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**SCIENTIFIC AND APPLIED CENTRE**

**MOLDOVA-BRAND**

**(SAAC MB)**

**MOLDOVA THE BRAND**

**PROJECT**

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**April, 2004**

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## **ACKNOWLEDGEMENTS**

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## EXECUTIVE SUMMARY

‘Moldova the Brand’ (MTB) project aims to develop, in co-operation with both the private and public sectors, a dynamic national brand for the Republic of Moldova (RM), as well as an international marketing strategy to efficiently and effectively promote this brand in both domestic and international markets. The key questions addressed by the MTB project are what Moldova stands for today and what its positioning should be in the future. The national brand that is to be developed and registered will embody the key attributes of how Moldova would like to be positioned internationally, with a clear proposition to ensure its competitive advantage.

By achieving the above aim, by 2010 RM will have (i) assisted its leading industries to be more efficient; (ii) prioritised industry investment flows to support those industries capable of winning which in turn will support the country’s economic success; and (iii) become more flexible and responsive to global changes in technological and consumer demands. Eventually, all the above achievements will contribute to the enhancement of Moldovan national wealth and the creation of jobs in the growth economy, as well as engendering the pride of Moldovan people in their country.

It is the vision of the project that by 2010 the international community will have acknowledged the contribution RM has been making to the global economy by promoting world class standards in its businesses, organisations and people using its national brand as a major catalyst for this process.

A key aspect of the MTB project will be that the top performing companies which reflect quality and Moldovan national values will have the opportunity to become “brand partners” and carry the brand mark, along with other high profile organisations such as sports teams and international missions, who can become “brand associates” and carry the brand mark as well. This will underpin the quality improvement aspect of the MTB project and will also accelerate the visibility of the brand to build equity and awareness of the new brand mark.

The **MTB** project is divided into five phases, namely (i) developing the business plan; (ii) researching the brand; (iii) developing the brand; (iv) managing the brand; and (v) refining core values of the brand.

The aim of Phase 1 is to develop a detailed Business Plan that will become a platform for the execution of the next four phases. This will also provide the support for selling in the brand campaign to stakeholders, sponsors, potential participants, and “ambassadors” who can champion the project. It is envisioned that the duration of this phase will be up to one year.

The chief aim of Phase 2 is to identify the core values and characteristics around which the national brand will be built, undertaking a major consultation programme which will bring key stakeholders on board as part of this process. The duration of this phase is estimated to be maximum one year.

Phase 3 will see the national brand designed and registered, along with the development of a licensing and brand quality control and auditing procedures to form the basis of the audit of the companies who exhibit the quality to carry the national brand on their products and services. The duration of this phase is estimated to be maximum one year.

The chief aim of Phase 4 is to launch and then implement the national brand. This will involve both promoting the brand across a full range of communication platforms and beginning the licensing and assessment programme to bring on board those outstanding companies which can carry this brand. The duration of this phase is unlimited. However, for the purpose of monitoring the effectiveness of the national brand, the duration of this phase is estimated to be maximum two years.

Last, but not least, Phase 5 aims at providing continuous assessment of the performance of the national brand and at adjusting its core values and characteristics when deemed necessary. It will start as soon as the national brand is launched.

Where possible, the best available data and information were used to develop the financial projections of the Master Plan project, such as benchmarks from projects currently run in Moldova by international donors, current market prices, and tariff rates. Where such data was not available, projections were developed on the basis of Scotland the Brand and the New Zealand Way campaigns triangulating the information through these and other sources of data. The assumptions concern, but are not limited to, the required amount of funding, number of personnel, aims and objectives for all phases.

A total of \$439,785 is sought in order to develop, launch and monitor the **MTB** project during the first year of the project as presented in the Table below. Of the total amount, \$68,050 will be spent on starting-up the project; \$84,084 on employment; \$44,540 on administration; \$7,700 on management control; \$100,600 on international consulting services, including \$43,000 on travelling; and \$30,000 on marketing.

		<b>Year 1</b>
		\$
<b><i>FUNDING REQUIRED, incl.</i></b>		<b>439,785</b>
VAT	20%	87,957
<b><i>COSTS ESTIMATES, incl.</i></b>		<b>351,828</b>
<u>Start up costs</u>		68,050
<u>Employment Costs</u>		84,084
<u>Rent and Administration Costs</u>		44,640
<u>Management Control Costs</u>		7,700
<u>Consulting Costs</u>		100,600
<u>Marketing Costs</u>		30,000
<u>Contingency</u>	5%	16,754

It is the financial goal of the project as more stakeholders will buy in the national brand campaign to generate revenue from public and private sectors in order to match the funding from international donors. It is expected that the project income will comprise the following key elements: (i) campaign sponsorship; (ii) contribution to promotional events; and (iii) license fees paid by companies that carry the brand on their products and/or services.

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# 1. INTRODUCTION

## 1.1. SETTING THE SCENE

It is pivotal that at the very outset of the project all its stakeholders, especially those involved in its business planning, underpinning quality improvement programme, and the development of the brand and visual identity, support, understand and comprehend the overall concept of the ‘Moldova the Brand’ (MTB) project. In general terms, this project is about an image of a country and the values on which a country brand is built so that the two are aligned.

The American Marketing Association defines a brand as a ‘name, term, sign, symbol, or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition’.<sup>1</sup> Brands have social and emotional value to users. They have personality and speak for the user. They enhance the perceived utility and desirability of a product. Brands have the ability to add to or subtract from the perceived value of a product. Brands have equity for both customers and investors. Brand equity translates into customer preference, loyalty and financial gains<sup>2</sup>.

A national country brand is about managing the perceptions of the country based on delivering the promise of the brand. Just as no company would leave its brand unmanaged nor should a nation. A positive image will help consumers evaluate products and make purchasing decision and enhance the overall market position from the perspective of local residents, visitors, inward investors, and the business community.<sup>3</sup>

A country’s image is the result of at least three types of outputs<sup>4</sup>:

- (i) its own outputs (products and services), which range from exports and foreign investments by its companies to cultural products (e.g. book or movie production) and the statements and actions of its leaders;

- (ii) the effects of external elements, such as association with regional conditions (e.g. Balkan-style yoghurt) and the outputs of other actors (e.g. competing global brands or actions of neighbouring countries); and
- (iii) the economic, political, and social conditions of the country as these are perceived by foreign ‘customers’ (foreign governments, buyers, the media, foreign publics, etc.), who also serve to diffuse their conception of a country’s image to other publics.

In a world of over six billion people living in nearly 191 independent states (and the Republic of Moldova (RM) is one of them; see Appendix 1 & 2) the challenge of building a nation's wealth has become very important to its business community, as the challenge of national economic development has gone beyond the limits of public policy. The new economic order has transformed economic development into a market challenge as well.<sup>2</sup> Nations compete with other nations and strive to devise sources of competitive advantage.<sup>5</sup> Thus, today there are more reasons why nations must manage and control their branding. The need to attract tourists, inward investments, companies and talented people and to find markets for their exports and outward investments requires that countries adopt [international] strategic marketing management tools and conscious branding.<sup>2</sup>

Hence, in order to build, promote, maintain, and enhance a country’s consistent image in the global market-place, it is crucial to understand the environmental forces that may affect its marketability, i.e. the strengths and weaknesses of the country to compete with others, such as the size of the domestic market, access to regional trade areas, education of the population, tax incentives, skilled labour, cost of labour, security, variety, desirability, and quality of its goods and services, its “quality of life” and other factors. It also entails monitoring the external environment, gaining a dynamic understanding of opportunities and threats, as well as the competitive forces in the environment.<sup>2</sup>

The country must also look at where it thinks it is going to be in 10-15 year time and develop an image which attracts the kind of investments that will help it in not only what it does today, but also in its transitional and transformational efforts. As a result of

this SWOT (strengths, weaknesses, opportunities, and threats) analysis, a dynamic branding concept is developed.

