

THE USE OF INTERNATIONAL RANKINGS FOR BUSINESS DEVELOPMENT POLICY EVALUATION IN THE REPUBLIC OF MOLDOVA

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The assessment of the business environment and its trends represents an important source of information for business development strategies and decision making by investors. International rankings, related to the assessment of the business environment, enable a qualitative comparison of the business development conditions in many countries. Therefore, the results of these rankings often serve as a basis for monitoring and improving the state policies at national and regional levels. The purpose of this article is to analyze the position of Moldova in international rankings, which reflect the business environment and to evaluate the advantages and constraints of using these rankings in the state entrepreneurship policy. The article includes: (i) the experience of using the international rankings in national strategies abroad and in Moldova; (ii) the assessment of Moldova's position in the international rankings, which refer to business development; (iii) the identification of the advantages and constraints in using the international rankings for monitoring, evaluating and improving the state policy (on the example of Moldova). The research methodology is based on a comparative analysis of international rankings methods and results, as well as on a critical analysis of using the ratings in assessing the state policy.

Keywords: international ranking, entrepreneurship, assessment of business environment, business development state policies.

Evaluarea mediului de afaceri și a tendințelor de schimbare a acestuia reprezintă o sursă importantă de informație pentru elaborarea strategiilor de dezvoltare a întreprinderilor și luarea deciziilor de către investitori. Clasamentele internaționale, ce țin de evaluarea mediului de afaceri, permit compararea calitativă a condițiilor de dezvoltare a antreprenoriatului în multe țări ale lumii. De aceea, rezultatele acestor clasamente adesea servesc drept bază pentru monitorizarea și îmbunătățirea politicilor de stat la nivel național și regional. Scopul acestui studiu este de a analiza poziția Republicii Moldova în clasamentele internaționale, care reflectă mediul de afaceri, precum și de a evalua avantajele și constrângerile în utilizarea acestor clasamente în politica de stat de dezvoltare a antreprenoriatului. Articolul include: (i) experiența utilizării clasamentelor internaționale în strategiile naționale în străinătate și în Republica Moldova; (ii) evaluarea poziției Republicii Moldova în clasamentele internaționale, care se referă la dezvoltarea mediului de afaceri; (iii) identificarea avantajelor și constrângerilor în utilizarea clasamentelor internaționale la monitorizarea, evaluarea și îmbunătățirea politicii de stat (în baza Republicii Moldova). Metodologia cercetării se bazează pe analiza comparativă a metodelor și rezultatelor clasamentelor internaționale, precum și pe analiza critică a utilizării acestora la evaluarea politicii de stat.

Cuvinte-cheie: clasament internațional, antreprenoriat, evaluarea mediului de afaceri, politica de stat de dezvoltare a antreprenoriatului.

Оценка бизнес-среды и тенденций ее изменения является важным источником информации для разработки стратегий развития предприятий и принятия решений инвесторами. Международные рейтинги, связанные с оценкой бизнес-среды, позволяют количественно

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сопоставить условия развития предпринимательства во многих странах мира. Поэтому результаты этих рейтингов нередко служат базой для мониторинга и совершенствования государственных политик на национальном и региональном уровнях. Целью исследования является анализ позиции Р.Молдова в международных рейтингах, отражающих бизнес-среду, а также оценка преимуществ и ограничений при использовании этих рейтингов в государственной политике развития предпринимательства. Статья включает: (i) опыт использования международных рейтингов в национальных стратегиях за рубежом и в Р.Молдова; (ii) оценку позиции Молдовы в международных рейтингах; отражающих бизнес-среду; (iii) выявление преимуществ и ограничений в использовании международных рейтингов при мониторинге, оценке и совершенствовании государственной политики (на примере Молдовы). Методология исследования базируется на сравнительном анализе методов и результатов международных рейтингов, а также критическом анализе их использования для оценки государственной политики.

Ключевые слова: международный рейтинг, предпринимательство, оценка бизнес-среды, государственная политика развития предпринимательства.

JEL Classification: O20, O29, O57, P29.

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Introduction. The business environment assessment is gaining a lot of attention from the politicians, investors and business managers around the world, as it allows making more informed management decisions. As a rule, the business environment research is based on the evaluation of a large number of indicators in order to fully take into account the variety of factors which are analyzed in dynamics to reveal not only the status quo but also its main trends.

