



USAID
FROM THE AMERICAN PEOPLE

**Business Regulatory, Investment,
and Trade Environment Program
(BRITE)**

BUSINESS REGULATORY, INVESTMENT, AND TRADE ENVIRONMENT PROGRAM

**FIRST QUARTERLY REPORT
JULY – SEPTEMBER 2012
AID-117-I-12-00001, TASK ORDER I**

29 Sfatul Tarii Str., Business Center “Le Roi”, Fourth Floor
Chisinau, Moldova 2012

October 19, 2012

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International.

TABLE OF CONTENTS

Acronyms		ii
Executive Summary and Program Highlights		iii
SECTION I	Project Results by Component	1
	A. Components 1 and 2: Tax Administration, Trade Facilitation, and High-Impact Regulatory Reforms	1
	B. Component 3: Strategic Communications	3
	C. Other Program Activities	4
SECTION II	Operations and Administration	5
SECTION III	Preview of Upcoming Quarter	6
ANNEX A	BRITE Organizational Chart	A-1

ACRONYMS

BizCLIR	Business Climate, Legal, and Institutional Reform
BRC	Business Research Company
BRITE	Business Regulatory, Investment, and Trade Environment Program
CODB	Cost of Doing Business
M&E	Monitoring and evaluation
RFP	Request for Proposals

EXECUTIVE SUMMARY AND PROGRAM HIGHLIGHTS

Chemonics International is pleased to present its first quarterly report for Year 1 under the USAID Business Regulatory, Investment, and Trade Environment (BRITE) Program in Moldova. This quarterly report covers the period of June 16 to September 30, 2012.

This first quarter of activities was marked by significant progress in establishing the project's presence in Chisinau — recruiting highly qualified and experienced personnel, securing office space, establishing the local accounting system, and launching the project's first major technical activity, the Business Climate, Legal, and Institutional Reform (BizCLIR) assessment.

Program Highlights and Successes

The following are highlights of some of the major achievements of the project over the last quarter. These and other activities are discussed in more detail later in the report.

- *Concluded the BizCLIR assessment in five subject areas of the Doing Business rankings.* Four international experts, along with a team of five local experts in tax, trade, business registration, investor protection, and construction permits, held more than 125 meetings with public and private stakeholders over a three-week period. The assessment culminated with a roundtable attended by nearly 100 participants to present and discuss preliminary findings and find consensus on priority areas for BRITE intervention.
- *Launched a stakeholder awareness and baseline study.* BRITE conducted an open tender to select a local firm to conduct a 10-week stakeholder awareness and baseline survey to inform the strategic communications component activities and establish baselines for certain mandatory indicators.
- *Held meetings with key Moldovan counterparts to introduce the BRITE program objectives and gain support for the project and the BizCLIR assessment.* These introductions included meetings with Minister of Finance Veaceslav Negruta and Vice Minister of Finance Victor Barbaneagra; Minister of Economy Valeriu Lazar and his staff, including Vice Minister Sergiu Ciobanu and Department for the Development of the Business Environment Director Lilia Palii; head of the Strategic Management and International Relations Department at the Moldova Customs Service, Natalia Calenic; and E-Government Center Director Stela Moran. The project received the full support of the Ministers of Economy and Finance and that of their staff, and all participated in the BizCLIR assessment and roundtable.
- *Met with U.S. Ambassador William Moser to introduce the project, its goals, and planned activities and results.* The ambassador was very supportive of the project and the need to improve the business environment. He also committed to helping the project by promoting key reforms with the prime minister and even publishing the occasional opinion piece on business environment issues.
- *Recruited all staff and established permanent project office.* BRITE has hired and mobilized its entire project staff of 12 (see Organizational Chart) and moved into its new office space in the “Le Roi” Business Center.

SECTION I: PROJECT RESULTS BY COMPONENT

A. Components 1 & 2: Tax Administration, Trade Facilitation, and High-Impact Reforms

As the activities under Components 1 and 2 this quarter focused almost exclusively on preparing and conducting the BizCLIR assessment, we present our discussion of Component 1 and Component 2 together in this quarter's report.

A1. BizCLIR Assessment

The BizCLIR assessment is the BRITE program's first major technical activity. BRITE fielded a team of four international experts in the subject areas and selected a team of local experts from Business Research Company (BRC) to prepare and conduct the BizCLIR assessment. The BRITE team of experts included:

1. Charles Schwartz – BizCLIR Coordinator/Starting a Business
2. Edward Koos – Paying Taxes
3. Olin McGill – Investor Protection/Dealing with Construction Permits
4. Alan Morley – Trading Across Borders

BRC was selected through an open tender from a group of five local consulting firms that responded to BRITE's request for proposals (RFP). These applicants included Business Research Company; Business Intelligent Services; IDIS Viitorul; Alternative Internationale de Dezvoltare; and the Institute of Economy, Finance, and Statistics.

