

## **Public Private Dialogue in Moldova**

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#### ***Introduction***

The National Business Agenda (NBA) network is the leading voice of private business and advocate for the implementation of pro-growth economic policy in Moldova. Through the adoption of the National Business Agenda, the Institute for Development Social Initiatives (IDSI) institutionalized a culture of public private dialogue and encouraged greater transparency and inclusiveness in the policymaking process. Noteworthy successes include the adoption of more transparent law on state inspections of business entities, simplification of the tax collection procedures and customs regime and signing a memorandum of understanding between the NBA network and the Ministry of Economy to provide ongoing assessment of the government's economic reform initiatives. CIPE partner efforts have led the government to adopt one third of the NBA legislative proposals.

The key to achieving these accomplishments is three-fold. First, IDSI established the legal basis for institutionalized public private dialogue under the Transparency in Decision-Making process law. Second, under CIPE's guidance, IDSI and the NBA network organized the interests of the private sector and transformed the business community into an important stakeholder in the policymaking process by establishing the Strategic Council to act as spokesperson on behalf of all members in dialogue with the government. Finally, the NBA network issues annual monitoring and evaluation reports tracking government progress achieved under each objective, marking the first time the authorities are being held accountable for their actions in the implementation of reforms.

#### ***CIPE Approach: NBA Coalition Building and Public Private Dialogue***

A national business agenda is a tool for unifying the business community and advocating for market-oriented reforms. Developed by the private sector, NBAs help improve the climate for business and investment to spur economic growth. They identify laws and regulations that hinder business activities and offer concrete policy solutions to remove these barriers. In doing so, NBAs set the legislative and regulatory priorities of the private sector and clearly communicate them to policymakers through public private dialogue.

In order to give the private sector a more active role in the decision making process, under CIPE's guidance, IDSI built a network of private sector actors known as the National Business Agenda network, which represents the interests of 32 associations and chambers of commerce across Moldova. The network enabled the private sector to organize itself, prioritize important issues, engage the government in public private dialogue and advocate for specific policy reforms in the areas of tax and customs law. The private sector established a Strategic Council for the network to take charge of the whole NBA process and to be the advocate in the public private dialogue. CIPE and IDSI support helped the NBA network develop internal regulations, code of ethics, and guidelines to ensure a transparent and open process for the members to communicate and make decisions about common policy priorities. The cross-sector membership and strong internal organization give the network and the Council legitimacy and credibility to speak on behalf of a broad range of private sector actors and set policy priorities.

#### ***NBA Advocacy Efforts in Moldova***

The NBA efforts aim to influence government practices in the field of business regulation and “build a fair and competitive environment that would stimulate business” in the country.<sup>1</sup> The network recognized that in order to achieve its objectives, the private sector had to engage the government in direct and transparent dialogue on policy issues. The NBA network initiated dialogue by utilizing the existing legal framework, known as the law on “Transparency of the Decision-making process,” which stipulates that government agencies have to conduct public consultations on draft laws with civil society, including the business community. Over the past five years, the NBA network has prepared a list of priorities for the business community and presented them to the Moldovan government. The private sector monitors the implementation of these recommendations and issues annual reports outlining progress under each objective.

In preparing the 2012-2013 National Business Agenda, CIPE and IDSI established four working groups to develop sector-specific policy papers in the areas of agribusiness, transportation, construction and information technology. Building consensus among members

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<sup>1</sup> IDSI and NBA Network “National Business Agenda 2012-2013 Implementation and Monitoring Report” October 2012

allowed the NBA network to hold targeted advocacy meetings with government officials and civil society and solicit the participation of key public servants such as the Minister of Finance, Chairman of the Parliamentary Commission on the Economy, Budget, and Finance and several advisors to senior level politicians. Today this platform is well-known among policymakers, the broader business community, and civil society. The goal of public private dialogue is to bring government priorities in line with the objectives of the business community.

Advocacy efforts of the network include meetings, roundtables and conferences with representatives from various government bodies and agencies as well as media appearances. These meetings aimed to build and strengthen ties between the business community and government result in greater advocacy for reform within the framework of the NBA. One of the main advocacy events is the annual NBA Conference hosted by IDSI and the Strategic Council that presents the priorities of the private sector for the coming year. Attendees include government officials, think tanks, business representatives and the media. These meetings improve the state of public private dialogue by clearly delineating the business community's reform priorities. The December 2011 meeting instituted in new cooperation between network representatives and the State Tax Service seeking the business community's input on tax reform priorities for 2011-2015. In addition, the NBA Strategic Council participated in working group meetings at the Ministry of Economy that developed Moldova's National Development Strategy 2020. Similarly, NBA Council members participated in consultations, chaired by the Minister of Finance, which discussed the fiscal budgetary policy for 2012-2013.