The key success factor of this process is that it must involve government, citizens and businesses, all with a shared vision.<sup>6</sup> It requires setting and delivering the incentives and managing the factors that might affect place buyers' decisions – these factors include image, attractions, infrastructure and people.<sup>2</sup> In other words, when defining its own location advantage, each country has to bear in mind that foreign investors, consumers, companies, tourists, etc. have various options as to where to invest, to locate their activities, to go for a holiday, and to acquire desired goods and services.

Thus, the **MTB** project aims at developing, in co-operation with the Government of the Moldova (GoM), its citizens and its businesses, a dynamic concept of the brand of RM and a dynamic strategy to efficiently and effectively promote this in both domestic and international markets.

By achieving the above aim, by 2010 RM will have (i) assisted its leading industries to become more efficient; (ii) prioritised industry investment flows to support those industries capable of winning which in turn will support the country's economic success; and (iii) become more flexible and responsive to global changes in technological and consumer demands. These factors will all contribute to the enhancement of Moldovan national wealth and its people's pride in their country.

## **1.2. PROJECT CONCEPT**

There are several pre-requisites the **MTB** project can build on. For example, the Government of Moldova, several years after the country had got its independence, realized the need to enhance the worldwide image of the country. This need was translated into a Governmental Decree the main aim of which was to promote internationally a favourable image of Moldova (see Appendix 3). Recently, in February 2004, the National Chamber for Commerce and Industry, the National Producers' Association, and the National Agency for Industrial Property Protection announced the

winners of the annual "Trademark of the Year" contest – an event that is trying to line up the image of the country with companies' brands and vice versa (see Appendix 4).

However, at the same time there are a lot of factors that undermine the image of Moldova, including personal feelings and observations. Here are few examples from international media that speak for themselves:

‘Moldova is 79th in the Index of Economic Freedom rankings. This Index, developed by the Heritage Foundation in co-operation with Wall Street Journal, measures how well 161 countries score on a list of 50 independent variables divided into 10 broad factors of economic freedom. Low scores are more desirable. The higher the score on a factor, the greater the level of government interference in the economy and the less economic freedom a country enjoys. These 50 variables are grouped into the following categories: trade policy, fiscal burden of government, government intervention in the economy, monetary policy, capital flows and foreign investment, banking and finance, wages and prices, property rights, regulation, and informal market activity.’<sup>7</sup>

‘Europe's failed state. [Moldova] is in a pickle. With only 4.4 m people, its market is too small to lure foreign investors. It is landlocked, with rotten roads and dismal transport connections. Half the people live off subsistence farming but those who do grow surplus food cannot sell much of it. Forget tourism. Of all the former communist states of Europe, Moldova has fared worst in its first decade of freedom - and is now the poorest, in terms of income per person, behind even Albania. The average wage edged up slightly last year, to \$70 a month.’<sup>8</sup>

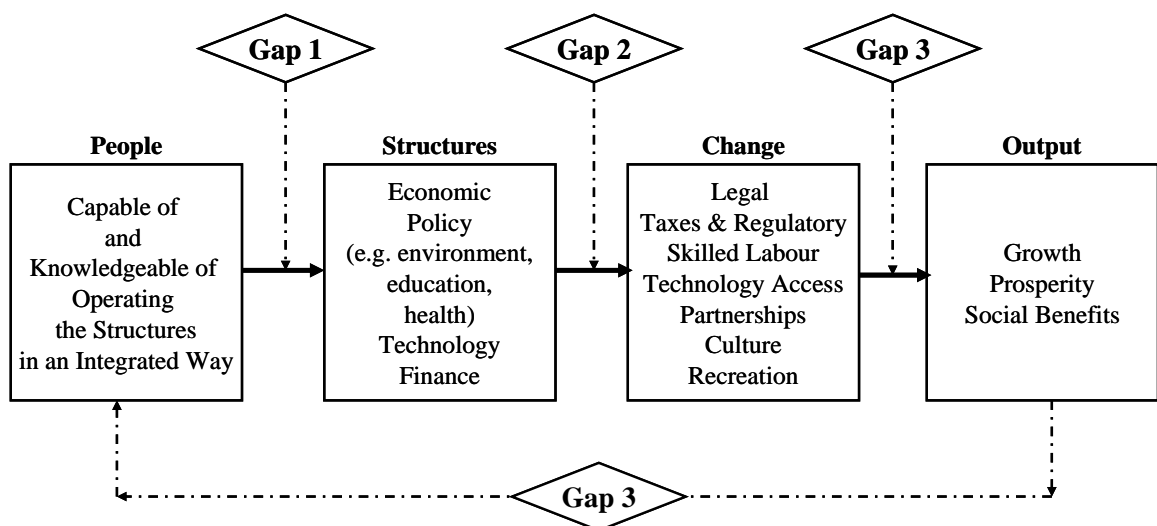
‘Hawks' Irish trip was characterized by willing accomplices who joined in the fun. In Moldova, Hawks also expects a good laugh. Instead, he discovers a grey, dour people, ground down by decades of poverty. He describes Moldova's "total lack of anything whatsoever to offer the tourist".’<sup>9</sup>

Thus, as the above passages suggest, in order to successfully build and enhance the country's image, there is a need for change. The scope of this change lies within the market-based economic principles and business operation of industries that are managed in a commercially viable and socially responsible way.

It is people who drive the economic, political, and social reforms. People understand the need for change, have the ability to enable the change, and learn from it. Their shared vision will make the MTB project successful. Hence, the MTB project aims to achieve the commitment of a critical mass of key political and social leaders and key influences, Moldovan citizens and the businesses that are able to identify and understand the need for change and to enact this change.

The above aim could be achieved by minimizing three generic gaps that – to some extent – can be observed in any society (see Figure 1 below), i.e. (i) the capacity building gap, a gap that exists between the people's ability to identify and evaluate a change and the structures through which the latter is enabled; (ii) the change enabling gap, a gap that is generated by a misfit between the structures and the scope of change; and finally, (iii) the learning gap, a gap that creates a tension between the planned change and the actual one.

Figure. 1. MTB conceptual model



This gap-based model could be used further in the process of developing the image of RM and the strategy to promote its image in both domestic and international markets as it helps identify key objectives that would facilitate this process. For example, it is not enough to have people knowledgeable and capable of identifying and evaluating a change (e.g. to implement the principles of market based economy), but also it is pivotal to have a structure (e.g. legal and regulatory) through which the change can be enabled (i.e. to minimize gap 1). At the same time, it is important to understand that the new structure will have an impact on other structures that are beyond the existing scope of change (e.g. environmental issues), and that it is crucial to acknowledge this effect and the need to efficiently and effectively deal with it (i.e. to minimize gap 2). By their very nature, people are change averse as any change is associated with uncertainty (e.g. higher prices, redundancies, etc.) that goes along with it. Hence, it is pivotal to create a climate in which the very change process (e.g. implementing the principles of market based economy) does not induce in people's mind a stigma of failure, but instead creates a positive climate for learning (i.e. to minimize gap 3).

### **1.3. VISION**

By 2010, the international community will have acknowledged the contribution RM has been making to the global economy by promoting world class standards in its businesses, organisations and people using its national brand as a major catalyst for this process.

### **1.4. MISSION**

The mission of the [MTB](#) project is to create a national brand, securing the alignment and commitment at the highest levels, and working with the country's leading businesses and outstanding people, provide a point for all citizens to rally behind in order to achieve the stated aim of increasing growth and prosperity for the country.