BRC provided a team of five experts — one in each subject area. Each was paired with an international expert and was responsible for preparing preliminary information packages under each subject area, identifying and scheduling meetings with key stakeholders, and working with the BRITE team to evaluate the information received and help develop recommended actions. In addition, a Chemonics home-office manager traveled to Chisinau to provide both logistical and technical support to the BizCLIR assessment. Her assignment was

funded on Chemonics' overhead at no direct cost to the BRITE program.

The assessment took place from September 4-21 and involved more than 125 meetings with stakeholders in all subject areas in the public and private sectors, including key ministries, agencies, business groups and associations, law firms, and donor organizations. The key findings were presented at a roundtable discussion on September 24 at the Leograd Conference



Deputy Minister of Economy Octavian Calmic, USAID/Moldova Deputy Country Director Jeff Bryan, USAID/Washington Senior Commercial Advisor Nick Klissas, and BRITE's international BizCLIR experts lead the opening session of the BizCLIR roundtable on September 24, 2012.

Center. Nearly 100 participants took part in the roundtable and discussion groups in each of the five focus areas of the assessment. Based on the discussion groups, the project presented a summary of findings and recommendations in the final session.

BRITE was assisted in the assessment process and roundtable by Senior Commercial Law Advisor Nicholas Klissas from USAID/Washington. Mr. Klissas, an expert in the BizCLIR methodology and assessment, assisted in planning and conducting the roundtable, and delivered brief remarks during the opening session.

Deputy Minister of Economy Octavian Calmic and USAID Deputy Country Director Jeff Bryan opened the roundtable, and U.S. Ambassador William Moser opened and attended the summary session.



Participants in the Dealing with Construction Permits discussion group.

The findings and recommendations are now being compiled into a final BizCLIR report to be distributed to USAID for review and then to all stakeholders and participants in final form. It will also form the basis for the BRITE work plan for the coming year.

A2. Other Tax Administration and Trade Facilitation Activities

BRITE also spent much of the quarter meeting with its potential counterparts in tax administration and trade facilitation at the Ministries of Economy and Finance. During the quarter a new director was appointed to lead the State Tax Service under the Ministry of Finance: Mr. Nicolae Vicol. The BizCLIR team met with Mr. Vicol and his staff and learned that his immediate priorities are raising tax revenue by reducing non-compliance, strengthening enforcement, and expanding the use of cash registers in retail businesses. These diverge somewhat from those of his predecessor, and BRITE will need to adjust its approach accordingly. BRITE will meet again with each of these partners to validate the BizCLIR findings and develop concrete action plans to support their reform efforts and address private sector needs.

Giurgiulesti port. During a BizCLIR meeting with Danube Logistics, the owner/operator of the Giurgiulesti port on the Danube River, BRITE learned that the port is facing a number of difficulties with Customs formalities that it would like BRITE's help in resolving. These challenges include multiple and unnecessary documentary and clearance requirements that are raising costs to the port and its customers and reducing the port's attractiveness as an international gateway.

BRITE is now working with Danube Logistics to better understand the impact of these requirements and develop legislative amendments and arguments in favor of streamlining

Customs operations and promoting other trade facilitation measures, such as improving the rail connections to the port.

Logistics study. BRITE also met with a consultant working on the World Bank's Transport Logistics Study who is evaluating transport policy, infrastructure, and operations in the areas of road, rail, air, and sea. The study is being conducted for the Ministry of Transportation but will touch on trade and customs policies and could support BRITE's activities, as well as provide opportunities for BRITE to provide technical assistance to implement some of its findings and recommendations. According to the World Bank, the report will be finalized in October and made public in November.

A3. Other High-Impact Reform Activities

During the quarter, BRITE attended roundtable sessions reporting on the results of two World Bank-funded assessments related to the business environment. The first roundtable covered a Development Alternatives, Inc. (DAI) study of the impact of the government's regulatory reform activities over the last five years — results, shortcomings, and recommendations for future strategy. The study emphasized the need to focus less on deregulation (historically, the "Guillotine" method) and more on SMART regulation (i.e. regulation that is Specific, Measurable, Attainable/Assignable, Realistic, and Time-Bound). These ideas will likely be incorporated into the government's next regulatory reform strategy currently being elaborated and to which BRITE will offer its support.

The second roundtable presented the results of the annual Cost of Doing Business (CODB) survey. This survey measures the perceptions of businesses concerning the extent to which growth is hampered by regulatory burdens. The overall results for 2012 were largely unchanged from 2011, but the general perception of the business community in 2012 compared to 2011 is that government interference is getting worse rather than better. This study has been conducted in one form or another since 2002 and can provide valuable information for BRITE's activities as well as a measure of future progress.