Private sector efforts resulted in the adoption of a more transparent law on state inspection of business, which clarifies the definition of state inspection agencies and reduces the duration of the inspection process from two months to five days. Effective of March 1, 2013, the law reduces the number of inspections from 60 to 29 and introduces for the first time institutional responsibility for abuse by inspectors. Furthermore, an NBA representative from the National Association of Travel Agencies from Moldova met with the Minister of Economy, Valeriu Lazar, to discuss a proposed draft of the new methodology on price calculations for air transport to be made available for public discussions. In July 2011, IDSI and the members of the NBA network sent an open letter to the Prime Minister, demanding more progress in economic,

juridical, and administrative reforms. Direct result of these efforts led to the inclusion of a representative of the NBA network into the Prime Minister's Economic Council. In mid-January 2013, the Ministry of Economy approached IDSI and the NBA network with an official request to sign a Memorandum of Understanding soliciting the NBA network to provide an independent assessment of the government's economic reform initiatives.

Complementing the government outreach effort, IDSI staff and NBA network members appeared in the media numerous times in interviews, comments, and direct participation in radio and TV broadcasts promoting the priorities and proposals of the NBA. The open letter to the Prime Minister generated great interest in the media and was headline news for several days. In 2013, IDSI and NBA representatives gave a total of 54 media interviews.

CIPE support to IDSI and the NBA network helped establish a culture of democratic dialogue based on transparency and openness between the government and the private sector in setting reform priorities. The recently released World Bank report titled "Moldova: Policy Priorities for Private Sector Development" highlights business constraints and proposals for reform that are in line with the National Business Agenda (NBA) prepared by CIPE partners in Moldova. The report makes multiple references to the 2012-2013 NBA document, citing it as "reflecting the views of a broad range of private sector stakeholders"<sup>2</sup> and reaches the same conclusion as the NBA network by calling for improved public private dialogue in the areas of tax and customs administration.

***Monitoring and Evaluation of Government Compliance with NBA priorities:***

The NBA network and IDSI issue annual monitoring reports, which is the first time in Moldova that the private sector has focused its efforts on holding the government accountable for the pace and quality of reforms through highly participatory monitoring process. The reports show that the NBA network evaluates government compliance with the business community priorities through a variety of tools such as "meetings with the working group for monitoring the implementation" of the NBA priorities; "interviews with representatives of business associations and representatives of ministries"; distributing questionnaires to

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<sup>2</sup> World Bank "Moldova" Policy Priorities for Private Sector Development" June 2013

members that assess the level of implementation of NBA solutions; and examining government action plans, legislative changes and other documents.<sup>3</sup>

The top priorities for the business community were reforming the tax collections and customs administration. In the 2013 Evaluation Report, the NBA network and IDSI note “a more pronounced progress” in the government’s implementation of the priorities outlined by the business community.<sup>4</sup> The report notes that partial progress has been achieved on five of the thirteen NBA 2012-2013 general priorities, marking a greater convergence between the government action plan and the priorities of the private sector than in previous years. The publication also notes that there is “greater openness of authorities to civil society and the beginning of a more effective public-private dialogue.”<sup>5</sup> The five proposals that have either been adopted or are in the process of being adopted are:

- The government has established a one-stop shop for receiving tax reports and providing taxpayer services.<sup>6</sup> Improvements include electronic filing of tax returns.
- Increase in transparency and predictability of customs procedures through the publication of up-to-date information on the website of the Customs Service regarding tariffs and non-tariff measures applied to imports; customs procedures and required documentation.<sup>7</sup> These efforts increase transparency for the calculation of the value of goods for customs.
- The export procedures have been simplified through the implementation of a one-stop shop principle on both sides of the border and establishing expedited customs clearance procedures for qualified businesses,<sup>8</sup> reducing the number of physical and document controls and overall transit time.
- The government recognizes the validity of international certifications issued by neighboring countries.

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<sup>3</sup> IDSI and NBA Network “Evaluation Report on the Implementation on the National Business Agenda 2012-2013” September 2013

<sup>4</sup> IDSI and NBA Network “Evaluation Report on the Implementation on the National Business Agenda 2012-2013” September 2013

<sup>5</sup> IDSI and NBA Network “Evaluation Report on the Implementation on the National Business Agenda 2012-2013” September 2013

<sup>6</sup> IDSI and NBA Network “National Business Agenda 2012-2013 Implementation and Monitoring Report” October 2012

<sup>7</sup> IDSI and NBA Network “National Business Agenda 2012-2013 Implementation and Monitoring Report” October 2012

<sup>8</sup> IDSI and NBA Network “National Business Agenda 2012-2013 Implementation and Monitoring Report” October 2012

***Conclusion and Lessons Learned:***

IDSi and the NBA Network institutionalized a culture of public private dialogue in Moldova where it did not exist in the past. The key lessons to emerge from this experience are that a well-planned and successful National Business Agenda process mobilizes the private sector to outline barriers to business, provide a framework of policy priorities for reform and offer specific recommendations to improve the business climate. Second, public private dialogue grounded in existing legislation creates a space where public officials and business representatives could work together to align government and business sector priorities. Finally, the NBA Network producing annual monitoring and evaluation reports hold the government accountable for the pace and quality of reforms in Moldova.