

Panel on  
GROWTH - Making the most of public investment:  
governance and cooperation, Addressing divides:  
regions, cities, and rural areas

Intends to explore needs in Moldova and to provide  
some insight for strategic planning.

Presentations and discussion should explore the potential for  
better coordination and communication between the actors

## Themes (in the context of Moldova)

- Evolution of microbusiness and sustainable development
- Reform of the Public Administration
- 'Cross Border Cooperation' (Ukraine – Moldova)
- Governmental efforts in IT promotion and practices of cooperation

# Introduction:

Barriers and support needs for Growth and Development  
in Less Developed Regions – The role of Microfirms,  
Cooperation, and Information Technologies

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## Problems and Barriers for Growth and Development in Less Developed Countries and Regions

- Weak employment growth, high unemployment (employment problem)
- Lower levels of education and qualification of the labour force (qualification problem)
- Low productivity and low per capita income (income problem)
- Few dynamic industries and sectors (structural problem)
- Weak R&D and innovation performance (innovation problem)
- Weak institutions and administrative processes (institutional problem)
- Weakly developed infrastructure (transport, ICT, education, etc.)

# Problems differ by type of region

## **Peripheral and rural areas:**

- problems of accessibility to high quality services (schools, universities, business services, social services)
- low density /"thinness" of population, firms and employment (no agglomeration advantages)
- Low quality of infrastructure (transport, ICT, education, health ...)

## **Old industrial areas**

- Outdated industrial structures and lack of modern infrastructure,
- Few young and growing industries; lack of start-ups and new firms
- Schools and education system focussed on old industries (problem of “lock-in”) ....

## **Urban areas**

- Can benefit from agglomeration and infrastructure advantages  
→ economically dynamic
- Social exclusion and segmentation: poverty areas co-next with dynamic high income areas → intra-urban socio-economic disparities
- High cost for urban infrastructure

# Microenterprises

- Are defined in Europe as small businesses (less than 10 employees, turnover of less than 2 Mio Euros: ILO 2015)
- Very heterogenous group: include among others self-employed, small service firms (personal-, social-, and business services), handicraft, new firms and technology start-ups ....  
→ Very different goals, problems, barriers
- Some do not want to grow, but to survive (“satisficers”), some do (e.g. start-ups, new technology firms)
- Certain segments can be the basis for new regional growth: often those in new and growing industries, technology based companies, start-ups ....
- Other segments remain in traditional markets and stay small