BRITE met with the World Bank team that funds these activities under its Competitiveness Enhancement Project to discuss future cooperation. The Bank advised BRITE that it will likely have a funding gap in mid-2013 that could affect the Regulatory Impact Assessment (RIA) Secretariat and the CODB survey.

B. Component 3: Strategic Communications

During the first quarter, BRITE laid the foundations for its strategic communications effort. The strategic communications director was fielded in July, and following a difficult recruit, the project identified and hired a strategic communication advisor in late September. BRITE also commenced work on several of the project's communications tools, including:

- *Project website.* The BRITE program will maintain a basic website as a means for showcasing transparently its goals and efforts, and for sharing its knowledge resources. The project has opted to use an open-source software platform called Joomla to develop its site. In addition to being cost-effective and easy to use, Joomla offers numerous features and options for expanding the website later in the project if desired. A site map has been developed, and construction of the website is under way.

The project plans to have its website approved and ready to go live in time for the project's launch.

- *Social media*. BRITE has begun to build its Facebook page, and is exploring the use of other social media tools to share information on the project. The project plans to have its Facebook page ready in time for the project launch.
- *Branding and marking*. BRITE's branding and marking practices were established in the proposal and have since been elaborated upon and enhanced. The project has developed numerous templates that are compliant with these practices.

The project's strategic communications director also met with several stakeholders who will be key to the development of the project's communications strategy and implementation of its Component 3 activities. These stakeholders include the State Tax Service, the Customs Service, the Ministries of Finance and Economy, among others. In addition, separate meetings on communications issues were held with the Lilia Gurez at the Prime Minister's Office of Communications, Eugeniu Vitu and Vitalie Condratchi at the Ministry of Economy's Press Office, and the American Chamber of Commerce in Moldova. The project has also begun to coordinate with donors who plan to implement communications programs in BRITE's focus areas, including International Finance Corporation, the Swedish International Development Agency, and the Slovak Atlantic Commission.

BizCLIR also was a major area of activity for the strategic communications component during the first quarter, with the strategic communications director providing significant support to the BizCLIR process, including reviewing proposals submitted in response to the project's RFP; participating in planning meetings with BRC; supporting logistics for the assessment process; and liaising with BRC. In addition, the strategic communications director played a leading role in organizing the project's September 24 roundtable, including securing participation from the Ministry of Economy and from other Moldovan government personnel, planning the day's activities, and developing materials.

In addition, the BRITE program developed an RFP for the stakeholder mapping and analysis exercise. The RFP was released September 4, and proposals were received from the following organizations: Magenta Consulting, Business Consulting Institute in partnership with CBS-AXA, National Association for Rural Development "Oikos," and PwC in partnership with the Romanian Institute for Assessment and Strategy. Magenta Consulting's proposal was deemed to be the technically superior proposal during the evaluation, and a subcontract was awarded to Magenta at the beginning of October.

Finally, the BRITE program had its first major story published in local media. Chief of Party Kelly Seibold was interviewed on August 29 by Margareta Mocreac, editor of "Profit" magazine (called "Banki i Finansi" in Russian). Published in late September, the interview covered the project's objectives and the purpose of the BizCLIR assessment, as well as Mr. Seibold's initial impressions of Moldova. Smaller stories based on the interview also were published in Infotag.

C. Other Program Activities

To support its efforts to measure the impact of its work, the BRITE program added a monitoring and evaluation (M&E) specialist to the project team. The project's M&E advisor is already working on developing the project's performance management and evaluation plan,

and developing a baseline for the project's indicators. In addition, the M&E advisor is supporting the project's efforts to research Customs issues reported at the Giurgiulesti port.

SECTION II: OPERATIONS AND ADMINISTRATION

This quarter BRITE completed its start-up activities and is now fully operational. The project fielded its long-term chief of party, Kelly Seibold, and strategic communications director, Lisa Gihring. The project is fully staffed; the BRITE organization chart, which includes the addition of the M&E advisor, is in Annex A for your reference.

BRITE has relocated to its permanent office located on the 4th floor of the “Le Roi” Business Center in Chisinau, the same building as the USAID Competitiveness Enhancement and Enterprise Development II Project, with which BRITE expects to collaborate closely.

A member of Chemonics’ Field Accounting and Compliance Team spent one week in Chisinau this quarter to establish BRITE’s accounting and compliance systems, document procedures, and train local staff. These systems are now in place and fully functional. BRITE also opened its own bank account, received its formal VAT exemption, and is now able to procure goods and services without delay.

SECTION III: PREVIEW OF UPCOMING QUARTER

BRITE is planning the following activities in the coming quarter, among others:

1. Work closely with USAID to complete the Year 1 work plan and the Performance Monitoring and Evaluation Plan
2. Finalize, approve, and distribute the BizCLIR report for Moldova
3. Conduct the BRITE launch event
4. Launch the BRITE web site

ANNEX A: BRITE ORGANIZATIONAL CHART

