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Market Survey of the Microfinance Sector in the Transnistrian region of Moldova



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Chişinău • 2013

The study was developed by the NGO “Alternative Internationale de Dezvoltare” in consortium with the Centre for Analytical Research “New Age” and Mr. Hans Ramm, independent international expert in financial and private sector development, Switzerland.



This study was developed in the framework of the “Support to Confidence Building Measures” Programme, funded by the European Union and co-funded and implemented by the United Nations Development Programme in Moldova



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The opinions expressed in this study do not necessarily reflect the official views or policies of the European Union or the United Nations Development Programme.

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EXPLANATORY NOTE ON TERMINOLOGY AND LANGUAGE

This report is focused on economic and commercial issues only. Its terminology and language do not imply or entail any political position. The territory of the Transnistrian region of Moldova is not recognized as an independent state by the international community, the unanimous position of which is that it is part of the Republic of Moldova. The report accordingly relates to the decision makers in this territory as de facto authorities.

The use in this report of such terms as “law”, “Civil Code”, “Supreme Council”, “Central Bank”, “Public Reserve Fund”, “Ministry” and similar language does not indicate any de jure recognition of these normative acts, de facto authorities or institutions. These terms are used exclusively for the convenience of the reader and to provide the most precise identification possible of specific documents, de facto authorities, office-holders and institutions. In some instances the report uses the terms “left bank” and “right bank” to indicate territory controlled by the de facto Transnistrian authorities and the Government of the Republic of Moldova, respectively.

The views expressed in this report are solely those of the authors, based on the expert study and independent assessment and do not necessarily reflect the official positions of any United Nations department, agency or body. The original version of this report is in English and in cases of variations, the English version should be considered authoritative.

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ABBREVIATIONS AND DEFINITIONS

ADB	Bank for Agricultural Development
BCPYE	Business Coaching Programme for Young Entrepreneurs
CGAP	Consultative Group to Assist the Poor (www.cgap.org)
GDP	Gross Domestic Product
ME(s)	Micro enterprise is a legal economic entity with an annual average of not more than 15 employees and less than 365'000 CLCMW ¹ (1 CLCMW=6,4 TR, ~195 000 USD) annual sales. This includes 'peasant farms', but not BPHs.
MFFYE	Microfinance Facility for Young Entrepreneurs
MSE(s)	Micro and Small Enterprise(s)
MFI(s)	Microfinance Institution(s)
NBFI(s)	Non-Banking Financial Institution(s)
BPH(s)	Business Patent Holder(s) is an individual entrepreneur who is authorised by the patent(s) purchased to carry out specific type of business activities within a specific scale. The patent fee replaces income taxation and exempts the BPH from preparing mandatory accounting records.
SE(s)	Small Enterprise(s) is defined as legal economic entity with an annual average of not more than 50 registered employees and/or less than 1,2 million CLCMW (1 CLCMW = 6,4 TR) – (640 000 USD dollars) annual sales, including 'peasant farms', but excluding MEs and BPHs.
TA	Technical Assistance
UNDP	United Nations Development Programme
USD	United States Dollar (official tender circulated in the U.S.A.)
YE(s)	Young Entrepreneur(s)

CURRENCIES

TR	Transnistrian Rouble (tender circulated in the Transnistrian region: 11,1 TR = 1 USD as of 20.12.2012)
MDL	Moldovan Lei (legal tender circulated in the Republic of Moldova: 12,11 MDL = 1 USD as of 20.12.2012)
RUR	Russian Rouble (legal tender circulated in Russia: 30,78 RUR = 1USD as of 20.12.2012)

1 CLCMW – calculated level of current minimum wage

KEY ECONOMIC AND EMPLOYMENT DATA OF THE TRANSNISTRIAN REGION

	Key Economic & Employment Data	31.12.2008	31.12.2009	31.12.2010	31.12.2011	30.9.2012
1	Total population	527'500	522'500	518'000	513'400	509'890
2	Youth	90'000	87'200	84'600	82'700	80'100
3	Work force	334'000	322'300	321'100	318'600	314'600
4	Employed people	161'600	149'700	138'500	136'700	132'900
5	Self-employed ²	N/A	N/A	N/A	N/A	18'203
6	Public servants, incl. security forces	64'500	64'400	63'900	63'700	63'200
7	Unemployed people	3'800	13'800	14'200	8'800	5'164
8	Job hunting people	7'405	19'354	18'372	12'621	11'481
9	Employees in real economy	63'900	64'700	60'700	58'000	55'300
10	Gross Domestic Product per capita	1'885	1'830	1'908	1'949	857
	Private sector contribution in %					53,9%
	Public sector contribution in %					46,1%
11	Inflation rate	25,1%	16,0%	13,24%	15,98%	7,9%
12	Financial inclusion indicators:	8,5%		1'600		
	Financial depth Bank branch per population				10,8% 1'700	

² The sum of 15'470 business patent holders and the 3'733 private owners of micro and small enterprises as outlined in chapter V of part 1.

EXECUTIVE SUMMARY

The consulting company Alternative Internationale de Dezvoltare (AID) – in consortium with the Centre for Analytical Research “New Age” based in Tiraspol and Mr. Hans Ramm (an independent international expert in financial and private sector development from Switzerland) – have won a tender announced by the UNDP Moldova within the framework of the “Support to Confidence Building Measures” Programme, funded by the European Union and co-funded and implemented by the United Nations Development Programme, to review the Transnistrian microfinance sector and develop practical recommendations, based on the lessons learnt in developing micro-finance facilities on the right bank, for launching or extending a microfinance facility from the right bank to the left bank.

The general objective of the requested consultancy services was to conduct, according to the TOR as presented in Annex 1, an in-depth survey of the Transnistrian micro-finance environment, the financing options available to SMEs, and draft a blueprint for establishing a micro-finance facility for SMEs engaged in joint business initiatives, or, if feasible, extending an existing microfinance arrangement from Moldova into its Transnistrian region.

It is to be mentioned from the very beginning that the option with extending any financial operation from right side to the left has been **excluded from the start** due to the impossibility to issue loans to Transnistrian SMEs by any Moldovan microfinance operator.

However, the lessons learnt over the past 20 years of microfinance sector development in Moldova, good practices and experience accumulated shall definitely help to better formulate recommendations for Transnistrian stakeholders interested in initiating similar activities.

Microfinance refers to the provision of financial services – micro-loans, savings, insurance or transfer services – to low income households. It is widely seen as improving livelihoods, reducing vulnerability and fostering social as well as economic empowerment. Microcredit refers to provision of micro-loans for microenterprise development and can be a tool for social as well as financial inclusion, as it helps to prevent and redress all the areas of exclusion – poverty, low income, lack of employment – which are evidenced as a major component and reason for social exclusion.

Moreover, programs that provide training, advice, mentoring and networking opportunities enhance skills and social empowerment of underprivileged groups,

further contributing to inclusion. And microfinance through its broader range of services such as savings and insurance can further assist poor people to plan for future lump sum needs and to reduce their exposure to income changes or sudden expenses and to participate in social life. The question of how best to provide financial services to the poor has fuelled intensive debates worldwide.

The microfinance is in a great demand all over the small business operates: rural, suburban and urban areas of the Transnistrian region. The types of deals are different, but the entrepreneurs are all same – people with a talent to risk and responsibility to operate on their own, irrespectively of age, gender, race, religion, etc. However, among those small businesses, there are few groups, which are obviously more vulnerable and have fewer chances to survive in real economic exercises.

Traditionally, microfinance supports exactly those most disadvantaged groups of small entrepreneurs: **youth, women, labour migrants, ex-servicemen, forced dismissing, middle age carrier change, elder occupation, disabled, etc.**

It is not clear what will be the targeted preference for the potential donor of the proposed microfinance facility, as well as the size of possible financial allocation; however, taking into consideration the task for the Consultant to define already at this very early stage the specific area for further financial intervention, it has been decided to suggest a **Youth Microfinance Facility**.

There are many reasons for that, but the main being the solid experience and successful operation of similar facility in Moldova over last decade and possibility to replicate it in the Transnistrian region using all the knowledge and experience accumulated by donors and small business developers in Moldova, details of which are presented in the Annex 2.

The basic conclusion is that from the entire menu of microfinance services to small business, both experienced worldwide and in Moldova, the following action approach can be considered:

1. Placing a micro-lending facility with one of existing and commercial bank willing to cooperate with the project. This option is the most realistic and affordable in sense of timing and effort required. However, there is no possibility to provide a dedicated external credit line to banks; therefore, there will be a need to generate local co-financing, which is possible only if a **credit matching grant** scheme is activated. Among various options it is advisable to choose a youth targeted approach.

2. Converting the only existing credit organization – ADB – into a micro-finance organization and assign this institution to manage the micro-finance facility, however, still with a matching grant mechanism and targeted project beneficiaries.
3. Create a Greenfield Microfinance Organization; supply it with initial capital and matching grant microfinance facility to initiate its operation. This is the most difficult option and shall take years before it will reach its sustainability. For example, it took 15 years to have two main microfinance institutions – Rural Finance Corporation and Microinvest, self-financing to certain extent.

Like in Moldova ten years ago, the private small businesses still play a very minor economic role of around 10% of gross domestic product (GDP)³ – compared to 50 to 70% elsewhere – shaped the further research and the subsequent recommendations. It is evident that any microfinance facility should address the very limited access of private small businesses to investment loans beyond one year and thereby contribute to the growth of the private small business sector that has the best potential for income and employment generation.

The limited role of the small business sector is caused by:

- 1) Historical domination of the large industrial companies in the region and thus main population being employed by them, with limited number of small business opportunities.
- 2) The late start of the economic transition process towards a market-based economy.
- 3) A non-enabling business environment, notably for small businesses, with bureaucratic and little transparent regulations for legal registration, taxation and import/export procedures.
- 4) The reduced availability of small business support programs, including business coaching and financial education.
- 5) A banking sector not addressing the financial needs of small businesses, as it lacks an appropriate small business lending technology.

³ Sub-chapter 5.1 reveals that around 92% of all 4'159 small businesses are in private hands. The support proposed in part 2 of this report is clearly addressing private small businesses. Nevertheless, this report refers thereafter to 'small businesses' or the 'small businesses sector' without any more highlighting the fact that there are also around 8% public small businesses.

The declining population of Moldova including the Transnistrian region, which seems to be mainly caused by a strong exodus of young migrant workers abroad, as the new labour market entrants, face limited employment opportunities and no support for self-employment. Their future prospects for income and employment and the lack of any systematic support for young entrepreneurs also shaped the scoping study in focusing on three comprehensive ‘access to finance’ surveys with altogether 65 entrepreneurs and 30 farmers who own and run small businesses that are either registered as legal entities or as sole proprietorships with one or more business patents. Around 25% of these respondents were young entrepreneurs (YEs) between 21 to 30 years.⁴

The key findings of the surveys conducted with 95 respondents aiming to assess the financial demand and further needs for small business development reflect the following:

26% of survey respondents used combined resources (bank loans and personal contribution) to start their business. Out of this category of beneficiaries 16% invested only borrowed resources from banks to launch their businesses. The average value of loans received was USD 2,750 while the median value was USD 2,000. 42% of respondents ranked the range of loan products as narrow and 32% consider them very narrow and 20% qualified them as insufficient.

When asked about the interest in applying for a loan in the next 12 months, 42% responded affirmatively, 25% were not certain and 33% were not interested. Respondents belonging to the group interested to get a loan, including those who were not certain would need loans cumulatively amounting 528,636 USD. **The average amount of a loan would constitute 8,900 USD.**

Commercial banks and microfinance organizations were most frequently listed as potential sources of credit (regardless of concern about being accepted) by respondents. 28 of respondents indicated they could address banks. The total number of people who indicated a MFO as a potential source of credit increased to 16, respectively.

48% of those who previously took a loan were generally not satisfied with the experience. Only 20% of respondents indicated the use of leasing services in the past; still 80% did not apply for a leasing by the time when the interviews were carried out. Only seven entrepreneurs have purchased crop insurance in the past. However, this number almost doubled when respondents were asked

⁴ This report refers to young entrepreneurs up to the age of 35 as a larger target group than the legal definition of youth up to 30 years only.

if interested in insuring their crops in the next 12 months. When asked about the reasonable cost per hectare, only three answers were provided with an average price of 242 USD per hectare.

In addition, the team analysed the financial sector and its current capacity to serve the financial needs of small businesses starting with the legal and regulatory framework, the financial sector infrastructure, and the retail banking services offered by the six currently active commercial banks. Moreover, it looked at the performance of the Agricultural Development Bank (ADB) that serves as agricultural policy bank in allocating stimulating and subsidized loans to agricultural companies, took a note of the credit lines' distribution among the commercial banks by the Public Reserve Fund (SRF), and overviewed the insurance sector.

The main findings of the financial sector analysis in regard to access to finance for small businesses are:

- 1) The commercial banks and the ADB do not practice a cash flow-based lending technology and do therefore hardly reach small businesses. Three commercial banks are interested in this technology and have made first steps in targeting small businesses, however, under their retail banking departments. With some technical assistance support, incentive (matching grant) for the clients and thus encourage banks to reduce risks provisioning when accessing more vulnerable clients and an effort by the banks, it becomes the most realistic approach in sense of practical application and timing, all other options taking essential time delay and resource allocation.
- 2) The commercial banks have almost no deposits beyond one year, limited capital and no other long-term liabilities to convert into investment lending, as well as no access to refinancing lines, except those offered by the "Public Reserve Fund", so that they mainly offer short-term loans up to one year only or credit lines that they can cancel and/or re-finance after a year.
- 3) There is little competition among the commercial banks that keeps lending rates high. The limited and narrow oligopolistic banking market facilitates a type of banking informal group agreement to limit competition from the viewpoint of the entrepreneurs interviewed.
- 4) The credit lines of the "Public Reserve Fund" and the ADB do not follow 'best global practices' in promoting financial inclusion, as they offer strongly subsidized loans that come along a credit rationing, fa-

vouritism and prizing of the larger clients and an obvious exclusion of small businesses. The local authorities still perceive the high interest rates as key obstacle for small businesses to access bank loans for rather than the lack of competition and business support programs.

- 5) The financial sector infrastructure is quite underdeveloped with no credit bureau; no external bank auditors, no bank training centre and other service providers so that the banks need to develop everything with in-house resources.
- 6) The banking legislation and regulation is inconsistent in regard to the status of the ADB and leasing activities.

The study concludes that small businesses face the same three main serious constraints in accessing loans as existed in all former transition economies that, in fact, continue to exist to varying degrees still today despite already 10 to 15 years of donor interventions in financial sector development:

- (1) **Insufficient collateral:** This constraint can be addressed by offering technical assistance (TA) to the banks for introducing a cash-flow-based lending technology that allows them to assess small business clients adequately and look at collateral as a complementary and secondary approach only to secure their loans. In addition, banking regulators need to understand this technology as well and relax, to a certain extent a feasible, the prudential norms for loan provisioning so that the banks – that apply professionally a cash flow-based lending technology – are not burdened by unreasonable loan provisioning requirements.

Another common donor approach is to provide matching grants for existing, early beginning and start up small businesses in order for them to access bank investment loans. The most successful SME development programs in Moldova started in early 2000 with matching grant, continued for a decade and only after all those efforts creditors became more reluctant to consider small business initiatives. The main rationale for matching grants is to trigger with a one-time subsidy economic multiplier effects within the targeted local economy. Success will be measured in terms of the percentage of targeted small businesses surviving in the medium to long term. The more survive and grow, the more they generate direct and indirect income and employment effects that may unleash growth of the local economy. Success mainly depend on (1) the right targeting of economic sub-sectors that create most value added, (2) sufficient and appropriate business coaching, and (3) a sufficient number of small businesses that reach the necessary scale to unleash growth of given economic sub-sectors and/or localities.

The main advantages of matching grants – compared to a credit line – are that they (i) reduce collateral requirements as the equity share of the entrepreneur will be enhanced by the matching grant which, as a result, will require a lower loan amount, (ii) allow access to investment loans even for small enterprise start-ups, and (iii) have a more direct stimulus effect for small businesses and thus a faster impact on the local economy. The disadvantage is a lower financial leverage effect.

Another important approach to overcome the insufficient collateral for investment loans would be the introduction of leasing activities, but this would first require the revision of the current leasing legislation which is a difficult process for an external actor. Partial loan portfolio guarantee is another option which is however not a feasible option for the region because of its particular status.

- (2) **Near absence of medium and long-term loans** because the commercial banks do not have access to adequate long-term resources: capital, deposits and effective long-term external refinancing facilities.
- (3) **Prohibitively high interest rates:** The only way to bring down interest rates effectively is to create a more enabling financial sector legislation and regulation, and, most importantly, thereby increase the competition in the banking sector. An improving macroeconomic stability is an important framework conditions that would help grow the banking sector and thus enhance competition.

It is thus recommended that the microfinance facility should facilitate investment lending to small businesses by providing TA to commercial banks in introducing a cash flow-based **small business lending technology and matching grants for young entrepreneurs (YEs)**. The rationale for proposing matching grants rather than a credit line are that the “Public Reserve Fund” already offers refinancing facilities for small businesses. A commitment is expected from the “Public Reserve Fund” to revise the conditionality of its credit lines to make them a mutually reinforcing instrument together with the microfinance facility’s offer of TA and matching grants.

The matching grants would allow the banks to reach smaller businesses, including start-up small businesses, and matching grants do create faster stimulus effects on the targeted small businesses and the local economy. Therefore, matching grants are likely to constitute the more effective incentive for the participating banks to offer investment loans to small businesses. They will also serve as an excellent entry point for further diversification and eventual expansion of microfinance services offer in Transnistria.

The findings from the interviews with entrepreneurs indicate a relative low level of financial business skills and experiences from elsewhere suggest that access to small business investment loans alone may not be sufficient to help expand small business operations sustainably and/or facilitate the establishment of potentially viable business start-ups. Furthermore, part 1 of the study reveals that there is a very limited supply of business training and coaching services in Transnistria, as there is also little demand yet from small businesses. Therefore, a microfinance facility **alone would be insufficient** to help promote small businesses as they need business coaching for planning and carrying out partly loan-financed investments. The business coaching will encompass, among others, the brokering of financial services that includes the preparation of business plans and corresponding investment loan applications and negotiations with lenders.

The AID consultants propose a combined budget for the Microfinance Facility for Young Entrepreneurs (MFFYE) and the complementary Business Coaching Program for Young Entrepreneurs (BCPYE) of around USD 5 million for a first three-year phase of what they consider as a minimum for both (i) facilitating a systemic market change in the Transnistrian region towards a significantly improved access of small businesses to loans and notably investment loans and (ii) creating a significant development impact on around 450 small businesses owned and run by YEs.

The BCPYE will start half a year prior to the MFFYE. Its first phase will last for three years whereas the first phase of the MFFYE will be 2,5 years. An external mid-term evaluation is recommended after two years to assess progress made and to identify possible follow up actions for a second phase, such as (i) an extension to deepen progress made, (ii) promotion of leasing services, (iii) a credit line as an entry point for accessing established donor-led refinancing facilities, (iv) creation of a greenfield financial intermediary in the case that the commercial banks have little commitment to lend to small businesses, and (v) promotion of a sustainable rural finance sector.

The proposed first phase of the MFFYE and BCPYE as such would already provide a direct economic stimulus of around USD 4,75 million for the economy of the Transnistrian region. Around USD 0,2 million are required for TA, training, coaching, as well as monitoring and managerial services by the two consultancy companies, one with a strong regional track record in down-scaling of commercial banks, and with a strong regional track record in small business coaching with a focus on financial brokerage services for small businesses.

INTRODUCTION

A Request for Proposal “to conduct a Market Survey of the Microfinance Sector in the Transnistrian Region of Moldova” was launched on the UNDP’s website on 25.4.2012. The Market Survey should comprise both: (i) a scoping exercise to gather background information and analyse opportunities for the microfinance sector development in the Transnistrian region; and (ii) a feasible solution with practical recommendations on the modality of launching and running a microfinance facility in the Transnistrian region or extending an existing microfinance arrangement into the region (refer to the TOR in annex 1).

Alternative Internationale de Dezvoltare (AID) was awarded the contract in consortium with the Centre for Analytical Research “New Age” based in Tiraspol to conduct “a Market Survey of the Microfinance Sector in the Transnistrian Region of Moldova”. AID mobilized its senior consultants with extensive national, regional and international experience in banking, financial sector legislation and regulation, and small business development who worked with Transnistrian consultants from “New Age” to undertake a scoping study on the microfinance sector with support from a senior international financial sector development consultant.

In fact, AID broadened its study to assess the entire Transnistrian financial sector, as a microfinance sector as such does not exist in Transnistria with only the Agricultural Development Bank (ADB) as a non-banking financial institution (NBFI) established in 2011. Moreover, there is little clarity in well distinguishing microfinance from the rest of the financial sector that is largely dominated by six commercial banks. AID followed international ‘best donor practice’ of the global microfinance platform of the Consultative Group to Assist the Poor (CGAP; www.cgap.com) in assessing the scope, challenges and potential of financial inclusion for small businesses in the Transnistrian region. It thereby distinguished small businesses into individual entrepreneurs holding one or more patents as well as micro and small enterprises that include ‘peasant farms’⁵.

Therefore, the AID consultants have not only evaluated the access to credit, but also assessed the availability and access to other financial services, like leasing, savings, payment services, and insurance. AID – together with “New Age” – conducted a first survey of 50 entrepreneurs during the second week of November 2012 and another 45 entrepreneurs during the third week of December 2012, including 30 farmers. The AID consultants also met the key representatives of the Transnistrian financial sector and other stakeholders from local authorities to get the understanding of the development potential, challenges and priorities in the Transnistrian region of Moldova for broadening and deepening financial inclusion and thereby stimulating private sector growth and employment generation.

⁵ Peasant farm is an association of citizens bound by kinship and (or) property owing common assets/belongings and who jointly undertake activities related to production, primary processing, storage, transportation and marketing of agricultural products(Law on Peasant Farms (CA3 04-22), may 24, 2004)

REPORT COMPOSITION

Part I: STUDY OF THE TRANSNISTRIAN FINANCIAL SECTOR REGARDING ACCESS TO FINANCE FOR SMALL BUSINESSES

Chapter I explains the methodology applied in developing the study. **Chapter II** provides an overview of the regulatory framework of the financial sector comprising the banking and insurance sector. It concludes with a SWOT analysis of the regulatory framework for the financial sector regarding the deepening of access to finance for small businesses. **Chapter III** summarizes the facilities and services available for financial institutions which are referred to as financial sector infrastructure according to CGAP terminology. **Chapter IV** assesses the financial sector by covering the commercial banks, NBFIs, including the Bank for Agricultural Development, insurance companies, and also the subsidized small business lending program that started disbursing soft loans through the commercial banks in 2012. It concludes with a SWOT analysis of the Transnistrian financial institutions regarding their capacity to expand access to finance for small businesses.

Chapter V offers an overview of small businesses that encompass individual entrepreneurs and micro and small enterprises, including 'peasant farms', out of the total business sector in order to gain an understanding on the current and future potential role of small businesses in generating economic growth and employment. In the absence of clear definitions for various types of small businesses, it was a challenging task to come up with a somehow reliable estimated breakdown of types of small businesses that would constitute the target sector for any potential support by UNDP or another donor in promoting financial inclusion.

Part II: RECOMMENDATIONS FOR LAUNCHING AND RUNNING A MICROFINANCE FACILITY

Based on the in-depth analysis of the Transnistrian financial sector and the estimated met and unmet financial service demand by small businesses in part 1 of the report as well as the exchanges with representatives of the most important financial institutions and other relevant stakeholders responsible for economic development in Transnistria, the AID consultants recommend a microfinance facility for YEs with complementary small business coaching, notably in financial brokerage.

Chapter I explains the methodology applied in arriving at the main recommendation to establish a microfinance facility for YEs with complementary business

support. **Chapter II** outlines the proposed institutional arrangements and the main features of the combined matching grant and investment loan financial instrument of the proposed microfinance facility. It also outlines TA offered to the participating banks in small enterprise lending with focus on cash flow-based small business loan appraisal.

Chapter III outlines the proposed institutional arrangements and the main features of the small business coaching program that complements the microfinance facility for YEs. It also outlines TA offered to the participating Transnistrian service providers in small business plan preparation and coaching – notably in financial brokerage services – that need to be appropriate for the prevailing economic and regulatory conditions in the Transnistrian region.

Chapter IV provides an overview of the proposed budget for both the microfinance facility and the small business support program according to two scenarios in the regard to the potential scope, as AID has not received any information of the potential donor funding commitment. Chapter IV outlines five options under various scenarios for a potential second phase of the microfinance facility.

PART I

OPPORTUNITY STUDY OF MICROFINANCE SERVICES IN THE TRANSNISTRIAN REGION

I. Methodology

The AID consultants applied a mix of the following review methods in preparing the scoping study on the Transnistrian financial sector with a view to enhance access to finance, mainly credit, to small businesses:

- 1) Desk study by the AID banking, financial sector regulation, and small business consultants of the printed statistics, magazines, newspapers and internet as the available public information sources on the Transnistrian financial and small businesses sectors as well as on employment and population data, apart from the small and medium enterprise development study⁶ mandated by UNDP in 2010.
- 2) Additional data collection and analysis in cooperation with Transnistrian banking, financial sector regulation, and small business consultants through AID's sub-contract with the Centre for Analytical Research "New Age".
- 3) Design, implementation and analysis of a first survey of 50 business patent holders (BPHs) and micro and small enterprises on their financing and borrowing patterns and needs for financial services. The AID small business consultant designed the interview questionnaire (refer to annex 4) and analysed the answers whereas "New Age" carried out the interviews. However, the first survey posed challenges as only the more confident entrepreneurs dared to respond to the survey whereas many declined for various reasons to participate in the survey. Most of the respondents were young (between 20 to 35 years), energetic, entrepreneurial, and ready to expand their business activities. 80% of them were BPHs and around 10% owned MEs. Most of them were engaged in trade, services, and petty commodity production.
- 4) As the sampling of the first survey was biased towards the more successful entrepreneurs, the AID consultants designed two more specific surveys – 30 for 'peasant farms' and 15 for small businesses not

⁶ However, this study provides little concrete and practical insights into the private business sector in Transnistria that could serve as a reference for this report.

engaged in agricultural production – that were carried out during the second half of December 2012. They ensured a higher level of a more random sample selection methodology (refer to questionnaires in the annexes 5 and 6).

- 5) The AID consultants cross-checked the analysis of the collected data with top managers from three commercial banks and the ADB and discussed with them options for promoting financial inclusion in Transnistria, notably on how to facilitate the access to credit and business skills of YEs.

II. The regulatory framework of the financial sector

The financial sector of the Transnistrian region consists of bank and non-bank market. The banking market is represented by banks and other credit institutions and non-bank market – leasing and insurance companies. Additionally some efforts are being made for the development of certain elements of the stock market.

2.1 The regulatory framework of banks and other credit institutions

The Transnistrian region of Moldova has a two-tier banking system. The “Law On the Central Bank of Transnistria” (№212-3-IV of 07.05.2007) stipulates that the “Central Bank” has to safeguard both monetary stability of the Transnistrian Rouble (TR)⁷ and the stability of the banking sector. The Central Bank is in charge of monetary policy as well as banking regulation and supervision. It sets the rules for credit institutions on accounting and reporting, internal control, preparation and presentation of financial and statistical reporting as well as prudential norms.

The “law on banks and banking activity” (№C3MP 93-2 of 01.12.1993) constitutes the basis for commercial banks (though the law mentions the Savings Bank specifically, although there is no different regulatory framework compared to other commercial banks) regardless of their private (including foreign investments) or public ownership.

The law also specifies that:

- Bank, which in accordance with the law and on the basis of licenses (permits) issued by the Central Bank, holds the right to obtain funds from

⁷ The TR was introduced in 1994 and experienced soon after hyperinflation with a new TR introduced in 2000.

businesses and individuals and on its behalf place them on own terms of repayment and maturity and perform other banking operations.

- Some banking operations can be carried out by other lending institutions (Non-banking credit organizations NBCO), not banks, licensed to carry out certain banking transactions.
- In order to finance specific targeted programs special banks (development banks) can be created on the terms and conditions stipulated by the relevant acts:
 - “Law on the Agricultural Development Bank” (№264-3-I of 13.12.2010): The Agricultural Development Bank (ADB) currently 100% owned by the authorities is open for agricultural companies to become shareholders. The law mentions the substantial financial support for the ADB from the Russian Federation (refer to the operations in sub-chapter 4.2).

Regulation of commercial banks and credit institutions is executed by the “Central Bank” through a set of rules and regulations in the form of directives, decisions and instructions. Regulations of the “Central Bank” specify the procedures on creation and liquidation of credit institutions and their departments, the regulation and supervision of credit institutions, currency regulation and control, operations and transactions of credit institutions. They also define and explain accounting standards, banking statistics and reporting, as well as the issues of combating legalization of illegally obtained income. All the normative acts of the “Central Bank” are regularly and integrally sent to all registered credit institutions. The “Central Bank” instruction “On the order of regulation of credit institutions” from November 9, 2007 was designed to establish methods of calculation of the number of mandatory standards for banks and non-banking credit organizations.

Regulation of non-banking credit institutions, performing certain banking transactions, is undertaken out on the basis of the Regulation “On Credit Organizations engaged in certain banking transactions” on November 9, 2007 n 83, which sets the eligible list of transactions for credit institutions performing certain banking operations, as well as features of the regulation of their activities by the “Central Bank”.