## Growth barriers of Microenterprises

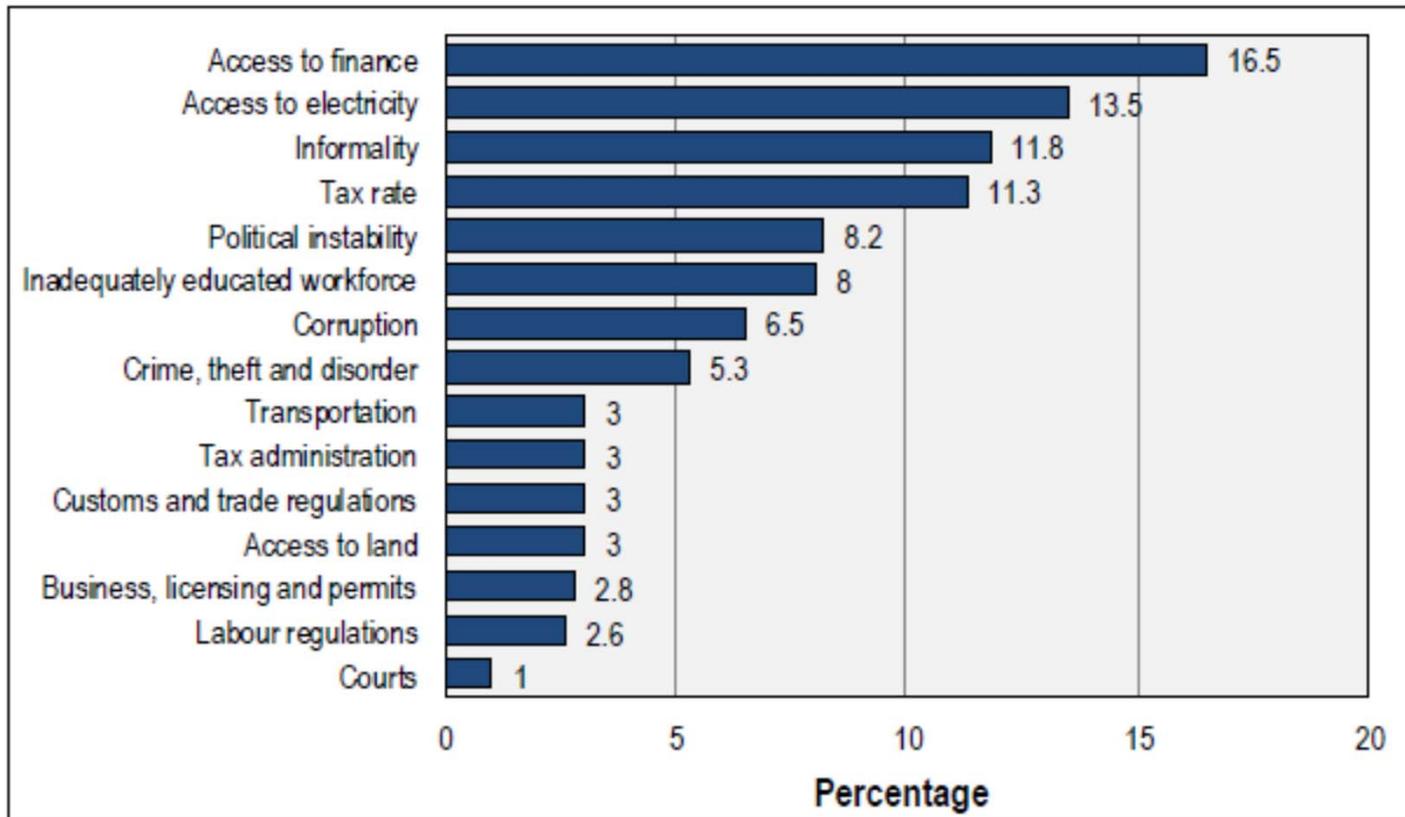
- local market focus, problem of accessing external / new markets
- due to small size: lack of scale economies
- financial barriers
- low innovation capabilities

