



## SUCCESS STORY

# New Legislation Chops Regulations

**A new law streamlines business regulations and reduces corruption**



Photo: BASA Press

The Moldovan Parliament considers legislation.

***One day after the law went into effect, a deputy prime minister said that that his ministry had already identified 350 documents to be annulled.***

Business in Moldova reached a breakthrough on February 6, 2005, when a new law on reviewing and streamlining business regulations. Developed with substantial input from USAID, the legislation provides a way to cut ambiguous, repetitive and ineffective business regulations that encumber investment and enterprise development at all levels of government. The groundbreaking tool, known as the “guillotine approach,” calls for the entire spectrum of laws that relate to business to be systematically reviewed by a committee guided by outside input. Those that are deemed unnecessary are to be lopped off the legal books.

Eastern European countries face an enormous task in reviewing and updating the Soviet-era legacy of burdensome laws, rules and other instruments. Moldova has an extensive problem with excessive business regulations that make fertile ground for bribery and generate added costs for entrepreneurs. For more than a decade, government officials worked to remedy the situation, to no avail.

But in February 2004, the reform-minded ministers of economy and finance initiated the most serious effort to date to make business regulations more investor friendly, with support from USAID and leaders of the private sector. To streamline the business registration process, reduce reporting requirements, and eliminate corruption, they developed a set of filters to issue rulings on the validity of existing regulations. A public-private committee gathers feedback from interested individuals and organizations then determines whether specific regulations should be eliminated from the legal books. The February 6 law formalizes the regulatory reform effort and sets a schedule, whereby only those regulations, whether reform-minded or grandfathered, that have survived the filtering process remain valid. Those that do not make it through the filtering process are chopped into history.

The impact of the new legislation appears to have been immediate. A day after the law went into effect, one deputy prime minister said that that his ministry had already identified 350 documents to be annulled.