A number of recognized international institutions (the World Bank, the World Economic Forum, the Wall Street Journal and the Heritage Foundation, etc.) in recent years have initiated and are carrying out different researches covering dozens of states located on all continents in order to provide a comparative assessment of the position of each country on various aspects of economic development, competitiveness, entrepreneurship. The results of the ratings make it possible to compare the economic and political conditions of business development in a particular country, institutional and personnel potential, financial and innovative mechanisms, as well as the implemented public policies.

Despite the difference in the international ratings goals and methodologies, their results are used by the governments of some countries, including the Republic of Moldova, to improve the state policy in the field of entrepreneurship. In addition to the advantages of these ratings, there are a number of limitations which must be taken into account when using them in order to monitor and improve the national strategies and programs. In this context, Moldova's positions in the main international ratings concerning the business environment will be analyzed, as well as the appropriateness of using such ratings for the state policy evaluation.

Foreign experience of using international ratings in national strategies. The policy documents analysis in some states, primarily in Central and Eastern Europe revealed that international rankings are used to assess the country's position in the business environment and competitiveness fields. The results of the ratings not only serve as a basis for measuring the results of the earlier taken actions, but also allow outlining the measures for improving the business environment and increasing the competitiveness of national economies. The achieved progress should be reflected in the advancement of the country's position in international ratings on certain indicators.

For example, the position and situation of the Czech Republic regarding the competitiveness and business environment are evaluated in *the National Research and Innovation Strategy for the Smart Specialization* through 2 international reports (the Global Competitiveness Report and the Doing Business Report). It is noted that the Czech Republic's decline in some of its aspects is so obvious that it must be taken into account. At the same time, the analysis of the indicators of the Czech Republic in the Global Competitiveness Report take into account the position of the country in the European context. The Ease of Doing Business Index is mentioned in the same strategy for evaluating the conditions of doing business in Czech Republic in comparison to other countries from Central Europe. Both of these ratings will measure whether the Czech Republic is successful in fulfilling the vision and in progressing in the direction of the Strategy vision.

Romania's *National Competitiveness Strategy 2014-2020* sets a series of priorities and indicators to achieve, and among the expected results is the improvement of Romania's position within the Global Competitiveness Report and the Corruption Perception Index. For example, it tends to improve the position in international rankings in the following directions: Improving the transparency of authorities and public enterprises (improving Romania's position within the Index of Corruption Perception from 69 to 40 until 2020); Reducing the burden taxation on the companies (increasing the position in the Global Competitiveness Report at the following indicators: Effect of taxation on incentives to invest; Total tax rate, profits; Effect of taxation on incentives to work); Improving the access to finance for companies and especially SMEs (improving the position in the Global Competitiveness Report for the following indicators: Availability of financial services; Affordability of financial services; Regulation of securities exchanges).

References to international ratings are also present in the state strategies of other EU countries: *the Estonian Entrepreneurship Growth Strategy 2020*, *the National Development Strategy 2007-2015 of Poland*, *the Sustainable Development Strategy of Latvia until 2030*, which use indicators aiming to measure the results (benefits) which reflect the progression of the specified long-term objectives.

The use of international ratings in the policy documents of the Republic of Moldova. In our country, in most economic policy documents adopted by the Government, it is emphasized on need to ameliorate the business development conditions. In particular, such goals and measures are present in the National Development Strategy "Moldova 2020", the Government's action programs, the Roadmap for the Competitiveness Improvement, the Strategy for the Development of the SMEs sector in the period 2012-2020, the Strategy "Innovation for Competitiveness" and other national strategies and programs. Within these strategic documents the analysis of Moldova's business development is reflected by the country's position in international rankings.

Thus, in order to describe the business situation *the National Development Strategy of the Republic of Moldova "Moldova 2020"* [15] is referring to the following rankings: the Doing Business Report, the Global Competitiveness Report, the Economic Freedom Index. Moreover, one of eight priorities of economic development is to improve the business environment, and the effect of "ease of doing business" will be evaluated by advancing the Republic of Moldova's position in the international rankings – the Doing Business Report, the Index of Economic Freedom and the Global Competitiveness Report.

