and organizational development.

Other types of services considered by beneficiary MSMEs include the introduction of computerized information systems, market analysis and market research, activities related to production process improvement, development strategy and planning, and research and development for the creation or improvement of products and services.

Table 3: Business Development Services Included in the MSMEs BIPs by Category

8 Categories of BDS	BDS planned	%	BDS implemented	%
A. Marketing and promotion	688	52.5	321	51.4
B. Quality management and certification	140	10.7	74	11.9
C. Business management improvement	139	10.6	66	10.6
D. Market analysis and research	104	7.9	51	8.2
E. Computerized information systems	97	7.4	48	7.7
F. Production process improvement	81	6.2	38	6.1
G. Development strategy and planning	45	3.4	19	3.0
H. Research and Development	17	1.3	7	1.1
Total	1,311	100	624	100

⁸ ISO 9001 is an international standard that specifies requirements for a quality management system (QMS). Organizations use the standard to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.

⁹ ISO 22000 is a Food Safety Management System that can be applied to any organization in the food chain. Becoming certified to ISO 22000 allows a company to show their customers that they have a food safety management system in place.

¹⁰ HACCP is a management system in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

7.3. Business Development Services and BIP objectives

The use of BDS demonstrates to be effective for helping MSMEs improve their businesses. MSMEs from both treatment groups have benefited from receiving support of BSD providers. After implementing 624 BDS, 109 MSMEs in both treatment groups have achieved one or more BIP objectives as it is shown in table 4.

Table 4: Business Improvement Objectives Achieved

Business Improvement Objectives Achieved	Treatment CM Group	Treatment RM Group
Number of MG beneficiaries implementing BIPs	39	70
Improved existing products/services	38%	17%
Created new products/services	36%	30%
Improved production processes	28%	21%
Improved business management	92%	91%

Some examples of how MG beneficiaries improved their businesses are presented below:

- **Improve existing products/services:** MG beneficiaries improved their products by: i) developing new or updated packages and labels, ii) obtaining certification of the products and/or services, iii) adopting the suggestions provided as a result of market research for a specific product on a target market, iv) by using testing equipment to identify the cause of product defects, among others.
- **Create new products/services:** MG beneficiaries that have created new products including: i) honey bee in jars and sachets, ii) packed dried fruits, iii) nutriment for animals, iv) wine collections, v) cylindrical boxes, vi) frozen foods, vii) new product line of clothes, among others. Also, firms have created new services including: i) a new platform for transportation services, ii) a new platform for online sale of Moldovan products, iii) services on tax due diligence, iv) trainings (masterclass) on recipes and bakery, and v) new tourist programs.
- **Improve production processes:** MG beneficiaries improved their production processes by: i) applying techniques for increasing the efficiency of various stages of the production line, ii) enhancing the skills of the staff responsible for production, iii) optimizing the production cycle, iv) increasing security and quality monitoring, v)

optimizing production space, vi) applying the '20 keys methodology', vii) modernizing cultivation techniques, viii) developing technological instructions, ix) obtaining ISO certificates and applying the international standards, and x) introducing specialized software.

- **Improve business management:** MG beneficiaries improved their management by: i) preparing the company's activity for certification, ii) entering into a restructuring process, iii) carrying out staff trainings at different levels, iv) installing specialized software programs and applications to automatize business procedures, v) creating corporate identity and improving its visibility on both internal and external markets.

7.4. Business Development Services and Export-Oriented Goals

The use of BDS demonstrates to be effective for helping MSMEs generate new exports. Although the implementation of BDS does not immediately translate into an increase in export sales, the results of the interim impact assessment indicate a positive impact on the beneficiaries' performance in terms of their export competitiveness. 46 of 109 MG beneficiaries (42 percent) that are getting access to BDS have already achieved at least one export-oriented goal. The types of BDS that helped MSMEs the most to reach an export-oriented goal are: i) marketing and promotion, ii) quality management and certification, and iii) computerized information systems. A statistical analysis was carried out to identify the correlation between the implemented BDS and the beneficiaries that reached at least one goal¹¹. According to the analysis, there is a correlation of 89 percent between the BDS implemented and export goals achieved. The results of BDS' influence on beneficiaries' export capacity is presented in figure 5.

