

Anders Paalzow, BICEPS
October 2024

The 2024 FREE Network Retreat: Economic Research and Capacity Building in Moldova

The 2024 FREE Network Retreat, held in Chisinau, Moldova on September 11-13, brought together representatives from the FREE Network institutes and other stakeholders, focusing on economic research and capacity building, especially in the context of Moldova's EU accession efforts. The event featured general sessions on institutional development, special tracks on academic, administrative and communication topics, and a half-day conference on "Economic Research and Capacity Building". Key discussions addressed challenges such as Moldova's weak economic research infrastructure, policymaking gaps, and the need for capacity building. Several examples of Moldovan success stories were also highlighted. The event concluded with a call for strengthened collaboration and donor support towards economics education and fostering Moldova's research and capacity-building landscape.

Introduction

The FREE Network Retreat is an annual event for researchers and administrators from the FREE Network institutes. The 2024 Retreat took place in Chisinau, Moldova, September 11-13 and was attended by representatives from BEROC (Belarus – currently in exile in Lithuania), BICEPS (Latvia), CenEA (Poland), ISET (Georgia), KSE (Ukraine) and SITE (Sweden). In addition, although not being a member of the FREE Network, the New Uzbekistan University in Tashkent and its Greater Eurasia Research Center (GEAR) were represented.

Like at previous retreats, there were two general sessions with a focus on the development of the individual institutes and the Network as a whole, and three tracks of special sessions on academic, administration and communication topics. The Retreat also involved a meeting of the FREE Network's joint initiative The Forum for Research on Gender in Eastern Europe (FROGEE) – and a special side event on the integration of Ukrainian Refugees in Moldova.

An integral part of this year's Retreat was the half-day conference, "Economic Research and Capacity Building". Drawing on the FREE Network's experience, the conference focused on how capacity building and research can facilitate the transformation of societies and economies, particularly within the Moldovan context, on its path towards EU-accession. In addition, it provided the FREE Network members an opportunity to share their experiences of capacity building, economic research and policymaking with Moldovan stakeholders.

The Conference was open to external participants interested in the topic, particularly policymakers, academics, and think tank representatives. It clearly illustrated the need to strengthen not only economic research and capacity building but also academic education in economics and related fields, improve the quality and access to data, and

raise the level of competence in economics within the government and public sector in general.

A summary of the Conference discussions is provided below. For a full overview of the program and participants see the Appendix.

The Opening Session

The opening session started with the general observation that EU integration, in addition to being a political and security issue is primarily an economic issue with a need for economic research and analysis that can inform policy discussions and educate current and future stakeholders. Within this context, all the FREE Network institutes have considerable experience engaging in research and discussions of policy and policy reform within the region. With Moldova not (yet) represented in the FREE Network, the Conference served as a platform for the Network to learn and eventually engage in sustainable partnership(s).

The discussion then shifted to the Moldovan situation and the challenges ahead on the path to EU membership. Several challenges were identified: a lack of economic research, with most existing research being rather weak; missing connections between researchers and policymakers; a shortage of human resources; and generally weak institutions; as well as policies often being based on trial and error rather than evidence-based decision-making.

To address these challenges several actions were suggested including the need to strengthen research and independent economic thinking through capacity building; drawing on the experience of the countries that have joined the EU during the last two decades; developing international research cooperation through networks like the FREE Network; business-friendly practices and treating investors right while at the same time encouraging entrepreneurship and educating society on the importance of private and public investments.



The discussion also addressed activities supporting civil society undertaken by the EU and Sweden, respectively. Examples of activities include building partnerships and strong ecosystems for innovation and entrepreneurship, supporting reforms cutting red tape and improving the business climate in general as well as supporting the Academy of Economic Studies Moldova and the Association of Women in Business.

Research and Capacity Building – the Moldovan Perspective

The discussion started with a presentation of three Moldovan success stories. The first one is a recently launched program on media, gaming development and animation. Currently, 1 000 students are being enrolled. The program attracts Moldovans from all over the country as well as Moldovan students abroad who decided to terminate their studies abroad to go back to Moldova and enrol in the program. The success of the program is a good example of cooperation between industry, higher education institutions and the Ministry of Education opening up to new professions and programs that attract young people.