Another example is the Strategy "Innovation for Competitiveness" for the period 2013-2020 [14], where a detailed assessment of the situation in the field is made based on the Global Innovation Index Report indicators. The Strategy sets the key indicators and their values that are expected to be achieved by 2020. Among these indicators, there can be mentioned the indicators from the Doing Business ranking of the World Bank: Starting a business, Resolving Insolvency, Paying taxes, Protecting minority Investors; and indicators developed by the World Economic Forum: University-industry collaboration in R&D.

The analysis of Moldova's position in the Doing business rating, as well as a detailed assessment of its individual indicators, was used in *the Strategy for the Development of the Small and Medium-sized Enterprises Sector for 2012-2020* [13] in order to determine the main achievements, barriers and tasks in the area of SMEs support. For example, a significant progress was registered in the field of business registration, and at the same time, significant obstacles in the activities of companies engaged in cross-border trade. Herewith, Moldova's position in the rating and the trend of its change are compared with the situation in neighboring countries (Romania and Ukraine) and the countries of Eastern Europe and Central Asia, which are closer in terms of economic development.

In all these policy documents, it is assumed that the improvement of Moldova's position in the corresponding rating clearly indicates toward a positive change of the country situation, and at the same time reflects the results of the reforms carried out by the government.

The Republic of Moldova's position in international rankings reflecting the business environment development. Moldova is currently included in many ratings developed by international organizations, which makes it possible to compare its position with other countries and compare the trends on many indicators. Below there is a brief description of the main international ratings, directly or indirectly reflecting the business environment, and Moldova's place in it.

1. „**Doing Business**” is the main ranking reflecting the business environment development in the country. The Doing Business report, starting from 2003, is produced annually by the World Bank. Today the ranking includes about 190 world economies. The report covers 10 economic indicators which analyze the economic results and determine what reforms of business regulation have worked, where and why. The report offers quantitative indicators on regulation for starting a business, dealing with construction

permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

The report is not limited just to the evaluation of the relative changes of the country's position in the ranking, but also uses the indicator "Distance to Frontier" score (DTF). The DTF score is based on a reference scale benchmarking economies according to regulatory best practice, showing the best performance, ranging from 0% in the case of the worst performance and 100% in the case of conformity with the best existing practice.

In 2016, the Republic of Moldova [5] ranks number 44 of 190 countries included in the ranking, showing an improvement of 3 positions (table 1). In 2016 it shows a positive trend. The lowest position in the ranking Moldova has obtained at *Dealing with construction permits* indicator (165th position), which last year has worsened its position with 3 points and *Getting electricity* indicator (73rd position). The most significant worsening was registered for the *Starting a business* indicator (-6 positions).

However some indicators recorded an improvement. The biggest improvement was registered in *Getting electricity* indicator, *Paying Taxes* indicator (+24 positions respectively); *Enforcing contracts* indicator (+8 positions).

Moldova accumulated in 2016 a total score of 71.64 for the DTF indicator, which reflects a worsening of 1.11 points compared to previous year, 2015.

Table 1

Moldova's position in Doing business ranking, edition 2017

Indicators	Position		The change	DTF (% points)		Change in DTF (% points)
	2015	2016 (DB 2017)		2015	2016 (DB 2017)	
<i>Position of the Republic of Moldova in „Doing business” report</i>	47	44	+3	72.75	71.64	-1.11
1.Starting a business	38	44	-6	91.96	92.19	+0.23
2.Dealing with construction permits	162	165	-3	54.14	54.09	-0.05
3.Getting electricity	97	73	+24	74.60	67.48	-7.12
4.Registering property	20	21	-1	82.92	82.91	-0.01
5.Getting Credit	29	32	-3	70.00	70.00	0
6.Protecting minority Investors	40	42	-2	63.33	63.33	0
7.Paying Taxes	55	31	+24	84.76	80.16	-4.6
8.Trading across Borders	34	34	-	92.32	92.39	+0.07
9. Enforcing Contracts	70	62	+8	60.87	59.94	-0.93
10.Resolving Insolvency	58	60	-2	52.61	53.85	+1.24
Number of countries	189	190				

Source: Data of the international ranking Doing Business, 2017 [5].