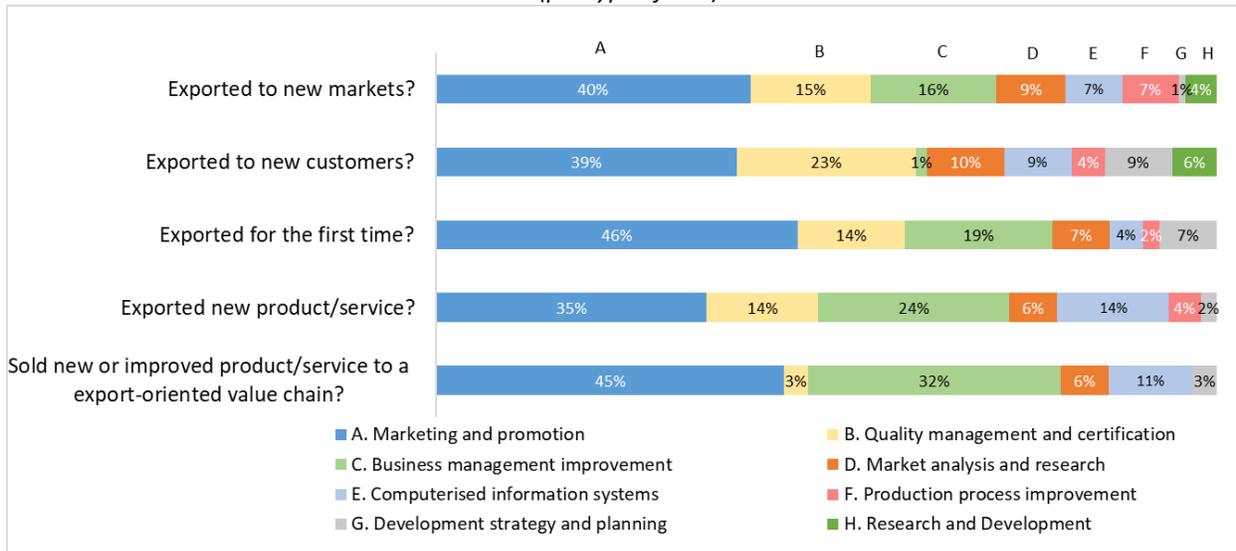
¹¹ The statistical analysis has been executed using Machine Learning, Python coding language, the algorithm applied is an ensemble one: Random Forest Classifier.

Figure 5: BDS influence on MSME Capacity to Export



To reach the international market, the 46 firms that already achieved their export-oriented goal, implemented about 300 BDS. Some of them show to be more important depending on the export-oriented goal that is pursued by the MSMEs and some of them, such as marketing and promotion, are key in all the cases. Figure 6 shows how the BDS within each of the 8 categories were distributed among the different types of export-oriented goals.

Figure 6: BDS implemented by MGF beneficiaries that got involved in export-oriented activities (per type of BDS)



8. Impact of the Matching Grants

From December 2015 to December 2018 the MGF shows the following results:

8.1. Firms Size

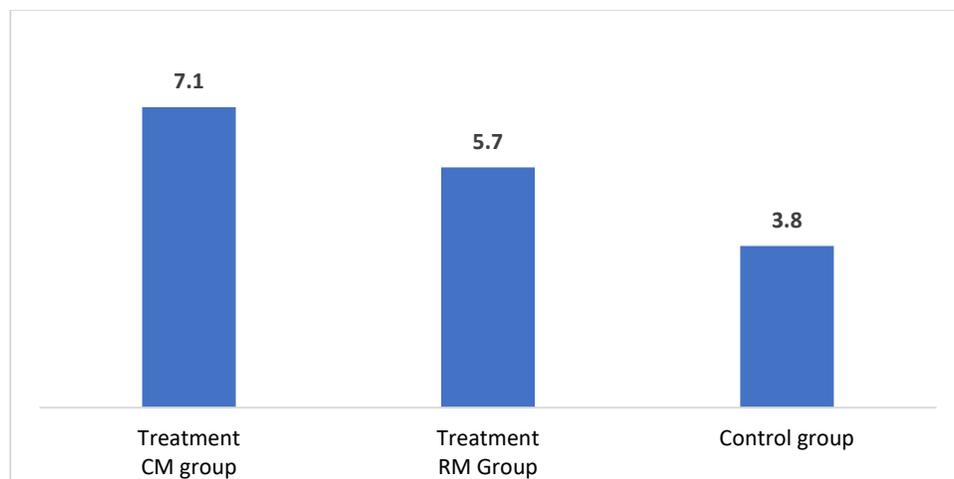
The size of beneficiary firms has changed during the implementation of their BIPs. The MGF differentiate the size of the MSMEs based on the number of employees. During the implementation of the BIPs, 23 firms registered changes in their size, 15 firms have grown, and 8 have reduced their size as described below. Two medium enterprises, that already achieved their export-oriented goal, have grown to large firms.