## 1.5. OBJECTIVES

To achieve the above Vision and Mission, the following key strategic objectives have been identified:

- (i) To understand the environmental forces that might eventually affect the national brand marketability;
- (ii) To identify core brand values associated with Moldova;
- (iii) To develop the national brand based on the above identified core values;
- (iv) To identify those industries and firms, goods and services, which do or could exhibit the brand values;
- (v) To develop and implement a coordinated strategy in marketing the national brand;
- (vi) To constantly monitor and enhance the national brand's effectiveness as Moldova advances economically and socially.

## 1.6. PROJECT STRUCTURE AND ITS TIME-TABLE

The objectives identified above will form the key milestones of the project as presented in Fig. 2 below. It might be noticed that the dynamic nature of the national brand is the chief assumption that whole project rests upon. Although in principle there is a chronological sequence to these milestones, in practice there will be a considerable overlap in their timing (see Table. 1).

Figure 2. The dynamic process of national brand development

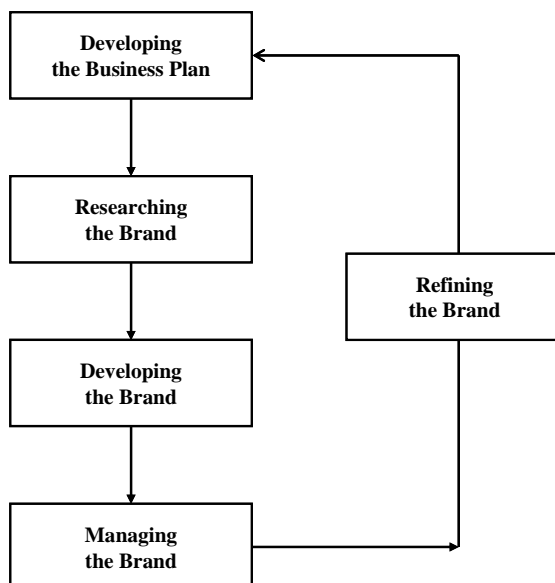




Table 1. **MTB** project time table

Milestones and their key objectives	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Phase 1 - Understanding the environment</b> Carry out preliminary SWOT analysis Develop detailed 5 years business plan						
<b>Phase 2 - Researching the brand</b> Undertake (international) market research Identify core brand values						
<b>Phase 3 - Developing the brand</b> Validate the core values Design and register the national brand						
<b>Phase 4 - Managing the brand</b> Develop integrated international marketing campaign Conduct quality audit of registered companies						
<b>Phase 5 - Core Values Refined</b> Collect monitoring data Assess brand effectiveness						

## **1.7. BENEFICIARIES**

As the international experience suggests, similar branding initiatives to raise awareness and change perceptions about a country and its products have been successful in such countries as New Zealand, Scotland and Ireland. Several countries from Central Europe, like Croatia, are on their way to implement such branding initiative. Thus, the justification for elaborating such a project for RM is self-evident. It can be stated with certainty that eventually all citizens of RM will benefit from a high level of the national brand awareness worldwide.

## **1.8. MASTER PLAN OUTLINE**

The Master Plan proceeds with Chapter 2 that will introduce the reader to the aim and objectives of Phase 1 of the [MTB](#) project. To the above, the Chapter will present the mechanism of delivery of the project, including, inter alia, the organizational structure, the management of the project, and the financial projections for the project to start up.

The aims and objectives of the subsequent phases, i.e. Phase 2, 3, 4, and 5, are presented next. The Business Plan that will be one of the primary outcomes of the Phase 1 will provide detailed action plans to be undertaken during each successive phase.

## **2. PHASE 1: DEVELOPING THE BUSINESS PLAN**

### **2.1. AIM**

This phase aims at developing a detailed Business Plan that will become a platform for the execution of the next four phases. It is envisioned that the duration of this phase will be up to one year.

### **2.2. OBJECTIVES**

To achieve the above aim, the following key objectives have been identified:

- To obtain funding and get the project off the ground;
- To form the core team who will lead the project and will ensure the attainability of project's aims and objectives;
- To form the international team that will provide key expertise to the project primarily in the field of country branding and country of origin;
- To form the networking group that will be made up of various stakeholders who could provide the basis for strong branding and story telling, e.g. CEOs or Marketing Directors from various enterprises (such as tourism, trade, arts, textiles, trade associations, airlines, to name a few), academia, national personalities, etc. whose support will be important and who would also benefit from being closely aligned to the project and its international marketing activities;
- To carry out a SWOT analysis for determining the country's chief strengths, weaknesses, opportunities and threats, which will be the starting point in the process of identifying the core values and characteristics of the national brand;
- To initiate a marketing campaign that will target both the international and home markets with the aim of achieving a critical mass of understanding of (or buying into) the importance of national branding to the achievement of a unique competitive position in the global economy, and eventually to the enhancement of the overall country's wealth;
- To design the domestic and international research plan that will describe the research techniques for collecting both qualitative and quantitative data; it will

also specify the design of the plan for the implementation of the research findings;

- To conduct a tender (within domestic and international markets) for the selection of organizations that will carry out the market research with the purpose of identifying core values and characteristics upon which the national brand will be built;
- To develop a detailed action plan for the second and third phases and estimate the structure of associated detailed costs;
- To begin preliminary data collection in order to develop a preliminary positioning SWOT matrix;
- To develop key performance indicators that would enable the monitoring and the adjustment of the national brand building process;
- To submit the business plan for the second round of funding.

### **2.3. ASSUMPTIONS**

The key assumptions of the [MTB](#) project are based on the experiences of the Scotland the Brand and New Zealand Way campaigns and are triangulated through various sources of information, e.g. project documents, in-depth interviews with members of the international team, etc. The assumptions concern, but are not limited to, the required amount of funding, the number of personnel, and the aims and objectives for the phases 2, 3, 4, and 5. Most of the costs were estimated based on the scope of rates from the projects run by international donors in Moldova.

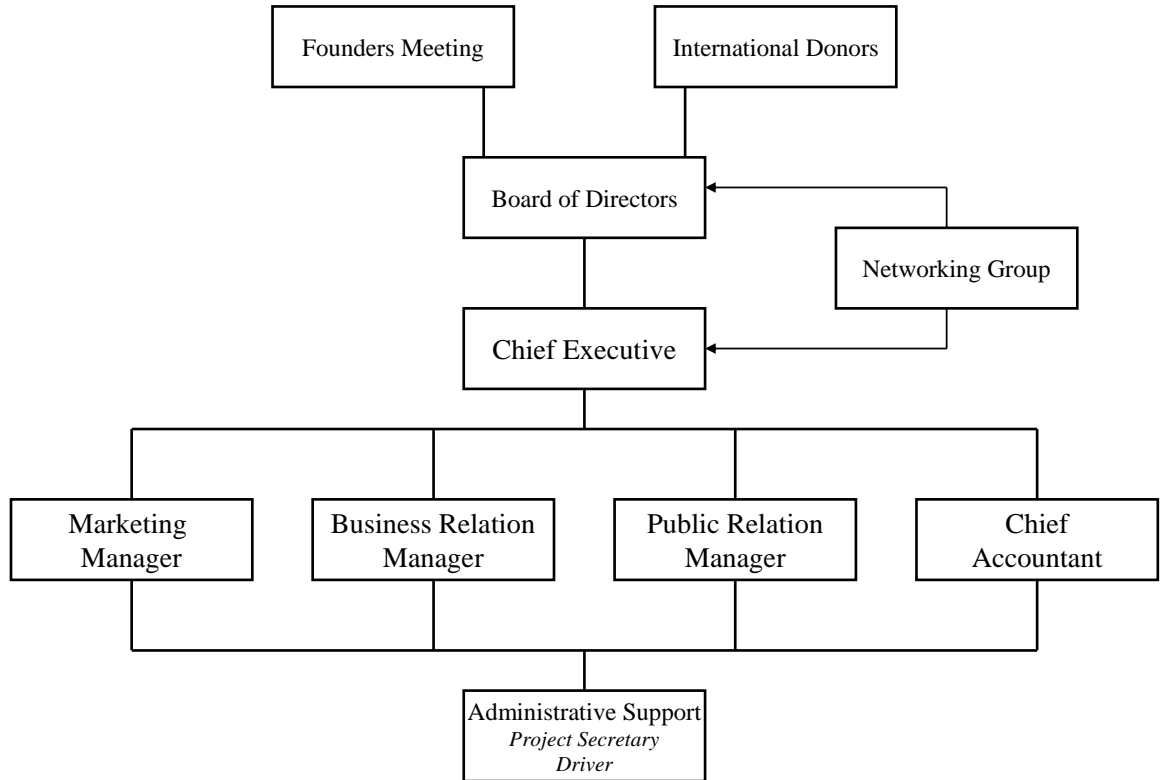
### **2.4. DELIVERY MECHANISM**

#### **2.4.1. Organizational Structure**

Based on the experience of various countries with their branding initiatives and also on the experience of international donors with their technical assistance for RM, a total number of seven staff members is suggested. A provision could be made in the Business Plan for the staff component to rise. The suggested organizational structure for the [MTB](#)

project is outlined in Fig. 3 below and is discussed in more details in the sections that follow.