2. **The Global Competitiveness Index** is a public policy tool, published since 1979 by the World Economic Forum aiming to serve as a benchmarking tool for the governments, private sector, and civil society. At the moment, the ranking assesses the competitiveness of 138 economies. Some countries have used the Index to build the entire competitiveness system and formally organize their institutions for competitiveness.

The GCI covers 114 indicators which are grouped into 12 pillars: institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. These pillars are organized into three subindexes: basic requirements, efficiency enhancers, and innovation and sophistication factors.

In 2016 Moldova is ranked number 100 among 138 countries included in the ranking. In the analyzed period Moldova's place has worsened by 16 positions (table 2).

The lowest positions Moldova has obtained for the pillars: *Innovations* (133), *Financial market development* (129), *Institutions* (128), *Business sophistication* (127) and *Market size* (124).

In the analyzed period, Moldova has not registered any positive change, on the contrary, all changes were negative and only for the *Business sophistication* pillar the country's position has not been changed, remaining on 127th position as in the previous year. The most significant negative changes were registered in the following pillars:

- *The macroeconomic environment* (-45 positions), this change is due to a drastic worsening of the

position for the indicators: *Gross national savings % GDP* (-35 positions); *Inflation annual % change* (-27 positions); *Country credit rating 0-100 (best)* (-9 positions).

- *Financial market development* (-14 positions), change due to the worsening of all indicators, especially: *Affordability of financial services* (-23 positions); *Financial services meeting business needs* (-12 positions); *Venture capital availability* (-10 positions).

- *Higher education and training* (-12 positions), change due to the worsening of the following indicators: *Internet access in schools* (-13 positions); *Secondary education enrollment rate gross %* (-8 positions); *Quality of management schools* (-7 positions); *Extent of staff training* (-7 positions).

Table 2

Moldova's position in the international ranking Global Competitiveness Index

Indicators	Position in the ranking		The change
	2015-2016	2016-2017	
<i>Total, including</i>	84	100	-16
Subindex A: Basic requirements	89	101	-12
1st pillar: Institutions	123	128	-5
2nd pillar: Infrastructure	83	86	-3
3rd pillar: Macroeconomic environment	55	100	-45
4th pillar: Health and primary education	91	95	-4
Subindex B: Efficiency enhancers	94	102	-8
5th pillar: Higher education and training	79	91	-12
6th pillar: Goods market efficiency	103	107	-4
7th pillar: Labor market efficiency	85	91	-6
8th pillar: Financial market development	115	129	-14
9th pillar: Technological readiness	53	58	-5
10th pillar: Market size	121	124	-3
Subindex C: Innovation and sophistication factors	128	131	-3
11th pillar: Business sophistication	127	127	-
12th pillar: Innovation	130	133	-3
Number of countries in the ranking	140	138	

Source: Data of the international ranking *The Global Competitiveness Report* [6;7].

3. **The Index of Economic Freedom** is the main economic indicator for the economic activity and investment process. It reflects the openness of the economy, the efficiency of government regulations, the rule of law and competitiveness. The Index of Economic Freedom is an annual ranking, created by The Wall Street Journal and The Heritage Foundation. The aim of the Index is to measure the degree of economic freedom in the world's nations. It covers 4 policy areas which have an impact on economic freedom: Rule of law; Government size; Regulatory efficiency; and Open markets. In 2015 the study covered 186 countries. The economic freedom is measured based on 12 indicators named also 12 economic freedoms (edition 2017): 1) Business freedom; 2) Trade freedom; 3) Fiscal health; 4) Government spending; 5) Monetary freedom; 6) Investment freedom; 7) Financial Freedom; 8) Property rights; 9) Judicial effectiveness; 10) Labor freedom; 11) Tax burden; 12) Government integrity.

In 2016 (edition 2017), in the Index of Economic Freedom ranking **the Republic of Moldova** ranks number 110 among 186 countries included in the rating. In the analyzed period Moldova's place has improved with 7 positions (table 3). According to the Index of Economic Freedom, driven largely by remittance-based consumption and credit expansion, Moldova's relatively resilient economic growth over the past five years has created some momentum for improving the business environment and liberalizing the trade regime. However, the ongoing transition to a more stable market-oriented economy remains fragile [2].