- 9 companies developed from micro to small.
- 4 companies developed from small to medium.
- 2 companies developed from medium to large.
- 2 company decreased its size from medium to small.
- 6 companies decreased its size from small to micro.

8.2. Job Creation

Positive results have been identified due to grant co-financing in terms of job creation, specially from the Treatment Group with Closer Monitoring. The average number of net jobs created by the firms within the TG with CM is 7.1 while the firms with TG with RM is 5.7, and the firms from the control group is 3.8.

Figure 7: Average of Jobs Created by Impact Group



From a group of 110 beneficiaries that submitted their progress reports as of December 2018¹², 74 firms from the 3 impact groups have registered a change in their number of employees. Beneficiaries that launched and/or completed their BIPs in both treatment groups created 482 jobs and dispensed 139, generating a positive net result of 343 jobs created. In the case of the firms in the control group, they also created a net result of 69 jobs.

Table 5: Jobs Creation

BIP goals	Treatment CM group	Treatment RM Group	Control group	Total
Number of Beneficiaries Reporting	17	39	18	74
Number of employees (baseline)	680	1,793	922	3,395
Number of employees as of Dec.2018	801	2,015	991	3,807
Increase of employees	161	321	100	582
Decrease of employees	(40)	(99)	(31)	(170)
Net Job Creation	121	222	69	412
Average jobs created (Net Jobs /Number of Beneficiaries)	7.1	5.7	3.8	

8.3. Export Competitiveness

Positive results have been identified due to grant co-financing for enhancing firms' export competitiveness. 35 percent of the treatment groups have already reached an export-oriented goal compared with the 16 percent of firms in the control group. 46 from the 130 firms in the treatment groups that are implementing or have completed their BIPs have reached at least one of their export-oriented goals while only 10 from 63 firms in the control group achieved one of their goals. (see table 6)

Table 6: Number of beneficiaries involved in an export-oriented goal

BIP goals	Treatment CM group		Treatment RM group		Control group		Total
	No.	%	No.	%	No.	%	
Exported to new markets	8	18%	16	19%	4	5%	28
Exported to new customers	5	11%	12	14%	3	5%	20
Exported for the first time	3	7%	9	11%	3	5%	15
Exported new product/service	4	9%	1	1%	2	3%	7
Sold new or improved product/service to an export-oriented value chain	4	9%	5	6%	2	3%	11

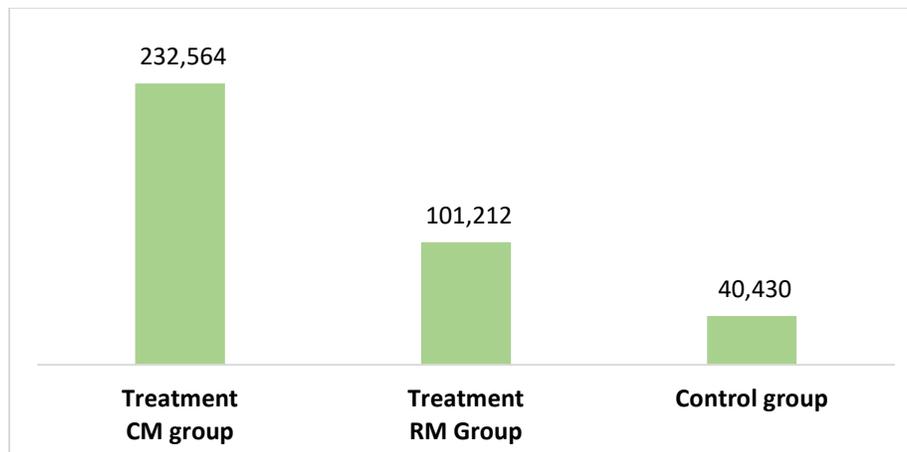
¹² MGF beneficiaries with launched, in progress and/or completed BIPs.