Figure 3. **MTB** project organizational structure



#### 2.4.2. The Founders Meeting

As the **MTB** project will run under the umbrella of SAAC ‘Moldova Brand’, an NGO that was founded by 4 people enthusiastic and passionate about the idea of national branding (see section 2.5.1 below), it is pivotal to acknowledge the role that the Founders Meeting will play in the project<sup>1</sup>. As part of its duties and rights, the Founders Meeting approves the CEO.

<sup>1</sup> According to the Charter of SAAC ‘Moldova-Brand’, the Founders Meeting is the supreme governing body of SAAC ‘Moldova-Brand’. The copy of the Charter could be obtained by contacting Mr. Volghin, see section 2.5.1 below.

### **2.4.3. Board of Directors**

The Board of Directors will be composed of representatives of the founders, international donors, and the networking group. It will work based on a Regulation approved at their first meeting. The Founders will be represented by the President of SAAC ‘Moldova-Brand’ who is elected by the Founders at their annual meeting. The international donors will be represented by one of their local officers, whose responsibilities are to be clearly specified upon joining the Board. The Networking Group will be represented by leading persons from public and private sectors. To maximize the efficiency and the effectiveness of the project, especially during its first two years, it is critical to attract people who understand the importance of national branding to the country and who share the same vision.

The Board of Directors will be chaired on a rotating basis by the President of SAAC ‘Moldova-Brand’, by one of the international donors’ representatives, and by a leading person from either the business or public sector. The Board of Directors will meet quarterly to provide strategic guidance to the CEO and to receive regular monitoring and financial reports.

### **2.4.4. Business Administration**

#### *2.4.4.1. Chief Executive*

The CEO will be responsible for the following key tasks:

- Manage the strategy and the performance within an approved budget;
- Manage the staff and monitor the implementation of the Business Plan;
- Inform the Board of Directors about ongoing activities and implement the decisions of the Board of Directors;
- Serve as a liaison between the principal founders and the key sponsors;
- Motivate the staff;
- Refine and develop the strategy;
- Monitor the budget and financial procedures to ensure prudence and accuracy;
- Interpret the results of evaluations and adjust scheduled activities accordingly;
- Approve the reports.

#### 2.4.4.2. *Marketing Manager*

The Marketing Manager will be responsible for the following key tasks:

- Coordinate the national and international market research programmes;
- Coordinate the 'Brand Development Programme' in conjunction with the other two managers and associated partners from the business and public sector;
- Undertake Public Relations activity;
- Develop a media plan;
- Develop an integrated marketing communication strategy at home and overseas;
- Publish project related materials;
- Organize national and international conferences;
- Maintain a marketing database.

#### 2.4.4.3. *Business Relations Manager*

The Business Relations Manager will be responsible for the following key tasks:

- Develop and implement a 'buying into' communication strategy targeted at the business sector;
- Serve as liaison with the business sector in order to identify opportunities for collaboration;
- Secure sponsorship for the key elements of the project;
- Design and execute an agenda of overseas events for collaboration and sponsorship opportunities;
- Maintain the business sector database.

#### 2.4.4.4. *Public Relations Manager*

The Public Relations Manager will be responsible for the following key tasks:

- Develop and implement a 'buying into' communication strategy targeted at the public sector;
- Serve as a liaison with Moldova cultural and educational bodies in order to identify opportunities for collaboration;
- Secure sponsorship for the key elements of the project;

- Design and execute an agenda of overseas events for collaboration and sponsorship opportunities.

#### *2.4.4.5. Chief Accountant*

The Chief Accountant will be responsible for the following key tasks:

- Financial administration and accounting;
- Budget and business plan evolution and performance;
- Evolution of programmes;
- Evaluation and monitoring of progress against targets.

#### *2.4.4.6. Administrative Support*

The Secretary will be responsible for the following key tasks:

- Assist the Executives;
- Provide computer and communication equipment;
- Maintain a database of contacts and companies licensed to use the national brand;
- Undertake telephone/reception duties, etc;
- Routine day-to-day business.

The Driver will be responsible for the following key tasks:

- Provide transportation services when and as required;
- Assist the Secretary.

### **2.4.5. Business Externalization**

The following tasks will be externalized either on the basis of efficiency or legal requirements:

- Branding and Country of Origin expertise will be provided by the team of international consultants who have a rich experience with such projects (see section 2.5.1 below);
- Market research will be tendered to both local and international specialised organizations;



- Legal services will be contracted out to a local solicitor;
- Translation services will be tendered to local specialised institutions;
- Printing services will be tendered to local specialised institutions;
- Auditing services will be provided by a company selected by the Council of Founders.

## **2.5. THE TEAM**

This section will introduce the people who have stood behind the project since the very inception of the [MTB](#) idea and some of their views on the importance of this project to Moldova are further presented.

### **2.5.1. Founding Team**

SAAC ‘Moldova-Brand’ was founded by four people who share the same vision as far as the importance of the national brand to the prosperity of Moldova is concerned. These people are (in alphabetical order):

**Mr. Vadim Beschieru** is the Energy Consultant at the World Bank in Chisinau, Moldova. He was elected as the President of SAAC ‘Moldova Brand’. Mr. Beschieru can be contacted at [vad\\_bes@yahoo.com](mailto:vad_bes@yahoo.com).

**Dr. Ion Comendant** is the Regulatory Development Manager at ‘UNION FENOSA’ SA, a Spanish owned electric distribution company. He was elected as the Vice-President of SAAC ‘Moldova Brand’. Dr. Comendant can be contacted at [IComendant@UFMoldova.com](mailto:IComendant@UFMoldova.com).

*“Moldova has a very poor image in the eyes of the international community. One of the key indices that cause that image is the life standard index (well, Moldova is listed as being the poorest country in Europe) and Moody index. Therefore, an effort to develop the national brand is very much needed in order to enhance the above mentioned indices.”*

**Mrs. Inga Romaniuc** is Chief Accountant at Trading Company Lingurs Ltd. She was elected as the member of the Audit Committee. Mrs. Romaniuc can be contacted at volghin\_a@yahoo.com.

**Mr. Alexandr Volghin** is the President of the Attorney Office ‘Volghin & Co’. He was elected as the member of the Audit Committee. Mr. Volghin can be contacted at ladvocate@bk.ru.

