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Transforming the Old into a Foundation for the New: Lessons of the Moldova ARIA Project

This paper is a joint DEC-ECA case study of what is recognized as one of the more successful projects in any country of the ECA region, not to mention in the poorest country of the region. The ARIA project showed new ways to attack some of the most intractable problems of private sector development in ECA: how to facilitate reorganization as well as liquidation bankruptcies, how to promote SME spin-offs as well as new start-ups, and how to promote new learning at the enterprise level both in the form of "Marshall Plan" programs with more advanced post-socialist countries as well as continuous improvement programs (e.g., adapted from Japanese programs). The "prime mover" for these programs was the quasi-public restructuring agency ARIA established as part of the Moldova PSD I loan. ARIA was structured in a way to try to combine private sector entrepreneurship with a public function in the process of restructuring and bankruptcy. The case study tries throughout to account for the specific strategies and innovations that lead to the results. Finally, the case study tries to connect the ARIA strategy to the older development literature by viewing the case through the lens of Albert Hirschman's work on social learning and change.