There are three types of credit organizations with different rights as described in annex 1. The “Central Bank” sets for each individual credit institution a ceiling in terms number of transactions. Credit organizations are not entitled to accept deposits from individuals. The “Central Bank” issued the following acts on the prudential norms:

Table 1: Acts on prudential norms

Standards and Prudential Norms	Bank	Act (title, date)	NBCO credit organization (CO)	Act (title, date)
Min. registered capital (net worth calculation)	60 mln. TR (5.4 mln USD) ³ 80 mln. TR (7.2 mln USD) 100 mln. TR (9.0 mln USD)	Central bank Directive "On establishing the minimum capital of the newly established bank and the minimum amount of own funds (capital) of the current bank" from 30 May 2012	I category, equivalent to 500.0 thousand USD; II category, equivalent to 100.0 thousand USD; Category III, equivalent to 100.0 thousand USD;	Regulation "On CO engaged in certain banking transactions" from November 9, 2007 № 83
Reserve requirements (% of voluntary deposits)	6% of the CO liabilities in TR 12% of the CO liabilities in foreign currency	Regulation "On CO's obligatory reserves" №80-P, 14.08.2007 Instruction "On establishment of norms for obligatory reserves" as of 15.08.2012	CO of the I and II category, allowed to attract savings 6% of the CO liabilities in TR 12% of the CO liabilities in foreign currency	Regulation "On CO's obligatory reserves" №80-P, 14.08.2007 Instruction "On establishment of norms for obligatory reserves" as of 15.08.2012 Regulation "On CO engaged in certain banking transactions" from November 9, 2007 № 83
Max. exposure to single borrower (based on net worth)	Max. 30%	Central Bank Instruction "On the order of regulation of credit institutions" from November 9, 2007	Max. 30% CO of the I and II category, allowed to issue loans	Central Bank Instruction "On the order of regulation of credit institutions" from November 9, 2007 Regulation "On CO engaged in certain banking transactions" from November 9, 2007 № 83

³ 11,1 TR = 1 USD as of 20.12.2012

Max. exposure to related parties	Max. 20%	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007	Max. 20% CO of the I and II category, allowed to issue loans	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007 Regulation “ On CO engaged in certain banking transactions ” from November 9, 2007 № 83
Liquidity ratios: Quick ratio Current ratio Long-term ratio	Min. 20% Min. 50% Max. 120%	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007	I and II category CO Min. 20% Min. 50% Max. 120%	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007
Capital adequacy / Solvency ratio	H1 (report of overall own capital to assets value, weighted by the risk level), min. 8% H1.1 (report of net assets to the statutory capital), min. 100% H1.1 is applicable only to CO in operation for 2 and more years	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007	I and II category CO H1 (report of overall own capital to assets value, weighted by the risk level), min. 8% H1.1 (report of net assets to the statutory capital), min. 100% H1.1 is applicable only to CO in operation for 2 and more years	Central Bank Instruction “ On the order of regulation of credit institutions ” from November 9, 2007
Loan classification / provisioning: • I (standard) • II (special loans) • III (substandard) • IV (doubtful) • V (loss)	• 0% • 1 – 20 % • 21 – 50% • 51 – 100% • 100%	Regulation No 91-P (SAZ 09-51) from 10.11.2009 “ On the order of formation and use of credit institutions risk fund ”	• 0% • 1 – 20 % • 21 – 50% • 51 – 100% • 100%	Regulation No 91-P (SAZ 09-51) from 10.11.2009 “ On the order of formation and use of credit institutions risk fund ”

The data in the table indicates that the banks, as well as NBCO must meet all prudential norms, which are strict enough. To monitor the implementation of prudential regulations “Central Bank” has developed specialized reporting system, which is submitted by CO. Reports are developed by credit institutions on paper for the first day of each month and should be submitted to the Central Bank within three working days following the reporting period. Credit institutions are required to comply daily with the established mandatory standards and prudential rules.

The Agricultural Development Bank (ADB) is regulated by a supervision committee (according to Art. 13 of the special law referred to in section 2.1.1) encompassing the chairperson and deputy chairperson of the “Supreme Council”, representatives responsible for Transnistrian financial and economic affairs, and the director of ADB.

In the Republic of Moldova there are no special provisions that facilitate the access to microfinance services, except for the NBM Regulation no 33. on approval of the Regulation on the classification of assets and contingent liabilities № 231 of 27.10.2011, which defines a special classification of consumer loans of up to 30 thousand MDL (2500 USD) to individuals and loans granted to legal entities, individuals engaged in business activities, as well as representatives holding a professional lawyer or notary activity, in the amount of 100 thousand MDL (8300 USD). Consumer loans are not guaranteed by collateral or other type of guarantees. The return of loans is based on a consumer commitment and internal procedures of the bank. As for the loans amounting to 100 million lei (8300 USD), they are guaranteed in whole or in part by financial guarantees issued under special projects by international financial institutions and legal entities, engaged in activities related to provision of guarantee to loans. This provision allowed banks to offer their customers more microfinance services.

The regulatory framework of the banks and other credit organizations in Transnistria corresponds to the common practice in the region and does not restrict banks and other lending institutions in fulfilling separate microfinance operations for small businesses.

2.2 The regulatory framework of non-bank financial institution

2.2.1 Leasing operations

Currently, legal regulation of leasing operations has two main sources the “Civil Code” and a special Act from 21.01.2005 № 523-S-III “On financial rent (leasing)” (the “Law”). Leasing is defined as banking activity. Banks and leasing companies enjoy tax exemption on incomes derived from the provision of long-term loans for a period exceeding five years, if lending rates not exceed the current rate refinancing rate (Art. 23). They can also apply accelerated depreciation rates (Art. 20). The law entitled “On tax on income of organizations” set the income tax rate from leasing activities at 6.5%.

2.2.2 Insurance and reinsurance companies

Insurance activity is regulated by the “law on Insurance Business” (№ 392-W-IV of 21.1.2008), which governs the relationship between those working in the field of insurance, or with their participation, principles to exercise control (supervision) on the operation of insurance entities, as well as other relationships related to the organization of insurance business.

To ensure the financial stability of the insurer, the insurance reserves and own funds of the insurer must be guaranteed with the assets corresponding to the requirements and standards of diversification, liquidity, repayment and profitability, while the insurers also need to have a fully paid statutory capital, the amount of which shall not be lower than the present law minimum capital requirement that must be:

- Min. 300,000 TR⁹ (172 973 USD)- for insurance services other than life insurance, with the exception of professional liability insurance risk for private notaries,
- Min. 400,000 TR-(230 630 USD) – for life insurance,
- Min. 500,000 TR-(288 288 USD) – for reinsurance, as well as combination of insurance and reinsurance,
- Min. 200000 TR-(115 315 USD) – for professional liability insurance risk for private notaries.

The maximum amount of liability insurance (reinsurance) under a separate contract of insurance or reinsurance shall not exceed 30% of the own equity and insurance reserves.

⁹ 1 PUM3Π = 6,4 TR

2.2.3 Regulations on financial transactions and their enforcement

In parallel with banking operation and its typical financial transactions, market financial transactions can be also made and by other means and instruments. To do this, there is a law that regulates capital market of the Transnistria region.

The “law on the Securities Market” defines the regulation of relations, establishes general provisions of the securities market, measures to protect the interests of investors, as well as the relations emerging in the process of state regulation of the securities market.

The law “On Currency Regulation and Currency Control” dated from June 6, 1995, defines the principles of currency transactions in Transnistria, the powers and functions of currency regulation and currency control, the rights and obligations of legal entities and natural persons in respect of the ownership, use and disposal of currency values, responsibility for violation of currency laws. It stipulates that only banks can deal with foreign currency whereas NBFIs are restricted to operate exclusively in TR. The following acts describe the rules and procedures for cash transactions:

- Regulation “On the rules of the organization of cash circulation in Transnistria” from April 11, 2012,
- Regulation “On the order of cash transactions in Transnistria» from 17 January 2012,“
- Instructions on non-cash payments in Transnistria” from October 12, 2002.

Actually, methods of enforcement of the contract are not reflected either in separate acts or in the legislation. Today general measures of enforcement are envisaged (Article 44 of the Law “On Enforcement Proceedings”).

Currently, the legal framework of the enforcement of contracts is fixed:

- The Constitutional Law from 9.08.2005N 620-BB-III “On the Judicial System of the Transnistria”;
- The Civil Code (hereinafter – CC);
- The Arbitration Procedure Code (hereinafter – APC);
- Code of Civil Procedure (hereinafter – the Code of Civil Procedure);
- The Law from 25.10.2005 № 649-3-III № “On Enforcement Proceedings”;

- The Law from 25.10.2005 № 647-W-III “On Bailiffs”;
- Law from 19.06.2006 № 48-W-IV “On Insolvency (Bankruptcy)” (hereinafter – the Law on Bankruptcy)
- “Instruction on the assessment and reassessment of the property seized by court officers” (approved by Decree of the Minister of Justice on 04/06/2010 PMR).

Transnistrian regulations pertaining to the non-banking financial market do not establish any administrative or other barriers towards the microfinance activities. However, these activities are very restricted and cannot be applied as basic activity, which could lead to legal, fiscal misunderstandings and abuses of customers, which would also compromise from the start the idea of microfinance services provision.

In Moldova microfinance activities, besides those listed, are also practiced through SCAs and microfinance organizations:

For their work to have an organized character were adopted:

- Law on Savings and Credit Associations no. 139-XVI dated 21.06.2007, which aims to protect the rights and legal interests of SCAs members’ and regulates relations arising from the persons’ right to freedom of association by creating savings and loan associations.
- Law on microfinance organizations no. 280-XV dated 22.07.2004, which sets out the legal framework and peculiarities of setting up of microfinance organizations and their activities, providing conditions to protect the rights and interests of creditors, donors, beneficiaries and the founders, members and shareholders of microfinance organizations.
- Apart from this there are a number of regulations and decisions developed and adopted by NCFM, these acts regulate most of Savings and Credit Associations (SCAs).

2.3 Accounting and Auditing

The regulatory framework for accounting system consists of a combination of set of laws, regulations and other documents related to book-keeping, the main of which being listed below:

- The Law on book-keeping and financial reporting (as of 17.08.2004, N 467-3-III (CA3 04-34).
- The Order of the Ministry of Finance “On approval of the chart of accounts for the financial and operation, and instruction on use of the chart of accounts” (as of 29.06.2009, SAZ 09-33).
- Regulation of the Central Bank “On the rules to keep accounting records in credit organizations (N99-p as of 01.06.2010, SAZ 10-23).
- “Principles of preparation and development of financial reporting”, (Annex to the MoF Order N94 as of 13.04.2009).

These regulations specify that all organizations, regardless of the form, registered in the Transnistrian region, as well as branches and representative offices of foreign companies, are required to keep records and to submit financial statements.

Composition, content and shape of the financial (accounting) statements of economic entities is determined by normative acts of the leader of the Transnistrian region, and in terms of accounting (financial) statements of banks and credit institutions – regulations of the Central Bank.

Audit activity is carried out on the basis of the Law “On Auditing in Transnistria” of 28.11.1995 and Decree of 01.04.2008 № 209 “On approval of the Regulation on Audit Commission, the Regulations on the procedure for certification on the right to perform an audit of the Commission on audit” (SAZ 08-13), which define the framework for the implementation of auditing as an independent financial control in the Transnistrian region.

The accounting system designed for banks enables to maintain accounting records and generate appropriate financial reports on microfinance activities, but it is only applied for banks and NBCO. In Moldova, for this purpose, a National Accounting Standard 63 “Presentation of information in the financial statements of savings and credit associations and similar institutions” with relevant comments for application was developed.

This Standard establishes accounting rules specific to savings and credit associations and other institutions engaged in similar activities, presents the information of their financial reports and extends towards savings and credit as-

sociations and microfinance institutions and their branches, which do not fall under the Law on Financial Institutions.

2.4 SWOT analysis of regulatory framework of financial sector for small businesses

The regulatory framework of the financial sector in the Transnistrian region has been improving in recent years, but is less enabling than the one in Republic of Moldova. The SWOT – analysis of the legislative and regulatory framework of the financial sector regarding access to finance for entrepreneurs and private micro and small enterprises is summarized as follows:

Table 2: SWOT – Analysis of the regulatory framework of the financial sector

Strengths	Weaknesses
<ul style="list-style-type: none"> • Availability of legal acts only in a general way to ensure the creation of MFIs: <ul style="list-style-type: none"> - Article 7 of the Law “On Non-Commercial Organizations”, giving the possibility of business activities by the fund; - Articles 51, 125, 128 of the Civil Code governing the possibility of establishing consumer cooperatives, mutual societies lending. • Absence of direct ban on dealing of “mutual credit” by non-credit institutions: on the one hand, legislation permits to provide loan for interest, on the other hand, the receiving (attraction) of personal savings for temporary use (for individuals) or temporarily free funds (for legal entities) <p>The law allows applying a mechanism of attracting micro-savings as a share in the co-operatives.</p> <ul style="list-style-type: none"> • Absence of external oversight of IFIs (the control of the Central Bank). • Responsibility of non-profit foundations to publish reports on the use of the fund. • Do not contain any restrictions on the composition of the Fund’s founders, consumer cooperatives and their enjoyment of property rights. • No special registration and licensing of MFI activities. • Absence of external regulation of interest rates. 	<ul style="list-style-type: none"> • Inconsistencies between the Civil Code and new commercial laws: e.g. “insurance object” is defined differently by the Civil Code (Art 1047) and the “Law On Insurance Business” (Art. 4) • Lack of specific laws and regulations of different levels: <ul style="list-style-type: none"> - On consumer cooperatives; - On cooperatives of Mutual Credit; - On credit unions; - On private pension funds, and others. • Inapplicability of standards set in the Law “On Banks and Banking Activity” to the regulation of microfinance services; ignoring the peculiarities of formation and development of MFIs. • Unlimited rights of Central Bank intervention in the activities of credit institutions by issuing directives, regulations and instructions. Central bank has a right to set the rules for banking, lending institutions register and supervise their activities, determine the amount of mandatory standards for credit institutions. • Prohibition of non-profit organizations to attract savings. • The absence of an effective mechanism for redress.

Opportunities	Threats
<ul style="list-style-type: none"> • No minimum capital to start activity provides easy access to start micro financing activities. • The regulatory system of Transnistria allows the existence of different (by forms and levels) organization of financial institutions. This fact provides a variety of sectors, provides microfinance services. • Absence of discretionary limits for attracting of donor funds non-governmental organizations. 	<ul style="list-style-type: none"> • Regulatory framework of Transnistria does provide clear exceptions from general credit regulatory standards for financial services carried out informally, making them punishable. • No requirements for audits and evaluation of audit reports, which do not provide reliability of MFIs. • No hard and fast rules of diligence (reserve requirements, terms and amount of the loan, the percentage of capital security facilities available, etc.), it does not protect the rights of borrowers. • Lack of regulatory for IFIs encouraged ordinary banks to penetrate into the market of microfinance services.

In conclusion, the current legislative and regulatory framework is rather unfavourable for any type of microfinance operation and microfinance institutions (MFIs), regardless of private or co-operative ownership because no adequate legal basis exists so far for MFIs and thus no specific regulatory provisions exists for MFIs.

Generally, it is possible to undertake microfinance operation within the existing regulatory framework. However, it might require a series of significant regulatory improvements to make the legal foundation not just permissible, but also stimulatory and facilitating microfinance sector development in Transnistria.

III. Financial Sector Infrastructure Overview

There is no **central clearing and payment system** operated by the “Central Bank” of Transnistria (CBT). The six commercial banks offer money transfer services within their own branch networks and maintain money transfer arrangements with limited number of foreign partners. Settlement of accounts among the six banks is done either on mutual agreements or via the CBT, which acts as a third party intermediary.

In the Republic of Moldova central clearing and payment system for financial sector was established and managed by the National Bank of Moldova (NBM) since 1991. Within that period it has been a subject of continuous improvements and adjustments towards “best practices” and in accordance to Basel II requirements. Nowadays the central clearing and payment system in RM assures the transparency of banks activities as well as of their customers, prevent money-laundry operations, and ensure correctness and timely payments and clearing.

There is no **credit bureau system** in place in the Transnistrian region, although there are discussions about the need for it during the past five years. The practice of sharing credit information among the banks seems not to be a common practice. In RM credit bureau is in place as a result of about 10 years’ joint efforts of International Financial Institutions (IFIs), external donors, NBM, commercial banks and other financial market actors. The very first discussions started in 1995 due to borrowers’ “migration” among the commercial banks and became finally viable once most of involved actors respected the main principles – voluntary and necessity.

The credit history bureaus launched its activity in Moldova since 2011, providing services related to creation, processing and storage of credit history, as well as to issuing the credit reports. The credit history bureau registers information providing services agreements concluded with 17 entities – sources for creation / users of credit history, represented by 15 commercial banks, one leasing company and one microfinance organisation. According to the specialised report data submitted to National Commission on Financial Market (NCFM) by the credit history bureaus, as of 31.12.2011, the following is registered:

Table 3: Performance indicators

Performance indicators		Individuals	Legal entities	The overall value since the database creation
Number of credit agreements concluded by the credit histories sources		121 753	15 442	137 195
Number of credit histories registered in the credit history bureaus database		94 238	5 577	99 815
Number of submitted credit reports	Commercial banks	53 034	6 263	59 297
	Credit history subjects	75	42	117

Thus, out of the whole number of credit agreements, 72.75% are submitted to the credit history bureaus, while the number of requested by the users credit reports represents 43.22%. It is due to few reasons: more than one active agreement is concluded by one person, the disagreement of the credit history subject to submit the information to the credit history bureaus, the impossibility of credit history creation because of the persons that do not hold state or personal identification number, etc.

The Banking Association, being the only financial sector professional association, has been established in 1995 and aimed at stabilizing the financial system, strengthening co-operation with foreign banks, and lobbying for better legal and regulatory framework. Its role appears to be very limited toward the rapid implementation of legislative changes.

The Banking Association in Moldova has similar activities with some specialised trainings, most of them for young bankers. It also tries to get involved in legal framework development and sometimes it manages to lobby for its member interests, however, the representation function is not that strong (www.abm.md).

The Transnistrian **service industry** for the banks is tiny little due to the limited financial market and no capacity-building support offered by government or donors. Table 4 lists the types of services offered to the banks, the respective service companies and their service package.

Table 4: Overview of service providers for financial intermediaries

Type of service provider	Nº	Name of company	Service package and Comments
Auditing	1	Audit-Plus	Significant shortage of staff, only 2 auditors accredited
Credit Bureau	0	-	No
Banking IT	0	-	All in-house
Bank Training	0	-	Banks invite trainers from Russia or send staff there
Bank Accounting	0	-	All in-house
Evaluation of real estate and/or other physical collateral (machinery & equipment)	1	Consulting Business Solutions	Business Advisory (mainly business plans)
	2	Audit-Plus	Also business planning, training
	3	First Capital City Consultancy	Large spectrum of services (focus on funds raising)
	4	Interekonomservis	Business Advisory (mainly business plans)
	5	Srvetnik	Business Advisory (mainly business plans)
	6	Tian groups	Business Advisory (mainly business plans)

Obviously due to massive external IFIs and donor support, the banking service industry in Moldova has evolved faster toward a modern banking operational framework, based on international standards and the global best practice in its operation. The “custom” for external audit was introduced in 1995 by the European Bank for Reconstruction and Development (EBRD) for two local banks: Moldova-Agroindbank and Victoriabank that applied for credit lines (5mln USD, 4 years, designed for SMEs investment lending). Then, since RM signed Basel II agreement, it becomes mandatory for all commercial banks. It mentions the presence of four¹⁰ out of five world biggest auditing companies and the legal requirement that force commercial bank to change them once in four years on a tender base.

Development of **real estate valuation and IT sectors** in RM has provided an attractive opportunity for commercial banks to outsource these activities and considerably reduce operational costs and avoid so-called conflict of interest. This process also was implemented in 2003-2004 by two banks mentioned above as a result of cost-efficiency analyses and auditor’s recommendations.

¹⁰ PricewaterhouseCoopers, Deloitte& Touche, Ernst&Young, KPMG, except Arthur Anderson

The asset valuation and IT in commercial banks of Transnistria are still executed in-house, which brings essential overheads and opens the doors for potential internal functional abuses.

The financial sector infrastructure in Transnistria is very rudimentary and there is limited demand from the present six commercial banks for services in accounting, bank IT and software applications, audit, credit rating, bank training, as well as real estate and other physical collateral valuation. This is because the commercial banks hold most of these services in-house, including their own mortgage departments or affiliated firms. Noteworthy is the serious shortage in qualified auditors and real estate valuers. In fact, there are no licensed bank auditors, although commercial bank should be audited annually according to the banking regulation in line with such normal standards elsewhere. The lack of regular external audits of the commercial banks strongly undermines their reputation in their dealings with banks from outside Transnistria, as well as in potential donor programs, as outlined in part 2 of this report.

In conclusion, market entrance opportunities for new financial intermediaries in the small business lending market are very unfavourable with almost absence of banking service industry. The establishment of new microfinance institutions would thus be prohibitively expensive, as the donor agency would either need to establish an apex structure for the new entities that provide the required accounting, audit, IT and soft applications, and bank training services or develop a basic banking service industry.

This calls for the need ***to identify the most suitable financial intermediaries as partners*** for any program that attempts deepening the financial access for small businesses.

The sustainable growth of bank lending to small businesses is seriously constrained by the lack of a credit bureau. There is growing global recognition that a functioning credit bureau is a key factor in avoiding client over-indebtedness. The market-oriented commercial banks would definitely welcome availability of credit histories archive, but other banks may not be interested in a more transparent lending market. The former would prefer a private company to run the credit bureau, but the most likely potential set up would be under the “Central Bank”.

It is to be mentioned that two private credit bureaus have been launched in Moldova in the beginning of 2000th, but only in 2005 the first entity opened its operation. The second followed in a year later. However, both private credit bureaus failed and, after an aggressive marketing campaign, they slowed down and basically ceased their operation in few years.

IV. Financial intermediaries, services and clientele

4.1. Commercial banks

There are six commercial banks in the form of joint stock companies with a general bank license with 21 branches (compared to 24 units on 01.01.2011). There are also 6 credit institutions performing certain types of banking operations and relating to category III (7 – a year earlier).

The banking institutions' saturation factor of the region (the number of banks by 100 thousand people) for the financial year is estimated to increase from 1.2 to 1.4. The trend of narrowing the territorial infrastructure remained marked in the previous year.

Thus, the number of offices (with limited spectrum of services) of commercial banks fell by 10 units and at the end of the year were 279. In terms of geographical coverage, the highest concentration of branches and offices is recorded in the cities Tiraspol and Rybnitsa where around 50% of all bank clients reside.

Table 5: Structure and dynamics of the consolidated balance sheet liabilities of commercial banks

Balance Sheet	At 01.01.2009		At 01.01.2010		At 01.01.2011		At 01.01.2012		Growth rate,%
	Mln. \$	Weight, %	Mln. \$	Weight,%	Mln. \$	Weight, %	Mln. \$	Weight, %	
1. Deposits	365	46%	376	46%	383	67%	376	67%	126%
2. 'Central Bank' refinancing & inter-bank loans	338	43%	348	42%	91	16%	75	13%	27%
3. Own funds thereof equity	85 71	11% 9%	99 82	12% 10%	95 76	17% 13%	108 90	19% 16%	130% 128%
Total	788	100%	824	100%	569	100%	559	100%	84%

Capital. The share capital of the banking system increased by 28% during the examined period. In terms of the capital growth a significant increase of share capital within the banking system was achieved by CJSC "Sberbank of Transnistria" (2.2 times).

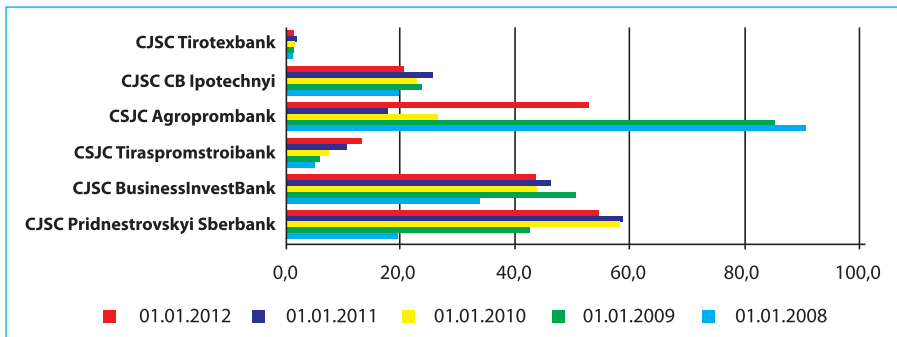


Figure 1: The change in share capital for each of the six commercial banks (in million USD)

The observed increase of the banks' equity, as on January 1, 2012, is a result of the improving reliability of the banking system that is reflected by equity/liabilities ratio, growth up to 23,9%, as well as capital adequacy ratio reached 62,3% while set at a minimum of 8,0%.

Deposits. The main source of the banking sector liabilities are term deposits that decreased by USD 1'261,2 million for the reporting period. By 1.1.2012 the volume of fixed resources was USD 184,9 million, which corresponds to 18,4% of Transnistria GDP, while as on 1.1.2009 amounted 176,4% of GDP.

Deposits overall are stable, but with wide variations among banks, as illustrated in figure 2, less refinancing demand by banks due to declining loan demand. In 2011 compared to 2010 an increase in the deposit portfolio which is provided, mainly, by almost three-fold increase in the volume of attracted funds from enterprises and organizations. This fact was due to the massive expansion of placements in foreign currency (from 113,9 to 145,2 million USD), which is concentrated primarily in one bank (CJSC "Agroprombank"). Excluding the impact of customers operations, the total amount of business entities deposits in banking system decreases by \$ 1,2 million or 19%.

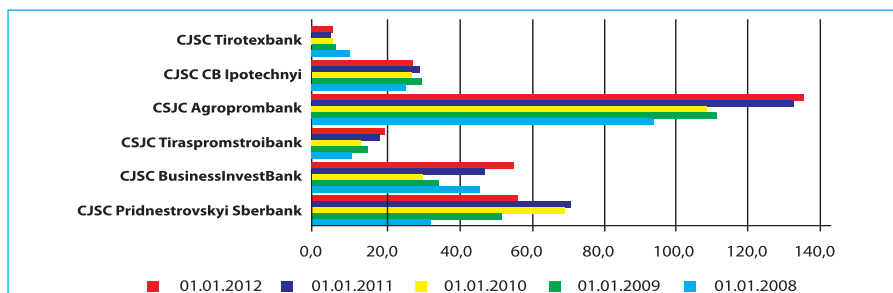


Figure 2: Dynamics of time deposits in the context of commercial banks, million USD

Analysing banks deposit base, we could note the high concentration of private placements. Thus, the maximum share of the deposit market is owned by two banks: CJSC “Sberbank Transnistria” and PC “BiznesInvestBank” (together about 58%).

Table 6: The weighted average interest rate, % per annum

Types of deposits	Individuals			Legal Entities		
	2011	2012	Deviation	2011	2012	Deviation
TR up to 1 year	9,2	12,8	+ 3,6	5,7	4,9	-0,8
TR over 1 year	15,2	14,5	-0,7	6,4	7,4	+1,0
Foreign Currency up to 1 year	4,9	5,0	+0,1	4,4	4,2	-0,2
Foreign Currency over 1 year	7,7	7,2	-0,5	5,1	7,1	2

Conclusions on liabilities:

- Limited long-term resources (deposits, external refinancing and loans, pension funds, other long-term liabilities.) This is very true for all developing countries where people’s savings are the main source of liabilities and are usually in short-term placements and are done for an upcoming event. All other types of liabilities, except own capital, are very costly and play a minor role or even do not exist because of old soviet style approach, focused punctually towards consumption rather than investments.
- Limited own capital is “traditional” for Closed Joint Stock Companies, where grow is possible from profit capitalisation or shareholders own money. In both cases the willingness of stakeholders will be prioritised by immediate income despite the “possible bigger one” in future.

In this regards we can conclude on insufficiency or even lack of investment resources in the banking sector of Transnistria.

Loans. A contraction of the credit market is observed on the background of economic slowdown, caused by unstable financial position of the real sector. The volume of loans disbursed to legal entities and individuals in 2011, declined in real terms – by 3,6%, amounting on January 1, 2012, 268,8 million, or 48,1% of total assets of the banking system. The ratio of lending to non-financial sector and GDP increased by 2,6 percentage that points to 30,2%.

Table 7: Structure and dynamics of loans

Types of loans	At 01.01.2011		At 01.01.2012		Deviation	
	Mln. \$	Weight, %	Mln. \$	Weight, %	absolute, Mln. \$	%
Arrears on loans	278,9	100,0%	268,8	100,0%	-10,2	96,4%
- Legal entities	233,1	83,6%	205,3	76,4%	-27,8	88,1%
- Individuals	45,8	16,4%	63,5	23,6%	17,6	138,5%
- In TR	83,2	29,8%	98,3	36,6%	15,1	118,1%
- In foreign currency	195,7	70,2%	170,5	63,4%	-25,2	87,1%
- short-term	38,1	13,6%	33,0	12,3%	-5,1	86,7%
- medium-term	95,6	34,3%	91,9	34,2%	-3,7	96,2%
- long-term	137,1	49,2%	136,2	50,7%	-0,9	99,4%
- overdue	8,1	2,9%	7,6	2,8%	-0,6	92,9%

The information on breakdown of banks loan portfolio and type of customers is considered commercial secret and is not accessible. Meanwhile we can mention that lending policies are mirror reflection on GDP structure by industries. Within the last two years we can observe a decrease of real sector of economy in favour of consumption one. At the same time world financial crisis affected activity of legal entities and “forced” commercial banks to enlarge the share of loans disbursed to individuals, most of them been patent holders – legal entities with a statute of physical ones. Thus, most of commercial banks are considering the possibility for new credit products development designed for MSMEs, along with the further reorganization and purchase of a new Management Informational System.

At 01.01.2012 TR loans in the assigned 1,7 loans in foreign currency (on 01.01.2011, the ratio was 1: 2,4).