*“Moldova, situated at cross-roads between Europe and Asia, with its very beautiful natural heritage, and multicultural community, has real chances to enhance its image globally, to attract tourists, foreign direct investments, and thus improve the quality of life of its citizens.”*

### **2.5.2. Management Team**

The Founders Meeting approved Mr. Romeo Turcan as acting Chief Executive of SAAC ‘Moldova-Brand’. Mr. Turcan was in talks with Ms. Corina Comendant and Ms. Nicoleta Culava to join the management team as the Manager of Business Relations and the Manager of Public Relations respectively upon receiving the funding for the project. They both agreed, and furthermore, as part of continuous commitment, they were actively involved in developing the first steps of the [MTB](#) project. Mr. Andrei Panici joined SAAC ‘Moldova-Brand’ as a Marketing Manager soon after the official registration of the institution. Below, their BIOs are presented; for their CVs, please refer to the Appendix section.

**Mr. Romeo V. Turcan** is a doctoral researcher at the Hunter Centre for Entrepreneurship, University of Strathclyde, Glasgow, UK. Prior to starting his PhD endeavor, Mr. Turcan worked as an advisor to the Government of the Republic of Moldova on behalf of the United States Agency for International Development primarily in the power, electronics, and food processing sectors. He has been employed in activities related to organizational reengineering; project management; business development; international marketing strategies development; electric power sector prices and tariffs design; and electric power sector regulatory reforms. Mr. Turcan received his Diploma in Mechanical Engineering from Air Force Engineering Military

Academy, Latvia, and his MSc in International Marketing from the University of Strathclyde. Mr. Turcan's CV is provided in Appendix 5.

**Mr. Andrei Panici** has graduated in May 2004 from the American University in Bulgaria with a BA in Economics, a BA in Mathematics and a BA in Political Science and International Relations. While in college, he was involved with the University's Student Government where he served as a Student Representative to the University's Board of Trustees and head of the outreach initiatives where he directed a project dealing with issues of shared governance in the academic environment and with the Debate Club — a student organisation — that he headed for three years. He has also completed a three-month long internship with Micro Enterprise Credit in Moldova and has been involved in numerous projects launched by the National Debate League of Moldova as a fundraising expert, debate coach and adjudicator. Mr. Panici's CV is provided in Appendix 6.

**Ms. Corina Comendant** is a graduate graduate with AB in Economics from Harvard College in June 2004. She transferred at Harvard after a year of study at the Academy of Economic Studies in Moldova. Her main interests lie in developmental economics, while her course range includes microeconomic and macroeconomic theories, econometrics, international trade policy, globalization, macroeconomics and politics, environmental economics, international law, statistics, psychology, and sociology. While a student, Corina has worked as a Research Assistant for the Department of Economics at Harvard University. Her work includes the deindustrialization process in the periphery countries during the 19<sup>th</sup> century, the impact of the Master Tobacco Settlement Agreement on the business operations of small tobacco firms in USA. Ms. Comendant's CV is provided in Appendix 7.

**Ms. Nicoleta Culava** is a project assistant at UNDP Moldova, Chisinau, in charge of all administrative, financial and public relations matters pertaining to the activity of the project. Prior to this, she worked with Moldexpo, Tacis and USAID as interpreter and office manager, as well as taught English to students with varied proficiency at Lyceum "Mircea Eliade" and at Moldova State University. Ms. Culava has also carried out a

scope of translations - books, work papers, reports, project documents, pieces of legislation, articles etc. - in various fields, including privatization, power supply regulation, education, management, development, human rights etc. Ms. Culava received her diploma from the English&German Language&Literature Department of Moldova State University in 1999 and is working towards obtaining a second degree in finance and accounting at the Moldova Academy of Economic Sciences. Ms. Culava's CV is provided in Appendix 8.

### **2.5.3. Networking Group**

At the same time, the idea to initiate the **MTB** project has been supported by several local entrepreneurs who either directly or indirectly witnessed the impact of the country's negative image on local businesses. Here is what they say about the **MTB** project:

*“The experience of today's business life shows that many Moldovan high-tech companies were able to obtain international success and recognition only after changing their country of origin, i.e. ‘Made in Moldova’ to say ‘Made in Canada’ or even ‘Made in Romania’. Thus, the successful launch of the national brand is of paramount importance to Moldovan businesses.”*

*“This is a timely project for Moldova as its [poor] image has a very negative impact on credibility of Moldovan businesses. It takes a lot of efforts to convince foreign investors to work with you; especially in a long run.”*

From the interviews with Moldovan entrepreneurs.

### **2.5.4. International team**

Mr. Turcan, doing his PhD in Glasgow, UK, has had a unique opportunity to network and meet with quite a few people who were and currently are, to various degrees, involved in similar branding projects around the world. Apart from their invaluable inputs to the first steps of the **MTB** project, they all agreed to be part of the International

Team and help the [MTB](#) project beyond this first start-up phase. These people are (in alphabetical order):

**Mr. Robert Brown** is the founder and the chairman of Cross Country Connections International consulting company based in Glasgow, UK. He recently spent one year in Moldova as a resident advisor on behalf of EU. He can be contacted at [rmgb@btinternet.com](mailto:rmgb@btinternet.com).

*“Moldova currently suffers from a poor international image among international donors, businessmen and tourists. This is a major obstacle to the economic and social development of the country. Many countries, including Scotland, Ireland and Hungary have taken steps to improve their brand image with good results. Moldova should undertake a similar exercise. The economic return will greatly outweigh the cost.”*

**Ms. Theresa Houston** is currently the Chief Executive at Scotland the Brand, Glasgow, UK. She can be contacted at [theresa.houston@scotbrand.org.uk](mailto:theresa.houston@scotbrand.org.uk).

*“Previous experience and the study of country branding initiatives show that innovative generic promotion of the intrinsic unique values of a country delivers real benefit for the country as a whole, and for all the business sectors of that country.”*

**Mr. Andrew Maclean** is a former Chief Executive at Scotland the Brand, Glasgow, UK. Currently he is private management consultant in New Zealand. He can be contacted at [Macleanad@aol.com](mailto:Macleanad@aol.com).

*“An enhanced image of the country will increase the effectiveness of marketing Moldova in its target markets, encourage greater commercial activity, and accelerate investment into the Moldovan economy.”*

**Mr. Michael Slota** is the President of Michael Charles Slota Inc., USA that provides professional consulting services to entrepreneurs who own and/or are trying to start-up businesses. Branding is often one of the strategies discussed and pursued in this work. He can be contacted at [MSlotaInc@aol.com](mailto:MSlotaInc@aol.com).

*“It seems that Moldova is a largely unknown entity. The identification of Moldova with several truly concrete and identifiable "symbols of Moldova" (similar to Germany and the Mercedes-Benz, or Italy and the Ferrari) should help people recognize and remember Moldova.”*

**Ms. Sue Warren** is a former Chief Executive of New Zealand Way campaign. Currently she is a business consultant at Locum Destination Consulting, London, UK. She is involved in various national branding projects across Central Europe. She can be contacted at [swarren@locum-destination.com](mailto:swarren@locum-destination.com).

*“The elements of the Moldova Brand project include managing the development of a clear, contemporary identity and brand for Moldova, a licensing and assessment programme to ensure the quality of the companies which aspire to carry the Moldova brand mark, and an international registration programme for the brand mark. The brand campaign will be a catalyst to improve performance in both trade and tourism, across the public and private sectors, so that people share the vision and values of the campaign which is designed to improve quality, and provide channels for integrated and collective marketing. As a result the brand campaign will play a strong role in supporting economic growth and jobs and engendering pride in the nation.”*

**Prof. Stephen Young** is a former member of the team who designed and developed the international marketing campaign for the Scotland the Brand project. Currently he lectures at the University of Strathclyde, Glasgow, UK. He can be contacted at [stephen.young@strath.ac.uk](mailto:stephen.young@strath.ac.uk).

