

CENTRAL EASTERN

PARTNERS IN SUCCESS HUNGARY

When CIPE opened its Budapest office in 1993, Hungary already had a generation of experience in economic reform. Since the 1960s, many forward-looking Hungarians had tried to reform communist economic central planning without compromising the delicate balance of communist political control. With such prohibitive political constraint, however, it could not resolve fundamental issues: a lack of financial discipline, an arbitrary approach to laws, and bureaucratic uncertainty that prevented enterprises and individuals from making long-term economic choices. The welfare state stifled initiative and growth, even as the state lost the ability to finance itself.

After democratic elections in 1990, political and economic reform became more possible in theory, yet political will was still absent. It was in this setting that CIPE began its work, bringing the concepts of political and economic reform together through an institutional approach that opened policy debates and strengthened civil society voices. CIPE supported more than 20 think tanks, academic institutions, regional development centers,

and business associations in this process. CIPE's most important contribution to its partners was conveying the importance of effective political advocacy, by experts as well as ordinary citizens, of policies that strengthen market institutions and advance representative democracy. The open decision-making processes that became standard for many partners during this time created an ongoing mechanism for positive change.

The decade of CIPE's engagement in Hungary was one of active global donor assistance and local momentum for change. Hungary saw outstanding achievements in economic and political transformation, ultimately leading the way to membership in the Organisation for Economic Co-operation and Development, the North Atlantic Treaty Organization, and the European Union. With these achievements, CIPE's Hungarian partners were well positioned to build on their successes to continue strengthening democratic institutions and practices.

CIPE's work in Hungary stands as a testament to successful political advocacy to achieve real reforms that strengthen market and democratic institutions.



With the fall of the Berlin Wall and crumbling communist influence in Central and Eastern Europe, reformers across the region approached the task of building democratic governments and market economies with enthusiasm. To this environment, CIPE contributed valuable lessons learned from its work in other regions to help its partners articulate and advocate a reform agenda. Advocacy continues to be at the center of CIPE programs in the region, as partners consolidate support for representative policymaking and lead reform by example. The following pages celebrate CIPE's partnership history in Hungary, look forward to the future of reform in Moldova with the Institute for Development and Social Initiatives, and provide regional highlights of the impact CIPE's work has had over the past year.

“Among the institutions [that] promoted Hungary’s transition, CIPE has definitely been playing a major role from the very beginning. CIPE managed to find the key areas where important debates and discussions could be held.”

H.E. Attila Chikan
Former Minister of Economy of Hungary



2008 CIPE PROGRAMS AND PARTNERS IN CENTRAL & EASTERN EUROPE

DEMOCRATIC GOVERNANCE AND INSTITUTIONS

- Albania:** Improving Corporate Governance in Albania (Partner: Albanian-American Trade and Development Association)
- Kosovo:** Improving Corporate Governance and Transparency (Partner: Riinvest Institute for Development Research)
- Serbia:** Improving Corporate Governance – Five Years Later (Partner: Center for Liberal-Democratic Studies)

EMPOWERING PRIVATE SECTOR ORGANIZATIONS

- Balkan Regional:** Strengthening Business Support Organizations

GRASSROOTS PARTICIPATION

- Bosnia and Herzegovina:** Improving Democracy through Meaningful Policy Dialogue (Partner: Association for Promoting Transparency in the Bosnia and Herzegovina Economy)
- Moldova:** Building Effective Public-Private Dialogue through a National Business Agenda (Partner: Institute for Development and Social Initiatives – “Viitorul”)
- Montenegro:** Reducing Montenegro’s Informal Economy through a Public-Private Dialogue (Partner: Center for Entrepreneurship and Economic Development)
- Montenegro:** Strengthening Montenegro’s Economy through Public-Private Dialogue (Partner: Center for Entrepreneurship and Economic Development)
- Serbia:** Strengthening the Voice of Small Business (Partner: Serbian Association of Managers)

“CIPE’s international standing and vast knowledge resources helped make our work possible. Through CIPE’s partner network, we were able to learn from other groups across Eastern Europe to create a National Business Agenda.”

Tatiana Lariushin
Senior Economist,
Institute for Development and Social Initiatives



Camelia Bulat, program director of the CIPE Regional Office in Bucharest, Romania, speaks in support of Moldova’s business community at the launch of the country’s first-ever National Business Agenda.

PARTNERS IN SUCCESS INSTITUTE FOR DEVELOPMENT AND SOCIAL INITIATIVES

In a monumental step for the Moldovan business community, a coalition of business associations launched the country’s first-ever National Business Agenda (NBA) in October 2008 with help from CIPE and the Institute for Development and Social Initiatives (IDSI). Throughout 2008, IDSI worked to build a strong coalition capable of leading democratic, public-private dialogue to reform the country’s legal and regulatory framework for a better business environment. The NBA represents the business sector’s unified platform of reform priorities for Moldova’s economic growth over the next five years. Incorporating lessons learned from other CIPE partners in the region, the coalition works to establish broad consensus, takes a proactive approach to advocacy and participation, and consolidates long-term engagement.