The second example is taken from the fashion industry. Traditionally Moldova has been a country where sewing takes place thanks to cheap labor. However, in recent years a “pipeline” of talent, design and brands has developed. As a result, the value added in the industry and export revenues as well as wages have increased.

The final example is the Moldovan tech industry. The tech industry has been at the forefront and could be considered the tiger of the Moldovan economy with growth rates of 30-40 percent per year. There are two main reasons behind this success: the rapidly developing Moldovan startup scene combined with a 7 percent single tax mechanism for the tech industry.

The discussion then turned to the role of research in policymaking. The first argument put forward focused on the impact (or rather the lack of impact) of research and analysis on Moldovan policymaking. As the examples above show, the Moldovan economy has the potential to develop – however, the policy discussion does not focus on the transition towards higher-value activities. On the contrary, even though Moldovan research highlights the role of transition to higher value-added, this argument has essentially been ignored in the policy debate that has been mostly characterized by rhetoric on job creation rather than transition to an economy that creates jobs within the high(er) value-added sectors. Unfortunately, this is not the only example of Moldovan policy discussions and decision-making ignoring the research perspective and outcomes. Among other examples mentioned is the recent tax reform experience and programs supporting Small and Medium Sized Enterprises. Currently, reforms are driven either by purely political reasons or by lobbying or by any other vested interests. There is essentially no impact assessment or any economic analysis underpinning the decisions. Due to the fact that policy initiatives neither are based on economic analysis nor on best practices, they are vulnerable to clientelism or corruption. The importance of rule of law was emphasized in light of Moldova’s anchoring to the EU and with reference to Latvia and the other Baltic states. It is a too important topic to be left to the lawyers and should hence be part of economic capacity building and research.

The second argument referred to access to reliable data needed for quality policy-oriented research. While the data collected by the National Bureau of Statistics in general is good, the main issue lies in accessing it. The Bureau does not have the resources to support researchers. To exacerbate the problem further, there seems to be no willingness among policymakers to address this issue. Given Moldova’s vulnerability to Russian disinformation and the increased pressure on



Moldova, the issue of access to reliable data is even more pressing today than a few years ago.

To foster an informed policy debate and decision-making process taking evidence-based research into account, it would be desirable to create a platform to advocate the results of economic policy analysis where, e.g., policy papers and monitoring reports, could be presented and discussed by experts and decision-makers in the public and private sectors as well as the civil society.

The session continued with a discussion on human capital. The successful program attracting Georgians in the diaspora to return and work for the Georgian government, launched during the first decade of the 2000s, served as the point of departure for the discussion. The key to the success in Georgia was that the government was able to pay competitive salaries. This is one of the main challenges facing Moldova. Even though there have been some adjustments in government salaries during recent years, the government is still far from being anywhere close to paying the same salaries as the private sector in general and think tanks in particular. An understanding of this is important not only at the national level but also among donors. It was noted that there have been some adjustments in government salaries, but it has not been enough. Further, while the Moldovan diaspora are starting to return, they, however, have little governmental or political experience, which makes it difficult to involve them in, e.g. policymaking and development of support programs. It would be good to draw on experiences and best practices from other countries in the region – such as the Baltic states and Georgia – and use them as benchmarks, e.g., for the innovation ecosystem, incubators and accelerators.

Research and Capacity Building – the FREE Network Experience

The FREE Network institutes shared their experiences in capacity building and brain gain, developing an economics undergraduate program, research and policy impact, and network building through research.

ISET (Georgia) shared their experience on attracting talented economists in the Georgian diaspora back to Georgian academia, research, and government positions. The starting point was an initiative developed in collaboration with the donor community to establish a world-class economics school in the Caucasus – the International School of Economics (ISET). The school has developed from a small boutique school to a school with three academic programs (undergraduate and graduate) and about 700 enrolled students. ISET graduates are in high demand and are seen in the private and public sectors. The ISET Policy Institute plays a pivotal role in terms of contributing to evidence-based policymaking. Throughout the years more than 50 ISET graduates have been accepted in Ph.D. programs at top universities worldwide. Many of them have returned to Georgia and ISET after completing their Ph.D. Had not it been for opportunities offered by ISET and the Policy Institute, it is very unlikely that they would have returned. The FREE Network and the opportunities offered are a great resource for the ISET as well as for the ISET Policy Institute.