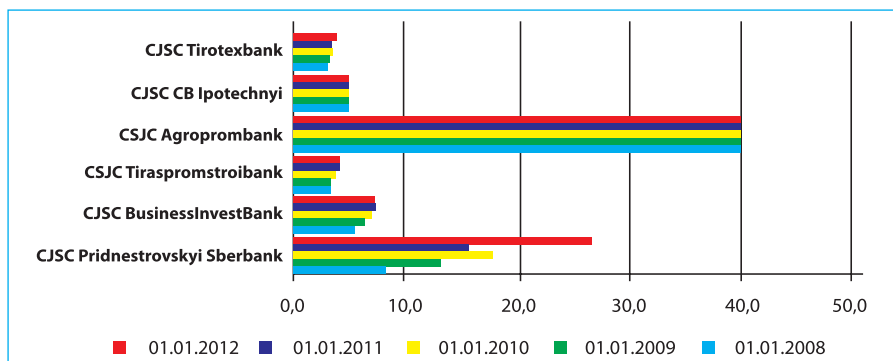


Figure 3: Dynamics of loans portfolio in the context of commercial banks, million

The year 2011 was marked by decline in corporate lending and active development of retail segment of the credit market. The 82.4% of growth was achieved due to two commercial banks – PC “BiznesInvestBank” (the volume of retail loans increased by 1,8 times) and CJSC “Agroprombank” (1,6 times respectively). The expansion of retail lending in the TR exceeded the growth rate in foreign currency (2,2 times versus 22,9%), caused by decrease in currency loans for individuals by 10.8 percentage points to 68.4% and the ratio of loans and foreign currency reached a mark of 1: 2,2 (at 1.01.2011 – 1: 3,8).

The gap between the amounts paid and raised funds in the consumer market for the reporting year decreased from 2,4 to 1,7 times. As a result, banks are less likely to rely on personal savings as a source of funding for other sectors of the economy. At the end of 2011 the integrated indicator of qualitative characteristics lending operations of banks amounted to 97,2% and has not changed. Meanwhile arrears decreased in loans to individuals by 9,8% to 0.9 million USD and to legal entities – by 3,5% to \$ 6,6 million USD. In general, the amount of overdue loans decreased by 4,3% and on 01.01.2012 amounted to 7,6 million USD, which corresponds to 2,8% out of total loans.

However the quality of banks’ loan portfolios, which characterizes the process of its formation, for the reported period worsened: doubtfully aggregates, problematical and non-performing loans increased by 11.2% to 94,3 mln TR, so that their share in the total amount of loans reached 33,0%, increased up by 4,2 percentage points, as well as provisions was by 1,5 times or up to 13,7 million USD, covering 180,9% of outstanding amounts.

Table 8: The weighted average interest rate on loans, % pa

Types of loans	Individuals			Legal Entities		
	2011	2012	Deviation	2011	2012	Deviation
TR up to 1 year	16,7	18,0	+ 1,3	13,4	16,3	+2,9
TR over 1 year	16,8	17,6	+0,8	11,3	11,2	-0,1
Foreign Currency up to 1 year	17,6	17,5	+0,1	14,6	13,9	-0,7
Foreign Currency over 1 year	18,7	19,6	-0,5	13,3	11,9	-1,4

Thus we can observe that the range of existing credit products for legal entities is collateral based and almost similar for all five main commercial banks as listed in annex 7.

Conclusions on loans to SMEs:

It is worth to underline that the Transnistrian banks turned towards SMEs just a couple of years ago and are making huge efforts to increase their share in total loan portfolio. This process is pretty slow because of lack of experience and limited knowledge of modern credit techniques and products, other than traditional collateral based approach that considerably narrow the SMEs' access to financial sources. Start-up businesses, especially by disadvantaged population (labour migrants, youth, elder, women, etc.), cannot access any loans even as physical persons. That fact comes out of a requirement of at least 6 month previous experience and profitable activity. Some TN banks already take the very first steps to overcome this barrier and in these regards are eager to learn about Moldovan experience: how microfinance, in general, and micro-lending to small businesses, in particular, has been introduced, lessons learnt and current trends of development. It is, however, important to better understand the substance of microfinance and percept it as a tool for delivery of financial services to those limited in access to them.

The banking sector in the Republic of Moldova has experienced first microfinance practice back in 1993, when the commercial banks applied for EBRD credit line for SMEs that caused a set of preconditions:

- Internal bank's organizational structure reorganisation
- Loan officers training
- Standardisation of loan application form and credit procedures
- Decision process decentralization, etc.

Table 9: Microfinance description and international definition

Microfinance refers to the provision of financial services – micro-loans, savings, insurance or transfer services – to low income households. It is widely seen as improving livelihoods, reducing vulnerability and fostering social as well as economic empowerment. Microcredit refers to provision of micro-loans for microenterprise development and can be a tool for social as well as financial inclusion, as it helps to prevent and redress all the areas of exclusion – poverty, low income, lack of employment – which are evidenced as a major component and reason for social exclusion.

Moreover, programs that provide training, advice, mentoring and networking opportunities enhance skills and social empowerment of underprivileged groups, further contributing to inclusion. And microfinance through its broader range of services such as savings and insurance can further assist poor people to plan for future lump sum needs and to reduce their exposure to income changes or sudden expenses and to participate in social life. The question of how best to provide financial services to the poor has fuelled intensive debates worldwide (more details are presented in Annex 3).

Thus the process started with a support from external donors (mainly EU TACIS and EBRD) that established their representatives within the two commercial banks (MAIB and Victoriabank) ensuring technical assistance to achieve the necessary minimum requirements. In the case of Victoriabank EBRD issued an equity loan up to 10 % out of total share capital in order to enable this new credit facility.

Since 1993 numerous changes and amendments have been applied within the banking system to assure the most appropriate development scenarios, but always involved IFIs and external donors support that facilitate and speed up this process in Moldova as is illustrated for the last 5 years in the table No10.

Table 10. External loans and allocations of SDRs, credits' classification, at end of period (million USD)

	2007	2008	2009	2010	2011
Monetary Authorities	159.36	166.97	153.33	204.24	327.05
Direct state debt	747.18	762.73	944.2	1106.09	1134.85
Guaranteed debt assumed by state	18.58	15.53	13.3	10.08	7.63
Public Corporations debt	5.47	1.29	20.53	21.89	47.13
Private debt guaranteed by state	13.5	10.94	8.43	6.37	4.78
Private debt not guaranteed by state	1338.32	1910.56	1951.6	2067.47	2303.37
TOTAL	2282.41	2868.02	3091.39	3416.14	3824.81

It is important to mention the role of the Government that is the very only borrower of different investment credit lines in relations with IFIs specialised in development. Thus IDA, IFAD, EIB usually negotiate terms and conditions of lending facility that is redistributed later on through the commercial banks and microfinance organisations. Even first credit lines where possible just after the state guarantee where issued in favour of EBRD just because of very small own capital. Even nowadays the overall assets of banking system of Moldova constitute about 60 % of GDP, while in developed countries just first two or three banks assets overcome it. This create some constrains for credit lines' attraction for commercial banks and "suggest" them to increase their own capital.

Big outflow of the population is mainly caused by several factors, job opportunities being much above all others. It is a tremendous concern of government, business community, FIs, IFIs and donors. Since 2000 the main focus were placed by IFIs towards other priorities such as financial inclusion of disadvantaged groups and start-ups, predominantly in rural areas for non-agricultural activities. Micro and small enterprises had been selected as targeted group and maximum loan amount was fixed up to 30.000 USD. For the first time matching grant concept were introduced by IDA within the RISP, aiming to overcome the collateral barrier for the final beneficiaries. Later on almost all IFIs followed this practice, imposing conditions and restrictions that were supposed to canalise investments in the desired direction. However each new credit line always uses lessons learned within previous experiences and borrowers profile. Today the most requested and efficient ones are those focused on YEs, women in business and migrants.

Commercial banks after universalization of their services faced the market competition in terms of efficiency and fight for customers. Since then the banks where forced and started massively to apply modern down-scaling lending technologies and promoting microfinance in different sectors and for selected targeted beneficiaries that constitute about 45% out of 3824.81 million USD – total amount of external loans and allocations at the end of 2011. Detailed table is presented in Annex 2.

4.2. Non-banking financial institutions

There are the following few types of non-banking financial institutions (NBFI) in Transnistria:

- Credit organizations;
- Microfinance organizations;
- Leasing companies;
- Insurance companies.

The non-banking financial sector in Moldova is much more developed and has the whole range of potential entities operating in the market. NBFI in Moldova could be represented as in the table below:

Table 11: Development of NBFI in Republic of Moldova

No.	List of NBFI participants	Situation at:	
		31.12.2010	31.12.2011
1.	Professional participants on securities market, including:	63	64
	Stock Exchange of Moldova	1	1
	National Securities Depository of Moldova	1	1
	Independent registrars	10	11
	Brokers/dealers	22	22
	Investment funds in the process of forced liquidation	9	9
	Investment funds in the process of voluntary liquidation	9	9
	Companies of fiduciary investments administration*	7	7
	Companies for estimation of the value of securities and assets related to them	4	4
2.	Professional participants on the insurance market, including:	1048	1758
	Insurance companies	24	20
	Insurance/reinsurance brokers	63	66
	Insurance agents	961	1672
3.	National Bureau of Motor Insurers	1	1
4.	Professional participants in the microfinance sector, including:	442	436
	Savings and credits associations	398	376
	Central association	1	1
	Microfinance organizations	43	59
5.	Non-state pension funds	2	2
6.	Manager of non-state pension funds' assets	1	1
7.	Credit history bureau	1	1
	TOTAL	1558	2263

Credit organizations

There are seven formally registered credit organizations. However, their basic activity is the foreign currency exchange, defined as licensed credit organizations, which buy and sell EUR, USD, RUR, MDL, UAH, and other currencies in addition to the commercial banks.

Microfinance organizations

According to the “Law on the Agricultural Development Bank”, the Agricultural Development Bank (ADB) has been registered as a closed joint stock company in March 2011 to mobilize equity and debt funding within and outside Transnistria for entrepreneurs (i.e. patent holders), peasant farms as well as other micro and small enterprises involved in farming, agricultural production and processing.

It is the only NBFIs in Transnistria with a development mission and it is not subject to banking regulation and supervision. Nevertheless, the ADB is authorized to offer current accounts and money transfer services to its clients. Its aggregated balance sheet as of 1.7.2012 forms annex 2 that indicate around USD 2,6 million equity and a net loan portfolio of around USD 25,7 million of which 99,37% is lent to agricultural companies and the remainder to peasant farms.

In summary, NBFIs play a minor role in the banking sector. There are no leasing companies. The commercial banks currently offer quasi financing leasing services in cooperation with private companies. With a more enabling envisaged leasing legislation possibly in 2013, one or two leading commercial banks will most likely establish leasing companies.

Nowadays Microfinance System in the Republic of Moldova is formed from one specialized bank, fifty nine non-bank financial institutions and a network of 376 Saving and Credit Associations (SCAs). As of the end of 2011 there were 59 registered microfinance organizations, of which 48 submitted financial statements. According to the results recorded during the year, the evolution of this system is characterized by general activity indicators and is presented further:

Table 12: Microfinance Organisations activity main indicators

No.	Indicators	2010	2011	2011 compared to 2010 (%)
1.	Number of organizations (units)	43	59	137,2
2.	Ownership equity (mil USD)	54,87	80,07	145,9
3.	Total assets (mil USD)	148,66	153,69	103,4
4.	Granted loans (mil USD)	99,29	120,07	120,9
5.	Received loans and bank credits (mil USD)	83,23	65,45	78,6
6.	Net profit (mil USD)	7,10	9,55	134,5
7.	Return on assets rate (%)	4,8	6,2	129,2

As of the end of 2011, the main indicators on the MO activity registered a significant increase as compared to the similar period of the previous year. The number of MO grew by 16 units or about 37.2 per cent during 2011, following the same trend registered during the last 6 years of system evolution. The loan portfolio increased by 20.9 per cent, as compared to the previous period, determined by the 45.9 per cent increase of the ownership equity, accompanied by the 21.4 per cent decrease of the received loans and bank credits.

About 40 of current non-bank microfinance institutions were founded in the last 5 years and are mainly oriented to consumption lending. We will exclude them by purpose due to their very young age and still small impact over the national microfinance system. In order to follow the Impact we will focus mainly on two MFI – main SCAs lenders and on SCAs network itself. We will look to Rural Finance Corporation (RFC), founded under WB group supervision as the specialized financing intermediary, and to Microinvest, which is a successor of Moldovan Microfinance Alliance (MMA) assisted by GTZ.

Credit cooperatives, unions, associations

There are neither micro credit organizations nor savings and credit associations (unions, cooperatives) in Transnistria. Apart from the currently non-enabling legislative framework, there would be limited market potential for such NBFIs given the branch network of the six commercial banks and initial moves of the more business-oriented commercial banks in developing micro and small enterprises as new clientele and further expanding their retail services. Savings and credit associations may, if at all, have a potential in urban areas mainly for consumer lending and trade facilitation provided that the current legislative framework would be further developed.

In RM it passed a long and difficult way caused by misunderstanding or lack of clear defined provisions. Now the new legal provisions exist, clearly stated the mechanism of SCAs foundation, merges and liquidation. The new framework introduced new prudential rules, designed on the base of banking ones, as presented in table 11.

This framework facilitate consolidation of SCAs through merges in part because the areas they are permitted to service (often only a single village) are too small, high administrative and fixed cost, saving acceptance opportunities, etc. Licensing is important for durability of development process. It was transferred from commercial banking sector with necessary adjustments to assure the differentiation among SCAs, underlining their capacities.

Table 13: Main requirements by license type

Requirement	License Type		
	A	B	C
Operational area	Village bounders	Raion bounders	All Moldova
Management education level	High from 2010	High from 2010	High from 2010
Minimum number of members	>50	>250	Central Association
Range of activities	Short-term Lending	Short- medium term Lending and Savings, direct lending	Treasure operations and A B
MIS	Mandatory from 2010	Mandatory from 2009	Mandatory

According to the results reflected at the end of 2011, the development registered by the SCA system is characterized by the following general activity indicators reflected in the table below.

Table 14: SCAs activity main indicators

Indicators	2010	2011	2011 to 2010 (%)	2011	
				A-SCA (per cent)	B SCA (per cent)
Number of SCA members (persons)	131675	137342	104,3	63,0	37,0
Number of loan recipients (persons)	32152	31459	97,8	51,6	48,4
Number of savings depositors (persons)	5851	5798	99,1	-	100
Ownership equity (million MDL)	75,3	85,2	113,1	55,5	44,5
Granted loans (million MDL)	244,2	254,2	104,1	40,3	59,7
Savings deposits (million MDL)	93,4	103,6	110,9	-	100
Received loans and bank credits (mil. MDL)	94,9	91,2	96,1	65,1	34,9

The SCA with a B license category make up 18.3 per cent of the total number of SCA. At the same time these SCA recorded a value of income gained as commission, fees, penalty related to granted loans that were not repaid in due time (delinquent loans) and other income resulted from the basic activity that overcomes times the amount recorded by the SCA with an A license category. Also, the negative net result from the establishment and cancellation of provisions registered by the SCA with a B license category is 1.6 times higher than the similar indicator recorded by the SCA with an A license category.

During the peak of the season up to 70 % of members in average are borrowers. But even on the snapshot it can be observed the increasing conscious of members for repayment, caused by the threat of losing access to valuable asset rather than public pressure and image deterioration. At the same time we can assume that SCAs network positively influences people in terms of self-organization as well as credit history creation, increasing their attractiveness as potential borrowers for commercial banks. The average loan amount per borrower is still very small and not interesting for the banking sector, even it was an increase by 7% in 2011 vs 2010, from 633 US\$ to 674 US\$.

The C-type License gives an opportunity to operate all around the country and was introduced to facilitate creation of so-called Central Association that is supposed to combine NFSCAs function with treasure ones.

By the end of 2009 Central Association has been established. The idea is based on vertical integration of microfinance system and it seems to be appropriate, but might fail due to several crucial factors, most important being lack of qualified labour force and low level of start-up wages.

To summarize the impact we will use transverse topics – gender, poverty alleviation and sustainability. From the gender point of view SCAs network facilitate social inclusion of youth and women into society. The results are impressive as their share in all categories is 56% in SCAs management, 52% out of total number of members, 59% out of total number of borrowers and just about 49% as depositors. It varies with the same frequency as demographic distribution among zones.

Villages with a strong and healthy SCA are more developed than others, that explains in many cases the urban-to-rural and rural-to-rural migration described above as well as agriculture is the easiest way to start a business in Moldova. At the same time SCA improve the living attractiveness of the village assuring population stabilization and demographic grow.

From the poverty alleviation point of view access to finance improved the members' livelihoods and influences the villages' infrastructure development like electrification, gasification, healthcare, primary and secondary education, etc. It also leads to an increase in number of self-employed people in rural area and village business specialization. In several villages we can found informal clusters at initiation and very early expanding stage. We can also observe a possible positive relationship between average monthly income and loan amount, even the pace is different.

Insurance and reinsurance companies

There are eight registered insurance companies, but only five are operational with a license. There is no re-insurance company, but the market leader "Arion" can transfer some agricultural risks via Russian insurers that have large agricultural re-insurance quota with Swiss Re. It is the only insurance company offering various agricultural insurances, including yield insurance for cereals, with premiums of 1 to 8% of the expected yield which is quite favourable for international standards. However, demand for agricultural insurances is quite low, as there are no premium subsidies from the Transnistrian authorities compared to the

>60% agricultural insurance premium subsidies offered in Republic of Moldova, Ukraine, and elsewhere. “Arion” offers around 30 types of life and non-life insurance products along the four main product lines of liability, property, life / personal, and health insurance. It has a market share of around 43% in terms of policies, amount of insured objects, and premiums collected. Table 15 provides an overview of the development of the insurance sector over the past four years.

Table 15: Indicators of Transnistrian Insurance Sector from 2008 till 2011

Indicators of Insurance Companies	2008	2009	2010	2011
Number of registered insurance companies	8	7	7	8
Number of branches	3	3	4	2
Number of insurance policies (percentage of voluntary insurance)	44'500 (100%)	38'900 (100%)	27'500 (100%)	22'900 (100%)
Amount of all insured objects (in USD million)	USD 721,9	USD 283,4	USD 510,6	USD 370,6
Insurance premiums collected (in USD million)	USD 3,9	USD 3,1	USD 4,9 m	USD 4,7
Insurance payments (in USD million)	USD 0,7	USD 0,8	USD 0,7 m	USD 0,9
Insurance reserves (in USD million)	USD 3,9	USD 3,7	USD 2,9 m	USD 2,9

In conclusion, there is a limited insurance culture in Transnistria which may be partially explained by the low financial education level. The industry sector has been declining over the past years in terms of number of insurance policies and the amount of insured objects, as indicated by table 15 mainly as a reflected of the economic decline triggered by the global financial crisis. There are no compulsory insurances so far – not even third party liability motor vehicle insurance – which, among others, has constrained the development of the insurance sector.

Opposing to Transnistria, the insurance market in the Republic of Moldova is rapidly developing. The valorisation trends of its potential produce new platforms for improving the provided protection, diversification of products and development of the ensured risk capacity. In 2011, 24 insurance companies were licensed to carried out their business, of which in the category of “general insurance” – 22 insurers, one insurance company developed composite activity and another developed life insurance

The gross subscribed premiums revenues was 83.9 million USD, of which in the category of “general insurance” – 78.4 million USD, increasing by 5.5 million USD

or nominal 9.3% from the previous year and in “life insurance” 5,46 million MDL, increasing by 0.98 million USD or 21.7% compared to the previous year. The total gross subscribed premiums registered a growth of 10%. The share of compulsory insurance in the structure of gross subscribed premiums in 2011 amounted to 42.3%, increasing by 0.4% compared to 2010, respectively that of optional insurance – 57.7%. According to the insurance object, the segment of civil liability insurance it was written premiums in the amount of 43.1 million USD (51.3%), followed by property insurance – 29.6 million USD (35.2%), personal insurance – 10.96 million USD (13.1%) and reinsurance premiums – 0.3 million USD (0.4%). Insurers are required to place insurance reserves in securities, bank deposits, available means in current bank accounts, available means in cash office, lands, buildings, receivables from insured and intermediaries and loans to insured’s (in the case of life insurance) and the evolution is presented in table below.

Table 16: Indicators of Transnistrian Insurance Sector from 2008 till 2011

Indicators	2007		2008		2009		2010		2011	
	mil	per	mil	per	mil	per	mil	per	mil	per
	USD	cent	USD	cent	USD	cent	USD	cent	USD	cent
Securities	3,64	9,9	4,02	11	2,86	7,1	5,70	13,3	16,93	26
Bank deposits	17,40	47,2	18,79	51,6	23,04	57,2	20,75	48,3	15,40	23,6
Available means in current bank accounts and cash office	2,76	7,5	2,54	7	3,48	8,6	4,08	9,5	6,23	9,5
Lands and buildings	8,08	21,9	8,02	22	7,91	19,6	8,91	20,7	13,33	20,5
Receivables from insured's & intermediaries	4,99	13,5	3,07	8,4	3,02	7,5	3,05	7,1	3,70	5,7
Deposits at ceding companies		-		-		-	0,48	1,1		-
Reinsurers' share		-		-		-		-	9,59	14,7
Total	36,88	100	36,43	100	40,63	100	42,97	100	65,18	100

The growth of gross subscribed premiums volume was influenced by the increase of number of contracts of Compulsory Motor Third Party Liability Insurance and the development of distribution network of insurers and insurance and/or reinsurance brokers. Since 2011 the regulatory framework of solvency

guarantee has been amended, thus insurers are required to establish the Insured Fund, which besides the assets covering insurance reserves also include the assets covering the minimum solvency margin.

The subsidized insurance in agriculture is carried out in compliance with Law no.243-XV of July 8, 2004 “On subsidized insurance for agricultural production risks”, according to which the authorities provide subsidies for the payment of insurance premiums in the amount of 60 per cent to insurance of perennial plantations, sugar beet and vegetables and 50 per cent to insurance of other crops and animals.

According to the data provided by two insurance companies accredited to carry out work in this area, during 2011 there were concluded 251 contracts of subsidized insurance of agricultural production risks. The cumulative amount of gross subscribed premiums constituted to 3.5 million USD, registering an increase by 0.22 million USD compared to the previous year. Subsidies allocated to the payment of insurance premiums accounted for 2 million USD or 1.08 million USD more than planned resources, registering an increase of the interest of farmers for this type of insurance. Also, potential agricultural insurance in the Republic of Moldova remains untapped, the areas covered by insurance amounted only 5% of total agricultural land. Insurance compensations constituted 2 million USD, analogical amount of compensation paid in 2010.

Meanwhile in the Transnistrian region, commercial banks seem to lobby for a new law that would require compulsory insurance for any credit-financed investment items, including agricultural production, as they intend to reduce thereby their risks without the need to factor in the insurance costs in their lending rates. This type of new potential legislation would in fact be unusual and, if enacted, would reflect the strong lobbying power of the commercial banks.

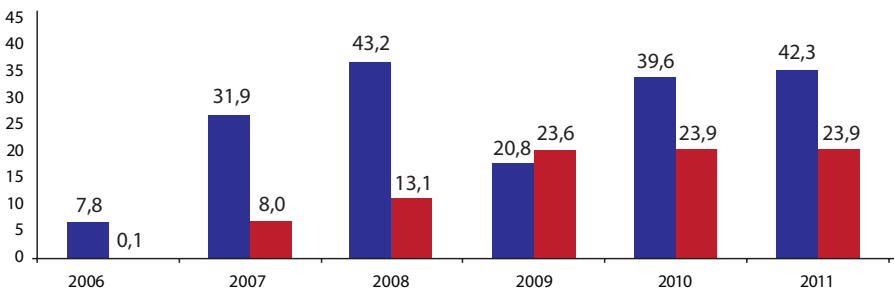


Figure 4. Gross subscribed premiums and compensations paid for subsidized insurance of agricultural production risks for 2006-2011

Leasing companies

Debates on leasing sector lasted at least for 5 years. Currently the leasing sector in Transnistria is not in place. Currently the legal framework is under construction and subject to be discussed within next month. In Moldova biggest leasing companies are affiliated to commercial banks and many of them initiate the process of reorganisation into microfinance organisation that assure more flexibility in product development and enlarge the delivery channels. Most of them are specialised in consumption goods leasing and in fact the market is very narrow.

Credit guarantee companies

There are no credit guarantee companies in Transnistria. At the same time in Moldova there were established just due to external donors assistance aiming to grant a wider access to finance for disadvantaged groups, especially YES, women in business and migrants.

4.3. Subsidized lending program

The “Public Reserve Fund” is a trust fund established under the “Law on Soft Lending for Small Business” to offer loans at subsidized interest rates of 5 to 7% p.a. to (1) agricultural and agro-processing companies, (2) individuals holding farming patents, and since 2011 also for (3) non-agricultural small businesses¹¹. The Law also refers to funding for infrastructure that supports small businesses.

The “Public Reserve Fund” has a nine-member supervisory board and is funded by grant assistance of the Russian Federation from 2008 and 2011 – each time which about an equivalent of USD 10 million – and Transnistrian budget allocations. Table 8 summarizes its funding, loan disbursements, and loan rejections as follows. Close of USD 4 million subsidized loans were disbursed to 281 individuals with farming patent, 23 small businesses, and 19 agricultural companies with an average loan amounts of 323, 50’637, and 169’510 USD, respectively, in the first nine months of 2012. This amounts to roughly % of total bank loans in 2011 and is a rough indication that the subsidized lending program may only slightly distort the bank lending market.

The loan subsidy element is substantial compared to the current TR bank lending rates of around 18% p.a. as indicated in table 6. The ADB – claiming that they disbursed around 60% of total available credit resources from the “Public

¹¹ Small business like refer to the terminology of ME as defined by this report.

Structural Fund” – and the commercial banks manage the entire loan management process and assume fully the loan repayment risks. Once the “Public Reserve Fund” approves the loan applications that passed the appraisal by the commercial banks, it transfers the full loan amount to the commercial banks concerned. The banks can only charge the fixed interest rates of 5 to 7% p.a. to cover their expenses and risks. Other key lending conditions are:

Table 17: Funding, loan disbursements, and loan rejections of Public Reserve Fund in 2011 and 2012 in USD

Funding source	eligible businesses	total applications		Approved applications		Denied application		Average loan size	
		#	amount	#	amount	#	amount	approved	denied
Russian Fed. Grant 2008	agri. Companies	5	1'638'813	3	814'785	2	824'028	271'595	412'014
	perennial plants	7	733'096	4	535'589	3	197'506	133'897	65'835
	peasant farms	1	138'279	0	0	1	138'279	0	138'279
Sub-Total 2008 grants		13	2'510'188	7	1'350'375	6	1'159'813	192'911	616'128
Russian Fed. Grant 2011	agri. Companies	14	1'643'891	12	1'192'279	2	451'613	99'357	225'806
	small businesses	13	558'963	12	524'049	1	34'914	43'671	34'914
	Individ. Farming	327	97'645	281	90'645	46	7'000	323	152
Sub-Total 2011 grants		354	2'300'500	305	1'806'973	49	493'527	5'925	2'822
Sub-Total Russian funds		367	4'810'688	312	3'157'347	55	1'653'340	10'120	11'202
TR budget	small businesses	14	789'575	11	640'602	3	148'973	58'237	49'658
Sub-Total Transnistrian funds		14	789'575	11	640'602	3	148'973	58'237	49'658
Total funding		381	5'600'262	323	3'797'949	58	1'802'313	11'758	31'074

The loans in TR are up to one year for BPHs and up to three years for micro and small enterprises. A minimum of 10% self-financing and a six-month business track record are required. The maximum eligible loan amount depends on the type of clients: for small businesses can receive up to USD 200'000 equivalent for fixed assets and USD 50'000 for working capital whereas individual entrepreneurs can receive up to USD 10'000 equivalent for either fixed assets or working capital. Eligible loan purposes for small businesses include (1) production and processing of food, industrial goods, consumer goods; (2) recycling; (3) potential for export and/or import substitution; and (4) provision of public services in rural areas.

4.4. SWOT analysis of financial intermediaries regarding access to finance for small businesses

The results of Transnistria financial intermediaries' analysis can be summarized and reflected in SWOT table presented below.