Sold for the 1st time to an export-oriented value chain	0	0%	0	0%	3	5%	3
Number of MSMEs involved in an export-oriented activity	14	31%	32	38%	10	16%	56
Total number of MSMEs per IE groups	45		85		63		193

8.4. Export Sales

Positive results have been identified due to grant co-financing for increasing the exports sales, especially for the firms in the treatment group with closer monitoring. The average exports sales from the firms in the TG with CM attributable to the achieved export-oriented goals is US\$232,564, which is more than 2 times the average exports sales of US\$101,212 from the TG with RM that is attributable to the achieved export-oriented goals, and almost 6 times more than the US\$40,430 of average exports sales from the firms in the control group.

Figure 8: Average Exports Sales in US\$



Due to grant co-financing, 46 MSMEs from both treatment groups that received about US\$736,000 in matching grants generated new exports in about US\$6.5 million as a result of implementing the Business Improvement Projects that help the beneficiaries achieve an export-oriented goal. The matching grants helped MSMEs to export for the first time their products in the international market, export to a new country, export to new customers in the same market, export new products/services, or to sell their new or improved products/services to an export-oriented value chain.

The total value of export sales registered under the export-oriented activities is presented in Table 7 below.

Table 7: Value of export sales revenue in US\$ per BIP goals and impact groups

BIP goals	Treatment CM group	Treatment RM Group	Control group	Total
Number of export-oriented beneficiaries	14	32	10	56
Exported to new markets	1,279,377	492,947	82,020	1,854,344
Exported to new customers	551,482	1,259,959	104,186	1,915,627
Exported for the first time	180,826	160,809	57,562	399,197
Exported new product/service	1,124,094	305,197	8,446	1,437,737
Sold new or improved product/service to an export-oriented value chain	120,124	1,019,857	152,082	1,292,063
Total Export Sales in US\$	3,255,903	3,238,769	404,296	6,899,024
Average Export Sales in US\$	232,564	101,212	40,430	

The best performers on the three groups represent about one third of the total sales in each group. In the treatment group with closer monitoring, a beneficiary “Lux Packaging” that manufactures packaging products, with the support of the Project obtained a certification ISO 9001, and BDS for optimization of business processes and product creation. As a result, the beneficiary created a new type of product, a cylindrical box, and exported to Italy 2 million pieces of them valued at US\$1 million.

In the treatment group with regular monitoring, the beneficiary “Doina Vin”, a wine producer firm, received support from the Project to create a marketing strategy to improve their business image and to reach a new generation of clients of wine enthusiasts. Because of the implementation of the BIP, the beneficiary has a new corporate identity with new branding, created four new label wines, developed 2 new websites, one for the firm and another one¹³ especially designed for a new generation of clients. As a result, the beneficiary exported US\$740,000 to new markets and new customers, about half a million bottles, including 230,000 bottles of its new labels.

In the Control Group, the firm “IM Hanuco” that sells frozen meat implemented a Food Safety Management System (ISO 22000). It helped the company to export frozen lamb valued at US\$100,000 to a new client in Russia and to Egypt for the first time.

¹³ <http://6nwines.com/#6n-lifestyle-wines>

The difference between the 3 groups without outliers maintains the same proportion as with the outliers. The average exports sales from the firms in the TG with CM attributable to the achieved export-oriented goals is US\$182,406, which is more than 2 times the average exports sales from the TG with RM, and more than 5 times the average exports sales from the firms in the control group.

Table 8: Average export sales without outliers

Exports		Treatment Group Closer Monitoring	Treatment Group Regular Monitoring	Control group
Number of beneficiaries that achieved an export-oriented goal (excluding max & min values)	A	12	30	8
Maximum value in export sales	B	\$1,066,797	\$743,640	\$106,010
Minimum value in export sales	C	\$239	\$1,691	\$2,730
Total export sales in US\$	D	\$3,255,903	\$3,238,769	\$404,296
Amount export sales, excluding extreme values (Total export sales - max & min) $E=D-(B+C)$	E	\$2,188,868	\$2,493,437	\$295,556
Average export sales value, excluding max & min ($F=E/A$)	F	\$182,406	\$83,115	\$36,945

8.5. Value added of the matching grants

The BDS market is constrained by issues of awareness and lack of information, and firms' unwillingness or lack of ability to pay for this type of services as an instrument to improve their businesses. This is a common market failure related to information asymmetries in the market for business services. When a firm has not used such services before, firms do not value the benefits of the service and are not willing to try and pay for intangible expected results, missing a potential opportunity for business growth.

