Moldova Case Study

For more information, contact:
Center for International Private Enterprise
1211 Connecticut Ave, NW • Suite 700
Washington, DC 20036
Telephone: (202) 721-9200
Web: www.cipe.org • E-mail: cipe@cipe.org

The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE is currently undertaking 113 projects in 64 countries. CIPE works in developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms.

Center for International Private Enterprise © 2019
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>BACKGROUND</td>
<td>1</td>
</tr>
<tr>
<td>THE NBA PROCESS</td>
<td>2</td>
</tr>
<tr>
<td>NBA REFORM PRIORITIES &amp; OUTCOMES</td>
<td>5</td>
</tr>
<tr>
<td>IMPACT</td>
<td>7</td>
</tr>
</tbody>
</table>
After Moldova gained independence from the former Soviet Union in 1991, its economy remained very concentrated, with a few state-controlled companies dominating the landscape and little to no independent private sector. More than half of the Moldovan economy was regulated by institutions that had significant interests in the business sectors they oversaw.

These state-owned companies largely continued the economic policies from the Soviet time. They had no real competition because they benefited greatly from the protection of government officials who had vested interests in them. As a result, there was no level playing field for private companies. In addition, this system of privileging state companies fueled a cycle of systemic corruption in the country, where lack of transparency and using corrupt channels to buy the loyalty of politicians became the norm.

Ultimately, the broad-based Moldovan private sector was not included in the policymaking debate and only a select few state-controlled companies dictated the country’s economic policies. As long as this system continued to prevail, Moldova could never realize its full economic potential as a market-based economy.

After the collapse of the semi-authoritarian rule by the Communist party in the 2009 parliamentary elections, Moldova shifted course towards integration with the European Union (EU) and instituted a set of democratic and market-oriented economic reforms. Seizing upon this opportunity, the Center for International Private Enterprise (CIPE) focused its strategy on helping the country succeed in its democratic transformation by supporting the private sector to start taking a proactive role in the decision-making process to ensure the government delivered on its promises. CIPE partnered with the Institute for Development and Social Initiatives (IDSI), a Moldovan economic think tank, to foster a culture of public-private dialogue (PPD) that would encourage greater transparency and inclusiveness in the policymaking process. With support from CIPE, IDSI successfully built a network of private sector organizations, known as the National Business Agenda (NBA) Network, to advocate the implementation of pro-growth economic policies.
To strengthen the capacity of the Moldovan private sector to engage in policymaking, IDSI, under CIPE’s guidance, built a coalition of private sector actors known as the National Business Agenda Network (NBA Network), which initially represented the needs and interests of 12 business associations and chambers of commerce across Moldova in 2008. CIPE’s technical assistance and capacity building in 2008-2010 helped the network coalesce around a common agenda driven by business concerns. CIPE placed a strategic focus on working with business associations given their crucial role in voicing the needs of small business in the reform process and which, unlike many others in civil society, have a genuine grassroots constituency and a real stake in making the country develop and grow its democratic institutions. An integral part of any democratic system, the Moldovan business associations have been among the most active civic organizations in Moldova.

The NBA Network’s first National Business Agenda was in 2009, capitalizing on the opening of space for reform that followed the 2009 parliamentary elections. From the beginning, the process was meant to be inclusive and iterative. Facilitated by IDSI, the Network was able to develop a comprehensive NBA document outlining for the first time the business community’s major policy needs, concerns, and necessary reform recommendations, particularly in the areas of tax and customs reform. The cross-sector membership, coupled with a strong internal structure led by IDSI, enabled the Network to steadily grow in legitimacy, credibility, and visibility among the business community and the public to serve as an agent of change that could speak for the private sector and lead the dialogue process with policymakers.

In this first NBA document, the Network put forward five areas of reform that needed to be addressed to improve the country’s business climate and increase overall economic performance. These included reducing barriers to business development related to taxation and tax inspection, simplifying export-import and customs operations, and improving access to finance.

The following year, the Network advocated three areas of reform. To monitor the progress of the 2010 NBA recommendations, as well as to conduct public-private dialogue on behalf of all the members, the NBA Network created a Strategic Council. The Council was aided by four working groups that prepared sector-focused policy papers in the areas of agribusiness, transportation, construction, and information technology. These issue areas became the basis for the proposals in the next iteration of the NBA document, which included the results of the monitoring of 2010 NBA recommendations.
Advocacy Campaigns

Through an iterative process of formulating NBA reform proposals, the NBA Network was able to influence Moldovan government policy, including key economic reforms that helped improve the business enabling environment.