For our country, the Index of Economic Freedom reveals the following trends:

The lowest positions Moldova registered in the indicators: *Labor Freedom* (171), *Government Spending* (127), *Judicial effectiveness* (150), *Government integrity* (155) and *Monetary Freedom* (139), followed by *Investment Freedom* (103).

The negative change was recorded in the indicators: *Property rights* (-27 positions), *Monetary Freedom* (-34 positions), *Government spending* (-1 position), *Investment freedom* (-1 position).

The most advanced positions in the ranking, Moldova has recorded in the indicators: *Fiscal health* (51), *Tax burden* (43) and *Financial Freedom* (70).

Table 3

Moldova's position in the ranking Index of Economic Freedom

	Position in the ranking		The change
	2015 (edition 2016)	2016 (edition 2017)	
<i>Total, including:</i>	117	110	+7
Rule of law			
Property Rights	69	96	-27
Government integrity	n/a	155	
Judicial effectiveness	n/a	150	
Government size			
Government spending	126	127	-1
Tax burden	n/a	43	
Fiscal health	n/a	51	
Regulatory Efficiency			
Business Freedom	95	89	+6
Labor Freedom	173	171	+2
Monetary Freedom	105	139	-34
Open Markets			
Trade Freedom	105	81	+24
Investment Freedom	102	103	-1
Financial Freedom	72	70	+2
Number of countries in the ranking	178	186	

Source: Based on The Index of Economic Freedom ranking [1; 2].

4. **The Global Innovation Index (GII)** is an annual ranking of countries published by Cornell University, INSEAD (European Institute of Business Administration), and the WIPO (The World Intellectual Property Organization), in partnership with other organizations and institutions. The Global Innovation Index aims to evaluate the capacity, and success in innovation of the countries including about 130-140 countries. The GII is used by businesses and policy-makers and examine the impact of innovation-oriented policies on economic growth and development.

The GII relies on two sub-indices – the Innovation Input Sub-Index and the Innovation Output Sub-Index – each built around pillars. Four measures are calculated:

1. *Innovation Input Sub-Index*: Five input pillars capture elements of the national economy which enable innovative activities.

2. *Innovation Output Sub-Index*: Innovation outputs are the results of innovative activities within the economy. Although the Output Sub-Index includes only two pillars, it has the same weight in calculating the overall GII scores as the Input Sub-Index.

3. *The overall GII score* is the simple average of the Input and Output Sub-Indices.

4. *The Innovation Efficiency Ratio* is the ratio of the Output Sub-Index to the Input Sub-Index. It shows how much innovation output a given country is getting for its inputs.

In 2016 Moldova is ranked number 46 among 128 countries included in the ranking. In the analyzed period Moldova's position worsened by 2 points (table 4).

The lowest positions in the ranking Moldova has registered in the *Innovation Input Sub-Index* (74), in particular, the pillars of *Market sophistication* (93), *Business sophistication* (89), *Infrastructure* (75), *Institutions* (68).

The most negative change was recorded for the *Market sophistication* pillar (-41 positions).

The most advanced position in the ranking Moldova has recorded at the *Innovation efficiency index* (4th position) showing among the most efficient countries in turning ideas into innovative practical results. This indicator does not reflect the innovation potential (in Moldova, as in some other countries, which recorded advanced positions in *innovation efficiency*, this potential is very limited), but the degree of using the existing potential. In 2016 Moldova ranks number 4 at this indicator (in 2015 – 5th place, and in 2014 – number 1 in the list of countries).

The most significant positive change in the country's position was recorded at the *Human capital and research* pillar (+23 positions).

Table 4

Moldova's position in the international ranking Global Innovation Index

Indicator	Position in the ranking		The change
	2015	2016	
<i>Total, including</i>	44	46	-2
Innovation Input Sub-Index	74	74	-
1) Institutions	75	68	+7
2) Human capital & research	74	51	+23
3) Infrastructure	82	75	+7
4) Market sophistication	52	93	-41
5) Business sophistication	83	89	-6
Innovation Output Sub-Index	31	36	-5
6) Knowledge and technology outputs	26	31	-5
7) Creative outputs	38	34	+4
The Innovation Efficiency Ratio	5	4	+1
Number of countries in the ranking	141	128	

Source: Based on international ranking the Global Innovation Index [10; 11].