BEROC (Belarus – in exile in Lithuania since 2022) shared their experience on the process of creating and launching an undergraduate program in economics and business. BEROC started as a research center, but the idea to establish a Bachelor program in economics and business had been around for several years. As part of the reorganization and reformation of the European Humanities University (Belarusian, but in exile), the European Commission approached BEROC



asking if it could develop an undergraduate program in economics and business for Belarusian students.

The challenge has been two-fold: first, in the current political situation, Belarusian people are “locked within the country” and for them it is much easier to go to Russia for studies. In addition, the cost of living and the tuition fee (although low by Baltic standards) provide additional barriers to potential students. Second, BEROCC operates in exile themselves. Nevertheless, a Bachelor program in economics and business will be launched in October 2024 with the support of Belarusian business in exile. Thanks to cooperation with partners within the FREE Network the program is at the global frontier.

BICEPS (Latvia) provided an overview of how research can contribute to the policy agenda. BICEPS’s first policy reports, published more than 15 years ago, focused on the unsustainable Latvian economic growth and inflation levels at the time. These reports reached conclusions that, while correct ex-post, were contrary to those of the Latvian Central Bank. This divergence sparked substantial discussion at both the political level and in the media.

In the early 2010s, BICEPS was commissioned to produce the first-ever Latvian Competitiveness Report. This report has served as a foundation for policymaking and has left a lasting mark on the policy agenda. Furthermore, following BICEPS’s research on the shadow economy and the annual presentation of the shadow economy index, the Ministry of Finance, through public procurement, commissioned a 2021 project to develop a model addressing the impact of the shadow economy.

The Global Entrepreneurship Monitor (GEM) Latvia and the EUROMOD tax-benefit microsimulation model are long-term projects run by BICEPS. Current projects include one focused on the impact of broadening the sugar tax base, a regional Global Entrepreneurship Monitor study,

a project on road congestion tolls in cities and the development of sustainable agriculture in Africa.

CenEA (Poland) might be small in terms of people employed, but disproportionately big in terms of impact and presence in the Polish policy discussion. From the very beginning, CenEA has aimed at combining policy with solid economic research. The focus has primarily been in the areas of fiscal policy, ageing and health – with the latter two being major issues in Poland.

For CenEA, the FREE Network has been fundamental, both for funding and for building its credibility and position. CenEA has played an active role in terms of broadening and deepening the cooperation within the FREE Network. It has been very active in developing and coordinating the FROGEE project. The project (financed by the Swedish International Development Cooperation Agency, SIDA) has run for six years and covered a wide range of topics within the field of gender equality. It has resulted in several FREE Policy Briefs, policy and research papers, and several conferences and workshops. In addition, the project has contributed to the development of tools and skills for both senior and junior researchers within the Network. Based on the success of the FROGEE project, new projects and initiatives within the Network have been developed.

SITE (Sweden) has taken the lead on the FREECE (the Forum for research on Eastern Europe: Climate and Environment) project. The project has been around for eighteen months with a focus on the transition from an economy based on the production and consumption of fossil fuels to an economy based on the production and consumption of zero-carbon renewables. This will be a challenge for everyone, especially for countries throughout Eastern Europe that often rely on the extraction and consumption of fossil fuels for employment as well as for energy needs.

The FREECE project provides several opportunities to engage in policy-relevant



research while at the same time filling a gap in the literature.

Initiatives and the Road Ahead

At the current stage of Moldovan economic and political development there is higher demand for analysis and applied research, rather than general and theoretical research. In other words, policy relevance needs to be in focus. At the same time, such applied analysis and research need to involve well-educated human capital with relevant skills, such as university graduates. This puts focus on the role of universities and how they can reform.

The Moldova School of Economics initiative was launched approximately half a year ago. Among the first activities were public lectures on economic behaviour and public policies. In September, in cooperation with CERGE-EI in Prague, the first short economics course was launched. Currently, there are discussions with the Ministry of Education and the State University on developing the initiative into an actual program. So far, the response has been positive. The vision is to create the Moldova School of Economics into an initiative that reaches out not only to Chisinau and Moldova but to the wider region.