*“National branding will ensure much greater international awareness of products and services from the country; and more generally greater awareness of the country itself.”*

## **2.6. FINANCIAL PROJECTIONS**

### **2.6.1. Key Assumptions**

The amount of funds sought for the project has been estimated on the basis of the following assumptions:

- Benchmarks for the present costs were taken primarily from (i) the actual projects run by international donors in Moldova, (ii) Scotland the Brand and New Zealand Way campaigns; (iii) current tariffs and rates in Chisinau, the capital of Moldova; (iv) preliminary market research into the costs of products and services;
- A 30% social insurance tax was added to the proposed hourly rates that are to be paid to the local team;
- A 20% VAT will be paid on services and products received;
- Audit and legal services will be outsourced;
- Up to 5 in-country visits will be undertaken by the international consulting team;
- No primary (international) market research will be conducted during phase one with the scope of identifying the core values of the national brand;
- Income tax will be the responsibility of the employees.

## 2.6.2. Funding Requirements

A total of \$ 439,785 is being sought for the first year of the project. Table 2 below summarises the operating income and costs projections for a one-year period. A detailed breakdown is provided in Appendix 9, and is discussed in the sections below.

Table 2. Total project estimated costs

		<u>Year 1</u>
		\$
<b><i>FUNDING REQUIRED, incl.</i></b>		<b>439,785</b>
VAT	20%	87,957
<b><i>COSTS ESTIMATES, incl.</i></b>		<b>351,828</b>
<u>Start up costs</u>		68,050
<u>Employment Costs</u>		84,084
<u>Rent and Administration Costs</u>		44,640
<u>Management Control Costs</u>		7,700
<u>Consulting Costs</u>		100,600
<u>Marketing Costs</u>		30,000
<u>Contingency</u>	5%	16,754

### 2.6.3. Start-Up Costs

Start-up costs include the rent of up to 90 sq m of office space, which could comfortably accommodate 7 members of staff and up to 6 international consultants, including a meeting room area. A total amount of \$68,050 is required for the start-up. A detailed breakdown of the costs is presented in Table 3 below.

Table 3. Start-up costs

	Units	\$/unit	Total, \$
Refurbishment	90 sq m		10,000
Furniture			5,000
Computers	7	1,500	10,500
Copy machine	1	5,000	5,000
Printers	3	1,000	3,000
Overhead projector	1	1,000	1,000
Server	1	5,000	5,000
Software	1	4,000	4,000
Scanner	1	750	750
Phones/system	1	5,000	5,000
A/C units	4	750	3,000
Internet (connection)			1,000
Security			300
Air-conditioning			2,000
Web page design			5,000
Start-up consulting support			7,500
<b>Total</b>			<b>68,050</b>

### 2.6.4. Employment Costs

All staffing will be undertaken on a contractual basis by SAAC ‘Moldova Brand’. Six staff members will be employed initially for the first year of the project. Provisions could be made for the staff component in the business plan based on the amount of activities projected for the remainder period of the project. The appointment of the



Chief Executive will be a matter of the Board of Directors' competence, subject to the approval by the Founders Meeting of SAAC 'Moldova-Brand'.

Table 4 below presents the breakdown of the employment costs. The rates include 30% health and social insurance tax to be paid by the employer; the income tax will be paid directly by the employees. A total of 22 working days per month was used in the computation of employment costs. A total amount of \$84,084 is required to cover the employment costs.

Table 4. Employment costs

	net rate \$/day	social tax 30%	gross rate \$/day	gross income \$/month	gross income \$/year
Chief Executive	50		65	1,430	17,160
Marketing Manager	45		59	1,287	15,444
Business Relation Manager	40		52	1,144	13,728
Public Relation Manager	40		52	1,144	13,728
Chief Accountant	35		46	1,001	12,012
Secretary	25		33	715	8,580
Driver	10		13	286	3,432
<b>Total</b>					<b>84,084</b>

#### 2.6.5. Rent and Administration Costs

Rent costs are based upon current rates and tariffs in Chisinau downtown. The costs relate to an office space for 6 permanent members of staff. The total area proposed is approximately 90 sq m. A total amount of \$44,640 is required to keep the office up and running. The information is broken down in Table 5 below.

#### 2.6.6. Management Control Costs

These costs relate to the activities that either shall or can be outsourced to third parties. An annual audit shall be performed according to the requirements of the legislation in force. It is estimated that the audit team will spend up to one month in the company at a

daily rate of \$50. A total sum of \$1,100 is estimated to be paid for the audit service (see Table 6).

As regards legal services, a preliminary market research showed that it is more efficient to have them outsourced. This is also because a company may provide a wider scope and reasonably lower costs for the services involved. It is estimated that the legal service team will spend up to four hours a day in the company at a daily rate of \$50. A total sum of \$6,600 is estimated to be paid for legal services (see Table 6).

Table 5. Rent and administration costs

	<u>\$/sqm/month</u>	<u>sqm</u>	<u>\$/month</u>	<u>\$/year</u>
<b><i>Rent, incl.</i></b>	20	90	1,800	<b><i>21,600</i></b>
Security				
Heating and Maintenance				
Management				
Repairs and Maintenance				
Lifts				
Water				
Insurance				
	<u>\$/unit</u>	<u>units</u>	<u>\$/month</u>	<u>\$/year</u>
<b><i>Running Costs, incl.</i></b>				<b><i>23,040</i></b>
Phone	100	6	600	7,200
Electricity	0.07	1,000	70	840
Office supplies			250	3,000
Internet (connection)			500	6,000
Computer support	25	2	50	600
Web support				600
Transportation			250	3,000
Cleaning			150	1,800
<b><i>Total</i></b>				<b><i>44,640</i></b>

Table 6. Management control costs

	<u>\$/day</u>	<u>total days/year</u>	<u>\$/year</u>
Annual audit fees	50	22	1,100
Legal services	50	132	6,600
<b><i>Total</i></b>			<b><i>7,700</i></b>

### 2.6.7. Consulting Service Costs

One of the key success factors in this project is the invaluable experience and expertise that will be provided by the members of the international team (see section 2.5.4 above) to the project. It is expected that each member will visit Moldova at least once and will provide continuous assistance while outside of Moldova. In-country visits are planned to last a fortnight, whereas out-of-country consulting activity will amount to one month of work, i.e. 22 working days. An hourly rate of \$45 is proposed for such consulting. A total amount of \$57,600 is planned to attract the best expertise in the world in the area of country branding (see Table 7).

As part of the international consulting costs, travel costs are estimated at the amount of \$21,500 (see Table 8). At the same time, an estimated amount of \$21,500 is being planned to allow the management team to travel abroad if needed for the enhancement of the overall project performance (see Table 8).

Table 7. International consulting service costs

	units	total
<b><i>Total consulting service costs</i></b>	<b>\$</b>	<b>57,600</b>
No. of consultants		5
Hourly rate	\$/hour	45
<b><i>In-country visit</i></b>		
Country visits	per person	1
Duration of the visit	days	14
Planned working hours	per person	80
<b><i>Total</i></b>	<b>\$</b>	<b>18,000</b>
<b><i>Out-of-country activity</i></b>		
Planned working hours	per person	176
<b><i>Total</i></b>	<b>\$</b>	<b>39,600</b>

Table 8. Travel costs

	units	total
<b><i>Total travel costs, incl.</i></b>	<b>\$</b>	<b>43,000</b>
<b><i>International team</i></b>		
No. of consultants		5
Duration of the visit	days	14
International travel costs	\$ per visit	1,500
Accommodation	\$ rate per day	150
Per diem	\$ per person	50
<b><i>Total consulting team travel costs</i></b>	<b>\$</b>	<b>21,500</b>
<b><i>Management team</i></b>		
No. of trips		5
Duration of the visit	days	14
International travel costs	\$ per visit	1,500
Accommodation	\$ rate per day	150
Per diem	\$ per person	50
<b><i>Total management team travel costs</i></b>	<b>\$</b>	<b>21,500</b>

### 2.6.8. Marketing Costs

These costs are essential to the success of the [MTB](#) project, as they will enable the development and the implementation of ‘buy-into’ strategies targeted at both the public and private sectors. This cost item will include, inter alia, activities associated with the preliminary market research, promotion campaigns, such as media launching and marketing campaigns to attracting both public and private sector partnerships, conferences and other communication events. A total amount of \$30,000 is estimated according to International Donors’ benchmarks for their projects in Moldova (Table 9).