5. **The Logistics Performance Index** is performed from 2007 and is calculated by the World Bank every two years. The LPI includes 160 countries worldwide. The LPI is an interactive benchmarking tool aiming to help countries identifying the challenges and opportunities they face in their performance on trade logistics. The LPI is based on a worldwide survey of operators on the ground (global freight forwarders and express carriers), providing feedback on the logistics "friendliness" of the countries in which they operate and those with which they trade. They combine in-depth knowledge of the countries in which they operate with informed qualitative assessments of other countries where they trade and experience the global logistics environment. Feedback from operators is supplemented with quantitative data on the performance of key components of the logistics chain in the country of work. The LPI consists therefore of both qualitative and quantitative measures and helps build profiles of logistics friendliness for these countries. It measures performance along the logistics supply chain within a country and offers two different perspectives: international and domestic.

The 2016 LPI survey follows the same methodology as the previous four editions of Connecting to Compete: a standardized questionnaire with two parts, international and domestic. In the international questionnaire, respondents evaluate six core pillars of logistics performance in up to eight of their main overseas partner countries. In the domestic questionnaire, respondents are asked to provide qualitative and quantitative data on the logistics environment in the country in which they work.

In the ranking Logistics Performance Index 2016, the Republic of Moldova ranks number 93 in the list of 160 countries. In the analyzed period, Moldova's situation has improved by 1 position (table 5).

The lowest positions in the ranking Moldova has registered in the following indicators: *Competence and quality of logistics services* (103), *Infrastructure* (100) and *Customs* (99), and the most significant worsening was recorded at the *International transport* (-42).

The most advanced position (slightly above the world average – rank 85th and 86th respectively) are recorded at *Tracking and tracing* indicator and *Timeliness* indicator and the biggest improvement was registered the *Tracking and tracing* indicator (+46 positions).

Table 5

Moldova's position in the international ranking Logistics Performance Index

Indicator	Position in the ranking		The change
	2014	2016	
<i>Total, including</i>	94	93	+1
Customs	98	99	-1
Infrastructure	85	100	-15
International transport	52	94	-42
Competence and quality of logistic services	118	103	+15
Tracking and tracing	131	85	+46
Timeliness	109	86	+23
Number of countries in the ranking	160	160	

Source: Based on data of the international ranking Logistics Performance Index [3; 4].

6. **The Global Enabling Trade Index** is performed from 2008, every two years by the *World Economic Forum* and assesses the extent at which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods over borders and to their destination.

The ETI is a composite index of several individual indicators on the basis of underlying ETI framework. The ETI framework captures the different area of trade divided into four subindexes:

A. *Market access*, aiming to evaluate the extent and complexity of a country's tariff regime, tariff barriers faced and preferences enjoyed by a country's exporters in foreign markets.

B. *Border administration*, aiming to assess the quality, transparency and efficiency of border administration of a country.

C. *Infrastructure*, aiming to assess the availability and quality of transport infrastructure of a country, associated services, and communication infrastructure.

D. *Operating environment*, aiming to measure the quality of the key institutional factors impacting the business of active importers and exporters in a country.

These four subindexes are in turn subdivided into pillars which capture more specific aspects within their respective broad issue areas. Each of them is composed of a number of indicators. In the analyzed period Moldova ranks number 79 among 136 countries included in the Global Enabling Trade Index ranking. During the 2014-2016 period Moldova has improved its rank by 13 positions (table 6).

Table 6

Moldova's position in the Global Enabling Trade Index ranking

Indicator	Position in the ranking		The change
	2014	2016	
<i>Total, including</i>	92	79	+13
SUBINDEX A: MARKET ACCESS (25%)	27	50	-23
<i>Pillar 1: Domestic market access</i>	38	65	-27
<i>Pillar 2: Foreign market access</i>	33	49	-16
SUBINDEX B: BORDER ADMINISTRATION (25%)	116	74	+42
<i>Pillar 3: Efficiency & transparency of border administration</i>	116	74	+42
SUBINDEX C: INFRASTRUCTURE (25%)	87	88	-1
<i>Pillar 4: Availability & quality of transport infrastructure</i>	86	102	-16
<i>Pillar 5: Availability & quality of transport services</i>	91	88	+3
<i>Pillar 6: Availability & use of ICTs</i>	77	71	+6
SUBINDEX D: OPERATING ENVIRONMENT (25%)	100	103	-3
<i>Pillar 7: Operating environment</i>	100	103	-3
Number of countries in the ranking	138	136	

Source: Based on international ranking *The Global Enabling Trade Index* [8; 9].