The NBA Network engaged in an advocacy campaign that included meetings, roundtables, and conferences with representatives from various government agencies. Among the most high-profile advocacy events were the annual NBA conferences held in November 2011, hosted by IDSI and the Strategic Council of the NBA Network, that presented the priorities of the private sector for the coming year. The conferences were attended by prominent government officials, think tanks, business representatives and the media and provided the business community the platform to layout reform priorities. In addition, the NBA Network participated in several working group meetings with the Minister of Finance, Chairman of the Parliamentary Commission on the Economy, Budget, and Finance, Minister of Economy, and several other advisors to senior officials. Besides the government outreach and advocacy efforts, IDSI and members of the NBA Network appeared on numerous media outlets – radio, television, and online – to promote the NBA recommendations.

Since 2011, the NBA Network has kept the same set of 13 priorities, but has updated its specific recommendations and proposals to respond to opportunities and changes in local policies. To support these advocacy efforts over the years, CIPE provided technical assistance to build the coalition’s capacity, sustainability, and sense of ownership. While the NBA Network’s goal was never to officially formalize as a separate organization, it has been able to establish recognition and credibility among key stakeholders, including those in government and business, which has been key to its advocacy success.

Expanded Strategy

Due to the success of the NBA process, CIPE applied lessons from it in a Local Business Agenda (LBA) process introduced in 2014. After successful transfer of the LBA methodology to the NBA Network members, the National Chambers of Commerce and Industry and its branches in the 11 regions of Moldova adopted the LBA process and has continued to use it for local advocacy efforts ever since.

In addition to the LBA process, CIPE expanded its strategy to create the first-ever National Anti-corruption Agenda in Moldova in 2017, in the wake of widespread protests around the “theft of a century,” a massive scandal in which $1 billion was stolen from three banks’ reserves and more than $20 billion was laundered to foreign banks. Instead of properly investigating the extraordinary theft and money laundering case, the Moldovan authorities muddled the process and made efforts to conceal it from the public eye. The resulting disillusionment gave rise to public outcry against widespread corruption. The National Anti-Corruption Agenda responded to the new environment by putting forth policy recommendations specifically related to corruption risks faced by the business community.
Reform Tracking

The NBA process marked the first time the Moldovan private sector focused its efforts on holding the government accountable for the quality and pace of reforms. Building on this foundation, the NBA Network developed a unique monitoring and evaluation system to track the adoption and implementation rates of its policy proposals and published the results in annual monitoring reports. The reports detailed the various ways the NBA Network evaluated government implementation of business priorities through interviews with representatives of business associations and government ministries, meetings with working groups responsible for the monitoring and implementation of the reform agendas, and the distribution of questionnaires to the Network members to assess businesses' perception of the level of implementation of the NBA reforms. The 2013 evaluation report, for instance, noted “more pronounced progress” in the government’s implementation of priorities outlined by the business community and the following year’s report revealed that nearly half of the 2012-2013 NBA’s recommendations had been adopted by the government and at least five policy proposals had been partially implemented.
The NBA recommendations proposed in the initial NBA documents pertained primarily to the three main reform themes: reducing barriers to business development related to taxation and tax inspection, simplifying export-import and customs operations, and improving access to finance. An overly complicated system of paying and reporting taxes proved to be a major impediment to business development in Moldova. In addition, inefficient and non-transparent customs laws made import-export procedures difficult to implement. These issues, coupled with an overall lack of access to finance across Moldova, led the NBA Network to prioritize these thematic areas for reform. For example, the NBA document released in 2011 proposed 13 reform priorities in the areas of tax and customs administration. In subsequent years, the NBA Network maintained these 13 recommendations. However, they put forth additional, more specific proposals in each area. In regular monitoring reports, the Network evaluated the progress made in achieving proposals and priorities. During the assessment period, the NBA Network greatly enhanced its role in advancing reforms by introducing a regular reform-tracking mechanism, the annual NBA monitoring report. This instrument improved the effectiveness of the NBA Network’s reform efforts by making the advocacy process more predictable for government and demonstrating the Network’s commitment to its priorities. Over the course of the project, the government became more responsive, as evidenced by the increasing rate of acceptance of NBA proposals.