Table 18: SWOT analysis of financial intermediaries regarding access to finance for small businesses

Strengths	Weaknesses
<ul style="list-style-type: none"> • Existence of operational banking system <ul style="list-style-type: none"> - Central bank (Regulator) and - 6 commercial banks • Large branch network, ensuring physical presence in almost all areas <ul style="list-style-type: none"> - 21 branches - 279 representative offices • Availability of short-term liquidity of the banks <ul style="list-style-type: none"> - loan portfolio is 45% out of total assets at maximum • Establishing of the Agricultural Development Bank, <ul style="list-style-type: none"> - specialized institution for attraction of domestic and foreign financial sources - disbursement to agricultural and agro-processing companies • Centralized public reserve fund <ul style="list-style-type: none"> - specialized in investment lending 	<ul style="list-style-type: none"> • Questionable banks internal lending policies <ul style="list-style-type: none"> - Limited range of lending products designed for MSEs or even lack of them - Lack of cash flow based approach in lending practices - Exclude start-ups, newcomers, and especially youth from the list of eligible for lending - Lack of transparency in decision making process - Sophisticated discount system applied in collateral appraisal that create a clear impediment for MSEs in loan access process • High interest rates <ul style="list-style-type: none"> - Non-market based approach in their establishment - 18% in foreign currency - and 24% in local currency • Other impediments and constrain for MSME lending <ul style="list-style-type: none"> - Shortage of long term financial resources - Lack of external audit of banks - Lack of Risk management system - Lack of credit bureau • Lack of nonbanking financial institutions such as microfinance companies, credit unions, cooperatives, saving and credit association. Vague leasing legal framework and lack of leasing companies <ul style="list-style-type: none"> - A kind of leasing operations are carried out by some commercial banks • Limited insurance culture <ul style="list-style-type: none"> - Both for insurance companies and final beneficiaries that usually are forced to buy an insurance police linked to a credit product offered by commercial banks

Opportunities	Threats
<ul style="list-style-type: none"> • Risk diversification through client base enlargement mainly due to MSMEs • Availability of microfinance experience in immediate neighbourhood (Moldova, Ukraine) • Growing interest from International Financial Institution • Availability of well-developed financial products designed for MSMEs 	<ul style="list-style-type: none"> • limited competition • low professional standards in the banking sector, • poor banking legislation and regulation, • high legal, political and economic uncertainty • local currency limited convertibility • complex import and export procedures • limited transparency of business regulations and taxation

In conclusion we can underline a range of availabilities for further durable development of MSMEs finance and financial sector development presented in major blocks as follow:

1. Banks internal regulation improvement, a) simplification of decision making process for MSMEs lending aiming to the establishment of the Management Informational System based on optimal ratio between centralization and decentralization as well as time saving and well determined MSMEs share in total banks' portfolio and for each branch separately, b) new financial products design for MSMEs based on cash flow analyses combined with a scoring approach followed by an operational manual, c) financial inclusion of start-ups, especially youth based on indirect reliability indicators like tax and monthly utilities payments accuracy, d) improving the insurance literacy, linking specific insurance policies with concrete lending products , e) promotion of leasing as less risky lending facility through or in cooperation with leasing companies.
2. Interbank Facilities improvement, a) establishment of credit bureau will facilitate MSMEs lending via exclusion of non-reliable customers, stopping reselling of non-perform loans from one bank to another, as well as a source of information in case of start-ups, b) establishment of a loan guarantee fund that aims considerable help for MSMEs in terms of collateral coverage, c) banks external auditing must be mandatory that will open the door for external donors and IFIs.
3. Additional opportunities: a) development of non-banking financial institution will ensure lending costs optimization and risk diversifica-

tion for banks based on mutual benefit relationship, b) ADB could play an important role for agricultural/rural businesses, if adopting 'good practices', aiming for clear separation of investment lending from all other banking operations, creating "new" customers for existing commercial banks and co-finance "old" investment projects

4. Development of service providers for financial sector, a) well defined and centralized clearing system, b) outsourcing of some services like collateral valuation, leasing, etc. that will facilitate development of this sector and will assure an independent, transparent approach and multi-optional choice as for banks so for final borrowers.

V. Small businesses and demand for financial services

The chapter attempts to assess the demand of small businesses for financial services that constitutes the private sector as the target group of this study. There are some private medium and large enterprises that are supposed not to face a financial gap larger than the one faced by public enterprises because of their importance to the economic development of Transnistria and their lobbying power vis-à-vis the Transnistrian authorities.

The Law on “Small enterprises development and public support” (no. 140-3-V as of 29.7.2011) defines small business as both legal economic entities – sub-classified as micro or small enterprises – and individual entrepreneurs (sole proprietorships) who are referred to as business patent holders (BPHs). A BPH possesses one or more business patents that authorize him/her to carry out specific business activities within a certain scale and without the requirement of keeping written accounting records. The BPH is subject to a monthly or quarterly fee for each business patent regardless of his/her actual income.

A micro enterprise (ME) is defined as legal economic entity with an annual average of not more than 15 registered employees and less than 365'000 CLCMW¹² (1 CLCMW = 6,4 Transnistrian Roubles) – (195 000 USD dollars) annual sales. This includes ‘peasant farms’, but not BPHs. A small enterprise (SE) is defined as legal economic entity with an annual average of not more than 50 registered employees and/or less than 1,2 million CLCMW (1 CLCMW = 6,4 Transnistrian Roubles) – (640 000 USD dollars) annual sales, including ‘peasant farms’, but excluding MEs and BPHs. MEs and SEs are required to keep written accounting records as they are subject to business taxation.

A ‘peasant farm’ is a legal farm entity with 30 and more hectares whereas farmers with less than 30 hectares just need a business patent. ‘Peasant farms’ are either MEs or SEs depending on their number of registered employees and their annual sales. The report refers to them as a specific small business segment because of their specific development and financing needs, notably the seasonal nature of their working capital requirements and corresponding fluctuating cash flow over the annual seasons. The report also estimates “gardeners” as another category of individuals who carry out an income-generating activity that may gain in importance for supplementing low household income levels. These “gardeners” sell agricultural produce grown on their plots that are below 15 acres (including their house) in urban areas and below 30 acres in rural

¹² CLCMW – (Calculated level of current minimum wage, 1 CLCMW = 6,4 Transnistrian Roubles).

areas.¹³ An ownership certificate of their plot authorizes them to sell their produce without a business patent.

Table 19: Key characteristics of target groups

Categories	Gardeners	Business Patent Holders	Peasant Farms	Micro Enterprise	Small Enterprise
Sectors	primary production	all, including primary production	primary production	all sectors, including 'peasant farms'	All sectors, including 'peasant farms'
Legal status	individual	Individual	legal entity	legal entity	legal entity
Tax obligation	none	patent fee only	business tax	business tax	business tax
Size	<15 acres: urban <30 acres: rural	>15 acres: urban >30 acres: rural	< 30 hectares	< 15 staff and/or < 365'000 TR sales p.a.	15<staff >50 and/or 365'000 TR < sales p. a. < TR 1,2 million
Access¹⁴ to subsidised loans	none	"Public Reserve Fund"	"Public Reserve Fund" and ADB	"Public Reserve Fund" (and ADB)	"Public Reserve Fund" (and ADB)

The report thus differentiates small businesses into the four target groups of MEs, SEs, 'peasant farms', and BPHs for which recommendations are elaborated in part 2 of the report. "Gardeners" are excluded as they may do the gardening as part-time income generating activity only. The table below displays the key characteristics of the four small business target groups and the "gardeners" in terms of economic sector, legal status, tax obligation, size, and potential eligibility for subsidized loans as follows:

¹³ If their plots are above 15 acres in urban areas and 30 acres in rural areas, respectively, they would require a business patent.

¹⁴ In fact, access to subsidized loans is very limited for MEs and SEs because of the unattractive conditions for the banks.

5.1 Overview of small businesses

5.1.1 Business breakdown by ownership, size, and sector

Table 20 lists 4'159 small businesses as legal economic entities as of 1.1.2012 broken down by ownership. Almost 90% of all 4'159 small businesses in the Transnistria region are in private hands. Total private ownership is around 92% in terms of number of small businesses. 89% of small businesses are MEs and 11% are SEs.

Table 20: Number of small businesses by ownership
(source: Transnistrian region's "Statistics Service")

Type of ownership / number of small businesses	No of MEs	No of SEs	Total	% of total
Publicly owned	41	17	58	1,39
Municipality owned	63	35	98	2,36
Common property (i.e. property owned by 2 or more persons)	87	7	94	2,26
Public enterprises	38	18	56	1,35
Mixed ownership with foreign participation ¹⁵	40	14	54	1,30
Foreign ownership	18	8	26	0,63
Ownership without foreign participation (i.e. property owned by 2 or more stakeholders, like public and private)	28	12	40	0,96
Private ownership	3'391	342	3'733	89,76
Total	3'706	453	4'159	100,00

Table 21 displays the breakdown of the 4'159 small businesses – differentiated by MEs and SEs – per economic (sub) sectors. 51% of the 3'706 MEs are in trade and public catering, 12% in industry, 7% in agriculture, and 6% in construction. 38% of the 453 SEs are in trade and public catering, 18% in industry, and 8% each in agriculture and construction. The small businesses employed on average three registered employees amounting to a total of 12'247 employees as of 30.9.2012. The average monthly salary reached an equivalent of 247 USD. Their official net total profits reached USD 6,79 million USD during January – September '12, compared to 4,45 million USD for the same reference period of 2011.

¹⁵ Mixed ownership with foreign participation are joint ventures made of foreign and local companies that own the necessary property to implement activities under the constituent documents.

Table 21: Small businesses broken down per economic (sub) sector, number of employees, average monthly salary, sales revenues, and total business profit (January – September 2012)

No	Economic (sub)sector	MEs	SEs	Total small businesses	Number of Employees	Average Monthly Salary, USD	Sales Revenues, th. USD	Total Business Profit, th. USD
1	Industry	427	83	510	2'154	221.5	31,159.6	1,422.3
2	Agriculture	276	37	313	1'056	204.6	16,984.1	2,433.6
3	Transport	64	19	83	454	235.3	5,648.3	525.8
4	Communication	7	2	9	54	359.2	892.5	302.9
5	Construction	229	38	267	873	258.5	10,424.2	746.1
6	Design organizations	32	6	38	128	300.9	1,182.3	-0.9
7	Trade and catering	1'873	172	2'045	4'285	201.2	167,895.7	29.2
8	Material supply & sales	22	1	23	31	215.7	905.9	151.8
9	Pre-processors	4	2	6	44	170.2	147.2	-16.1
10	IT services	66	3	69	133	259.6	860.2	77.0
11	Real estate transactions	178	16	194	533	233.4	7,880.0	1,635.8
12	General trade activity	124	4	128	230	289.6	2,649.4	141.5
13	Editing & publishing	15	3	18	113	244.1	540.9	-62.5
14	Housing – Utilities	52	16	68	603	245.1	3,474.3	-120.2
15	Consumer services	124	8	132	377	245.9	1,807.3	-683.2
16	Health and social care	25	7	32	209	254.0	1,244.4	52.1
17	Education	25	13	38	272	340.1	2,309.7	197.7
18	Art and Culture	40	3	43	104	228.1	951.0	67.9
19	Leisure and tourism	42	10	52	282	385.8	2,643.9	-106.2
20	Other activities	81	10	91	312	260.8	1,420.3	4.3
Total		3'706	453	4'159	12'247	247.1	261,021.3	6,798.8

Table 22 estimates 15'470 BPHs as sole proprietorships – that do not fall under the above listed 'formal' small businesses – as well as 489 "gardeners" during the first semester of 2012. 54'986 business patents were granted during that period – which exceeds the comparable value of 2011 by 6'157 units – with a total fee value of USD 1,87 million.¹⁶ The growing number of BPHs and business patents is explained by (i) stricter controls of BPHs leading to the withdrawal of business patents in the case of non-payment of monthly or quarterly fees, and (ii) the economic restructuring and staff lay-off by public enterprises resulting in their 'forced' self-employment.

Table 22: Estimated number of business patent holders broken down by economic sector and "gardeners" (source: Transnistrian Independent Research Laboratory "Economic Research")

Type of MSEs	Primary sector	Secondary Sector		Tertiary sector			Total
	Agriculture	Processing	Construction	Services	Transport	Trade	
Business patent holders	600	-	15	300	500	14'055	15'470
No of business patents	3'398	-	89	8'000	13'500	29'999	54'986
"peasant farms"	891	-	-	-	-	-	891
"gardeners"	489	-	-	-	-	-	489
Total	5'378	-	104	8'300	14'000	44'054	16'850

5.1.2. Geographical breakdown of small businesses

The geographical breakdown of small businesses has not changed much from 2009 to 2012 and depends, above all, on the purchasing power, the population size, the availability of social and economic infrastructure, and so forth. During the first semester in 2012, 41,9% of small businesses were located in Tiraspol, 18,7% in Bender, 13,3% in Slobozia town and district, 13,1% in Rybnitsa town and district, 5,9% in Dubasari town and district, and 54% in Grigoriopol town and district, 2,1% in Camenca town and district, and 1% in Dniestrovsk.

¹⁶ The average value of one business patent amounted to 35,4 USD, which is 3,2 times higher compared to the 1st semester in 2011.

Table 23: The structure of individual enterprises in TN region spread by towns and regions, January-June 2012 (source: Transnistrian "Public Statistics Service")

Region / No of BPHs & patents	No of registered business patent holders		Number of issued patents	
	Persons	%	Units	%
Total in TN region	15'470	100,0	54'986	100,0
Tiraspol town	4'439	28,7	16'651	30,3
Bender town	2'909	18,8	12'845	23,4
Rybnitsa town and region	2'413	15,6	9'427	17,1
Dubasari town and region	1'770	11,4	5'635	10,2
Slobozia town and region	2'194	14,2	5'363	9,8
Grigoriopol town and region	1'013	6,5	2'616	4,8
Camenca town and region	732	4,7	2'449	4,5

5.2. Support for small businesses development

In difficult economic conditions support for small businesses has become particularly relevant. For this purpose a simplified system of taxation, accounting and reporting for small businesses was developed and introduced. 74 small businesses shifted to this simplified tax system. Furthermore, a number of legal acts in the field of customs and foreign trade were introduced to support the business sector, including small businesses, like the abolition of customs duty of 100% for goods imported from the Republic of Moldova and the simplification of customs declarations and documents for goods and vehicles.

However, there is still no consistent small business support strategy that helps overcome their main development obstacles, such as access to finance. The above-mentioned rather piecemeal efforts show limited results so far and do not trigger a much more speedy development of small businesses. Although the volume and quality of their products and services are increasing, small businesses do not develop at the required rate to meet future economic needs. There is not enough entrepreneurial activity and the vast number of small businesses involved in trade and catering industry are adding little value to the GDP.

5.3. Demand for financial services by small businesses

5.3.1 Respondent's overview

Most of respondents 74% out of 95 are between 24 and 53 years old. Over 25% of business people are between 21 and 30 years old. Almost half of businesses have been operating for over 4 years. The level of education has been equally spread among respondents with 35% of businesses owners have a professional specialized education, followed by 30% with a secondary education. 35% of respondents have a university degree. Only 15% of respondents have confirmed to hold a certified specialization related to their business activity.

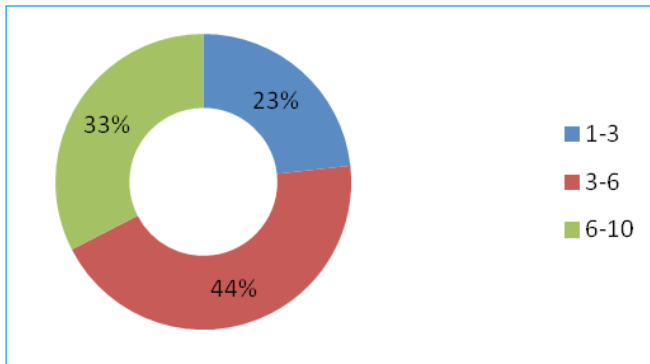


Figure 5: Age of business

Agriculture (44%) and services (25%) activities made three quarters of the survey sample. All interview respondents are the owners of their business. More than 70% of owners confirmed to have involved their family members in business activity. A business has an average 3 employees, in majority of cases 2 family members involved and 1 non-family member with seasonal involvement. The specifics of employees reported by business owners relates to business registration. Almost 90% of respondents are patent holders. This form of business registration allows them to hold a very simplified accounting and limited tax payments.

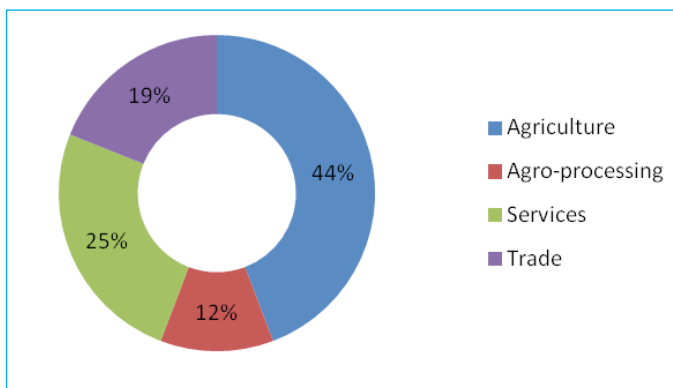


Figure 6: Type of businesses

When asked to assess the value of assets within their businesses **only one fourth** of respondents was willing to provide answers. Half of them affirmed to have assets above 360 000 Transnistrian Roubles (33 181 USD), almost 30% between 50 000 and 150 000 Transnistrian Roubles (4545 and 13 636 USD) and 16% stated to have assets up to 50 000 TR (4 545 USD). When asked about revenues and profits, survey respondents were **not eager to disclose** any data. Only **10%** of respondents indicated a revenue up to 50 000 Transnistrian Roubles in 2012 (4 545 USD).

55% of business owners are generally **not satisfied** with their businesses development tempo having reported a decrease in growth, 20% indicated about their business stagnation and the remaining business owners indicated a slow growth of their economy activity. Overall, **almost 70%** of businesses reported seasonal fluctuations in revenue. This figure is not surprising due to respondents' survey profile. All primary agricultural producers and agricultural processors and dependent on this constraint as the highest demand for inputs are reported in spring and revenues are registered only in fall. Trade and services activities are less impacted by seasonality.

5.3.2 Loans

The surveys conducted with **95 respondents** revealed that **26%** of them used combined resources (bank loans and personal contribution) to start their business. Out of this category of beneficiaries 16% invested only borrowed resources from banks to launch their businesses. The average value of loans received

was USD 2,750 while the median value was USD 2,000. Borrowers mainly invested in capital investments (61%), followed by working capital (34%) and 5% for personal consumer purposes.

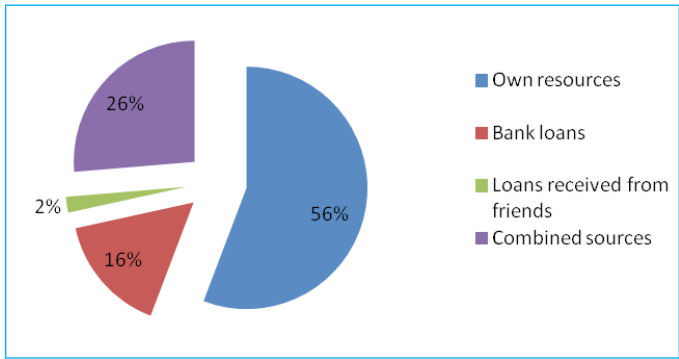


Figure 7: Financial sources used to launch the business

Within the last 3 years cumulatively 55 respondents received loans from financial institutions. The average amount of the last loans received constitutes 2,834 USD. The total amount of last received loans accounts for 155,886 USD. The median value of received loans does not exceed 2000 USD. The average loan term was 19.67 months. The median loan term was 24 months. The median interest rate constituted 17%. 82% of loans were provided in USD while only 4 loans were reported in Transnistrian Roubles.

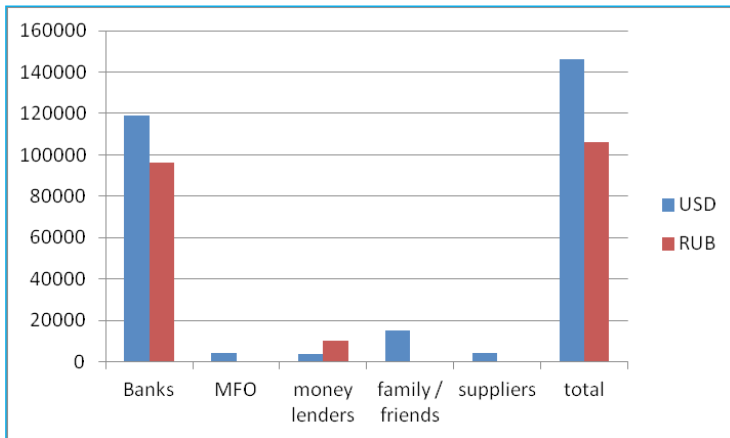


Figure 8: Loans received over the last 3 years

All bank borrowers provided collateral for the received loans. Machinery and equipment including movables accounted for 30% of collateral provided; followed by land and buildings 28%, and personal assets of the owner (house, etc.) 26%.

Half of the loans were **used to expand** an existing business activity, while 30% were used to launch a new business activity and only 8% were used for household improvement.

48% of those who took a loan were generally **not satisfied** with the experience. Satisfied borrowers represented 40%. The level of satisfaction with provided services under criteria from 1 to 5, where 1 represented “highly dissatisfied” and 5 “highly satisfied” accumulated an average of 2.7 points. Less than one in twelve respondents thought it likely that they would recommend their bank to friends in the future.

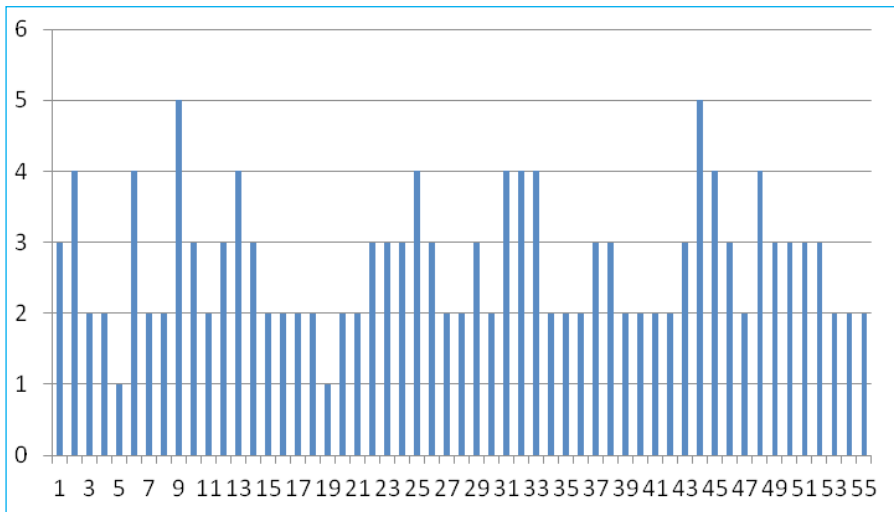


Figure 9: Level of satisfaction with provided financial services

Respondents were asked to assess the range of loan products provided by financial institutions available for business development against the following criteria: wide, narrow, very narrow, and insufficient. 42% of respondents ranked the range of loan products as narrow, 32% consider them very narrow and 20% qualified them as insufficient. Only 6% assessed positively the range of loan products currently provided by financial institutions. Seventeen respondents

out of 95 interviewed would be interested in taking a mortgage loan. Four entrepreneurs would not repeatedly access a mortgage loan after getting one in the past.

Just six respondents reported having taken a loan from a Moldovan microfinance institution in the last three years. This represents only 6% of the total conducted structured interviews. The average loan received constituted 2166 USD, which was mainly aimed for working capital and capital improvements / investments.

5.3.3 Demand for other financial services

Around 74% of interviewed entrepreneurs reported have some savings. Entrepreneurs mainly save in order to be able to cover educational expenses (25%), followed by expenses for emergency purposes and household purchase with (16%) both. Only **13% of savings** are oriented towards **business investments**.

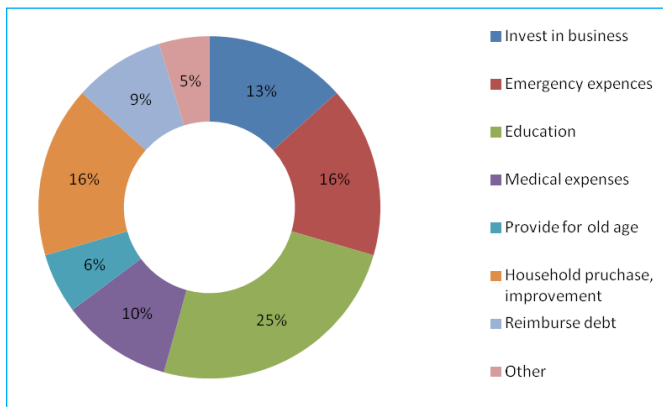


Figure 10: Purpose of savings

Leasing: Only 20% of respondents indicated the use of leasing services in the past; still 80% did not apply for a leasing by the time when the interviews were carried out. However 39% of those who did not use any type of leasing services manifested interest in getting one in the future, 44% are not interested in leasing services and 17% could not provide an answer.

The main purpose of getting a leasing would be for equipment, followed by purchasing of vehicles and a couple of responds mentioned the purchase of facilities. Respondents were interested in accessing leasing services mainly in USD. The average price of equipment to be leased could reach 12'300 USD with a median figure of 5'500 USD.

Insurance: Only seven entrepreneurs have purchased crop insurance in the past. However, this number almost doubled when respondents were asked if interested in insuring their crops in the next 12 months. When asked about the reasonable cost per hectare, only three answers were provided with an average price of 242 USD per hectare.

The approximate number of potential clients of microfinance is studied on the basis of statistical data from the “Unified Public Register of Enterprises and Organizations”, derived from data on registration in Transnistria from the “Unified Public Register of Legal Entities” and other local authorities. More than 60% of the population of the Transnistrian region request and need financial assistance¹⁷.

Coming back to the conducted interviews, respondents provided answers on their interest in getting loans in the upcoming year. When asked about the interest in applying for a loan in the next 12 months, 42% responded affirmatively, 25% were not certain and 33% were not interested. Respondents belonging to the group interested to get a loan, including those who were not certain would need loans cumulatively amounting 528,636 USD. **The average amount of a loan would constitute 8,900 USD.**

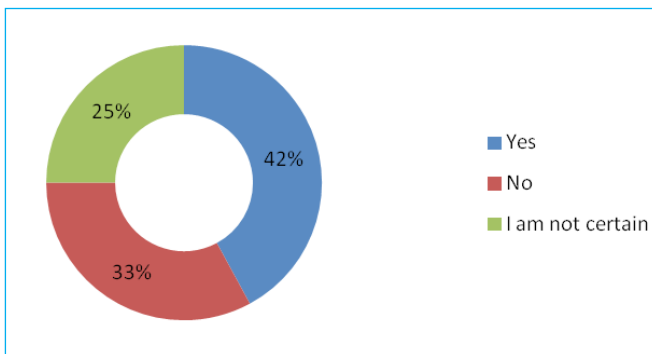


Figure 11: Desire to take a loan in next 12 months

¹⁷ Data provided by Independent Research Laboratory “Economic Research” Ministry of education of TN region.

Commercial banks and microfinance organizations were most frequently listed as potential sources of credit (regardless of concern about being accepted) by respondents. 28 of respondents indicated they could address banks. The total number of people who indicated a MFO as a potential source of credit increased to 16 respectively. Most respondents would prefer a foreign currency loan; priority was given to USD currency. The majority indicated a desire for a medium-term loan of 12-48 months. However, the financial literacy appears to be fairly low; as many respondents were unable to answer questions about fixed rates vs. variable rates, or about flat vs. declining balance.

The purpose of obtaining a loan is mainly directed towards expanding the existing business activity, followed by the launch of a new business activity. 11 respondents would like to take a mortgage loan to purchase, construct, or repair a house. Most of those interested in a loan own a house which could be considered as collateral (72%), but just about 36% indicated a willingness to put down their homes as a security for a loan. 68% of potential borrowers own a vehicle and 55% would agree to put their vehicles as collateral.

However, respondents that were not interested in accessing a loan provided the following reasons: do not like to be in debt, followed by uncertainty to be able to pay the debt, expectation of a complex and lengthy period of loan approval, and anticipate that loan conditions (interest rate, term, etc.) would be unacceptable to them.

Respondents were also asked to rank the factors that are most important in selecting a lender, by indicating #1 as the most important and #9 as the least important. The most important **factors** in selecting a lender constitute **the costs** of a loan thereby not only looking at the interest rates, but also at the fees. This indicator accumulated a median value #1, followed by the amount of loan, length of loan, minimal or no collateral requirements. Other secondary factors with rankings between 4 and 5 points included: **quality of service, availability of other financial services from the same institution (insurance, savings, transfers, etc.)**

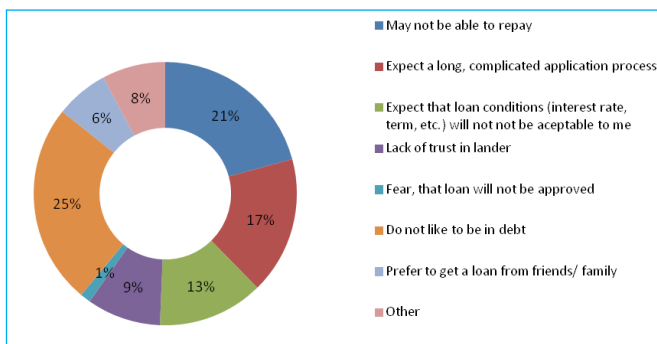


Figure 12: Reasons for not wanting get a loan

5.4. Key constrains of small businesses in accessing financial services

Small business development in Transnistria is still at an initial stage. Over the past three years, it had no significant impact on the region's economy. This is due not only to minor business development in TN region, but mainly to the fact that the economic conditions of its existence do not allow small businesses to promote the production industries. The absence or lack of resources for potential entrepreneurs leads to greater formation of new small businesses in the field of trade and micro-retail, representation (agent commissioning) and intermediation, and so-called life utility services (shoe repairing, hair cutting, house cleaning, etc.). This process in the economy does not lead to the development of the production sector and the saturation of local market with domestic products.

The following constraints impeding small business development in Transnistria:

- imperfect legal framework for small business development and administrative barriers;
- continuous domination of big companies in production and trade;
- lack of cooperation among stakeholders impacting the economic activity of small businesses;
- difficulties in marketing of domestic agricultural products;
- difficulties in material and technical equipment of small businesses;
- lack of start-up capital and difficulty in obtaining loans;
- high fee for premises rented by small businesses;

- lack of trustable and transparent information about the dynamics and market conditions, in which business entities have to operate;
- difficulty in finding skilled personnel.

Barriers impeding the access to finance for business development were assessed according to the following criteria: Interest rate, bank fees, number of required documents, and period for processing application and requirements for borrowers. Interest rates required by financial institutions are considered exaggerated and high by the majority of respondents (48% and 46% respectively). Bank fees are considered high by 50% of interviewed persons. 60% of respondents consider too many documents are required by financial institutions as well as the lengthy period for processing of applications, and still high requirements towards borrowers.