The lowest positions in the ranking Moldova has registered in the following indicators: *Operating environment* (103), which in the last 2 years dropped by 3 positions and *Availability & quality of transport infrastructure* (102), which in the same period significantly worsened in the ranking – with 16 positions.

The most advanced positions in the rankings Moldova has recorded at: *Foreign market access* indicator (49), *Domestic market access* (65), although both indicators showed the most negative changes, with 16, respectively 27 positions.

The most positive change is related to *Efficiency & transparency of border administration* indicator (+42 positions), other indicators showing significant changes both positive and negative.

Based on data of Moldova's position in the analyzed international rankings, it is important to mention that its change in 2016 in comparison with the previous year registered contradictory trends (table 7). This is explained by the fact that each of these rankings examines a range of different aspects related to business environment.

Table 7

Rankings	Moldova's position in the ranking		The change
	2015	2016	
Doing Business	47	44	+3
Global Competitiveness Index	84	100	-16
Index of Economic Freedom	117	100	+7
Global Innovation Index	44	46	-2
Logistics Performance Index	94 (2014)	93	+1
Global Enabling Trade Index	92 (2014)	79	+13

Source: Elaborated by the authors based on international rankings [1; 2; 3; 4; 5; 6; 7; 8; 9; 10; 11].

In the rankings of the last years drawn up by various international rating organizations and agencies, the Republic of Moldova is on rather modest positions, which is an indirect indication of the structural deficiencies of the national economy.

The advantages and limitations in the use of international ratings for monitoring and improving the state policy in the Republic of Moldova.

The position of our country in the international rankings, as well as the evolution of its position in relation to previous years, gives a lot of valuable information for the analysis of the situation. One of the advantages of using international ratings for the public policy monitoring is the possibility of a quantitative assessment. The quantitative approach favorably distinguishes the ratings from other assessments of a qualitative nature, which are often expressed by researchers, politicians or business representatives.

A feature of the international ratings is the multifactor analysis, which allows a fairly multifaceted analysis of the situation. For example, in the report on Global Competitiveness, 12 pillars are used, for the specification of which serve more than 100 indicators. This allows us to reveal in a more detail manner the factors influence. For example, Moldova ranks number 128 at the *Institutions* pillar and this position is calculated on the basis of 22 indicators.

The results of international ratings provide an opportunity to compare the situation and trends of its change (in this case – the business environment) in different countries, and also to compare the analyzed situation in the country with the average level in the region.

Some ratings give an opportunity to quantify not only the place of the country in the rating, but also its difference from the best indicator in the region or the world. For example, Doing Business ranking since 2015 rely no longer on changes of the position, but on the indicator "distance to frontier" [18], which shows on a scale of 0-100, how far/close is a state of the most successful practices in a particular field. Thus, our country in 2016 (2017 edition) ranked number 44 of 190 countries, with a total score of 71.64.

At the same time, the use of the analyzed ratings for public policy monitoring, evaluation and improvement has certain limitations which must be taken into account. First of all, any international rating focuses its attention on the barriers and indicators that are of interest to a large number of countries, but considering not enough the specifics of a particular country. For example, to assess the business environment in Moldova, it is very important to take into account such indicators as the threat of external risks, the independence of the judicial system, as evidenced by the results of other studies (Stratan A., Aculai E., Vinogradova N., 2015, p. 19-30) [12].

However, these indicators are not included in the Doing Business report, which characterizes the "ease of doing business", and contains other 10 indicators. In this situation, for a more complete and detailed assessment of the business environment, it is advisable to supplement the results of the international ratings with data from the national studies which take into account the real situation of the country.

Another limitation in the use of international ratings for the policy monitoring is that the country's position in the rating depends not only on the actions of a particular country's government, but also on the pace of reform in other countries.

For example, according to the Global Competitiveness Index ranking, India, whose economy is on first stage based on factors of production, in 2014 after the government stabilization, reconsidered its policies and is strongly committed to the necessary reforms for competitiveness improvement. Thus, due to some active reforms in monetary and fiscal policies and measures for lower oil prices, actively promoting innovation policies, India's economy has stabilized and now has the highest growth among G20 countries.