It is important to mention here that for the next phase of the project the overall marketing costs will increase, as it will be necessary to conduct a substantial market research in order to identify and validate the core values for the national brand. Hence, the experience of Scotland the Brand and New Zealand Way campaigns may serve as

cost benchmark, where the marketing costs counted for approximately 45% -50% of the total cost of the project.

Table 9. Marketing costs

	\$/month	\$/year
Communication costs	2,500	30,000
Market research costs	0	0
<b><i>Total</i></b>		<b><i>30,000</i></b>

### **2.6.9. Contingency**

A 5% contingency allowance is derived from the experience of Scotland the Brand project and New Zealand Way campaign, and amounts to \$ 16,754 (see Appendix 9).

### **3. PHASE 2: RESEARCHING THE BRAND**

#### **3.1. AIM**

The chief aim of this phase is to identify the core values and characteristics around which the national brand will be built. The duration of this phase is estimated to be maximum one year. The business plan will provide a more detailed action plan to be undertaken during this phase.

#### **3.2. OBJECTIVES**

To achieve the aim above, the following objectives need to be addressed:

- Develop a market research plan to be conducted both in Moldova and overseas (the selection criteria of the countries will be also developed during this stage; for example one of the selection criteria could be the attractiveness of those markets to Moldovan products and services);
- Hire specialised organizations that will develop a detailed market research proposal, including a plan for the implementation of the research findings;
- Employ both qualitative (e.g. in-depth interviews, focus groups) and quantitative (surveys) research techniques;
- Analyse secondary data (e.g., trading balance, foreign direct investments, government subsidies);
- Identify the country's image evaluation criteria, such as the country's level of advancement, attitudes towards its people, desires for closer links with the country;
- Design the questionnaires and interview guides;
- Translate into and from the language of the place where the research will be conducted;
- Train the interviewers;
- Select the appropriate sample;
- Conduct the research;
- Collect and analyse the data;
- Generate the core values.

### **3.3. KEY ISSUES**

The national brand will be defined and created based on an in-depth understanding of Moldova's position in relation to the outside world. It will define Moldova's ultimate vision, proposition, values and personality. Therefore, the key issues to be addressed during this phase are:

- What does Moldova stand for today?
- What images does the word 'Moldova' conjure in the minds of the people who have never been to Moldova?
- What images does the word 'Moldova' conjure in the minds of the people who have been to Moldova?
- In general, how is Moldova perceived from abroad?
- If we, Moldovans, were 'to see ourselves as others see us', what would we see?
- What must Moldova stand for in the future?
- What do Moldovans believe the outstanding values, features and characteristics of Moldova are that make it of value and memorable?

### **3.4. ESTIMATED COSTS**

To be specified in the Business Plan.

## **4. PHASE 3: DEVELOPING THE BRAND**

### **4.1. AIM**

This phase aims at designing and registering the national brand. The duration of this phase is estimated to be of maximum one year. The business plan will provide a more detailed action plan to be undertaken during this phase.

### **4.2. OBJECTIVES**

To achieve the aim above, the following objectives need to be addressed:

- Validate the previously identified core values and characteristics through a market research (in the same countries that were selected for the research during the Phase 2);
- Launch a nationwide debate and competition regarding the design of the national brand;
- Prepare all necessary registration documentation;
- Register the brand with relevant international authorisation bodies;
- Start developing quality auditing procedures;
- Start developing key performance indicators;
- Start developing national brand launching campaign.

### **4.3. KEY ISSUES**

This phase is probably the most challenging of all as it will actually design and register the national brand. The key issues addressed during this phase might be:

- Ensure that the majority of stakeholders participate in the debate over the design of the national brand;
- Ensure that the evolved national brand reflects the opinion of the majority of stakeholders;
- Align stakeholders' objectives to the core values of the national brand.

### **4.4. ESTIMATED COSTS**

To be specified in the Business Plan.



## 5. PHASE 4: MANAGING THE BRAND

### 5.1. AIM

The chief aim of this phase is to launch the national brand. The duration of this phase is unlimited. However, in order to enable an efficient monitoring and implementation of the national brand, the duration of this phase is estimated to be of maximum two years. The business plan will provide a more detailed action plan to be undertaken during this phase.

### 5.2. OBJECTIVES

To achieve the aim above, the following objectives need to be addressed (some of them have been dealt with during the previous phase):

- Develop an integrated international marketing campaign for the launching the national brand;
- Launch the national brand;
- Finalise the development of brand quality control and auditing procedures to insure the integrity of the brand is maintained by those who uses or claims the brand;
- Finalise the development of key performance indicators;
- Recruit participants from both the private and public sectors.

### 5.3. KEY ISSUES

Several key issues could be identified during this phase as presented below:

- Distinguish between **MTB ‘partners’** that are defined as organizations which are prepared to continue work with the **MTB** project in the *development and delivery* of joint promotional events for target markets, and **MTB ‘associates’** who are defined as organizations that are ready to *adopt the national brand* for the promotion of Moldovan products and services. Partners and associates can be drawn from both the public and private sectors;
- Define the licensing procedures for the use of the national brand. The use of the national brand will be approved by SAAC ‘Moldova Brand’ and only those

companies which have been approved will be eligible to use it. Approval of national brand usage will depend upon the results of a company's quality auditing. Quality audit and control will be contracted to local consulting and/or auditing companies, which will receive quality auditing guidelines from SAAC 'Moldova Brand'. The quality auditing guidelines will be designed in co-operation with international consultants. An annual charge will be levied according to a graduated tariff structure based on performance;

- Define fee structures for use of the brand;
- Identify alternative ways of international expansion by answering questions such as 'where should we invest?', or 'how can we best service this international market?'

#### **5.4. ESTIMATED COSTS**

To be specified in the Business Plan.

## **6. PHASE 5: REFINING CORE VALUES**

### **6.1. AIM**

This phase aims at providing continuous assessment of the performance of the national brand and at adjusting its core values and characteristics when deemed necessary. It will start as soon as the national brand is launched. The Business Plan will provide a more detailed action plan to be undertaken during this phase.

### **6.2. OBJECTIVES**

To achieve the above, the following objectives need to be addressed:

- Develop and implement a monitoring system in order to systematically record key activity data;
- Create a database of both participants and associates;
- Assess economic effects in terms of activity measures, outputs and impacts at macro and micro levels;
- Determine if the **MTB** is value for money;
- Put forward recommendations in order to enhance cost-effectiveness and to improve the performance of the **MTB**;
- Develop a re-branding strategy that will be ready for implementation when necessary, based on economic and social development of the country, as well as on global economic trends.

### **6.3. KEY ISSUES**

The performance of the national brand, and ultimately the need for the re-branding exercise, might be affected by the following developments:

- Shift from a traditional manufacturing economy to both knowledge-driven and service-driven economy;
- Shift from homogeneous and standardised to highly differentiated products and services;
- Other changes in both domestic and international markets.

#### **6.4. ESTIMATED COSTS**

To be specified in the Business Plan.

## 7. CONCLUSION

‘Moldova the Brand’ (MTB) project aims to develop, in co-operation with both the private and public sectors, a dynamic national brand for the Republic of Moldova, as well as an international marketing strategy to efficiently and effectively promote this brand in both domestic and international markets. The key questions addressed by the MTB project are what Moldova stands for today and what its positioning should be in the future. The national brand that is to be developed and registered will embody the key attributes of how Moldova would like to be positioned internationally, with a clear proposition to ensure competitive advantage.