PART II

FEASIBILITY AND RECOMMENDATIONS FOR MICROFINANCE FACILITY

I. Specific areas and sectors to place microfinance facility

The study suggests a broad small business targeting campaign for the first phase to exclude only retail trade outside the agricultural sector. Targeting of private small businesses should be tightened during a second phase when first experiences will become available on the income and employment generating capacity of particular types of small businesses.

The microfinance is in a great demand all over the small business operates: rural, suburban and urban areas of the region. The types of deals are different, but the entrepreneurs are all same – people with a talent to risk and responsibility to operate on its own, irrespectively of age, gender, race, religion, etc. However, among those small businesses, there are few groups, which are obviously more vulnerable and have fewer chances to survive in real economic exercises.

Traditionally, microfinance supports exactly those most disadvantaged groups of small entrepreneurs: *youth, women, labour migrants, ex-servicemen, forced dismissing, middle age carrier change, elder occupation, disabled, etc.*

Taking into consideration the task for the Consultant to define already at this very early stage the specific area for further financial intervention, it has been decided to suggest a **Youth Microfinance Facility**. There are several reasons for that, but the main being the solid experience and successful operation of similar facility in Moldova over last decade (Annex 2).

II. Practical Methodology for establishing a microfinance facility in the Transnistrian region

The AID consultants applied an iterative approach in arriving at their recommendations based on the following four methodological steps:

- 1) Data collection through internet research, published and printed data resources, information received from the Transnistrian partner, find-

ings from three small business surveys organized in a two-step approach in the mid of November and the end of December 2012, a first round of interviews with leading Transnistrian entrepreneurs, and the subsequent analysis of all this information by the AID consultants for small business development, financial sector assessment, and legislation and banking regulation as well as within the brain-storming sessions of the entire consultants' team, including the international consultant, Transnistrian and Moldovan team.

- 2) Formulation of the most challenging hypotheses based on the data collection and the early transition experience of other former centrally-planned economies in Central and Eastern Europe and the corresponding identification of options for donors. The latter was performed by reviewing of the most relevant and successful donor interventions in financial inclusion and small business development in comparable economic and legislative framework conditions – like in the Republic of Moldova and in the Ukraine around five to ten years ago – from which lessons could be learnt for a microfinance facility in Transnistria and complementary small business coaching support.
- 3) Second round of interviews with chairpersons of two business associations, top managers from three commercial banks and the ADB, stakeholders in charge of the regulatory framework in the Transnistrian region, and selected small business owners/managers to receive feedback on proposed hypotheses and possible donor support interventions carried out by the whole consultants' team.
- 4) Revision and prioritization of possible donor projects to be discussed in a third round of interviews with all key stakeholders from the small business sector, the banking sector, and the local authorities to understand well their preferences on, and commitment to the proposed microfinance facility and complementary small business coaching program.

The main output of the **first** step of data collection and analysis constitutes part 1 of this report. Three of its main findings with strategic relevance for the proposed microfinance facility and the complementary small business coaching program are summarized here as follows:

- (1) Private small businesses – defined as micro and small enterprises (being registered legal entities) as well as individual entrepreneurs with

a business patent, including agricultural production permits of up to 30 ha (being sole proprietorships) – still play a very minor economic role of around 10% of GDP. Given the unchanged non-enabling business environment (largely affected by the impasse in Transnistrian region's status), a banking sector with private and publicly-owned banks that do not target small businesses as a client group, a dearth of small business coaching services, and the lack of a consistent small business promotion strategy, small businesses could not develop significantly over the past 2,5 years when the UNDP initiated SME study estimated the GDP share of small businesses at 9,5%.¹⁸

- (2) The Transnistrian region started its economic transition process towards a market-based economy around ten and more years later compared to the Republic of Moldova, Ukraine and other former parts of the Soviet Union. An indication for this is the late privatization of key economic infrastructure, such as the central market of Tiraspol in 2005. The example of the privatized central market illustrates in an impressive manner how much entrepreneurial potential Transnistria can unleash by privatizing its economic infrastructure. The “Central Market” private company¹⁹ has established – and is further expanding with a new market complex every year until 2015 – a smart ‘bazaar-shopping mall’ complex that is playing an important role in local and regional trade facilitation.
- (3) Transnistria dependence on migrant workers’ remittances seems to be even higher than that of the Republic of Moldova which has the fifth highest dependency worldwide with remittances contributing to around 40% of its GDP.

The **second** step consists of the following five main reflections and conclusions that led – together with the second round of interviews as the **third** step – to the development of concrete proposals for a microfinance facility (in chapter 2) and the complementary small business coaching program (in chapter 3):

- 1) Employment and income generation is driven by private small businesses in all market-oriented economies with contributions to around 80 to 90% of total employment and 50 to 70% of GDP. However, private small businesses in Transnistria contribute only around 10% of

¹⁸ Refer to p. 17 of the SME study. This has likely included the roughly 8% public small businesses as well.

¹⁹ The company is running three other markets in Transnistria and already employs 200 people.

GDP, as the transition process towards a full-fledged market economy is still on-going.

Small businesses offer to a large extent goods and services to the local population for their daily consumption, notably processed and unprocessed food that account for the highest category of household expense of low-income populations. They rely on local suppliers and serve as supplier to other small businesses generating economic multiplier effects that do benefit the local economy.

The first conclusion is that any microfinance facility in Transnistria should promote access of private small businesses to financial services and notably investment loans (with incremental working capital) to address their key external financing constraint.²⁰ In fact, the financial sector statistics, the findings from the surveys of entrepreneurs, as well as the interviews with entrepreneurs and other stakeholders clearly indicate a very limited access of small businesses to investment loans above one year.²¹ Needless to mention is that investments are the main drivers for small business expansion and there would be no business start-up without an initial investment. It is unrealistic to believe the banks would consider massive investment in the SME sector in current instable situation in the region. However, with **certain incentives to share partially risks of lending and smart instruments (matching grants)** one can raise some funds available for relatively short term (one-two years), which are available on the market.

- 2) The late economic transition process and the findings from the interviews with entrepreneurs indicated a relative low level of financial business skills.²² Experiences in Eastern Europe also indicate that access to small business investment loans alone may not be sufficient to help expand small business operations sustainably and/or facilitate the establishment of potentially viable business start-ups. Furthermore, part 1 of the study reveals that there is a very limited supply

²⁰ For any donor intervention, support to the microfinance sector is only a means to the end, namely to enhance the effectiveness and depth of financial intermediation in order to create more client-oriented financing opportunities for private small enterprises and low-income households.

²¹ The SME survey of the UNDP scoping study in 2010 revealed that access to loans constitutes for 19,5% of the interviewed SME a "very serious obstacle" and for 24% a "serious obstacle" and only for 4,5% "not an obstacle at all" (refer to p. 22).

²² The SME scoping study concluded that lack of business education and "a low level of entrepreneurial culture" constituted major obstacles to SME development (refer to pp. 18 and 21). Nevertheless, the AID consultants met very innovative entrepreneurs and companies like "Arion" insurance company that offers an incredible range of insurance products despite the very narrow market.

of business training and counselling services in Transnistria, as there is also little demand yet from small businesses indicating the need to stimulate their expansion.²³

The second conclusion is that a microfinance facility alone would be insufficient to help promote private small businesses and that it would need to be complemented by business coaching for entrepreneurs to acquire financial business skills required for planning and carrying out partly loan-financed investments. The business coaching will encompass, among others, the brokering of financial services that includes the preparation of business plans and corresponding investment loan applications and negotiations with the banks. The entrepreneur requires some 'hand-holding' coaching over a longer period of time which is quite different from class-room training courses. Business coaching is not part of the current UNDP funded business school project with the Transnistrian Chamber of Commerce since 2010. The latter is mainly related to business education and introduction into entrepreneurial practice.

Furthermore, UNDP is strongly advised to include the brokering of financial services as a component of its business incubator project so as to facilitate access of its targeted businesses to the subsidized small business lending resources.

It is important that the microfinance facility is complemented by a dedicated business coaching program that ensures that the targeted entrepreneurs will receive qualified coaching throughout the planning and execution of the bank investment loan application and subsequent business operational process. Since the microfinance facility will target small businesses across the Transnistria region, the business incubator would not be in a position to offer such services to all small businesses concerned.

The third conclusion is that the business coaching program needs to be in place before a microfinance facility can run effectively. This is because small businesses need coaching support, notably in brokering financial services, before they can approach the banks for investment loans. The current supply of small business advisory services in Transnistria is insufficient in scope and quality, notably in financial service brokering.

²³ Noteworthy is that the "Professional Union of Transnistrian Entrepreneurs" with around 2'000 members (thereof around 80% from the trade business) do offer legal and other consultancy services to its members.

The business school and the planned business incubator will likely contribute to form the basic doing business knowledge, that, in turn, would facilitate the running of a microfinance facility. The better the entrepreneurs understand the financial management of their small businesses, the easier they can communicate with the bankers. However, for the financial brokerage a more dedicated and on-site fund raising facilitating instrument is required, which will be leading to practical actions instead of room training provided originally.

There is also an evident need to uplift the capacity of Transnistrian service providers in small business coaching through capacity building offered by external small business training consultants. The Transnistrian business service providers can thus coach the targeted small businesses in their investment loan applications only in a second step. The TA resource requirements for the business coaching program will largely surpass the TA resources to be offered by the microfinance facility to the participating banks.

- 3) The better a donor agency understands the local economy and the small business sector in a given region, the more successfully it can target small businesses so as to maximize local income and employment generation. However, the understanding of small business promotion is very limited in Transnistria, as no such experience exists yet. Furthermore, there is little transparent information available and limited opportunities exist for consultants to cross-check the reliability of such information. Therefore, any specific small business targeting may not work from the onset.

Small businesses, notably BPHs, are pre-dominantly involved in retail trade²⁴, as it is the case in all former transition economies. However, there is clear empirical evidence from many countries that retail trade does create little value added and employment compared to all other economic sectors and sub-sectors. However, agricultural input suppliers may play an important role for the development of small private farms and should not be excluded.

The fourth conclusion is that a broad small business targeting is advisable for the first phase to exclude only retail trade outside the agricultural sector. Targeting of private small businesses should be tightened during a second phase

²⁴ The SME scoping study indicated that 44,5% of all SMEs operate in retail trade and public catering (refer to p. 17). The percentage among individual entrepreneurs with business patents in trade is likely much larger, as indicated by the Transnistrian Small Business Association with more than 80% of members engaged in retail trade.

when first experiences will become available on the income and employment generating capacity of particular types of small businesses.

- 4) Part 1 of the report reveals the very limited scope of the commercial banking sector and the newly operating ADB. In fact, small businesses face the same three main serious constraints in accessing credit as existed in all former transition economies²⁵ that, in fact, continue to exist to varying degrees still today despite already 10 to 15 years of donor interventions in financial sector development:

- (1) **Insufficient collateral** (and substantial bureaucracy imposed on them by the banks) so that small businesses cannot access credit in the first place.

This constraint can be addressed by offering TA to the banks for introducing a **cash flow-based lending technology** that allows them to appraise small business clients adequately and to look at collateral as a secondary approach only.²⁶ In addition, **banking regulators need to understand this technology** as well so as to relax prudential norms for loan provisioning to a certain extent so as not to burden the banks – that apply professionally a cash flow-based lending technology – with by unreasonable loan provisioning requirements.

The fifth conclusion is that the microfinance facility needs to offer TA for the participating banks in introducing a cash flow-based lending technology, including exposure visits for the participating banks and their regulator to down-scaling banks and regulators in the region to help overcome initial reservations.

Another common donor approach is to provide **matching grants** for existing and start-up small businesses in order to enable them to access bank loans. The three main entry points for using matching grants are to promote:

²⁵ Small businesses and start-up entrepreneurs are in fact also discriminated by the traditional banking sectors in Western Europe and Northern America so that microfinance institutions are targeting entrepreneurs with micro loans. For instance, Grameen Foundation has established micro credit programmes in several cities in the USA where young and/or 'poor' entrepreneurs without sufficient collateral cannot access bank loans. Similarly, ADIE is offering micro loans in France for many years. Even the traditional banks serving small businesses, like the co-operative Raiffeisen banks in Germany, Austria, and Switzerland or the credit co-operatives of Dujardin in Canada, do often not reach start-up entrepreneurs. This is why many governments provide special financial incentives for start-up entrepreneurs apart from tax incentives. There are also private venture capital funds that are specialised in taking an equity share in business start-ups that are not creditworthy for the commercial and even co-operative banks.

²⁶ In fact, the German Development Bank KfW and other international financing institutions have offered and continue to offer such TA to many banks in all former transition countries, including the Republic of Moldova and the Ukraine.

- (i) Youth entrepreneurship by offering new labour market entrants and young people (usually up to 30 years) to establish their own small businesses as an opportunity to escape from unemployment or under-employment: Youth are targeted in particular, as they face particular challenges in finding salaried jobs and the combination of lacking job experience and prolonged unemployment makes them unemployable even if economic conditions will improve. As a result, they try to migrate for labour and are lost as labour force for the local economy.²⁷ In fact, an extremely high percentage of new labour entrants are estimated to leave Transnistria for Russia as migrant workers.
- (ii) The creation or expanding of small businesses that have a strategic role for invigorating pro-poor rural value chain development that would result in better prices for small producers and/or the integration of more small producers into these value chains: As there is no information on small business productivity and employment generating effects per sector and sub-sector available in Transnistria, the AID consultants are not in a position to identify the two or three value chains with the greatest poverty alleviation potential. However, there are good indications in terms of rural development and import substitution potential to target farmers with an agricultural production patent to invest in their small farms of up to 30 ha, as they are excluded not only by the commercial banks, but also by the ADB. They also need leasing finance for farm equipment and machinery as mentioned below.
- (iii) To promote selected small businesses as part of a local economic or regional development approach: The SME scoping study revealed significant regional differences in both general economic development and variations in the non-enabling small business framework with the northern part of the Transnistrian region being the most disadvantaged geographical zone. There is thus a rationale for focusing small business promotion on the northern zone of Transnistria.

The sixth conclusion is that the microfinance facility may offer matching grants to targeted small businesses and/or young entrepreneurs as the preferred option for a financial instrument. The rationale for matching grants is to trigger with a one-time subsidy economic multiplier effects within the tar-

²⁷ In fact, several bilateral donors and United Nations organisations have been providing matching grants to young entrepreneurs in the Republic of Moldova.

geted local economy. This is ***the only possible solution*** for the Transnistrian region at current stage since only in combination with grant the local commercial banks may relax and release their funding for longer term and more vulnerable clients.

The success will be measured in terms of the percentage of targeted small businesses surviving in the medium to long term. The more survive and grow, the more they generate direct and indirect income and employment effects thus unleashing growth of the local economy. Success mainly depend on (1) the right targeting of economic sub-sectors that create most value added, (2) sufficient and appropriate business coaching, and (3) a sufficient number of small businesses that reach the necessary scale to unleash growth of given economic sub-sectors and/or localities.

The main advantages of matching grants – compared to a credit line – are that they:

- (i) Reduce collateral requirements as the equity share of the entrepreneur will be enhanced by the matching grant which, as a result, will require a lower loan amount.
- (ii) Allow access to investment loans even for small enterprise start-ups.
- (iii) Have a more direct stimulus effect for small businesses and thus a faster impact on the local economy.
- (iv) Allow for an easier targeting of specific small enterprises.

The main disadvantages of matching grants – compared to a credit line – are:

- (i) A higher risk for the potential wrong targeting to non-eligible entrepreneurs and misuse of funds because it is even more difficult to monitor and cross-check the eligibility of entrepreneurs than the small business loan portfolio of the participating banks.
- (ii) A significantly lower financial leverage effect.

Another important approach to overcome insufficient collateral for investment loans would be the introduction of **leasing** activities, notably for agricultural production and processing. By promoting leasing of machinery and equipment the small businesses would not that much depend on investment loans. In fact, the current leasing legislation is under revision and one commercial bank is keen to establish its own leasing company (spin-off) as soon as the legal act

would allow. The bank concerned has ambitious plans to invest substantially in leasing operations with around 60% concentrating on the agricultural sector.

The seventh conclusion is that the microfinance facility should focus during the first phase on facilitating investment lending to private small businesses and leave the required legislative changes and initial start of leasing operations to the commercial bank concerned. The promotion of leasing may be a priority of the microfinance facility during a second phase. The rationale for this timing is that legislative changes are quite complex, notably in the currently quite confusing legislative situation as outlined by chapter 2 of part 1. Changes in legislation are often politically unpredictable processes and local stakeholders – like the commercial bank concerned – are in a better position to convince the legislator rather than outside legal advisers.

A further common approach by international financing institutions and bilateral donors to overcome the lack of collateral is to provide banks or NBFIs with **partial loan portfolio guarantees** to share their lending risks and to reduce thus their loan collateral requirements. However, this is no feasible option for Transnistria for the time being because of its particular political status.

Near absence of medium and long-term loans because the commercial banks (i) can mobilize mostly short-term deposits only up to one year and (ii) do not have access to effective refinancing facilities for small businesses. This was the same situation in all other transition economies 15 years ago before international financing institutions or investment funds – such as the European Fund for Southeast Europe (www.efse.lu) – started offering **medium- and long-term credit lines**. However, international financing institutions do refinance only commercial banks and NBFIs that reach minimum transparency and corporate governance standards with annual external audits conducted by qualified audit companies. They also request minimum banking legislative and regulatory standards and usually require public guarantees to secure their credit lines.

In fact, the commercial banks and the ADB have access via the “Public Reserve Fund” to around USD 20 million grant funds from the Russian Federation and additional budgetary resources for agricultural companies and small businesses. However, these credit lines do not come along with TA for a cash flow-based lending technology for small businesses. Therefore, neither the commercial banks nor the ADB do actually reach small businesses. The credit lines of the “Public Reserve Fund” stipulate a 2 to 3% operational margin only that does not allow the commercial banks and the ADB to recover their transaction costs, if on-lending them to small businesses, even if they would master a cash flow-

based lending technology. The high average loan amounts – as outlined in the sub-chapter 4.4 of part 1 – indicate that these credit lines benefit mainly larger businesses.

The eighth conclusion is that the microfinance facility may offer a credit line to participating banks for refinancing medium-term investment loans to targeted small businesses and/or YEs as another (or additional later) option of a financial instrument apart from matching grants.

The main advantages of a credit line – compared to matching grants – are:

- (i) The financial leverage effect through the revolving nature of a credit line or the possible extension of the credit line, respectively.
- (ii) The expansion of bank lending.
- (iii) Slightly lower risks of wrong targeting to non-eligible entrepreneurs and misuse of refinanced loans.

The main disadvantages of a credit line – compared to matching grants – are:

- (i) More complex management, notably if a participating bank may default on interest payments and repayment of the credit line.
- (ii) Insufficient incentive for encouraging banks to offer investment loans for business start-ups, as entrepreneurs will likely lack sufficient equity.
- (iii) Reputational risks of the donor agency, as proper due diligences of the participating banks may be very challenging given the lack of reliable annual external audit reports.

Unfortunately, credit lines are not available for Transnistrian banks and this may become operational only if the donor will accept the risk to supply it. It is not realistic that any of International Financial Institutions active in Moldova will open credit lines to local commercial banks.

The AID consultants **recommend matching grants** – rather than a credit line – **as initial financial instrument of the proposed microfinance facility** for the following two main reasons:

- (i) The “Public Reserve Fund” already offers refinancing facilities for small businesses, but they do not follow ‘good practices’ and thus, in fact, do not reach small businesses. The donor agency should expect a

commitment from the “Public Reserve Fund” to revise the conditionality of its credit lines to make them a mutually reinforcing instrument together with the microfinance facility’s offer of TA and matching grants. This would demonstrate a true commitment of the Transnistrian authorities in supporting effectively small businesses.

(ii) The two main advantages of matching grants (compared to a credit line) – to reach more down-market, including even start-up small businesses, and to create a faster stimulus effect on small businesses – are likely to constitute the more effective incentive for the participating banks to offer investment loans to small businesses.

(2) **Prohibitively high interest rates** because of limited competition and low professional standards in the banking sector, poor banking legislation and regulation, and high legal, political and economic uncertainty. As the banking market is very narrow with only six commercial banks, there are high risks for a cartel-like behaviour of the banks that may be an additional factor in explaining high interest rates. Nevertheless, lending rates are not really higher than around ten years in the Balkan countries. If small businesses feel them as prohibitively high²⁸, it is also because of the high risks of a very unfavourable general business environment in Transnistria with a local currency with limited convertibility, an uncertain legislative and political situation with subsequent high legal risks, complex import and export procedures, limited transparency of business regulations and taxation, and so forth.

30 years of donor experience provide clear evidence that subsidized loans are counterproductive because they distort financial markets and ration credit and thereby exclude small businesses and poor farmers for which the subsidies loans were originally intended for. Concessional lending rates – with the exception to loans offered to governments of low-income countries – may only be justified in very specific circumstances and limited in time and scope, as it better donor practice to subsidize TA and other services. The only way to bring down interest rates is a combination of improving macroeconomic stability, an enabling financial sector legislation and regulation, and, most importantly, increasing competition in the banking sector. However, the responsible legislator and the ADB management do not share this understanding.

²⁸ In fact, entrepreneurs do in all countries usually complain about too high loan interest rates.

The ninth conclusion is that the microfinance facility shall insist that all participating banks, including the ADB, will offer investment loans to small businesses at reasonable market rates and not at a fixed rate independent of the actual lending risks.

- 5) The most strategic issue for the microfinance facility is to identify the banks and NBFIs with the greatest potential to expand investment lending operations to small businesses sustainably and as fast as possible. The most important selection criteria for the most suitable banks and NBFIs are (i) their actual track record in small business lending, (ii) commitment to small business lending by their board, top management, and the staff, (iii) their market positioning in terms of scope and branch network, (iv) their financial standing, and, last, but not least (v) their level of corporate governance and transparency.

The banking sector of the former transition economies was not much different from that of Transnistria around 15 years ago. Based on relevant donor experience to trigger changes in transitional banking sectors, there are basically three main options in selecting the banks and NBFIs that are most likely to trigger the required changes towards the supply of client-oriented loan products for small businesses:

- (1) **‘Down-scaling’ of existing commercial banks** by introducing the cash-flow-based lending technology. The advantage is that there are already licensed operating banks with their management systems in place, branch network, personnel, and savings mobilization capabilities. This is thus much faster and more efficient than to create new financial intermediaries or to ‘up-scale’ microfinance institutions. Nevertheless, it is often a significant challenge to change the mind-set of traditional banker who rely on written financial statement and do not leave their offices to visit clients. It is thus important to select the right bank where the top management is committed to down-scale and a bank that has a leading position to encourage other banks to follow.

The tenth conclusion is that the microfinance facility should work preferably with two or three commercial banks – that are most committed to target private small businesses as new clientele – as the potentially fastest and least resource-intensive approach. Bank selection criteria are outlined under the sub-chapter 2.1 below. The microfinance facility should select at least two participating commercial bank to create some ‘positive’ competition among them. Only if a first phase will prove that the commercial banks do not change their mind-set

and negative lending attitude towards small businesses, the microfinance facility needs to establish a greenfield NBFi as outlined under (3) below.

(2) **Reforming the publicly-owned agricultural bank or NBFi** because the commercial banks tend to neglect the agricultural sector for several reasons, like high natural hazard and climate change risk exposure, high transaction costs to serve smallholders, lack of sector know how, and so forth. In line with the strategic importance of the agricultural sector for employment and income generation, the former Republics of the Soviet Union (as well as other former centrally-planned economies) all had their publicly-owned agricultural banks. The restructuring of these 'Agroprom Banks' had been a very difficult and time-consuming process and often ended with their privatization.²⁹ This also happened in Transnistria though its name has not been changed as elsewhere.

Donors, notably the World Bank, IFAD, and others have supported governments of former centrally-planned economies to establish NBFis with a strong development mission to serve rural and agricultural businesses and smallholders that have been neglected by the new private banking sectors. In Transnistria, the ADB has been established by the local authorities in 2011 only, obviously as a reaction to the failure of the commercial banks in serving the rural and agricultural businesses. However, the ADB seems to operate more as a policy bank to allocate heavily subsidized loans to larger agricultural companies which is not in line with 'good practice' agricultural lending technologies in a market economy. In fact, the subsidized lending to agricultural companies prevents the development of a sustainable rural banking sector in Transnistria.

The eleventh conclusion is that the microfinance facility should encourage the ADB to participate provided that the ADB will lend at reasonable commercial rates that reflects its actual lending risks. The microfinance facility may offer additional TA resources to the ADB – compared to the ones offered to the participating commercial banks – as an attempt to convince the ADB in adopting 'good practice' agricultural lending technologies.

(3) **Creating a Greenfield NBFi.** This often required first the development of a suitable legislative basis for creating a NBFi, as would be the case in Transnistria. The main reason for creating a greenfield NBFi is to demonstrate

²⁹ For instance, it took in total 12 years and substantial donor resources to restructure and finally privatise the Lithuanian Agricultural Bank. It was a much faster and effective process in Kyrgyzstan, where the IBRD could convince the government to liquidate the former Agroprom Bank and to start the Kyrgyz Agricultural Finance Company as a NBFi.

that lending to small business and/or private farmers can be done effectively on a profitable basis without subsidizing loans. Once the commercial banks observe that small business and/or SME lending can be an interesting and profitable market segment in their own market, they start showing interest in a cash-flow-based lending methodology. They will start understanding that such lending may not only be profitable, but that it comes with further advantages of cross-selling opportunities and risk diversification of their traditional loan portfolio of large and often publicly-owned enterprises.

There are several good experiences of NBFIs that have been established in order to serve rural entrepreneurs and farmers, such as the Rural Finance Corporation in the Republic of Moldova, the Albanian Savings and Credit Union in Albania, the Kyrgyz Agricultural Finance Company in Kyrgyzstan, and the Land Bank in Latvia. These institutions were the pioneers in developing market-oriented rural financial markets in their respective countries. The first two institutions were established partly or fully as apex organizations for rural savings and credit associations to which they offer refinancing and other support services.

Without the demonstration of successful rural lending operations, the commercial banks may not have changed their wrong mind-set that small businesses do not constitute good clients. In fact, the leading Moldovan banks received substantial TA in down-scaling and in targeting rural entrepreneurs starting with little results in the early 1990's until the Rural Finance Corporation was established and demonstrated on how to refinance rural savings and credit associations on sound market-based banking principles. The Moldova-Agroindbank and Fincombank only started refinancing rural savings and credit associations when the Rural Finance Corporation had succeeded to do so successfully despite its limited overall market share in the banking sector.

The most effective greenfield approach for small business finance had been the establishment of the ProCredit banks in all Balkan countries (except in Slovenia and Croatia), the Republic of Moldova, Ukraine and Georgia by the German development bank KfW and other international financing institutions. They are microfinance banks established under a special microfinance law or as commercial banks that target micro, small, and medium-sized enterprises, but have also developed in a second stage important retail banking operations. The ProCredit Banks of the ProCredit Holding Company turned profitable during their second or third year of establishment and have become firm competitors of the commercial banks. They are also often the first banks that undertake serious efforts in penetrating rural financial markets.

The three main arguments against starting right away with a greenfield institution are:

- (i) The current political and legal situation of Transnistria does not allow either the establishment of a branch office of the Moldovan Rural Finance Corporation or of ProCredit Bank Ukraine or Moldova.
- (ii) The ‘bad practice’ subsidized credit lines by the “Public Reserve Fund” and the lending operations of the ADB that may increase in scope and impact on the investment lending market. It is difficult to establish market-oriented small business and/or SME lending operations in a largely distorted investment lending market.
- (iii) The very limited market size of less than 300’000 working age population with already six commercial banks and the ADB in place.

The twelfth conclusion is that the microfinance facility should only consider support creating a Greenfield NBFi together with an enabling NBFi regulatory framework, if not sufficient progress can be made with both selected commercial banks and the ADB. Two different types of NBFi could be then considered:

- (i) A small business lending institution with private shareholders from the Transnistrian region and possible abroad that operates at market rates and receive TA for the initial four years of operation.
- (ii) One or more credit co-operatives with small businesses as members. In fact, the “Professional Union of Transnistrian Entrepreneurs” is reflecting on the idea of creating a credit cooperative.

The final part of the fourth step of collecting extensive feedback from the Transnistrian stakeholders from the banking sector, the small business community, and persons responsible for small business and banking development on their preferences and priorities regarding the proposed microfinance facility and the complementary small business coaching program has been achieved partially. The main reason for this was the failure in arranging required meetings with some Transnistrian stakeholders and especially local officials

Nevertheless, detailed proposals have been elaborated. Once the donor will have mobilized funding and developed a defined targeting policy, it would be necessary to have in-depth meeting with the Transnistrian region’s stakeholders to update recommendations and to deepen their design for ready implementation.

III. Launching and running a Microfinance Facility for Young Entrepreneurs

3.1. Institutional Arrangements for the YE Microfinance Facility

The essence of the proposed Microfinance Facility for Young Entrepreneurs (MF-FYE) is to provide matching grants up to a maximum ceiling of 8'000 USD to around 450 YEs between 18 to 35 years so as to co-finance one-time investments of existing and start-up small businesses (i.e. micro and small enterprises, including farms with 30 and more ha, and entrepreneurs holding one or more patents, including farmers with less than 30 ha) that they own and run. The matching grant scheme is eligible for all business activities, except non-agricultural retail and wholesale trade. The exclusion of non-agricultural trade is justified by international evidence on the low value added generated by the trade sector.