IDSI experts have worked with the government to develop national strategies for economic growth and poverty reduction and to create the National Development Plan 2008-2010. IDSI is a regular participant on the Committee for Enterprise Development under the Prime Minister of Moldova, and is one of Moldova’s most-cited sources of information on issues related to business.

- Since 2006, two laws, including a law regulating local public administration and a law on decentralization, were adopted after they were drafted through IDSI’s legislative advisory service, as were two amendments to laws regulating the minimum wage. For the first time, government is working with business leaders to evaluate the potential results of pending legislation.
- IDSI has fostered accountability among members of parliament by holding regular public policy debates on business development. It facilitates briefings and press conferences to make this information publicly available, and posts the proceedings on its website. The public can then check back to see how policymakers have progressed on their promises.

MOLDOVA

KOSOVO

IMPACT ON REFORM

- The Kosovo Trust Agency, which regulates Kosovo's publicly owned enterprises (POEs), adopted Riinvest's Code on Corporate Governance for POEs and committed to increasing transparency and accountability and clearly defining the roles of management.
- The Kosovo Assembly adopted a new law regulating POEs that includes most of the OECD principles on corporate governance – timely legislation as responsibility for overseeing POEs is being transferred from the UN interim administration to the Government of Kosovo.
- For the first time, applicants for positions on POE boards of directors were selected in a public process. The government publicized the open positions on television and in print media, giving opportunity to a wider range of applicants.
- The government has initiated a process to privatize sections of two of Kosovo's largest POEs, the Electricity Corporation of Kosova and the Post and Telecommunications Corporation of Kosova.

LEADING THE WAY TO DEMOCRACY AND GOOD GOVERNANCE

In 2008, CIPE's long-time partner the Riinvest Institute for Development Research worked to advance transparency and corporate governance in Kosovo by encouraging the implementation of the Organisation for Economic Co-operation and Development (OECD) corporate governance standards. Toward this end, Riinvest engaged a broad spectrum of Kosovo's private sector, particularly the banks and insurance companies that constitute some of Kosovo's largest enterprises. Riinvest designed and conducted a training program on implementing the key aspects of corporate governance for more than 80 private sector representatives. With Riinvest's help, the private sector is now leading efforts that demonstrate to citizens and the international community that a newly independent Kosovo can transition successfully to democracy and incorporate the values of transparency and accountability.



Riinvest conference participants provide feedback on the implementation of corporate governance standards within the context of Kosovo's current policy environment.



OPENING A WAY FOR BUSINESS

Having gained recognition from the government for their previous work in removing barriers to business and reducing the informal economy, CIPE partners the Center for Entrepreneurship and Economic Development (CEED) and the Montenegro Business Alliance (MBA) participated in 10 high-level government working groups in 2008 that positively affected 17 laws and 10 regulations. MBA became a full member of the state council in charge of reducing barriers to business, and participates in a cross-ministerial team that promotes entrepreneurial growth. Citing CEED and MBA success in these areas, three municipalities – Bar, Bijelo Polje, and Niksic – have requested direct assistance from MBA in 2009 to help them eliminate the most pressing barriers to business and advocate for reform at the local level. CEED and MBA's successes in the past year have placed them in a strategic position to influence policymaking in the long term through public-private dialogue and, with CIPE support, have established their partnership as a consistent voice of business in Montenegro.

MONTENEGRO



CEED and MBA participated in a number of high-level working groups and were able to positively influence the legislative process in Montenegro.

IMPACT ON REFORM

- A new 9 percent flat income tax rate – as advocated by CEED and MBA in a Ministry of Finance working group – has made Montenegro more attractive to foreign investors.
- Montenegro's new law on construction reduces the number of required permits for obtaining a construction license from 14 to 9 and the number of days required from 30 to 15.
- The new labor law grants firms greater flexibility in hiring and dismissing workers, and provides for direct communication between management and employees regarding salary and other labor issues where it had not previously existed.

REGIONAL

STRENGTHENING BUSINESS SUPPORT ORGANIZATIONS

CIPE's Regional Office based in Bucharest, Romania has strengthened local associations' capacity to participate in policymaking. Through its Regional Institute for Organization Management (RIOM), CIPE has helped business associations in Bosnia and Herzegovina to identify local challenges and address them with unique, locally-appropriate solutions and grassroots advocacy. In Serbia, business organizations that participated in RIOM are now focusing on growing their active membership and creating new services. Nearly half of the Serbian association representatives who participated in the RIOM program have shared these valuable lessons with colleagues and partners. In Romania, CIPE is assisting business organizations to strengthen their voice in public policy advocacy, and the Chamber of Commerce and Industry of Romania is working with RIOM to provide long-term access to training services for its members.

IMPACT ON REFORM

- 15 new services have been created for members of business associations in Bosnia and Herzegovina and Serbia. The services range from access to business information to marketing services for member companies. A total of 5,400 association members have access to these services.
- The Association of Business Women-Eve in Serbia, founded to represent the interests of local women entrepreneurs, established itself as an independent entity. Previously an informal women's group affiliated with the Regional Chamber of Commerce in Valjevo, it is now officially registered and has the stability and legitimacy to engage in effective, ongoing advocacy.



In Serbia, business associations discuss ways to grow membership and implement financially sustainable programming.