A key aspect of the MTB project will be that the top performing companies which reflect quality and Moldovan national values will have the opportunity to become “brand partners” and carry the brand mark, along with other high profile organisations such as sports teams and international missions, who can become “brand associates” and carry the brand mark as well. This will underpin the quality improvement aspect of the MTB project and will also accelerate the visibility of the brand to build equity and awareness of the new brand mark.

The MTB project is divided into five phases, namely (i) developing the business plan; (ii) researching the brand; (iii) developing the brand; (iv) managing the brand; and (v) refining core values of the brand.

Where possible, the best available data and information were used to develop the financial projections of the Master Plan project, for instance benchmarks from projects currently run in Moldova by international donors, current market prices, and tariff rates. Where such data was not available, projections were developed on the basis of Scotland the Brand and the New Zealand Way campaigns triangulating the information through these and other sources of data. The assumptions concern, but are not limited to, the required amount of funding, number of personnel, aims and objectives for all phases.

A total of \$439,785 is sought in order to develop, launch and monitor the MTB project during the first year of the project as presented in the Table below. Of the total amount,

\$68,050 will be spent on starting-up the project; \$84,084 on employment; \$44,640 on administration; \$7,700 on management control; \$100,600 on international consulting services, including travelling; and \$30,000 on marketing.

It is the financial goal of the project as more stakeholders will buy in the national brand campaign to generate revenue from public and private sectors in order to match the funding from international donors. It is expected that the project income will comprise the following key elements: (i) campaign sponsorship; (ii) contribution to promotional events; and (iii) license fees paid by companies that carry the brand on their products and/or services.

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## **APPENDICES**



## Appendix 1. Moldova and its neighbors



Source: The World Bank Group, <http://lnweb18.worldbank.org>

## **Appendix 2. Moldova at a Glance**

### **Overview**

Moldova is a low income country with a Gross National Income (GNI) per capita of US\$ 460. The country is small, landlocked, and densely populated and is bordered by Ukraine and Romania. It has rich agricultural land and a temperate climate, and agriculture and agro-processing represent about 60 percent of GDP. Over half of its ethnically diverse population lives in the rural areas. Moldova is almost wholly dependent on the import of energy and raw materials for its manufacturing industries.

Since 1999, Moldova's economic performance has been commendable, in contrast to its deteriorating performance during the earlier years of the 1990s. The country has successfully stabilized the economy, launched structural reforms to stimulate growth, and begun the process of establishing an effective social protection system. As a result, real GDP has grown from 2000 onwards with growth reaching 7.2 percent in 2002.

Nonetheless, a significant reform agenda remains. Moldova is now the poorest nation in Europe, after starting out at independence in 1991 as a middle income country. Its GDP per capita is significantly below the average for the Commonwealth of Independent States (CIS) and the Central European countries. Moreover, inequalities in income are high and considerable disparities exist between the capital city of Chisinau and the rest of the country. Though the poverty rate has dropped from 71 percent in 1999 to 51 percent in 2002 due to the recovery of the economy, it remains higher than it was before the Russian financial crisis of 1998. In addition, Moldova is now one of the region's most heavily indebted countries, with a debt per capita of US\$ 436.

### **Events since Independence**

Moldova suffered one of the deepest economic declines in the CIS after independence in 1991. The loss of traditional trade linkages and payments, and the traumatic terms of trade shock resulted in considerable economic disruption as domestic prices adjusted to international levels. Real GDP growth declined by around 10 percent per year on average until 2000. Living standards fell sharply, poverty increased, and the quality of social services deteriorated.

The economy started to grow in 1997 as a result of macroeconomic stabilization and structural reforms. But the regional crisis of 1998 undermined these efforts and deepened Moldova's fiscal crisis. The crisis also exacerbated Moldova's external indebtedness significantly, with total external debt increasing from virtually zero at the beginning of the 1990s, to over US\$1.4 billion (or 88 percent of GDP) by the end of 2002. 70 percent of this debt was public and publicly guaranteed debt.

### **Recent Economic Developments**

Since 1998, Moldova has benefited from a number of favorable external factors, including the economic recovery of its main trading partners. The country has also maintained prudent fiscal and monetary policies and economic performance has been strong in the last three years. Increased private consumption, fueled by large workers' remittances, contributed to an acceleration of GDP growth from 2.1 in 2000, to 6.1 in 2001, and 7.2 percent in 2002. Inflation fell from 39 percent in 1999 to a single digit rate of 4.4 percent at the end of 2002. Capital inflows, such as workers' remittances and foreign direct investments, have also helped stabilize the exchange rate to 36 percent of its 1997 level.

However, the current account balance remains weak and the country continues to be highly vulnerable to external shocks. This is due to its dependence on relatively few export commodities (mainly food products, textiles, vegetable and animal products), few markets (CIS, EU, East Europe), and the import of all its energy requirements. The reluctance of the current Government to decisively pursue a market reform agenda, combined with the country's severe external debt burden, seriously threatens to undermine its achievements in reforming the economy.

**Source:** The World Bank Group, <http://lnweb18.worldbank.org>

**Appendix 3.** Excerpt from the GoM Decree No. 238, 30 April 1996

*Decision of the Government of the Republic of Moldova on Creating the Information and Promotion System for Promoting the Image of Moldova Internationally*

No. 238, 30 April 1996

(Monitorul Oficial No. 35-37, 11 June 1996)

With a view to promote internationally a favourable image of Moldova by reflecting widely renewal processes in the life of society, as well as to gather and systemize needed information to improve information selection and publicity practices, the Government of the Republic of Moldova

SETS FORTH:

1. The Governmental Commission for the Regulation of Foreign Trade, Foreign Investment, Technical Assistance and Humanitarian Aid shall develop and coordinate the strategy for promoting internationally the image of the Republic of Moldova through information and publicity.
2. The Ministry of Economy, within the scope of staff and available payroll funds, shall create a Directorate for gathering, analyzing, sifting and preparing for publication information and publicity materials, as well as for other activities for the international promotion of the image of the Republic of Moldova – the Directorate for Foreign Economic Publicity, its status being of an executive body of the Governmental Commission for the Regulation of Foreign Trade, Foreign Investment, Technical Assistance and Humanitarian Aid.

#### **Appendix 4.** Annual "Trademark of the Year" Contest

##### *"Trademark of the Year" Winners Defined*

Forty Moldovan enterprises were announced winners of the annual "Trademark of the Year" contest Thursday evening. They received diplomas of honor and Golden Mercury statuettes from the contest organizers - the National Chamber for Commerce and Industry, the National Producers' Association, and the National Agency for Industrial Property Protection.

Among the laureates were the Carmez meat processing corporation, Efes Vitanta Brewery, Franseluta bread association, Covoare-Ungheni carpet factory, Macon construction material association, Ionel sewing factory, Voxtel mobile telephony operator, Moldauditing, Jolly Alon Hotel, Vox Design, Molrustex, Lara real-estate exchange, Corina tourist firm, and other.

Information about the winners will be presented in a special catalogue, "The Best Trademarks of Moldova", that will be sent to chambers for commerce and industry in foreign countries. At the awarding ceremony, Moldovan President Vladimir Voronin called upon the winners to "cherish [your] trademarks like the apple of [ your] eye".

He explained, "To cherish means to maintain a high reputation, to constantly perfect the production, to not tarnish your business image and reputation, to never falsify products and always keep quality high. It is so easy to lose one's reputation, and is practically impossible to regain it".

The head of state emphasized that one very special trademark, "Made in Moldova", must become the chief mark for all manufacturers and citizens. "We all are responsible for this trademark which our Motherland has given to us - free of charge. Through this responsibility of everyone to the entire society, we can achieve much for the country as a whole and for each citizen", Voronin said.

**Source:** <http://www.azi.md/news?ID=27856> (accessed February 13, 2004)