The matching grant scheme is limited to one grant per YE who must be a resident of the Transnistrian region with his/her entrepreneurial activities mainly based in the region. Furthermore, it is also limited to one grant per small business which excludes that siblings or partners apply each for a grant for the same small business. The allocation of matching grants is finally decided by the corresponding investment loan decision-making process of the participating banks and the implicit qualified control by the business coaches on a 'first come – first serve' basis. The funding donor agency may want to impose certain sub-regional and/or sub-sectorial quotas to ensure a 'more balanced' allocation of the matching grants; however, this would require a better understanding of the target group of YEs and the small business sector in Transnistria.

It is proposed that the MFFYE would initially support all legally permitted business activities in all sectors – excluding non-eligible activities as defined by the United Nations according to the Annex 9 – so as to stimulate sustainable small business growth. With first experiences and thus a better understanding of the small business sector gained, the MFFYE may target during a second phase more specifically private small businesses that have the highest potential in generating growth and employment.

The donor agency can either tender out project execution to a consultancy company with a strong record in down-scaling banks in Eastern Europe or establish an internal project execution unit with qualified individual consultants at its office in Chisinau. The winning consultancy company – or the project execution unit – would conclude collaboration agreements with preferably two or three commercial banks – and may be also with the ADB – to be selected according to the following five main criteria:

- 1) Proven interest in small business lending as evidenced by concrete measures in acquiring such capabilities to shift from a traditional asset-based towards a cash flow-based lending methodology and decentralizing small business loan decision-making to one level below the head office credit committee.
- 2) Commitment in terms of:
 - (i) Offering investment loans with a tenor up to at least three years to small businesses from own resources and on the bank's own risk with reasonable collateral requirements in combination with one to one matching grants from the MFFYE up to a maximum of 8'000 USD.

Applying 'responsible finance practices' in lending to private small businesses notably to undertake best efforts in complying with the SMART client protection principles (www.smart.org).

Assigning two and more dedicated small business lending officers.

Accepting tailor-made TA in small enterprise lending with focus on a cash flow-based loan appraisal methodology that includes training and coaching the small business lending officers and the members of the relevant loan committees.

- 3) Acceptance in undergoing an external annual audit by an audit company accepted and paid by the donor agency prior to signing the collaboration agreement.
- 4) Submission of quarterly progress reports on the small business lending operations within the framework of the collaboration agreement according to a standardized reporting format.
- 5) Acceptance to an external evaluator selected by the donor agency to review the small business portfolio and the small business lending procedures within the framework of the collaboration agreement at mid-term and at its conclusion of the MFFYE.

3.2. Launching of a YE Microfinance Facility

The main steps in establishing the MFFYE – and the complementary Business Coaching Program for Young Entrepreneurs (BCPYE) as outlined in chapter III below – are as follows:

- 1) Establishing a clear registration system for eligible YEs that can be updated and monitored easily under the complementary BCPYE as outlined in chapter III below.
- 2) Designing and launching a proper awareness building campaign that will actually reach eligible YEs. Important is a proper messaging to reach potentially eligible YEs without stimulating an unmanageable flood of requests. Depending on the actual number of potentially eligible YEs, direct targeting via small business associations, the Transnistrian Chamber of Commerce, and/or the business patent registration office may be both more effective and less expensive compared to mass media campaigns. Nevertheless, mass media are likely required to reach young people who plan or are in the initial process of setting up a small business or intend to purchase business patents.
- 3) Conclusion of collaboration agreements with preferably two or three commercial banks to be selected according to the above-mentioned criteria. The main provisions of such agreements are:
 - (i) Clear explanation of the key procedures of the MFFYE with relevant references to the BCPYE.
 - (ii) Quarterly (or bi-annual) transfers of matching grants in USD to an account of the participating bank concerned. The transferred amounts should correspond with the expected disbursement of matching grants to YEs to whom the bank will disburse investment loans in at least the same amount. The loan and matching grant disbursements during the previous quarter (or semester) would indicate the disbursement trend of the bank concerned. The transfers should arrive at the bank in time in order not to delay the disbursements of both matching grants and investment loans to the YEs, as quick disbursement may be important for the YEs.
 - (iii) Quarterly reporting by the participating bank that includes a list of newly approved and disbursed small business investment loans alongside the matching grants, a status on the current small business loan portfolio in terms of outstanding loan amount, portfolio-at-risk below

30 days, between 30 to 60 days, between 60 to 90 days, between 90 to 180 days, and for more than 180 days, a breakdown by economic sub-sectors (loan purpose) and geographical location of the small business, update and progress on the TA activities, and so forth.

(iv) Obligations of the bank as indicated by the above-mentioned selection criteria.

(v) Offer of tailor-made TA as outlined under sub-chapter 2.4 below.

The AID consultants met top managers from “BiznesInvest” Bank, “Ipotekny” Bank, and “Tiraspromstroj” Bank. All three banks serve BPHs, but they do this within their retail departments and rather target larger businesses with an average loan amount of around 33’000 to 40’000 USD with “Tiraspromstroj” Bank at the lower end. They were in principle interested in participating in the MFFYE and receiving TA in introducing a cash flow-based lending methodology. They were also interested in both financing instruments – matching grants and a credit line – that the MFFYE may offer with a certain preference for the latter.

Based on the short exchange with top management of the three banks, but without an opportunity for a more in-depth exchange on the level of their credit departments, it is assumed that probably two of the three banks may actually be committed participating in the MFFYE. Based on the exchange with the top management of the ADB, it is less probable that the ADB will accept the pre-conditions outlined under the sub-chapter 2.1, notably to lend at market rates. If, however, the ADB would accept them, the MFFYE should work with the ADB because of its importance for the agricultural sector.

It is strongly proposed that, prior to the launch of the MFFYE, all commercial banks and the ADB will be contacted to verify their interest in participating in the MFFYE. “Agroprom” Bank and “Sberbank” should be contacted as well, as the AID consultants were informed by third parties only that these two larger banks would not be interested in serving small businesses. There would be no need to contact the tiny “Tiroteks Bank” that is more a ‘pocket bank’ of a leading textile company than a universal bank.

3.3. Running of a Microfinance Facility for Young Entrepreneurs

The YE has to submit his/her investment loan request supported by a business plan – prepared with the help of a local business adviser as outlined in chapter 3 below – to one of the participating banks of his/her choice for an investment loan which will be matched by the same amount by a grant within the ceiling of 8'000 USD for the YE from the MFFYE. The YE has to contribute at least 10% of the investment amount in cash in addition to reasonable contributions in kind and non-monetary assets to ensure his and her commitment.

The grant can thus not reach more than 45% of the total investment costs – as it is matching up to one to one with an investment loan with incremental working capital from a participating bank – and reach a maximum of 8'000 USD. The MFFYE can thus leverage investment loans up to 18'000 USD that is considered sufficient to make a substantial change for a small business. The participating bank is encouraged to approve an investment loan higher than the equivalent of 8'000 USD despite the matching grant amount being capped at 8'000 USD. The bank is also encouraged to offer working capital loans in addition to the investment loan.

The participating bank carries out a small business investment loan appraisal according to a cash flow-based lending methodology with TA support as outlined below. Upon approval of the investment loan application, the bank will offer the YE an investment loan agreement at reasonable collateral requirements and market rates that matches the amortization period of the main investment item at least up to three years. The loan agreement will stipulate the provision of the matching grant simultaneously with loan disbursements to the supplier(s) of the investment goods concerned. The bank will consider the matching grant as equity of the YE during loan appraisal. If the bank rejects the investment loan application, the YE has still the option to submit his/her investment loan application to another bank that participates in the MFFYE.

Upon signature of the investment loan agreement, the YE has to make a pre-payment of at least 10% of the total investment to one or more suppliers. Once the YE submits verification of his/her pre-payment, the bank will disburse both the grant from the MFFYE and its investment loan by paying directly the suppliers. An added advantage of the combined matching grant and investment loan for the participating bank is that the bank can use the matching grant to pay the client's supplier of imported equipment and

goods in hard currency whereas it can predominantly lend its investment loan in TR.³⁰

The participating bank will apply loan monitoring and collection procedures that are in line with international 'good practice' guidelines for small business loan management – with TA support as outline in the sub-chapter 2.4 below, but tailor-made to the specific conditions and preferences of the bank concerned. It will report quarterly on the status of its small business loan portfolio during the duration of the MFFYE and will accept a mid-term and project end evaluator chosen by the donor agency to review the progress made by the bank and the TA provider in building up the small business loan portfolio.

The matching grants for YEs serve as entry point and incentive for the participating banks to start this down-scaling pilot in developing small businesses as new clientele. The participating banks are expected to continue and gradually expand small business lending beyond the duration of the MFFYE, as they will have learnt appreciating the cash-flow-based small business lending technology as an appropriate approach to gain more clients and market share with interesting cross-selling opportunities while diversifying its lending risks among a much larger clientele. The BCPYE will offer financial brokerage services to additional 450 small enterprises in order to facilitate their access to loans from the participating banks.

As experiences in successful down-scaling projects elsewhere suggest, the participating banks will likely apply this lending technology for all their small businesses and possibly also to their medium-sized enterprise clients. In fact, they will serve small businesses beyond the 450 that will benefit from the matching grants and the additional 450 small businesses that will benefit from five days of free of charge financial brokerage services. Moreover, other banks may be encouraged to join as well, if they observe the success of the participating banks in expanding their market share towards the small business market segment.

³⁰ According to the ADB, its smaller loans to around 20 farmers of an average equivalent amount around 35'000 USD have only a 25% share for imported equipment and goods for which hard currency is required. However, the AID consultants assume that a significant higher percentage of at least 50% would be more realistic for investment loans of small businesses.

3.4. Technical assistance in small business lending technology for banks

The winning consultancy company will offer TA in the five main areas and the estimated proportionate need per TA area is indicated as a percentage in brackets (though it ultimately depends on the capacity and preferences of each participating bank concerned) as follows:

- (1) Advice of the bank management in small business policies and procedures (5 to 10%).
- (2) Preparation of an operational manual for small business lending in line with the international 'good practice' cash-flow-based lending technology that encompasses policies, procedures, and formats for all lending cycle steps from loan application, appraisal, decision-making, registration and documentation, monitoring, loan collection, up to workout management (5 to 10%).
- (3) Class-room training for small business loan officers and members of the small business loan committees in small business loan management procedures with a focus on loan appraisal. In addition, loan sale skills training will be offered to small business loan officers (10 to 20%).
- (4) Coaching of small business loan officers in carrying out loan appraisals, monitoring visits, and workout management operations as well as coaching the members of small business loan committees in loan decision-making and decisions on workout management issues (50 to 60%).
- (5) Selective advice in following related areas (10 to 20%), such as:
 - Human resources development regarding incentive systems for small business loan officers.
 - Audit procedures for the small business portfolio.
 - IT supports to expand the MIS in line with small business lending requirements.
 - Risk management of small business lending.

The scope of the TA will depend on the actual scale of the small business lending operations of each participating bank, but a minimum of 50 TA days would be required for the first four areas for each participating bank regardless of its

scale of operations. Efficiency gains are possible, if arranging class-room training together for all participating banks. The first four TA areas require one senior small business lending consultant and a qualified small business lending trainer. Both consultants should work in Russian. However, the participating banks may not want to share the same consultants with the other participating banks for fear of confidentiality in this very narrow market. In this case, at least one consultant is required for each participating bank.

It is proposed to offer the TA initially free of charge to the participating banks because of an expected cautious and rather limited interest. However, the MFFYE should consider some cost sharing – in line with international ‘good practice’ delivery of down-scaling TA support – at a later stage or if the participating banks will request additional TA, notably for the fifth area as outlined above. It is thus proposed to offer further TA of up to 25 days at a 75 discount rate, and additional TA of up to 25 days at a 50 discount rate.

In addition, it is proposed to offer two exposure visits to either the Republic of Moldova, Ukraine, Russia or Georgia for a team of around 10 managers of the participating banks and representatives of the banking regulator so as to learn from the experiences of commercial banks that have successfully down-scaled their lending operations and are now targeting small businesses, including individual entrepreneurs (i.e. sole proprietorships), as one of their main target client groups.

The exposure visits should be organized at the start of the MFFYE so that the participating banks can better understand and anticipate the type of TA and organizational changes required for a cash flow-based small businesses lending technology. The banking regulators may learn from their peers who have adapted loan provisioning prudential norms for micro loans.

IV. Launching and running a Business Coaching Program for Young Entrepreneurs

4.1. Institutional Arrangements for the Business Coaching Program for Young Entrepreneurs

The donor agency will tender out the establishment and operation of the BCPYE to a regional consultancy company with substantial experience in small business coaching in Eastern Europe or establish an internal project execution unit with qualified individual consultants at its office in Chisinau. The former option is likely to be the preferred one, as the main tasks include the tendering of a significant amount of business coaching services to Transnistrian service providers, apart from offering capacity-building support to them and monitoring their performance.

It would be advisable, if the winning tendering consultancy company would identify one or two Transnistrian organizations that represent small businesses and could co-ordinate the business training activities and counselling services. Apart from serving as spokespersons of the targeted small businesses, they could also monitor the execution of both the BCPYE and the MFFYE. These organizations should not be involved in delivering business coaching services themselves so as to avoid any potential conflict of interest.

4.2. Launching of a Business Coaching Program for Young Entrepreneurs

The main steps in establishing the BCPYE are as follows:

- 1) Establishing a clear registration system for eligible YEs that can be updated and monitored easily. It should draw data from the registers for residency and/or population statistics as well as business registration and/or registration of patent holders. It should result in a list of eligible YEs in alphabetical order with further columns for:
 - Identification number of the YE.
 - Age or year of birth and gender.
 - Name of micro or small enterprise or type of patent(s).
 - Date of registration.
 - Registration number of enterprise or patent(s).
 - Main business line.

- 2) Establishing a long list of Transnistrian organizations that offer business coaching, notably the brokering of financial services for small businesses. The long list should include the name of the organizations in alphabetical order with further columns for:
 - Main thematic areas of business coaching offered: (i) brokering of financial services, including businesses plan and investment loan applications, (ii) business registration, (iii) legal and tax advice, (iv) accounting & financial management, (v) marketing & sales promotion, and (vi) IT software applications.
 - Number of qualified business advisers with short CV
 - Track record in the above mentioned business coaching services.
 - Logical capacity to cover which regions of Transnistria.
- 3) Establishing a short list of Transnistrian organizations that offer small business training and/or counselling which reflect also the logical capability of service providers to cover the more remote areas away from Tiraspol.
- 4) Launching of possibly two tenders for business coaching services. Each tender should encompass the delivery of coaching services from one or more offices to cover one of two geographical zones of Transnistria. This should be a northern zone to be serviced from Rybnitsa and extending south up to Dubasari, and a southern zone to be serviced from Tiraspol and extending north up to Dubasari.
- 5) TA offered to the contracted Transnistrian service providers in the form of training of the trainers to ensure quality business coaching services in line with international 'good practice' standards, however with necessary adaptations to the Transnistrian conditions. The type and scope of TA to the Transnistrian service providers is outlined in sub-chapter 3.4 below.

4.3. Running of a Business Coaching Program for Young Entrepreneurs

The YE approaches the contracted business coaching provider of his/her geographical zone. The business coach will first discuss the business and investment proposal and assess its feasibility. He/she may advise the YE to improve his/her plans or eventually drop them, if found to be unrealistic or too risky. He/she would then prepare a business plan in close exchange with the YE, as it is most important that the YE fully understand his/her business plan and use it as a management tool for himself and not only as a tool for accessing external finance.

The business coach would then help the YE in both the preparation of an investment loan application and the negotiations with the bank. In the case of a business start-up, he/she supports the YE in registering the business upon approval of the investment loan which triggers automatically the mobilization of the matching grant provided that the YE is eligible for the matching grant. These processes go in parallel, as the bank would require the certification of business registration prior to the disbursement of the investment loan. It is assumed that the business coach can deliver all the above-mentioned coaching services within less than ten days.

In order to succeed in the initial operation of a start-up business or the management of an investment of an existing small business, the YE can call on the business coach for additional support in setting up an effective accounting or bookkeeping system (if required) and related IT applications. The YE may also need some advice on marketing and sales promotion.

It is proposed that each eligible YE will receive cost-free access to around ten days of coaching services, further five days of coaching services at a 80% discount rate, and additional five days at a 60% discount rate. It is important that the YE understands that his/her coaching constitutes a valuable service that has its market price so that he/she is more encouraged using it efficiently. Furthermore, it is proposed to extend financial brokerage services beyond the targeted YEs to 450 small businesses so as to broaden the numbers of small businesses in accessing bank loans even without matching grants from the MF-FYE, but possibly accessing subsidized loans offered by the bank via the “Public Reserve Fund”.

4.4. Technical assistance in business coaching for participating service providers

The winning tendering consultancy company will offer the following TA to Transnistrian business coaches in Russian language with the broadly estimated time allocation of around 150 consultancy days:

- (1) Around 25 days for preparing and disseminating a pragmatic and user-friendly generic manual for small business plan preparation with specific guidelines and case studies for the following eight economic sub-sectors:
 - Agricultural production: crops (e.g. wheat or potatoes), livestock (e.g. cattle), and horticulture (e.g. cabbage, cucumber, tomatoes or other vegetables).
 - Marketing and processing: storing, packing and distributing agricultural and food products, food-processing and handicraft (e.g. carpentry, souvenir manufacturing, etc.).
 - Services: restaurant/catering, hairdressing/beauty parlour, craftsmanship (e.g. carpentry, masonry, etc.).

The manual needs to be updated regularly based on the feedback of the Transnistrian business coaches and experienced gained in the coaching of YEs and small businesses.

- (2) Around 20 days for preparing and conducting ten one-day workshops on small business plan preparation for Transnistrian business coaches by discussing and reviewing the contents of the above-mentioned manual and the practical case studies at the onset and at midterm of the BCPYE.
- (3) Around 10 days for preparing and disseminating a pragmatic and user-friendly generic manual for financial brokerage services for small businesses with selected case studies.
- (4) Around 30 days for preparing and conducting fifteen one-day workshops on small business financial brokerage services for Transnistrian business coaches.
- (5) Around 40 days for coaching Transnistrian business coaches on request in their work with Transnistrian YEs and small businesses.

The consultants may initially accompany the Transnistrian business coaches in their meeting with their clients, but would later respond to specific questions of the Transnistrian business coaches via e-mail or phone.

- (6) Around 25 days for monitoring the performance of the Transnistrian business coaches, managing the BCPYE, including the tendering and funding of the business coaching services offered to Transnistrian YEs and small businesses, as well as the financial management and reporting of the BCPYE.

V. Budget Requirements for the first phase of the BCPYE and MFFYE

The AID consultants propose a combined budget for the MFFYE and the BCPYE of around USD 5 million for a first three-year phase of that they consider as a minimum for both (i) facilitating a systemic market change in the Transnistrian region towards a significantly improved access of private small businesses to investment loans and (ii) creating a significant development impact on around 450 small businesses owned and run by YEs.

The BCPYE will start half a year prior to the MFFYE. Its first phase will last for three years whereas the first phase of the MFFYE will be 2,5 years. An external mid-term evaluation is recommended after two years to assess progress made and to identify possible follow up actions for a second phase as outlined in chapter V. The MFFYE would require around USD 3,2 million, including around USD 3 million for matching grants, 60'000 USD for three special bank audits as well as TA, two exposure visits, and managerial overheads for around 130'000 USD. The BCPYE would require around USD 1,8 million, including around USD 1,73 million for subsidizing small business coaching services offered by Transnistrian service providers, training and coaching of the Transnistrian business coaches, and managerial overheads for around 70'000 USD.

The MFFYE and BCPYE would already provide a direct economic stimulus of around USD 4,75 million for the Transnistrian economy. Around 200'000 USD are required for TA, training, coaching, as well as monitoring and managerial services by the two consultancy companies, one with a strong regional track record in down-scaling commercial banks, and the other with a strong regional track record in small business coaching with a focus on financial brokerage

services. The total estimated budget for the MFFYE and BCPYE of around USD 5 million is based on the following key assumptions:

- (1) 3'015'000 USD: average matching grants of 6'700 USD for around 450 YEs.
- (2) 900'000 USD: 10 coaching days for around 450 YEs per 200 USD Transnistrian daily consultancy fee.
- (3) 297'000 USD: estimated 60% demand for further 5 TA days by around 450 YEs at a 80% discount rate and estimated 30% demand for additional 5 TA days at a 60% discount rate for the YEs.
- (4) 450'000 USD: 5 coaching days for around 450 small businesses per 200 USD Transnistrian daily consultancy fee.
- (5) 60'000 USD: 150 consultancy days per 400 USD daily consultancy fee for (i) training and coaching Transnistrian business consultants and (ii) coordinating and monitoring the BCPYE.
- (6) 75'000 USD: 50 TA days for 3 participating banks per 500 USD daily consultancy fee.
- (7) 22'500 USD: estimated 60% demand for further 25 TA days by the 3 participating banks at a 75% discount rate and estimated 30% demand for additional 25 TA days by the 3 banks at a 50% discount rate for the participating banks.
- (8) 60'000 USD: a special audit for each of the three participating banks carried out by audit company with a good track record of commercial banks audit in the region.
- (9) 14'500 USD: two exposure visits for a ten-person delegation from the participating banks and the banking regulator in the region.
- (10) 106'000 USD: 5% overheads on services worth of 1'647'000 USD delivered by Transnistrian business coaches and 15% overheads on TA of 157'500 USD delivered by the two consultancy companies.

VI. Options to strengthen Financial Inclusion in the second phase of the Microfinance Facility

The following five broad options exist for a potential second phase of the micro-finance facility whereby the first three options are based on the positive scenario that the participating commercial banks have shown a strong commitment to lend to small businesses. The fourth option is based on the negative scenario that the participating commercial banks have shown little commitment to lend to small businesses. The fifth option is based on the positive scenario that the ADB and the Transnistrian authorities are committed to adopt 'good practice' agricultural lending and are keen to develop a sustainable rural finance market. The external mid-term evaluation of the MFFYE and BCPYE should look deeper into these five and possible additional options after two years of the first phase.

Positive scenario: Participating commercial banks shown strong commitment to lend to small businesses.

- 1) Extension of the MFFYE – together with the BCPYE – with an additional matching grant scheme, but with a more selective targeting of those small businesses that trigger the highest economic growth and employment effects within the local economy based on the experiences gained during the first phase. This would deepen the systemic market change towards a much improved access of private small businesses to investment loans and a significant development impact on additional small businesses owned and run by YEs, as the first phase may not have yet resulted in a deep and irreversible systemic market change towards access to investment loans for small businesses.
- 2) Promotion of leasing services on the assumption that one commercial bank will have already started its own leasing company upon the expected improvement of the current legislation. Leasing services are essential for small businesses, notably for agricultural production, to reduce the prohibitively high costs for purchasing equipment, machinery, and vehicles. The second phase of the microfinance facility would offer the following main services:
 - (i) TA for commercial banks and leasing companies in leasing product development and the up-scaling.
 - (ii) Legislative advice to remove bottlenecks that may hamper the up-scaling of leasing services.

- (iii) Financial education for small businesses on leasing services.
 - (iv) Financial brokerage advice for private small businesses to access leasing services.
- 3) The microfinance facility may offer a first credit line as a learning experience for the commercial banks prior to the intention – however, this depends on an improved overall political status of Transnistria – to provide qualified Transnistrian commercial banks access to international refinancing facilities, such as the services offered by the European Fund for South-east Europe.

Negative scenario: Participating commercial banks shown little commitment to lend to small businesses.

- 4) The creation of a greenfield NBFI that offers financial services to small businesses at reasonable market rates on a sustainable basis. The NBFI could be established as a private company – with some shareholding by the evolving small business associations – or as a co-operative with membership by private small businesses. However, the establishment of a greenfield NBFI is a major intervention and would take at least four to five years of substantial TA and initial equity and credit lines of at least USD 5 million. Establishment of a private company would be the easier option compared to the creation of a credit co-operative or a system of several local credit co-operatives with an apex structure.

Positive scenario: The ADB and the Transnistrian authorities are committed to adopt ‘good practice’ agricultural lending as demonstrated under the first phase of the MFFYE and are keen to develop a sustainable rural finance market.

- 5) Support package for the ADB to pioneer the development of a sustainable market-based rural financial sector in Transnistria, but combined with TA for interesting commercial banks as well so as to stimulate competition in the rural financial sector for the benefits of farmers and rural entrepreneurs.

LIST OF REFERENCES:

The International Fund for Agricultural Development / Republic of Moldova: *Rural Financial Services and Agribusiness Development Project (RFSADP)*.

Moldovan Consolidated Agricultural Projects Management Unit: *Project Proposal on Business Development for Youth Economic Empowerment in Moldova*, July 2008 (financed by UNICEF & IBRD).

UNDP Moldova Office: *Feasibility Study of Small and Medium Enterprises (SME) Development in the Transnistria Region of Moldova*, Oct. 2010 (with support of European Union in the framework of the project “Support to Confidence Building Measures”)

“Public support for Small Business Development in Transnistria” (Law (CA3 09-5), January 26, 2009)

VII. Annexes

Annex 1: Terms of Reference

Annex 2: Youth Economic Empowerment – Matching Grants Experience in Moldova

Annex 3: Microfinance organizations experience in Moldova

Annex 4: Authorized banking transactions for each of the three types of credit organizations

Annex 5: Summary balance sheet of the Bank for Agricultural Development as of 1.7.2012

Annex 6: Interview questionnaire for first scoping survey on financial services demand by micro-businesses

Annex 7: Interview questionnaire for the follow up survey on financial services demand by peasant farms

Annex 8: Interview questionnaire for the follow up survey on financial services demand by micro businesses

Annex 9: Lending products of the five main commercial banks per type of borrower

Annex 10: Non eligible activities as defined by the United Nations

ANNEXES TO THE MICROFINANCE ASSESSMENT IN TRANSNISTRIA

Annex 1: Term of References

Support to Confidence Building Measures Project

Terms of Reference

“Market Survey of the Microfinance sector in the Transnistrian region of Moldova”

Job Title:	Specialized company/NGO providing a group of consultants who would undertake a “ Market Survey of the Microfinance sector in the Transnistrian region of Moldova ”
Contract type:	Contract for Professional Services
Duty Station:	Chisinau, with extensive travel in the Transnistrian region of Moldova
Duration of assignment:	May – August 2012
Contracting Authority:	UNDP Moldova

1. GENERAL BACKGROUND

Sluggish growth in remittances, stagnant real wages and unemployment, combined with fewer job opportunities has disproportionately affected the most vulnerable groups in Moldova, including the Transnistrian region. Economic activities need a boost as a means to promote economic development, interdependence of the two banks and improve the well-being of the people of Moldova as whole.

Funded by the EU, the United Nations Development Programme in Moldova has provided support to confidence building measures (SCBM) between Chisinau and Tiraspol. The overall objective of the project is to increase confidence between Chisinau and Tiraspol by involving municipalities and civil society organizations in various economic and social confidence building projects. The

SCBM project includes, inter alia, a comprehensive and sustainable business development program, aimed at fostering cross river cooperation and re-building the economic ties between the banks, creating employment, generating income, contributing to economic development and growth.

The business development program seeks to address the key obstacles that stymie business development, in order to focus on areas where limited resources can make the most difference, boosting the competitiveness of the SME sector and fostering cross-border business linkages and cooperation.

2. SPECIFIC CONTEXT

According to the “Feasibility study on small and medium enterprises (SMEs) development in the Transnistria (TN) region of Moldova”¹, conducted as part of the business development program in October 2010, the key structural impediments to SMEs development in the region include a host of issues ranging from high taxes, intrusive checks by controlling agencies, stagnant real wages and unemployment to lack of business education to political and economic instability. From those, the study has selected and underscored four main constraints: lack of joint business training programs for both sides; lack of business support infrastructure; lack of access to finance for SMEs and lack of joint business development programs and projects for both sides.

The first constraint has been addressed by setting up a network of business schools to develop the local pool of entrepreneurial skills and provide business training to beginner entrepreneurs, managers of existing SMEs and CEOs, as well as train local business trainers to meet the growing local demand for business education. A research into Transnistria’s SME environment and a blueprint for establishing a business incubator has been finalized and will address the second constraint, lack of business support infrastructure, while the fourth constraint, lack of joint business development opportunities and programs, will be addressed through joint business support and advisory services for both sides

This Request for Proposals (RfP) addresses the third constraint by conducting a market survey of Transnistria’s micro-finance environment and developing a blueprint for setting up a micro-finance facility in the region, as an effective tool for promoting SMEs and making available small funding that beginner entrepreneurs lack. Microfinance ensures broad based/strong economic growth, as well as improving access of the poor, low income population and vulnerable groups to financial and social services.

Microfinance enables poor people to expand their businesses, increase their revenues, and create employment. Knowledge of the market is necessary for the successful design of a microfinance product. It is important to estimate the market size to ensure that, in the long term, enough demand exists to justify the existence of the MFIs.

Also, an in-depth market research is an effective technique of identifying the possible risks and the opportunities available to microfinance institutions (MFIs). It is a tool to identify the nature of the demand for microfinance services, the size of the market, and the demographics of the target clients. Once the financial institution recognizes this essential information, it will be ready to design a microfinance product that suits the needs of its target market and make the most of its untapped opportunities.