Recent reform efforts have focused on improving public institutions, opening up the economy to foreign investors and international trade, and increase transparency in the financial system. Thus, from 2014 India has advanced in the ranking with 32 positions (from number 71 in 2014 to 39 in 2016).

This means that it is hardly possible to forecast an improvement of the country's position in the rating in a certain number of years, since the government can plan some measures related to the changing situation in its country. In this case, it is more rational to use indicators similar to the "Distance to frontier".

International ratings, implemented by different organizations, are based on a different methodology. This leads to the fact that the positions of individual countries and their evolutions in the

ratings vary significantly, which is clearly shown in table 7. In particular, if we analyze the same indicator, for example, *Business sophistication*, in the Global Competitiveness Index ranking Moldova ranks number 127, but in the Global Innovation Index ranking our country ranks number 89.

This raises the need for a detailed study of the methodology of individual ratings when used in the policy documents. For example, it is important to take into account that the Doing Business methodology provides the following:

- The implementation of reforms is measured not by the achieved results in the economy, but on the basis of the adopted laws and other legal acts. That is, the actual implementation of the actions is not always taken into account by the rating. For example, in a Moldavian economic newspaper is mentioned: “Doing Business 2015 shows that Moldova made a significant jump with 19 positions, ranking number 63 in the list of countries with the most favorable business environment. The country has made the most important progress at the indicators related to the availability of credits and paying taxes, while regressed in terms of construction permits, access to electricity, etc. Despite the apparent improvements, the State Registration Chamber data show that in the last three years fewer new businesses were registered, and experts believe that the progress is visible only on paper, as the data of the World Bank report are far from businessmen expectations” [16].

- The survey of respondents, on which the results of the study are based, is conducted only in the capital. This does not allow to fully identifying the unfavorable conditions for the business development which are much worse outside Chisinau mun. (which is confirmed, in particular, by the high concentration of the enterprises in the capital, where 65% of all economic agents work).

- Respondents can be not only the entrepreneurs, but also the representatives of institutions that regulate this sector; as a result, they have the opportunity to assess their own activity. For example, at the working groups meeting established at the level of Economic Council of the Prime Minister of Moldova aiming to improve Moldova’s position in the world economic rankings, was proposed that specialists from national authorities (the National Commission of Financial Market, Customs Service, etc.) should register as respondents for the Doing Business survey, in order to complete the questionnaire for the current year ranking.

- An illustrative example serves the trend of the main indicators of the Doing business in 1 year. To assess the trends over a longer period is much more difficult, since the methodology of the study is adjusted annually. If this circumstance is not taken into account, then erroneous interpretations may arise. For example, before the change of the methodology, in 2016 Moldova was ranked number 52 in the Doing business ranking. After changing the methodology and recalculating the positions of all countries for 2016, Moldova’s place was number 47 (a difference of +5 positions).

The noted limitations are important to consider when monitoring, analyzing and improving the business development policy.

Results and conclusions. The results of the international ratings provide valuable information for entrepreneurs and investors, allowing them to solve practical business development problems, justifying investment and other management decisions. The foreign experience in the national strategies and programs development demonstrates that the international ratings are also actively used for monitoring and improving the state policy.

The Republic of Moldova has participated in many international ratings in recent years. However, the country’s positions in the individual ratings vary significantly. In 2016 the positions changed from number 44 in the Doing Business ranking, to number 117 in the Index of Economic Freedom. Moreover, individual ratings show an improvement of the situation (up to + 13 positions in the Global Enabling Trade Index), others – a deterioration (to – 16 positions in the Global Competitiveness Index).

In Moldova, ratings related to the conditions of the business environment and the competitiveness levels are also widely used for the analysis and public policy development. In particular, they are an integral part of the national strategies: “Moldova 2020”, “Innovations for competitiveness”, and Strategy for the Development of the Sector of Small and Medium sized Enterprises for 2012-2020.

When using the results of international ratings in the process of monitoring, evaluating and improving the state policy in the Republic of Moldova, it is important to keep in mind not only the advantages, but also the limitations of the above ratings.

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