### Moldova Government’s Adoption of Recommended NBA Reforms, 2012-2016

<table>
<thead>
<tr>
<th>Status of Reforms</th>
<th>Percent of all NBA Proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FULLY ADOPTED AND IMPLEMENTED</strong></td>
<td>0% 0% 0% 3%</td>
</tr>
<tr>
<td><strong>PARTIALLY ADOPTED AND IMPLEMENTED</strong></td>
<td>24% 28% 51% 61%</td>
</tr>
<tr>
<td><strong>WITHOUT CHANGES</strong></td>
<td>61% 64% 46% 31%</td>
</tr>
<tr>
<td><strong>ON PROPOSAL TOPIC, SITUATION BECAME WORSE</strong></td>
<td>14% 8% 3% 5%</td>
</tr>
<tr>
<td><strong>NUMBER OF REFORM PROPOSALS</strong></td>
<td>33 39 39 33</td>
</tr>
</tbody>
</table>


* The release of the 2015 monitoring report was delayed until early 2016.
Out of the recommendations developed through the cyclical NBA process, the government had partially adopted and implemented 61 percent in 2016, showing the effectiveness of the Network's advocacy. Partial adoption and implementation reflect the negotiation process between the business community and the government, a positive indication for the improvement of public-private dialogue in Moldova.

Examples of key reforms adopted as a result of the dialogue between the government and the private sector in Moldova include:

- Optimization of procedures for tax reporting – One NBA Network proposal increased the efficiency of the tax reporting process by implementing an electronic platform for the submission of tax declarations. The new system saves time and money while eliminating opportunities for corruption.

- Simplification of the export procedures – This change resulted in 50 percent less time entrepreneurs spend on export procedures; all the clearance procedures are online. Because of this change the communication with customs officials has been reduced, thus limiting the potential for corruption.

- Increased transparency of customs procedures – Businesses have clear information about customs procedures and fees, including the process for calculating the value of goods.

- Simplification of VAT registration – New companies can register as a VAT payer using a simpler process.

As the above examples illustrate, the NBA process was able to promote concrete, tangible reforms that directly impacted the well-being of the business community. In most cases, the reforms sought to simplify procedures, clarify requirements for compliance, and reduce business interaction with officials. All these changes resulted in an environment where the rule of law is enhanced, and corruption risks and government burdens are reduced.
Prior to the establishment of the Network, business associations in Moldova presented fragmented and diverse ideas to government. Through the formation of the NBA Network, the Moldovan business community was able to organize itself, prioritize important issues affecting the private sector, and engage the government in a direct and transparent discussion on policy issues. The Network has succeeded in formulating a series of private sector priorities that the government includes in its work plans and public policy documents, and adopts into laws and regulations. One piece of evidence showing the level of recognition and institutionalization the Network has achieved is the signing of a memorandum of understanding (MOU) with the Ministry of the Economy in 2013. This MOU was at the request of the Ministry and allows the Network to provide feedback on all policies relevant to the private sector.

The NBA process has also significantly strengthened the participation of the Moldovan private sector in policymaking. At its creation in 2008, the NBA Network united 12 organizations; to date, a decade later, the Network consists of 35 business associations and chambers of commerce representing diverse businesses and sectors. The Network members interviewed by CIPE indicated that the most valuable advocacy tools they gained include: issue identification and how to gather opinions from member businesses, how to formulate positions and recommendations, how to draft a position paper, and how to communicate effectively with decision-makers openly and transparently.

The NBA process in Moldova has helped institutionalize public-private dialogue in the country. When the NBA Network started to operate, the government ignored the associations or invited them for consultations only when it saw fit (for instance, before elections or to meet international donor requirements). Despite continued political and economic corruption, the private sector now has a framework through which to organize itself and present an agenda to the government. Today, many government agencies regularly request input from the NBA Network and have established permanent PPD structures, a direct institutional outcome from the project. At the local level, Moldovan business organizations have continued local advocacy efforts, and local business agendas have now been integrated into Moldovan public-private dialogue as a regular practice.
The Network has gained legitimacy not only within Moldova, but with international organizations such as USAID, the International Monetary Fund, and the World Bank, which CIPE has observed during bilateral meetings with these organizations. The World Bank quoted data from the NBA document in a 2014 report on Moldova Private Sector Development Priorities. Furthermore, throughout the project, the media has shown an increasing interest in the NBA and the Network members are now used as credible sources of information for journalists.

The Moldova NBA process has also proven to be a strong example to follow in other countries. CIPE has taken the Moldovan model of coalition building through the NBA process and replicated it in programs in Albania, Georgia, Ukraine, and elsewhere in the region. CIPE partners in those countries have adopted the approach of a partnership between private sector associations and economic policy think tanks in ways similar to how the Moldovan business organizations have worked with IDSI.