3. MAIN OBJECTIVE AND TASKS TO BE PERFORMED

The **general objective** of the requested consultancy services is to conduct, within a framework of the “Support to Confidence Building Measures” Project, *an in-depth survey of Transnistria’s micro-finance environment, the financing options available to SMEs, and draft a blueprint for establishing a micro-finance facility for SMEs engaged in joint business initiatives, or, if feasible, extending an existing microfinance arrangement from Moldova into its Transnistrian region.*

The objective of the consultancy is two-fold: scoping exercise and study

Part I is a **scoping exercise**, gathering and analyzing information on **the microfinance sector in the Transnistrian region of Moldova.**

The contractor will:

- Analyze Transnistria’s microfinance sector, scope and areas of their activity; including a review of operational rules, regulatory framework, stakeholder analysis; key variables that determine demand for micro-finance lending;
- Define characteristics of the microfinance sector in the Transnistrian region: percentage of population requiring financial assistance; estimated number of potential microfinance clients; estimated total market coverage; existing institutional models; products and services; key policy and regulatory instruments pertaining to the sector; authorities’ and funders interventions;

- Demand for microfinance services: breakdown by gender, geographic location; market potential; types of financial services mostly in need (savings, loans, insurance, money transfer, etc.);
- Analyze the existing supply of microfinance services on both banks of the Nistru River: different types of suppliers: formal/informal; MFBs, NGOs, MFIs; commercial banks; main areas of intervention; types of services and delivery modes; market penetration; current state of competition within and from outside the sector; relevance of suppliers and challenges;
- Provide an assessment and analysis:

Strengths and weaknesses of suppliers: implementation of best practices; overall performance of microfinance services suppliers; governance; management information system; human resources; financial and operational sustainability; quality of loan portfolio; lending methodologies; etc.

Institutional support infrastructure: technical service providers; capacity building facilities; microfinance networks; strengths and challenges.

Review of the authorities' and funders activities: The survey will include an analysis of the current and proposed activities of the authorities and relevant funders (donors and investors) to provide microfinance services; determining existing gaps in the authorities' and/or funder support; and exploring how the authorities' and/or funder community can fill these gaps, based on their comparative advantages.

Specific attention will be paid to the following tasks:

- Review of existing microfinance facilities in Moldova and the possibility of their extension into the Transnistrian region, their applicability in the Transnistrian region;
- Provide recommendations on the steps that the authorities on both banks and the development partners can take to establish a microfinance facility for both banks;

Part II is a study that will provide a set of practical recommendations on the feasibility of launching and running a microfinance facility in Transnistria, or extending an existing microfinance arrangement into the Transnistrian region.

This should be based on a thorough analysis of the environment in the Transnistrian region, a comparative regional assessment, as well as incorporate the outcomes of the scoping exercise in Part I.

The study will:

- **Identify the specific areas/sectors** where the microfinance facility would be in highest demand, build scenarios that would predict the demand for micro-loans given greater degree of availability of small loans, all other variable being held equal. The Consultant shall rely on regional expertise, as well as right bank Moldova's experience and lessons learned in establishing and ruling microfinance facilities, in order to replicate it as much as possible in the Transnistrian region;
- Propose a practical **methodology for establishing a microfinance facility in** Transnistria. Whenever feasible and practical, the regional and/or national experience in microfinance funding should be used as a model;
- Analyze the existing requirements for collateral on both banks and provide options for micro-financing with minimum collateral requirements;
- Analyze the feasibility of establishing micro-finance support mechanisms for joint business initiatives and develop possible scenarios;
- Analyze repayment rates for micro-finance services based on gender, group or individual contracting;
- Analyze the **expected impact of establishing a microfinance facility**, including *detailed cost and benefit estimates*, based on the Economic Rate of Return (ERR). The costs would include the necessary financial expenses. The benefits include the value added by SMEs firms due specifically to the proposed project, as well as improved economic links between the two banks. The ERR would offer the project team a forecast of the likely economic impact that the project will yield;
- Ensure that the drafted road map establishes linkages with the planned business incubator and the business school, in order to create network externalities and increase marginal response for the micro-finance fund;

4. DELIVERABLES OF THE ASSIGNMENT

- Within 2 weeks from the start of the contract, design appropriate survey methodology/and tools for collecting qualitative and quantitative data and send it for approval to UNDP;
- Within 3 weeks from the start of the contact, draft a proposal on the contents of the study based on regional priorities and send it for approval to the UNDP project team;
- The output of the assignment should be an analytical paper - “Market Survey of the Microfinance sector in the Transnistrian region of Moldova”. The report will consist of two parts, as outlined above. Part 1: Market Survey of the Microfinance sector in the Transnistrian region of Moldova. Part 2: Study on the feasibility of launching and running a microfinance facility in Transnistria, or extending an existing microfinance arrangement into the Transnistrian region.
- The draft outline of the paper shall be presented within two months from the commencement of the consultancy assignment. The final paper shall be presented within three months from the commencement of the consultancy assignment.

The final paper shall include, among other things, the following outcomes:

- a) Recommendations on the support needed to develop the micro-finance sector through capacity building, innovations, etc. which will serve as the basis for UNDP’s microfinance activities.
- b) Thorough analysis of the microfinance sector in the Transnistrian region: the key players, achievements so far, etc.;
- c) Assessment of the demand for microfinance services by all segments of the population with emphasis on SMEs who lack access to financial services and the constraints they face;
- d) Assessment of the supply of microfinance services by different types of suppliers with emphasis on the types of financial services, delivery modes, outreach, as well as their performance in terms of operational and financial viability and sustainability;
- e) Analysis of the appropriateness of the policy and regulatory framework in terms of assisting the development of the microfinance sector;

- f) Assessment of the support infrastructure and its strengths and weaknesses in providing appropriate services to the microfinance sector;
- g) Blueprint for establishing a micro-finance facility in the Transnistrian region or extending an available facility there;

Within two weeks after the approval of the final report, the contractor will also prepare a presentation of the findings to all key stakeholders. All primary and secondary data and reports obtained during the mission should be delivered to the UNDP. The report is to be submitted in English and Russian, in electronic format.

5. IMPLEMENTATION TIMEFRAME

Within two weeks from the inception of the contract, the Contractor will provide a detailed work plan and budget, along with the structure and detailed outline of the report.

Based on the agreed upon report outline, the Contractor will prepare the first Draft of the Report and will submit it to project staff for comments and discussions within 4 weeks from the start of the contract. At a minimum, the draft must contain the outline of the report. The Contractor will incorporate comments and additional data/information which will become available and will present the second draft of the report to project staff within 8 weeks from the start of the contract. Upon completion of discussion of the second draft within the UNDP, and following on comments to be provided by UNDP-selected readers of the second draft, the Contractor will submit the final draft report within 12 weeks from the start of the contract. The Contractor will be responsible for printing the report and organizing its official launch within 14 weeks from the start of the contract, as well as making presentations to key stakeholders' groups.

Tentative timetable:

Within two weeks from the start of the contract	A detailed work plan and budget
Within 4 weeks from the start of the contract	First Draft Report
Within 8 weeks from the start of the contract	Second Draft Report
Within 12 weeks from the start of the contract	Final Report
Within 14 weeks from the start of the contract	Presentation to stakeholders

Annex 2: Youth Economic Empowerment - Matching Grants Experience in Moldova

The first **Youth Socio-Economic Empowerment Project** was launched back in 2004 with the support of the World Bank in Moldova through the Japan Social Development Fund (JSDF). The project objective was to enable disadvantaged rural and peri-urban young people in selected regions to create and participate in activities leading to their increased socio-economic empowerment, enhance the number of viable micro-enterprises owned by youth (18-30) who initially faced both a lack of business development skills and exclusion from credit due to lack of material assets for collateral.

This project focused on provision of support to the creation and financing of self-employment opportunities for vulnerable young people in selected regions of MD. The project piloted a new approach aimed at helping the target population (18-30 years young people) to build entrepreneurial skills, by facilitating a process of learning on how to identify business ideas, formulate and set up a business in partnership with the local financial institutions.

The JSDF facilitated the creation of 143 businesses throughout 17 rayons. These businesses created over 350 jobs between 2005 and 2008. Income for these workers increased by close to 50% between 2005 and 2010, with the average salary jumping from US\$ 72 to US\$ 108.

Four Development Support Agencies hired under the project provided basic trainings in business principles, technical support to these young beneficiaries in the preparation of business plans and loan applications, various consultancies and post-financing support to ensure a successful startup for these businesses. More than 513 consultancies on topics ranging from Marketing/Sales, Management and Finance/Accounting were provided. Most of these consultancies/trainings were provided on an individual basis to meet the specific needs of the beneficiaries. Beyond consultancy, the Development Officers conducted systematic monitoring of the businesses. During the post creation assistance the DAs continued to provide monitoring and support to these young businesses. Each visit would consist of an evaluation of the business, identification of its challenges and consultation to ensure their viability. An important lesson from this grant is that this relatively low-cost support which took place after a beneficiary obtained a bank loan and after the business was established was a key determinant in the sustainability of the beneficiaries' enterprises and help in ensuring a high repayment rate of their loans.

Total investment into these businesses represented approximately US\$ 1,300,000 (US\$ 518,258 from banks, US\$ 134,892 personal contribution and another US\$ 646,923 of matching grants). The grant size was US\$ 5,000 (50% of investment), the personal contribution US\$ 1,000 (10% of investment) and the bank loan was \$ 4,000 million for a total investment of about \$ 10,000 per business created.

The success of the component led to a follow up USAID grant of US\$ 350,000 that helped the creation of additional 69 businesses. The additional financing was ensured through the **Business Development for Youth Economic Empowerment Project** that was the second phase of the **Youth Socio-Economic Empowerment Project**. The same financing formula was applied: investments up to UD\$ 10,000 per business start-up with US\$ 5,000 grant, US\$ 4,000 loan and personal contribution amounting to US \$1,000. The second phase of JSDF project was extended to all rayons of the RM except for Chisinau and Balti cities.

By the end of project implementation, on December 31, 2009, 69 viable youth led businesses were created. The mechanism applied by the project focused on identifying potential candidates, training in business development, support at business registration and post creation support. The applied mechanism led to creation of 110 new working places, therefore to economic development. The total investment constituted US\$ 710,126 out of which loans represented US\$ 262,709, Grants – US\$ 326,312 and personal contribution US\$ 121,105.

The project also demonstrated that the low cost of providing technical assistance to the youth to create new businesses was relatively small compared to the tax such businesses can generate for the Government.

The mechanism applied in JSDF served as incentive for launch the **National Programme on Youth Economic Empowerment** in 2008. The national programme has the same target group: young people aged between (18-30); contains a training and consultancy component, finances investment projects in the field of production and services up to US\$ 25,000 (60% bank loan and 40% grant), and post finance monitoring. By 2012 about 8300 young people received various consultations in field of business start-up and development, more than 1700 young people were trained, and more than 700 youth led businesses financed through this project that boosted with more than 1300 new working places created. Total investments constituted US\$ 17,434.580, out of which grants amounted to US\$ 6,964.667.

The involvement of beneficiaries in designing their business plans for their future businesses created a sense of ownership and responsibility for the successful outcome of the activity.

The initial trainings in business development, post financing support strengthened the professionalism of these activities. While the initial training is quite common in this part of the world, the post creation assistance for businesses whereby the beneficiaries get some follow-up technical support for the actual implementation of their business has been a critical success factor to the success of their operations.

Taking into account the above mentioned facts, a solution would be to offer possibilities for young people to launch their own business in Transnistria region, promote self-employment among youth aged (18-30) through identifying, creating and implementing economic activities and provision of sub-grants to help them access loans from financial institutions, which to some extent will contribute to reduction of migration, creation of working places for youth and shifting from a consumption based economy to an investment based economy and economic development.

Annex 3: Microfinance organizations experience in Moldova

The members of NBFI in Moldova are represented in the table below

No.	List of NBFI participants	Situation at:	
		31.12.2010	31.12.2011
1.	Professional participants on securities market, including:	63	64
	Stock Exchange of Moldova	1	1
	National Securities Depository of Moldova	1	1
	Independent registrars	10	11
	Brokers/dealers	22	22
	Investment funds in the process of forced liquidation	9	9
	Investment funds in the process of voluntary liquidation	9	9
	Companies of fiduciary investments administration*	7	7
	Companies for estimation of the value of securities and assets related to them	4	4
2.	Professional participants on the insurance market, including:	1048	1758
	Insurance companies	24	20
	Insurance/reinsurance brokers	63	66
	Insurance agents	961	1672
3.	National Bureau of Motor Insurers	1	1
4.	Professional participants in the microfinance sector, including:	442	436
	Savings and credits associations	398	376
	Central association	1	1
	Microfinance organizations	43	59
5.	Non-state pension funds	2	2
6.	Manager of non-state pension funds' assets	1	1
7.	Credit history bureau	1	1
	TOTAL	1558	2263

Nowadays Microfinance System in the Republic of Moldova is formed from one specialized bank, fifty nine non-bank financial institution and a network of 376 Saving and Credit Associations (SCAs),

As of the end of 2011 there were 59 registered microfinance organizations, of which 48 submitted financial statements. According to the results recorded during the year, the evolution of this system is characterized by general activity indicators and is presented in table N

No.	Indicators	2010	2011	2011 vs 2010 (per cent)
1.	Number of organizations (units)	43	59	137,2
2.	Ownership equity (mil MDL)	658,4	960,8	145,9
3.	Total assets (mil MDL)	1783,9	1844,3	103,4
4.	Granted loans (mil MDL)	1191,5	1440,8	120,9
5.	Received loans and bank credits (mil MDL)	998,7	785,4	78,6
6.	Net profit (mil MDL)	85,2	114,6	134,5
7.	Return on assets rate (%)	4,8	6,2	129,2

As of the end of 2011, the main indicators on the MO activity registered a significant increase as compared to the similar period of the previous year. The number of MO grew by 16 units or about 37.2 per cent during 2011, following the same trend registered during the last 6 years of system evolution. The loan portfolio increased by 20.9 per cent, as compared to the previous period, determined by the 45.9 per cent increase of the ownership equity, accompanied by the 21.4 per cent decrease of the received loans and bank credits.

About 20 of current non bank microfinance institutions were founded in the last 5 years and are mainly oriented to consumption lending. We will exclude them by purpose due to their very young age and still small impact over the national microfinance system. In order to follow the Impact we will focus mainly on two MFI – main SCAs lenders and on SCAs network itself. We will look to Rural Finance Corporation(RFC), founded under WB group supervision as the specialized financing intermediary, and to Microinvest, which is a successor of Moldovan Microfinance Alliance (MMA) assisted by GTZ. Analyzing figures above-mentioned we can observe since 2007 significant changes within national SCAs network. WB and GTZ projects ended in 2004 with crucial outputs

- 532 SCAs spread-ed through all around the country,
- two specialized non-bank financial institutions (RFC and Microinvest),
- one lobby-training and consulting institute (National Federation of SCA)

- and a supervisory organization (State Supervisory Body) under Ministries of Finance and of Agriculture.
- Local NGOs involved in the project lost their attractiveness in terms of employment due to occasional assignments therefor trained developers were absorbed by financial institutions in order to cover demand for skilled specialists in this area .
- Initially SCAs were limited by:
 - geographical bounder by the village area due to good knowledge of each others,
 - management was conducted by most respectful persons, regardless the educational background;
 - minimum capital requirement as membership contribution was symbolic one (4 USD);
 - small minimum number of members (20);
 - inability to receive savings (monopoly of commercial banks)
 - and other “light” provisions

It is important to underline the faller of institutionists approach on example of SSB and NFSCAs. Both institutions were heavy financially supported by WB group during the project, offering their services for free. This was done by purpose at the very beginning in order to allow SCAs financial capacity strengthens. Since 2002 NFSCA had some weak attempts to get some charges for particular services such as legal assistance, accounting, training, etc. This leads to the SCAs’ ignorance for chargeable service, making it useless. Covering all SCAs it creates a big internal pressure on what should be promoted and who will lead the process and by the end of 2006 it simply disappeared.

Among the healthy and surviving 400 SCAs, 75 percent are “affiliated” with the RFC and benefit from access to the loanable funds and technical training offered within the RFC umbrella coming to cover the gap and to ensure uniformity.

The case of SSB was conceptual different and it was supposed to be financed by state. The biggest question was who should undertake it causing an informal inter-ministerial fight. The problem was solved in 2007 due to the findings of another WB project, that identify four separate bodies supervising non-banking financial sector in Moldova – what a luxury for the poorest county in Europe.

The growth of SCAs network performance indicators requires replacement of old regulatory approaches, creation of missing institutions and improvement of existing ones.

Newly established mega-regulatory institution – National Commission of Financial Markets, designed similar to German model, absorbed all para-ministerial bodies, putting forward the realization of the following main priority objectives:

- elaboration of the regulation framework corresponding to an adequate, transparent and efficient supervision;
- improvement of the quality of control activity with increase of the number of control shares;
- improvement of the monitoring instruments and analysis for identifications of deviation from current legislation;
- alignment at the EU standards and the good practices in supervision and reporting requests;
- implementation of the management information systems(MIS) for undertaking and operative analyze of data and information provided by regulated entities;
- assurance of the investors adequate protection and their trust consolidation in the non-bank financial market, in competition conditions.

Being above the government and reporting direct to Parliament, facilitate NCFM's ability in achievement of objectives stated above and rapid changes in legal framework, if necessary.

Now the new legal provisions exist, clearly stated the mechanism of SCAs foundation, merges and liquidation. The new framework introduced new prudential rules, designed on the base of banking ones, as presented in table 3.

This framework facilitate consolidation of SCAs through merges in part because the areas they are permitted to service (often only a single village) are too small, high administrative and fixed cost, saving acceptance opportunities, etc.

Licensing is important for durability of development process. It was transferred from commercial banking sector with necessary adjustments to assure the differentiation among SCAs, underlining their capacities.

Table. Main requirements by license type

Requirement	License Type		
	A	B	C
Operational area	Village bounders	Raion bounders	All Moldova
Management education level	High from 2010	High from 2010	High from 2010
Minimum number of members	>50	>250	Central Association
Range of activities	Short-term Lending	Short- medium term Lending and Savings, direct lending	Treasure operations and A B
MIS	Mandatory from 2010	Mandatory from 2009	Mandatory

According to the results reflected at the end of 2011, the development registered by the SCA system is characterized by the following general activity indicators reflected in the table below.

Indicators	2010	2011	2011 to 2010 (per cent)	2011	
				Share of A SCA (per cent)	Share of B SCA (per cent)
Number of SCA members (persons)	131675	137342	104,3	63,0	37,0
Number of loan recipients (persons)	32152	31459	97,8	51,6	48,4
Number of savings depositors (persons)	5851	5798	99,1	-	100
Ownership equity (million MDL)	75,3	85,2	113,1	55,5	44,5
Granted loans (million MDL)	244,2	254,2	104,1	40,3	59,7
Savings deposits (million MDL)	93,4	103,6	110,9	-	100
Received loans and bank credits (million MDL)	94,9	91,2	96,1	65,1	34,9

The SCA with a B license category make up 18.3 per cent of the total number of SCA. At the same time these SCA recorded a value of income gained as commission, fees, penalty related to granted loans that were not repaid in due time (delinquent loans) and other income resulted from the basic activity that overcomes times the amount recorded by the SCA with an A license category. Also, the negative net result from the establishment and cancellation of provisions registered by the SCA with a B license category is 1.6 times higher than the similar indicator recorded by the SCA with an A license category.

During the peak of the season up to 70 % of members in average are borrowers. But even on the snapshot base we can observe the increasing conscious of members for repayment since 2003, caused by the threat of loosing access to valuable asset rather than public pressure and image deterioration. At the same time we can assume that SCAs network positively influences people in terms of self-organization as well as credit history creation, increasing their attractiveness as potential borrowers for commercial banks. The average loan amount per borrower is still very small and not interesting for the banking sector, even we can observe an increase by 35% in 2008 vs 2007 , from 551 US\$ to 746 US\$

The C-type License gives an opportunity to operate all around the country and was introduced to facilitate creation of so-called Central Association that is suppose to combine NFSCAs function with treasure ones. Here again two approaches confront as institutionists consider just one when welfarists – more then one. By the end of 2009 Central Association were established based on institutionists concept.

The idea is based on vertical integration of and seem to be appropriate, but might fail due to several crucial factors, most important being luck of qualified labor force and low level of start-up wages.

To summarize the impact we will use transverse topics – gender, poverty alleviation and sustainability.

From the gender point of view SCAs network facilitate social inclusion of women into society. The results are impressive as their share in all categories is 56% in SCAs management, 52% out of total number of members, 59% out of total number of borrowers and just about 49% as depositors. It varies with the same frequency as demographic distribution among zones.

Villages with a strong and healthy SCA are more developed than other ones that explains in many cases the urban-to-rural and rural-to-rural migration de-

scribed above as well as agriculture is the easiest way to start a business in Moldova. At the same time SCA improve the living attractiveness of the village assuring population stabilization and demographic grow.

From the poverty alleviation point of view access to finance improved the members live-hoods and influences the villages' infrastructure development like electrification, gazification, healthcare, primary and secondary education, etc. It also leads to an increase in number of self-employed people in rural area and village business specialization. In several villages we can found informal clusters at initiation and very early expanding stage. We can also observe a possible positive relationship between average monthly income and loan amount, even the pace is different.

Annex 4: Authorized banking transactions for each of the three types of credit organizations

I	<ul style="list-style-type: none"> • raise funds in foreign currency and TR from businesses in contributions (deposits) for a certain period of time. • place money in foreign currency and TR on its own behalf and for its own account. • open correspondent accounts in the “Central Bank” and resident banks. • issue, sell, buy and perform other transactions with payment instruments and securities (checks, letters of credit, bills of exchange, stocks, bonds and other instruments). • carry out the transaction of acquisition of claims of customers (forfeiting) and accounts receivable from customers (factoring). • buy and sell foreign currency in no-cash form;
II	<ul style="list-style-type: none"> • opening and maintenance of accounts of resident legal entities, including correspondent banks. • collection of cash, bills, payment and settlement documents. • buy and sell foreign currency in no-cash form.
III	<ul style="list-style-type: none"> • buy foreign cash from individuals and sell foreign exchange to individuals for TR cash. • Examine foreign currency notes those authenticity is doubtful. • buy from individuals insolvent (Old) foreign currency for TR cash. • payments made by individuals in Transnistria.

Annex 5: Summary balance sheet of the Bank for Agricultural Development as of 1.7.2012

Assets			Liabilities		
Items	in TR	in USD	Items	in TR	in USD
Cash	2'346'835	211'427	Total liabilities	260'841'971	23'499'276
Net loans - peasant farmers - agricultural companies	285'000'465 1'795'769 269'766'563	25'675'717 161'781 25'513'936	Loans received Demand accounts & deposits	258'406'269 2'435'702	23'279'843 219'433
equipment, intangible assets, inventories, IBE	938'701	84'568	Other liabilities	48'291'634	4'350'598
Other assets	49'358'999	4'446'757	Equity	28'511'395	2'568'594
Total	337'645'000	30'418'468	Total	337'645'000	30'418'468

Annex 6: Interview questionnaire for first scoping survey on financial services demand by small businesses

ИНТЕРВЬЮ ДЛЯ ПРЕДПРИНИМАТЕЛЕЙ МАЛОГО БИЗНЕСА

Дата _____

I. Предпринимательство:

1.1. Для открытия вашего бизнеса Вы использовали следующие источники финансирования:

a) Собственные ресурсы	
b) Банковские кредиты	
c) Займы у ростовщиков	
d) Кредиты, полученные от родственников или друзей	
e) Оплата товара продавцу в рассрочку	
f) Финансирование от покупателей	
g) Комбинированные средства, из выше перечисленных _____ (указать какие)	

1.2. Для расширения вашего бизнеса Вы использовали следующие источники финансирования:

h) Собственные ресурсы	
i) Банковские кредиты	
j) Займы у ростовщиков	
k) Кредиты, полученные от родственников или друзей	
l) Оплата товара продавцу в рассрочку	
m) Финансирование от покупателей	
n) Комбинированные средства, из выше перечисленных _____ (указать какие)	

I. Пользование Кредитами

1.3. Пожалуйста, укажите объём кредитов, полученных за последние 3 года (источники и их назначение):

А) Оборотный капитал (то есть сбережения, дебиторская задолженность)

Б) Инвестиции в модернизацию (новые инвестиции, новые здания, машины и т.д.)

	Введите количество	Оборотный капитал	Улучшение капитала или инвестиции	Личные / Потребительские
1.2.1. Коммерческие банки				
1.2.1. Микрофинансовые организации ¹				
1.2.2. Неофициальные ростовщики				
1.2.3. Друзья / Семья				
1.2.4. Коммерческие поставщики				
1.2.5. Другие				

1.4. Пожалуйста, укажите сумму _____ последнего кредита (если применимо):

1.4.1. Источник финансирования:	
1.4.2. Количество лет	
1.4.3. Полученная сумма	
1.4.4. Срок (в месяцах)	
1.4.5. Процентная годовая ставка	
1.4.6. Залоговое обеспечение	a) Земля и здания b) Машины и оборудование, включая движимое имущество c) Дебиторская задолженность и сбережения d) Личное имущество владельца (дома и т.д.) e) Другие

¹ Микрофинансирование - это предоставление финансовых услуг микро-предпринимателям и малым предприятиям, которые не имеют доступа к банковским и связанным с ними услуг из-за высоких издержек, связанных с обслуживанием клиентов данной категории.

1.4.7. Какова была основная цель кредита?	<ul style="list-style-type: none"> a) Расширение существующей деловой деятельности b) Начало новой деловой деятельности c) Улучшение жилищных условий d) Потребление e) Возмещение долгов f) Медицинские расходы g) Образование h) Другие
1.4.8. Что являлось вторичной целью кредита?	<ul style="list-style-type: none"> i) Расширение существующей деловой деятельности j) Начало новой деловой деятельности k) Улучшение жилищных условий l) Потребление m) Возмещение долгов n) Медицинские расходы o) Образование a) Другие
1.4.9. По шкале от 1 до 5, где 1 означает "крайне недоволен(на)", а 5 означает "очень доволен(на)", как бы вы оценили свой уровень общей удовлетворенности предоставленными услугами ?	1 2 3 4 5
1.4.10. Чем конкретно вы довольны или недовольны?	
1.4.11. Как вы оцениваете ваш уровень обслуживания клиентов в учреждении, где вы получали кредит?	1 2 3 4 5
1.4.12. Насколько вероятно, что вы порекомендуете данное учреждение другу или родственнику?	

II. Спрос на финансовые услуги

1.5. Вы были бы заинтересованы в подаче заявки на кредитование в ближайшие 12 месяцев?

- | | |
|----------------------------|--|
| a) Да, я заинтересован(а) | |
| b) Нет, меня не интересует | |
| c) Не уверен(а) | |

1.6. Укажите сумму и срок кредита который Вы хотели бы запросить?

1.6.1. Валюта	Приднестровский RUB _____ USD _____
1.6.2. Сумма кредита	
1.6.3. Срок	месяц
1.6.4. Максимально приемлемая процентная ставка	%
1.6.5. Предпочтительный расчет процентной ставки	a) Фиксированная ставка b) Проценты на остаток задолженности c) Не знаю
1.6.6. Где Вы хотели бы взять кредит?	a) микро финансовая организация b) коммерческий банк c) неофициальный ростовщик d) другие

1.7. Если вы получите сумму кредита указанную в вопросе 1.6, что бы вы сделали с этими деньгами?

- a) Расширение существующей деловой деятельности
b) Начало новой деловой деятельности
c) Улучшение жилищных условий
d) Потребление
e) Возмещение долга
f) Медицинские расходы
g) Образование
h) Другие

1.7.1. Основное назначение	
1.7.2. Вторичное назначение	

1.8. Почему вы не можете пользоваться формальными кредитами (кредиты, полученные в официальных учреждениях)?

- a) Могу быть не в состоянии погасить долг
- b) Долгий и сложный процесс кредитования
- c) Ожидание что условия кредитования (процентные ставки, сроки и т.д.) будут неприемлемы для меня
- d) Недоверие к кредиторам
- e) Боязнь, что кредит не будет утвержден
- f) Не нравится быть в долгу
- g) Предпочтение получить кредит от друзей или родственников
- h) Другое

1.8.1. Основное назначение	
1.8.2. Вторичное назначение	

1.9. Какими типами собственности предприятий микро, малого и среднего бизнеса вы располагаете и какие из них могут использоваться в качестве залога.

	Собственность	Для залога
1.9.1. Недвижимость – коммерческое предназначение	Да/ Нет	Да/ Нет
1.9.2. Дом	Да/ Нет	Да/ Нет
1.9.3. Машина / Грузовик	Да/ Нет	Да/ Нет
1.9.4. Золотые ювелирные изделия	Да/ Нет	Да/ Нет
1.9.5. Машины – оборудование для бизнеса	Да/ Нет	Да/ Нет
1.9.6. Бизнес инвентарь	Да/ Нет	Да/ Нет
1.9.7. Банковский счёт – сбережения/депозит	Да/ Нет	Да/ Нет
1.9.8. Другое	Да/ Нет	Да/ Нет

1.10. Оцените факторы, которые являются наиболее важными при выборе кредитора? Укажите, № 1, как наиболее важные и № 9, как наименее важным.

1.10.1. Стоимость кредита (процентная ставка, платежи)	_____
1.10.2. Валюта кредита (Приднестровский RUB, USD)	_____
1.10.3. Сумма кредита	_____
1.10.4. Продолжительность кредита	_____
1.10.5. Гибкий график погашения	_____
1.10.6. Минимальное или отсутствие залоговых требований	_____
1.10.7. Удобное расположение Кредитора	_____
1.10.8. Качество обслуживания (быстрое, прозрачное, дружелюбное, и т.д.)	_____
1.10.9. Наличие других финансовых услуг от той же организации (страхования, сбережения, переводы и т.д.)	_____

III. Другие финансовые услуги

1.11. Имеет ли ваша семья сэкономленные деньги?

	Да/ Нет
--	---------

а. Для чего Вы экономите деньги?

- a) Инвестировать в бизнес
- b) Чрезвычайные расходы
- c) Образование
- d) Медицинские расходы
- e) Обеспечивать старость
- f) Покупка дома, улучшение жилищных условий / ремонт
- g) Возмещение долгов
- h) Другие

1.11.6. Основное назначение	
1.11.7. Вторичное назначение	

1.12. Лизинг является одним из видов финансирования для приобретения оборудования. Лизинг отличается от кредита тем, что финансовое учреждение сохраняет право собственности на оборудование до тех пор, пока стоимость приобретенного оборудования не погашена полностью. Использовали ли Вы лизинг для приобретения оборудования?

