

Building a Better Business Environment in Moldova

Victor Neagu, Communications Associate in the Moldova World Bank Office, offers this story.

Moldova has seen little foreign direct investment in its short two decades of independence, while the country has struggled with massive outward migration, and an occasionally bumpy business environment for those attempting to build a lucrative enterprise.

As far as ease of doing business goes, Moldova is good at enforcing contracts and making it easy and affordable to register a company, but the country has fared worse when it comes to trading across borders, protecting investors or paying taxes. Addressing these and other challenges facing the country have been the focus of World Bank support. Policy dialogues to build a competitive and liberalized business environment have been flanked by efforts to support the promotion of exports, adopt international quality standards and provide private enterprises with access to financing.

Proximity to the European Union is the country's undisputable advantage, but to fully realize this opportunity, Moldova needs to produce higher quality and more competitive exports. The World Bank Competitiveness Enhancement Project aims to help the government position Moldova as a competitor in outside markets and a desirable investment destination by enhancing Moldova's private sector through improvements in access to finance and higher standards and quality.

Cartnord, a cardboard and paper company, is one of the beneficiaries of this project. The company secured a \$200,000 loan of working capital to help it purchase high-quality raw materials and cater to more demanding customers.



Victor Morgun

It is a major supplier of cardboard and paper products to domestic buyers, ranging from pizza restaurants, to candy factories and cement producers. The company employs about 200 staff and has well-established business relations with companies in Europe and the Commonwealth of Independent States. It says the World Bank's credit line has helped it focus on quality and grow as a business.

"We succeeded in increasing our output and today we sell more and better quality products to companies in Moldova and other countries in the region," said Victor Morgun, General Director of Cartnord.

Six Moldovan banks have been competitively selected under the project to provide low interest loans to Moldovan exporters. To date 49 companies have accessed loans to improve production and boost sales.

Another successful example is that of Vladimir Hmelnitchi and his pharmaceutical company Depofarm, located 25 kilometers from the capital city of Chisinau. Based in the small town of Anenii-Noi, Hmelnitchi's pharmaceutical business provides appealing, well-paid employment for around 110 people in the community. A competitive salary and modern working conditions are the result of decades of entrepreneurial activity. The son of a pharmacist, Vladimir stepped into his father's shoes and expanded his business over the past 15 years. Today, his company is the main supplier of medicinal teas and vitamins in pharmacies across Moldova. The bulk of his exports are destined for countries like Belarus, Russia and Armenia, but he has exported to Italy and sees the EU market as a higher value export destination.

"We would like to export to the EU, but we must follow very strict standards when it comes to safety. Thanks to the loan we received from the World Bank

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Vladimir Hmelnitchi

we will be able to produce at international standards," says Hmelnitchi, General Director of Depofarm.

Hmelnitchi got a loan of over \$ 1 million through the Competitiveness Enhancement Project. It has enabled him to equip a new production facility, to install solar panels and other energy saving machinery and to purchase equipment which conforms to international Good Manufacturing Practices (GMP) standards, an essential condition for pharmaceutical exports to the EU in

coming years.

With quality and standards being such a critical issue and the entryway for Moldovan goods into the EU, a second component of the World Bank's Competitiveness Enhancement Project has provided matching grants to over 160 companies in the adoption and implementation of international quality management systems. In Hmelnitchi's case, his commitment to quality will enable him to export freely his medicinal teas to Italy and other EU markets.