The investment of government funds to partially finance, with MG, the access of BDS fostered the use of these type of services as an instrument to enhance MSME's export competitiveness. At the market level, the MGF generated additionality, as it largely supports activities related to BDS that otherwise MSMEs would not have hired and implemented. Due to MGF financial support, about US\$ 1.4 million has been invested in BDS market of which about 50 percent was invested by the private sector. The increased willingness-to-pay for BDS among enterprises is clearly illustrated by the high number of BDS planned (1,311 services), with 48 percent already implemented.

Likewise, the investment of government funds to partially finance the access of BDS for enhancing MSMEs' export competitiveness shows a positive cost-benefit ratio, especially for the treatment group with closer monitoring. For every US\$1 granted to the MG beneficiaries, US\$1 was invested by the private sector for business improvement activities, US\$4.4 were

generated in new export sales by the regular monitoring group, and US\$8.2 were generated by the closer monitoring group.

Table 9: Export sale brought by US\$1 of matching grants

US\$	Treatment CM group	Treatment RM group
Average disbursement per BIP	7.0	6.4
Export sales (<i>median value</i>)	57.8	28.2
Money value generated by US\$1 of grant	8.2	4.4

Available evidence collected, monitored, and evaluated during the first 3 years of Project implementation presented in this document suggests that the MGF sub-component is a successful intervention, favorably influencing the enhancement of MSMEs' export competitiveness by using business development services.

This report will continue to be developed during Project implementation and the final report will be elaborated after the closing date of the Project in July 2021.

Annex 1: Monitoring and Evaluation Activities

No.	Monitoring and Evaluation Tasks	Control group	Treatment Group Regular Monitoring	Treatment Group Closer Monitoring
1	First onsite visit, at the application stage	X	X	X
2	First month e-mail			X
3	A phone call in five days after the first month email (if the email was not answered)			X
4	Follow up monthly emails			X
5	Follow up monthly calls in five days after the monthly email (if the email was not answered)			X
6	Semi-annual email with the template for the progress report (January and July)	X	X	X
7	Reminder email regarding the progress report submission (if the progress report is not received in 30 days after the semi-annual email / February and August)	X	X	X
8	Support emails to provide technical assistance on the progress report (in case the beneficiaries have questions / January, February and March / July, August and September)	X	X	X
9	6 months visit after signing the MG agreement			X
10	BIP completion visit, after the beneficiary receives last matching grant contribution		X	X
11	Post BIP completion annual progress report		X	X
12	Self-assessment survey conducted at the end of the MGF closing date	X	X	X

Annex 2. Categories of Business Development Services

Business Development Services (BDS) Categories	
Quality management and certification	<ul style="list-style-type: none"> Preparing of documentation and processes for certification Personnel trainings in certification Auditing Certification (ISO TS 16949, ISO 22000, ISO 9001, ISO 14001, ISO 18001, FSSC 22000, ISO/IEC 27001) Other types of certifications (BIO certification)
Computerized information systems	<ul style="list-style-type: none"> Client management system (CRM) Accounting systems (1C) IT infrastructure Corporate management systems (ERP) Specialized software (ArchiCAD, ArcGis)
Market analysis and market research	<ul style="list-style-type: none"> Surveys on products/services New market analysis Partner search (supplier, investor, customer search) Price analysis Location identification of distribution network
Marketing and promotion	<ul style="list-style-type: none"> Branding & corporate identity Promotion (online & offline) Package and label design E-marketing Marketing & communication strategy Website & SEO/on-line shop
Business management improvement	<ul style="list-style-type: none"> Organizational structure HR management Organizational development (processes) Personnel trainings Logistics management Business process re-engineering
Production process improvement	<ul style="list-style-type: none"> Production process reorganization Supply chain management Production optimization Technical & engineering studies Infrastructure / planning / design of production Expert assistance on production process improvement Production process analysis Agriculture: Crop, livestock and land management

Development strategy and planning	Business and strategic planning Expansion/diversification planning Cost analysis Financial analysis & management Feasibility studies Export strategy and action plan Expert assistance on export procedures & documentation
Research and Development	Creation of new products/services based on R&D Improvement of existing products/services based on R&D

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