	Да/ Нет
--	---------

1.13. Вы были бы заинтересованы в использовании лизинга для приобретения оборудования в ближайшие 12 месяцев?

	Да/ Нет
1.13.1. Что бы вы хотели приобрести?	
1.13.2. Какова ожидаемая стоимость оборудования?	

1.14. Вы получали когда-либо кредит на покупку или ремонта дома?

	Да/ Нет
--	---------

1.15. Вы были бы заинтересованы в использовании кредита для финансирования покупки или ремонта а в ближайшие 12 месяцев?

	Да/ Нет
--	---------

1.16. Страхование урожая обеспечивает возмещение вложенных средств в случае уничтожения вашего урожая из-за стихийного бедствия. Пользовались ли Вы услугой страхования урожая?

Да/ Нет

1.17. Были бы Вы заинтересованы в страховании урожая в ближайшие 12 месяцев, если это было бы доступно в рамках разумной цены?

Да/ Нет

1.18. Что бы вы считали разумной ценой для страхования урожая (год / га)?

RUB _____

IV. Разнообразие финансирования для Вашего бизнеса

1.19. Как Вы оцениваете спектр кредитных продуктов, доступных для развития бизнеса, предоставляемых поставщиками финансовых услуг

- | | |
|------------------|--|
| а) Широкий | |
| б) Узкий | |
| с) Очень узкий | |
| д) Недостаточный | |

1.20. Препятствия в формальном секторе кредитования, ограничивающие доступ к финансированию вашего бизнеса

Процентные ставки	• Преувеличены
	• Высокие
	• Непрозрачные
Банковский комиссион на предоставляемые услуги	• Преувеличен
	• Высокий
	• Непрозрачный
Количество запрашиваемых документов	• Преувеличено
	• Высокое
	• Непрозрачные
Срок рассмотрения заявки	• Преувеличен
	• Большой
	• Непрозрачный
Требования к получателям кредитов	• Преувеличены
	• Большие
	• Непрозрачные

Annex 7: Interview questionnaire for the follow up survey on financial services demand by peasant farms

ОЦЕНКА ФЕРМЕРСКИХ ХОЗЯЙСТВ В ПРИДНЕСТРОВЬЕ

РАЗДЕЛ 0. ИСХОДНАЯ ИНФОРМАЦИЯ

ПРИМЕЧАНИЕ ДЛЯ ИНТЕРВЬЮЕРА:

заполните этот раздел перед интервью.

A. Анкета №:					
B. Дата проведения интервью:					
C. Город:					
D. Регион:					
E. Пол респондента:	<table border="1"><tr><td>1</td><td>мужской</td></tr><tr><td>2</td><td>женский</td></tr></table>	1	мужской	2	женский
1	мужской				
2	женский				
F. Функция Респондента в фирме:					
G. Место нахождения фирмы:	<table border="1"><tr><td>1</td><td>город</td></tr><tr><td>2</td><td>поселок</td></tr></table>	1	город	2	поселок
1	город				
2	поселок				

1. ОСНОВНАЯ ИНФОРМАЦИЯ О ПРЕДПРИЯТИИ/ВЛАДЕЛЬЦЕ

1.21. Сколько лет этот бизнес работает?

Количество лет:	
-----------------	--

1.22. Сколько лет вы управляете этим бизнесом?

Количество лет:	
-----------------	--

1.23. Сколько вам лет?

--	-------

1.24. Высшее завершённое образование

- a) Обязательные (1-9-х классов)
- b) Специализированное: профессионально-техническое
- c) Среднее (общее)
- d) Высшее - первая ступень - бакалавра
- e) Магистр университета
- f) Кандидат наук / Доктор наук

Укажите букву

1.25. Есть ли у вас высшее образование в сфере сельского хозяйства?

Да / Нет /
частично

1.26. Участвовали ли Вы в любом формальном бизнес обучении, кроме университетов? (семинары, обучения)

Да / Нет

1.26.1. Количество дней:

_____ дней

1.26.2. Количество дней, за последние 2 года:

_____ дней

1.27. Каков правовой статус вашей фирмы?

- a) Незарегистрированный (патент)
- b) Индивидуальное предприятие
- c) Партнерство
- d) Общество с ограниченной ответственностью
- e) Другие, пожалуйста, укажите _____

Укажите букву

1.28. Каков первичный сектор вашего бизнеса?

- a) Первичное сельское хозяйство (растениеводство, животноводство, садоводство)

1.29. Оцените первичную и вторичную деятельность Вашего предприятия?

Предпринимательская деятельность		% от продаж
первичная деятельность		_____ %
вторичная деятельность		_____ %

1.30. Сколько человек работает в вашем бизнесе, включая себя, в соответствии со следующими категориями?

	Члены семьи	Не члены семьи
1.30.1. Постоянные работники:		
1.30.2. Временные работники:		

1.31. Пожалуйста, заполните информацию о фактической стоимости Вашего бизнеса? Пожалуйста, отметьте:

< 50 000 рублей ПМР	
50 000 < 150 000 рублей ПМР	
150 000 < 365 000 рублей ПМР	
< 365 000 рублей ПМР	

1.32. Как Вы оцениваете развитие вашего бизнеса за последние 3 года? Пожалуйста, отметьте:

Высокие темпы роста	
Маленький рост	
Стагнация роста	
Снижение роста	

1.33. Каковы годовые объемы продаж в 2012 году?

< 50 000 рублей ПМР	
50 000 < 150 000 рублей ПМР	
150 000 < 365 000 рублей ПМР	
< 365 000 рублей ПМР	

1.34. Существуют ли значительные сезонные колебания в доходах и расходах?

	Да / Нет
--	----------

1.35. Если есть значительные сезонные колебания в вашем бизнесе, заполните следующую таблицу

а. Ниже среднего; б. Средний; с. Выше среднего;

	Весна	Лето	Осень	Зима
Доходы:				
Необходимость кредита:				

1.36. Сколько собственной и арендованной земли вы используете в сельскохозяйственной деятельности (растениеводство, животноводство, садоводство?)		Ге
1.36.1. Собственная земля		
1.36.2. Арендованная земля		

2. ИСПОЛЬЗОВАНИЕ КРЕДИТОВ

2.1. Пожалуйста, укажите объём кредитов, полученных в 2012 (источники и их назначение):

i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)

ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Оборотный капитал	Улучшение капитала или инвестиции	Личные / Потребительские
2.1.1. Коммерческие банки				
2.1.2. Микрофинансовые организации ²				
2.1.3. Неофициальные ростовщики				
2.1.4. Друзья / Семья				
2.1.5. Коммерческие поставщики				
2.1.6. Другие, укажите _____				

2.2. Пожалуйста, укажите объём кредитов, полученных в 2011 (источники и их назначение):

- i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)
- ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Оборотный капитал	Улучшение капитала или инвестиции	Личные / Потребительские
2.2.1. Коммерческие банки				
2.2.2. Микрофинансовые организации				
2.2.3. Неофициальные ростовщики				
2.2.4. Друзья / Семья				
2.2.5. Коммерческие поставщики				
2.2.6. Другие, укажите _____				

² Микрофинансирование - это предоставление финансовых услуг микро-предпринимателям и малым предприятиям, которые не имеют доступа к банковским и связанным с ними услуг из-за высоких издержек, связанных с обслуживанием клиентов данной категории.

2.3. Пожалуйста, укажите объём кредитов, полученных в 2010 (источники и их назначение):

i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)

ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Обо-ротный капитал	Улучшение капитала или инве-стиции	Личные / Потребительские
2.3.1. Коммерческие банки				
2.3.2. Микрофинансовые организации				
2.3.3. Неофициальные ростовщики				
2.3.4. Друзья / Семья				
2.3.5. Коммерческие поставщики				
2.3.6. Другие, укажите _____				

2.4. Пожалуйста, укажите стоимость последнего кредита полученного от коммерческого банка или МФО (если применимо):

2.4.1. Название банка или МФО			
2.4.2. Количество лет			
2.4.3. Полученная сумма			
2.4.4. Срок (в месяцах)			
2.4.5. Процентная годовая ставка			
2.4.6. Залоговое обеспечение	а) Земля и здания б) Машины и оборудование, включая движимое имущество в) Дебиторская задолженность и сбережения г) Личное имущество владельца (дома и т.д.) д) Другие		
2.4.7. Первичная и вторичная цель кредита?			
Цель получения кредита	Первичная цель	Вторичная цель	
а) Сезонные хозяйственные ресурсы (семена, удобрения, химикаты, корм) б) Сезонные фермерские услуги (вспашка, заготовка, первичная обработка, транспортировка, труд) в) Приобретение сельскохозяйственной техники, оборудования, инвентаря, трактора, автомобилей г) Приобретение скота, саженцев д) Строительство / реабилитация хозяйственных построек и подготовка сельскохозяйственных земель			

2.4.8. По шкале от 1 до 5, где 1 означает “крайне недоволен(на)”, а 5 означает “очень доволен(на)”, как бы вы оценили свой уровень общей удовлетворенности предоставленными услугами ?	1 2 3 4 5 / не знаю
2.4.9. Чем конкретно вы довольны или недовольны?	
2.4.10. Как вы оцениваете ваш уровень обслуживания клиентов в учреждении, где вы получали кредит?	1 2 3 4 5 / не знаю
2.4.11. Насколько вероятно, что вы порекомендуете данное учреждение другу или родственнику?	

2.5. Если кредит необходим для предпринимательской деятельности, это связано с:

Расширением существующей линии бизнеса _____	Началом новой предпринимательской деятельности _____	Созданием нового бизнеса _____
--	--	--------------------------------

3. СПРОС НА ФИНАНСОВЫЕ УСЛУГИ

3.1. Вы были бы заинтересованы в подаче заявки на кредитование в ближайшие 12 месяцев?

а) Да, я заинтересован(а) б) Нет, меня не интересует в) Не уверен(а)	_____ Укажите букву
--	------------------------

3.2. Укажите сумму и срок кредита который Вы хотели бы запросить?

3.2.1. Валюта	Рубли ПМР/USD/EUR
3.2.2. Сумма кредита	
3.2.3. Срок	месяц
3.2.4. Максимально приемлемая процентная ставка	%

3.3. Если ваш ежемесячный денежный оборот был, как и ожидалось, после того, как получили кредит, сколько вы смогли бы платить для погашения кредита?

	TR
--	----

3.4. Какими типами собственности вы располагаете, какие из них могут использоваться в качестве залога?

	Собственность	Для залога
3.4.1. Недвижимость – коммерческое предназначение	Да/ Нет	Да/ Нет
3.4.2. Дом / квартира	Да/ Нет	Да/ Нет
3.4.3. Машина / Грузовик	Да/ Нет	Да/ Нет
3.4.4. Золотые ювелирные изделия	Да/ Нет	Да/ Нет
3.4.5. Машины – оборудование для бизнеса	Да/ Нет	Да/ Нет
3.4.6. Бизнес-инвентарь	Да/ Нет	Да/ Нет
3.4.7. Банковский счёт – сбережения/депозит	Да/ Нет	Да/ Нет
3.4.8. Другое	Да/ Нет	Да/ Нет

3.5. Почему вы не можете пользоваться формальными кредитами (кредиты, полученные в официальных учреждениях)?

- a) Могу быть не в состоянии погасить долг
- b) Долгий и сложный процесс кредитования
- c) Ожидание, что условия кредитования (процентные ставки, сроки и т.д.) будут неприемлемы для меня
- d) Недоверие к кредиторам
- e) Боязнь, что кредит не будет утвержден
- f) Не нравится быть в долгу
- g) Предпочтение получить кредит от друзей или родственников
- h) Другое, пожалуйста, укажите _____

3.5.1. Основное назначение	
3.5.2. Вторичное назначение	

3.6. Оцените факторы, которые являются наиболее важными при выборе кредитора?

Укажите № 1, как наиболее важные и № 9, как наименее важным.

3.6.1. Стоимость кредита (процентная ставка, платежи)	_____
3.6.2. Валюта кредита (рубли ПМР, USD, Euro, RUB, MDL, UAR)	_____

3.6.3. Сумма кредита	_____
3.6.4. Продолжительность кредита	_____
3.6.5. Гибкий график погашения	_____
3.6.6. Минимальное или отсутствие залоговых требований	_____
3.6.7. Удобное расположение Кредитора	_____
3.6.8. Качество обслуживания (быстрое, прозрачное, дружелюбное, и т.д.)	_____
3.6.9. Наличие других финансовых услуг от той же организации (страхования, сбережения, переводы и т.д.)	_____

4. ДРУГИЕ ФИНАНСОВЫЕ УСЛУГИ

4.1. Имеет ли ваша семья сэкономленные деньги?

	Да/ Нет
--	---------

4.2. Если да, то как часто вы и ваша семья откладывают эти сбережения?

<ul style="list-style-type: none"> a) еженедельно b) ежемесячно c) ежегодные d) нерегулярно e) не способствуют f) пожалуйста, отметьте валюту 	<hr style="border: 1px solid black;"/> Укажите букву USD, EURO, рубли ПМР, RUB
---	---

а. Для чего Вы экономите деньги?

- a) Инвестировать в бизнес
- b) Чрезвычайные расходы
- c) Образование
- d) Договор / Расходы для миграции на работу за рубеж
- e) Медицинские расходы
- f) Обеспечивать старость
- g) Покупка дома, улучшение жилищных условий / ремонт
- h) Возмещение долгов
- i) Другие _____

4.3.6. Основное назначение	
4.3.7. Вторичное назначение	

4.4. Страхование урожая обеспечивает возмещение вложенных средств в случаи уничтожения вашего урожая из-за стихийного бедствия. Пользовались ли Вы услугой страхования урожая?

	Да/ Нет
--	---------

4.5. Были бы Вы заинтересованы в страховании урожая в ближайшие 12 месяцев, если это было бы доступно в рамках разумной цены?

	Да/ Нет
--	---------

4.6. Что бы вы считали разумной ценой для страхования урожая (год / га)?

	TR _____
--	----------

4.7. Насколько вы заинтересованы в последующих топиках развития бизнеса?:
1 = нет необходимости, 2 = небольшая потребность 3 = необходимые, 4 = крайне необходимы

4.7.1. Увеличение продаж	1 2 3 4
4.7.2. Улучшение организационных / управленческих навыков	1 2 3 4
4.7.3. Улучшение продукции	1 2 3 4
4.7.4. Маркетинг	1 2 3 4
4.7.5. Профессиональное обучение	1 2 3 4
4.7.6. Финансовый менеджмент	1 2 3 4
4.7.7. Другие	1 2 3 4

Annex 8: Interview questionnaire for the follow up survey on financial services demand by micro businesses

ОЦЕНКА МИКРОПРЕДПРИЯТИЙ В ПРИДНЕСТРОВЬЕ

РАЗДЕЛ 0. ИСХОДНАЯ ИНФОРМАЦИЯ

ПРИМЕЧАНИЕ ДЛЯ ИНТЕРВЬЮЕРА:

заполните этот раздел перед интервью.

A. Анкета №:					
B. Дата проведения интервью:					
C. Город:					
D. Регион:					
E. Пол респондента:	<table border="1"><tr><td>1</td><td>город</td></tr><tr><td>2</td><td>поселок</td></tr></table>	1	город	2	поселок
1	город				
2	поселок				
F. Функция респондента в фирме:					
G. Место нахождения фирмы:	<table border="1"><tr><td>1</td><td>город</td></tr><tr><td>2</td><td>поселок</td></tr></table>	1	город	2	поселок
1	город				
2	поселок				

1. Основная информация о Предприятии/Владельце

1.1. Сколько лет работает предприятие?

Количество лет:

1.2. Сколько лет вы управляете этим бизнесом?

Количество лет:

1.3. Сколько вам лет?

1.4. Высшее завершённое образование

- a) Обязательные (1-9-х классов)
- b) Специализированное: профессионально-техническое
- c) Среднее (общее)
- d) Высшее - первая ступень - бакалавра
- e) Магистр университета
- f) Кандидат наук / Доктор наук

_____ Укажите букву

1.5. Участвовали ли Вы в любом формальном бизнес обучении - кроме университетов? (семинары, обучения)

Да / Нет

1.5.1. Количество дней:

_____ дней

1.5.2. Количество дней, за последние 2 года:

_____ дней

1.6. Каков правовой статус вашей фирмы?

- a) Незарегистрированный (патент)
- b) Индивидуальное предприятие
- c) Партнерство
- d) Общество с ограниченной ответственностью
- e) Другие, пожалуйста, укажите _____

_____ Укажите букву

1.7. Каков первичный сектор вашего бизнеса?

- a) Переработка сельскохозяйственной продукции (покупка сельскохозяйственных культур или продуктов животного происхождения и их обработка)
- b) Производство, ремесло
- c) Торговля (магазин, покупка и продажа продуктов)
- d) Услуги

_____ Укажите букву

1.8. Оцените первичную и вторичную деятельность Вашего предприятия?

Предпринимательская деятельность		% от продаж
Первичная деятельность		_____ %
Вторичная деятельность		_____ %

1.9. Сколько человек работает в вашем бизнесе, включая себя, в соответствии со следующими категориями?

	Члены семьи	Не члены семьи
1.9.1. Постоянные работники:		
1.9.2. Временные работники:		

1.10. Пожалуйста, заполните информацию о фактической стоимости Вашего бизнеса? Пожалуйста, отметьте:

< 50 000 рублей ПМР	
50 000 < 150 000 рублей ПМР	
150 000 < 365 000 рублей ПМР	
< 365 000 рублей ПМР	

1.11. Как Вы оцениваете развитие вашего бизнеса за последние 3 года? Пожалуйста, отметьте:

Высокие темпы роста	
Маленький рост	
Стагнация роста	
Снижение роста	

1.12. Каковы годовые объемы продаж в 2012 году?

< 50 000 рублей ПМР	
50 000 < 150 000 рублей ПМР	
150 000 < 365 000 рублей ПМР	
< 365 000 рублей ПМР	

1.13. Существуют ли значительные сезонные колебания в доходах и расходах?

	Да / Нет
--	----------

**1.14. Если есть значительные сезонные колебания в вашем бизнесе, заполните следующую таблицу
а. Ниже среднего; б. Средний; с. Выше среднего;**

	Весна	Лето	Осень	Зима
Доходы:				
Необходимость кредита:				

2. ИСПОЛЬЗОВАНИЕ КРЕДИТОВ

2.1. Пожалуйста, укажите объём кредитов, полученных в 2012 (источники и их назначение):

- i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)
- ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Оборотный капитал	Улучшение капитала или инвестиции	Личные / Потребительские
2.1.1. Коммерческие банки				
2.1.2. Микрофинансовые организации ³				
2.1.3. Неофициальные ростовщики				
2.1.4. Друзья / Семья				
2.1.5. Коммерческие поставщики				
2.1.6. Другие, укажите _____				

2.2. Пожалуйста, укажите объём кредитов, полученных в 2011 (источники и их назначение):

- i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)
- ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Оборотный капитал	Улучшение капитала или инвестиции	Личные / Потребительские
2.2.1. Коммерческие банки				
2.2.2. Микрофинансовые организации				
2.2.3. Неофициальные ростовщики				
2.2.4. Друзья / Семья				
2.2.5. Коммерческие поставщики				
2.2.6. Другие, укажите _____				

³ Микрофинансирование - это предоставление финансовых услуг микро-предпринимателям и малым предприятиям, которые не имеют доступа к банковским и связанным с ними услугам из-за высоких издержек, связанных с обслуживанием клиентов данной категории.

2.3. Пожалуйста, укажите объём кредитов, полученных в 2010 (источники и их назначение):

i) **Оборотный капитал** (то есть сбережения, дебиторская задолженность)

ii) **Инвестиции в модернизацию** (новые инвестиции, новые здания, машины и т.д.)

	Введите сумму	Обо-ротный капитал	Улучшение капитала или инве-стиции	Личные / Потребительские
2.3.1. Коммерческие банки				
2.3.2. Микрофинансовые организации				
2.3.3. Неофициальные ростовщики				
2.3.4. Друзья / Семья				
2.3.5. Коммерческие поставщики				
2.3.6. Другие, укажите _____				

2.4. Пожалуйста, укажите стоимость последнего кредита полученного от коммерческого банка или МФО (если применимо):

2.4.1. Название банка или МФО			
2.4.2. Количество лет			
2.4.3. Полученная сумма			
2.4.4. Срок (в месяцах)			
2.4.5. Процентная годовая ставка			
2.4.6. Залоговое обеспечение	а) Земля и здания б) Машины и оборудование, включая движимое имущество в) Дебиторская задолженность и сбережения г) Личное имущество владельца (дома и т.д.) д) Другие		
2.4.7. Первичная и вторичная цель кредита?			
Цель получения кредита	Первичная цель	Вторичная цель	
а) Сезонные хозяйственные ресурсы (семена, удобрения, химикаты, корм) б) Сезонные фермерские услуги (вспашка, заготовка, первичная обработка, транспортировка, труд) в) Приобретение сельскохозяйственной техники, оборудования, инвентаря, трактора, автомобилей г) Приобретение скота, саженцев д) Строительство / реабилитация хозяйственных построек и подготовка сельскохозяйственных земель			

2.4.8. По шкале от 1 до 5, где 1 означает “крайне недоволен(на)”, а 5 означает “очень доволен(на)”, как бы вы оценили свой уровень общей удовлетворенности предоставленными услугами ?	1 2 3 4 5 / не знаю
2.4.9. Чем конкретно вы довольны или недовольны?	
2.4.10. Как вы оцениваете ваш уровень обслуживания клиентов в учреждении, где вы получали кредит?	1 2 3 4 5 / не знаю
2.4.11. Насколько вероятно, что вы порекомендуете данное учреждение другу или родственнику?	

2.5. Если кредит необходим для предпринимательской деятельности, это связано с:

Расширением существующей линии бизнеса _____	Началом новой предпринимательской деятельности _____	Созданием нового бизнеса _____
--	--	--------------------------------

3. СПРОС НА ФИНАНСОВЫЕ УСЛУГИ

3.1. Вы были бы заинтересованы в подаче заявки на кредитование в ближайшие 12 месяцев?

а) Да, я заинтересован(а) б) Нет, меня не интересует в) Не уверен(а)	_____ Укажите букву
--	------------------------

3.2. Укажите сумму и срок кредита который Вы хотели бы запросить?

3.2.1. Валюта	Рубли ПМР/USD/EUR
3.2.2. Сумма кредита	
3.2.3. Срок	месяц
3.2.4. Максимально приемлемая процентная ставка	%

3.3. Если ваш ежемесячный денежный оборот был, как и ожидалось, после того, как получили кредит, сколько вы смогли бы платить для погашения кредита?

	TR
--	----

3.4. Какими типами собственности вы располагаете, какие из них могут использоваться в качестве залога?

	Собственность	Для залога
3.4.1. Недвижимость – коммерческое предназначение	Да/ Нет	Да/ Нет
3.4.2. Дом / квартира	Да/ Нет	Да/ Нет
3.4.3. Машина / Грузовик	Да/ Нет	Да/ Нет
3.4.4. Золотые ювелирные изделия	Да/ Нет	Да/ Нет
3.4.5. Машины – оборудование для бизнеса	Да/ Нет	Да/ Нет
3.4.6. Бизнес-инвентарь	Да/ Нет	Да/ Нет
3.4.7. Банковский счёт – сбережения/депозит	Да/ Нет	Да/ Нет
3.4.8. Другое	Да/ Нет	Да/ Нет

3.5. Почему вы не можете пользоваться формальными кредитами (кредиты, полученные в официальных учреждениях)?

- a) Могу быть не в состоянии погасить долг
- b) Долгий и сложный процесс кредитования
- c) Ожидание, что условия кредитования (процентные ставки, сроки и т.д.) будут неприемлемы для меня
- d) Недоверие к кредиторам
- e) Боязнь, что кредит не будет утвержден
- f) Не нравится быть в долгу
- g) Предпочтение получить кредит от друзей или родственников
- h) Другое, пожалуйста, укажите _____

3.5.1. Основное назначение	
3.5.2. Вторичное назначение	

3.6. Оцените факторы, которые являются наиболее важными при выборе кредитора?

Укажите № 1, как наиболее важные и № 9, как наименее важным.

3.6.1. Стоимость кредита (процентная ставка, платежи)	_____
3.6.2. Валюта кредита (рубли ПМР, USD, Euro, RUB, MDL, UAR)	_____
3.6.3. Сумма кредита	_____
3.6.4. Продолжительность кредита	_____
3.6.5. Гибкий график погашения	_____
3.6.6. Минимальное или отсутствие залоговых требований	_____
3.6.7. Удобное расположение Кредитора	_____
3.6.8. Качество обслуживания (быстрое, прозрачное, дружелюбное, и т.д.)	_____
3.6.9. Наличие других финансовых услуг от той же организации (страхования, сбережения, переводы и т.д.)	_____

4. ДРУГИЕ ФИНАНСОВЫЕ УСЛУГИ

4.1. Имеет ли ваша семья сэкономленные деньги?

	Да/ Нет
--	---------

4.2. Если да, то как часто вы и ваша семья откладывают эти сбережения?

a) еженедельно b) ежемесячно c) ежегодные d) нерегулярно e) не способствуют f) пожалуйста, отметьте валюту	_____ Укажите букву USD, EURO, рубли ПМР, RUB
---	---

а. Для чего Вы экономите деньги?

- a) Инвестировать в бизнес
- b) Чрезвычайные расходы
- c) Образование
- d) Договор / Расходы для миграции на работу за рубеж
- e) Медицинские расходы
- f) Обеспечивать старость
- g) Покупка дома, улучшение жилищных условий / ремонт
- h) Возмещение долгов
- i) Другие _____

4.3.6. Основное назначение	
4.3.7. Вторичное назначение	

4.4. Страхование урожая обеспечивает возмещение вложенных средств в случае уничтожения вашего урожая из-за стихийного бедствия. Пользовались ли Вы услугой страхования урожая?

	Да/ Нет
--	---------

4.5. Были бы Вы заинтересованы в страховании урожая в ближайшие 12 месяцев, если это было бы доступно в рамках разумной цены?

	Да/ Нет
--	---------

4.6. Что бы вы считали разумной ценой для страхования урожая (год / га)?

	TR _____
--	----------

4.7. Насколько вы заинтересованы в последующих топиках развития бизнеса?:
1 = нет необходимости, 2 = небольшая потребность 3 = необходимые, 4 = крайне необходимы

4.7.1. Увеличение продаж	1 2 3 4
4.7.2. Улучшение организационных / управленческих навыков	1 2 3 4
4.7.3. Улучшение продукции	1 2 3 4
4.7.4. Маркетинг	1 2 3 4
4.7.5. Профессиональное обучение	1 2 3 4
4.7.6. Финансовый менеджмент	1 2 3 4
4.7.7. Другие	1 2 3 4

Annex 9: Lending products of the five main commercial banks per type of borrower

Bank	Client	Loan products	Loan Maturity	Loan Collateral	
Saving Bank (SberBank)	Legal entities	overdraft	short- up to 1 year	cash	
		standard loan	middle - up to 3 years	mortgage	
		non-renewable credit line		deposits	
		renewable credit line		banks guarantees	
		leasing		securities	
	Physical persons				legal entities warranty
		urgent needs loan	short- up to 1 year	without collateral	
		mortgage loan	middle - up to 3 years	mortgage	
		deposit backed loan		deposits	
Tiraspromstroi Bank	Legal entities	business loans	short- up to 1 year	mortgage	
		promissory note loan	middle - up to 3 years	working capital	
		advanced payment guarantees	long - over 3 years	property rights	
		tender guarantees		Treasury bills	
		custom guarantees		bank guarantees	
				other liquid collateral	
	Physical persons	cash loan	short- up to 1 year	without collateral	
		loan for holidays	middle - up to 3 years	salary	
		loans for study, treatment, etc	long - over 3 years		
		wage project			
		car in credit		car	
		mortgage		mortgage	
	Ipotechnyi Bank	Legal entities	loans, backed by mortgage		deposits
standard loan			short- up to 1 year	mortgage	
overdraft			middle - up to 3 years	fixed assets	
promissory note loan			long - over 3 years	inventory	
credit line				promissory note	

Ipoteknyi Bank	Legal entities	banks guarantees		bank guarantee	
		mortgage		legal entities warranty	
				physical person warranty	
				combined from above	
	Physical persons	credit "5"	short- up to 1 year	without collateral	
		microcredit	middle - up to 3 years	salary	
		goods in rates	long - over 3 years		
		loan agreed with employer			
		car in credit		car	
		mortgage		mortgage	
Business Invest Bank	Legal entities	standard loan		mortgage	
		credit line	short- up to 1 year	fixed assets	
		overdraft	middle - up to 3 years	inventory	
		promissory note loans	long - over 3 years	promissory note	
		banks guarantee		bank guarantee	
		fixed assets loans		combined from above	
	Physical persons	"miracle cash"	middle - up to 3 years	salary	
		car in credit	long - over 3 years	car	
	Agroprom Bank	Legal entities	industrial lending	short- up to 1 year	mortgage
			budget lending	middle - up to 3 years	fixed assets
banks lending			long - over 3 years	inventory	
trade lending				promissory note	
pre-export financing				bank guarantee	
mortgage				combined from above	
banks guarantee					
letter of credit					
Physical persons		pre-salary loan	short- up to 1 year	salary	
		legal entities employers loans			

Annex 10: Non eligible activities as defined by the United Nations

The purchase or lease of land, residential housing construction or improvement, purchase of any buildings, refinancing of any existing debts, financing of production or marketing of tobacco and tobacco products and strong alcoholic drinks, or purchase of pesticides would not be eligible for financing from the Credit Line.



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United Nations Development Programme
131, 31 August str.
2012, Chisinau
Republic of Moldova

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