Barriers differ by type of sector, firm and location

→ Policies and support should be targeted

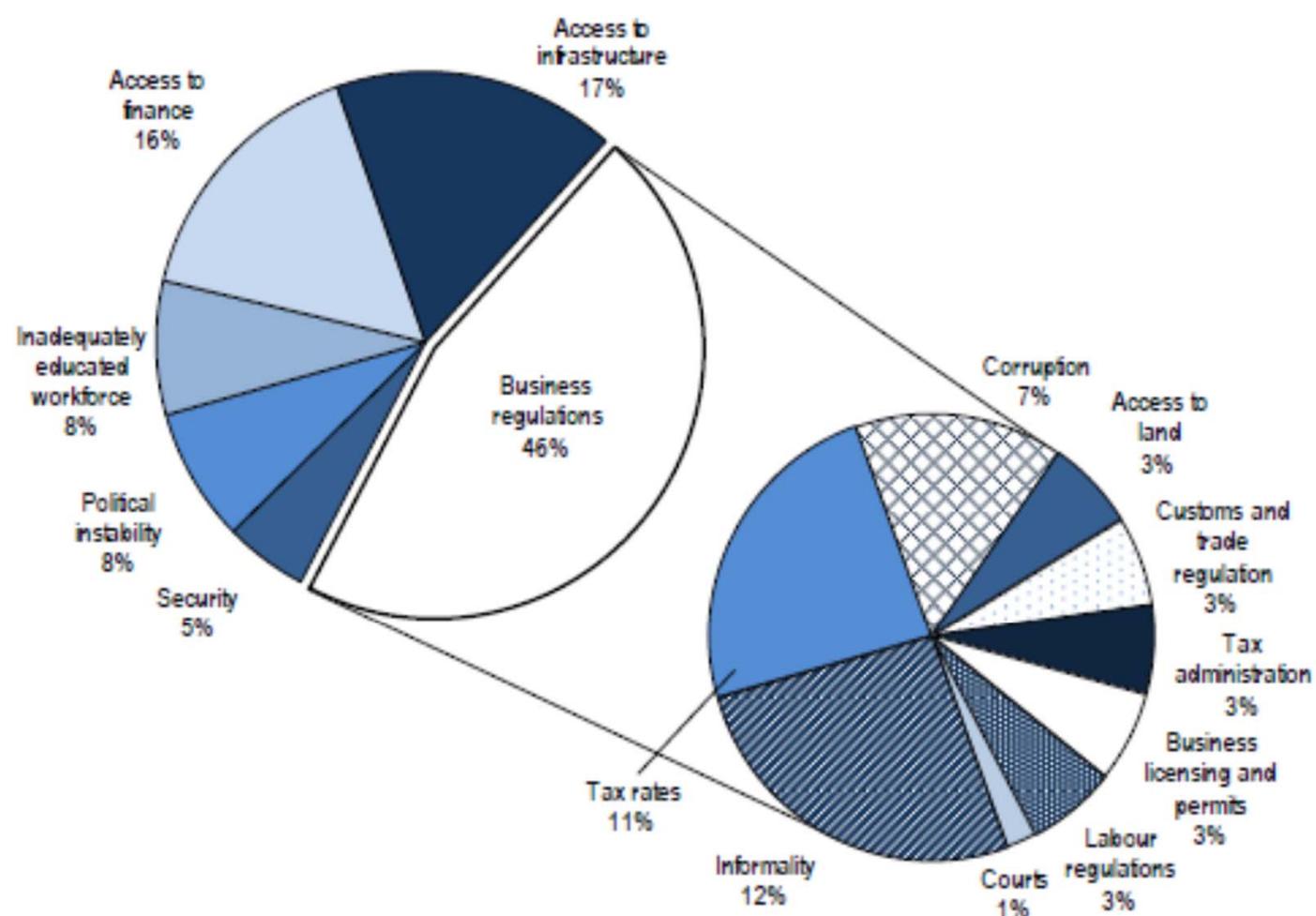
# Constraints for Growth faced by SMEs

based on ILO (2015, SMEs and productive employment creation) and World Bank Enterprise Surveys for 30 emerging and developing countries



Source: IFC: Assessing private sector contributions to job creation and poverty reduction, IFC Jobs Study (2013).

Figure 3.2. Constraints grouped thematically



Source: IFC (2013), op. cit.

## Useful support instruments (examples):

- Incubators and office parks  
→ give access to high quality office space and infrastructure, potential for sharing knowledge and for cooperation
- Networking programs and cluster initiatives (may help to find partners, support for cooperative projects and networking)
- Support for opening up new markets (e.g. participation in fairs, exhibitions)
- Targeted financial support (for start-up phase, investment, export, innovation, R&D, ...)
- Improving the institutional / regulatory environment (policy- and institutional reform)

## Policy- and institutional reform

- Important for economic and social development in general and in particular for Microenterprises and SMEs
- Microenterprises often suffer from bureaucracy and regulatory barriers for entry, start-up and growth (ILO 2015)
- Self-employed are often not well represented by the major interest groups (employer associations, unions, chambers of industry and labour)

# Benefits from cooperation and networking

- **Firm Networks: benefits for SMEs**

- + Teaming up with other small firms may provide scale advantages
- + Cooperation with larger firms and participation in international Value Chain- and Production Networks may help in opening up external markets, and give access to new technologies and knowledge

- **Policy Networks**

- + May enable policy learning; e.g. within European and transregional networks
- + Exchange of experiences and Good practice

- **Crossborder Networks**

- + Coordination of infrastructure planning (transport, communication etc.)
- + Problems of peripheral location can be reduced (more and better interaction)

# Role of Information- and Communication Technologies

- ICT are highly important for less developed countries and regions because they provide access to external knowledge and markets and help to improve administrative procedures (e.g. e-government),
- Modern ICT infrastructure is often unevenly distributed in geographical space
- Much better developed in urban areas, and worse in peripheral / rural areas where it is more needed to overcome locational disadvantages
- ICT are important for SMEs because these firms need access to public administration and policy agencies to external business partners, and knowledge sources
- Larger firms that have more internal capabilities and options in comparison

# Presentations

- Evolution of microbusiness in the Republic of Moldova and the necessities for sustainable development of the country
- Reform of the Public Administration in Moldova
- Ukraine – Moldova ‘Cross Border Cooperation’
- Existing Governmental efforts in IT promotion and practices in cooperation with IT associations and companies in Moldova.

# Discussion

- Where are important relations / connections between the presented themes and support activities?
- Is there a need for better accordation and a potential for future cooperation? In which areas?
- What should be done for improving these policy areas and their coordination?