The session on this topic proceeded to discuss how the FREE Network could support Moldovan research and capacity building, focusing on its experience in implementing various projects. One potential starting point would be a summer school involving both the FREE Network and Moldovan economists living abroad. There are already

contacts with members of the diaspora who have expressed a willingness to participate as faculty members, without compensation. Additionally, there is a need for shorter courses or executive classes aimed at individuals in ministries. Topics to be covered may include basic macroeconomic analysis, fiscal policy, and economic growth. It is also important to incorporate microeconomic subjects, such as the factors driving innovation and the development of economic clusters.

Concluding Comments

The FREE Network Retreat and conference has shown that many of the issues currently facing Moldova, have at least partly been addressed by the FREE Network members in their respective countries. Looking forward this should provide a good basis for cooperation between the Network and Moldovan partners. Three broadly defined areas for collaboration and partnerships were identified: (i) education and training; at the university level as well as for ministries and government agencies; (ii) creation and development of a good environment for research and policy analysis; (iii) communication and outreach.

The dialogue that has been initiated during the conference should continue and include a discussion on how to attract donors to support long-term cooperation that contributes to the needed strengthening of research and capacity building in Moldova.



Appendix

Conference Programme: Economic Research and Capacity Building

9.30 Conference Opening

- Torbjörn Becker, Director, Stockholm Institute of Transition Economics
- Jānis Mažeiks, Ambassador of the European Union to the Republic of Moldova
- Katarina Fried, Ambassador of Sweden to the Republic of Moldova

10:00 Research and Capacity Building – the Moldovan perspective

- Doina Nistor, Chief of Party, Moldova Future Technologies Activity
- Adrian Lupușor, Executive Director, Independent Analytical Center Expert-Grup
- Kálmán Mizsei, EU Adviser to the Government of Moldova

10:50 Research and Capacity Building: The FREE Network Experience

- Tamar Sulukhia (ISET, Georgia): Capacity building and brain gain
- Dzmitry Kruk (BEROC, Belarus – in exile): Development of a new academic programme
- Marija Krūmiņa (BICEPS, Latvia): Research and policy impact
- Michal Myck (CenEA, Poland): Network building and the FROGEE experience
- Julius Andersson (SITE, Sweden): Network building and the FREECE experience

11:30 Initiatives and the Road Ahead

- Mihnea Constantinescu, Advisor to the Governor National Bank of Moldova
- Misha Zeldin-Gipsman, the Moldova School of Economics Initiative

12:10 Concluding Comments

- Torbjörn Becker, Director, SITE
- Kata Fredheim, Associate Professor, BICEPS and Stockholm School of Economics in Riga

12:20 Lunch and Networking

Conference moderator: Kata Fredheim, BICEPS and SSE Riga.





Anders Paalzow

Baltic International Centre for Economic Policy Studies (BICEPS)

anders.paalzow@hhs.se

<https://www.sseriga.edu/paalzow-anders>

Professor Anders Paalzow has been the Rector of the Stockholm School of Economics in Riga since 1999 and is Chair of the Board for the Baltic International Centre of Economic Policy Studies (BICEPS) and Connect Latvia. Holding a PhD in Economics from the Stockholm School of Economics, he is also a member of the Latvian Academy of Science with elected members, such as prominent scientists and other scholars to report promptly to the Government about scientific research findings.

His main research interests cover entrepreneurship, the economics of education, and economic growth.

freepolicybriefs.com

The Forum for Research on Eastern Europe and Emerging Economies is a network of academic experts on economic issues in Eastern Europe and the former Soviet Union at BEROE (Minsk), BICEPS (Riga), CEFIR (Moscow), CenEA (Szczecin), ISET-PI (Tbilisi), KSE (Kyiv) and SITE (Stockholm). The weekly FREE Network Policy Brief Series provides research-based analyses of economic policy issues relevant to Eastern Europe and emerging markets. Opinions expressed in policy briefs and other publications are those of the authors; they do not necessarily reflect those of the FREE Network and its research institutes.

