

# Economic Security and the Fight against Corruption in the Republic of Moldova in the Context of Integration Processes to EU

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## 1. Introduction

The deepening of cooperation between the EU and the Republic of Moldova takes place on the basis of the Association Agreement, which entered into force on July 1, 2016. This juridical document provides for cooperation in various areas of mutual interest, including the creation of a Deep and Comprehensive Free Trade Area (ZLASC / DCFTA). The Association Agreement is an obvious proof of the irreversibility of Moldova's European vector through rapprochement with the European community and democratic values. Along with confirming the course of European development, Moldova also participates in various programs and partnerships launched by the European Union. Among the most significant is the Eastern Partnership initiative. Taking into account the increased interest of the EU in investing in the modernization and democratic development of the partner countries, providing the necessary technical, political and financial assistance, Moldova actively participates in the programs launched by the EU. But in domestic policy, the priority remains the eradication of corruption, which is a real problem for all state institutions and which hinders the development of the country and the welfare of society.

## 2. Current Status of Corruption in Moldova

Corruption remains one of the main impediments to development and investment, affecting all sectors of society, despite the gradual progress of anti-corruption policies. Moldova has most of the formal components of a robust anti-corruption architecture, including institutions responsible for anti-corruption policies and legislation, as well as institutions responsible for preventing and combating corruption. In the Report on the Implementation of the Republic of Moldova-European Union Association Agreement of 2019, the EU stressed that "more reform efforts are needed to improve the rule of law and the business environment, which are still affected by endemic corruption. In the area of money laundering, Moldova needs a new and comprehensive legislative framework and strategy containing the necessary provisions for effective implementation and control. Although there has been some improvement in recent years, according to the Corruption Perceptions Index published by Transparency International (see Table 1a), the World Bank indicator of Control of Corruption shows stagnation (see Table 1b).

Table 1

### a. Corruption Perception Index in the Republic Of Moldova

	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Rank</b>	<b>115/180</b>	<b>120/180</b>	<b>17/180</b>	<b>122/180</b>	<b>123/176</b>	<b>102/167</b>	<b>103/175</b>	<b>102/177</b>	<b>94/176</b>
<b>Score<sup>1</sup></b>	<b>34</b>	<b>32</b>	<b>33</b>	<b>31</b>	<b>30</b>	<b>33</b>	<b>35</b>	<b>35</b>	<b>36</b>

### b. Control of Corruption (World Bank indicator)

<b>Control of Corruption<sup>2</sup></b>	<b>-0,6</b>	<b>-0,6</b>	<b>-0,7</b>	<b>-0,8</b>	<b>-1,0</b>	<b>-0,9</b>	<b>-0,9</b>	<b>-0,8</b>	<b>-0,6</b>
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<sup>1</sup> Moldova scored 34 points - this index reflects the assessment of the level of perception of corruption in countries on a 100-point scale, in which 0 is the maximum level of corruption, and 100 points is its complete absence.

<sup>2</sup> Control of Corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests.

The activities of the Moldovan Government are aimed, as their main goal, at improving the welfare, security and quality of citizens' life, which will be achieved, inter alia, by eradicating corruption and ensuring the authority of law. Therefore, the fight against corruption is one of the main priorities of the state program (both under President I. Dodon and under the current President M. Sandu). So, in 2005-2010, the National Strategy for Preventing and Combating Corruption was approved; in 2011-2016 - National Anti-Corruption Strategy; 2017-2020 - National Integrity and Anti-Corruption Strategy. The last Strategic Program's goals were (1) Counteraction-prevention of participation in corruption acts; (2) Recovery - recovery of proceeds from corruption offenses; (3) Ethics - ethics and integrity in the public, private and non-governmental sectors; (4) Protection - protection of whistleblowers and victims of corruption; (5) Transparency - transparency of state institutions, party financing and the media; (6) Education - education of society and officials, (National Integrity and Anti-corruption Strategy Impact Monitoring Survey - Moldova 2019, Feb 14, 2020).

The problem is that reforms and political efforts are focused only on legislative amendments and institutional restructuring, and most often without effective implementation of legislative and institutional changes.

Some progress has been made in certain areas, but these are minor achievements. At the same time, there are many shortcomings. The share of people who have given bribes in any of the areas is growing: the police, justice, healthcare, education, documentation of the population, unemployment benefits and other services. Perhaps Moldova needs a more flexible anti-corruption strategy based on the principles of integrity, so its goals should be more focused and focused on areas vulnerable to corruption.

### **3. Why Corruption in Moldova Started to Happen and its Consequences**

Widespread corruption is a consequence of the actions of the country's political class over the past few decades. This scale of bribery is explained by the transition period, when after the collapse of the Soviet Union, the citizens of independent Moldova were left almost alone with the problems that arose - poverty, meager salaries, despair. During this period, many people had a desire to "benefit" from other people's problems. Corruption has also penetrated into humanitarian, socially important sectors, such as education and health care. And at the highest level, it has become almost a common occurrence. Cases that in other countries would have outraged public opinion and shocked the whole country, in Moldova practically go unnoticed. Moldova has been particularly hard hit by bank fraud, with little progress in prosecuting those involved and recovering fraudulent assets. Paradoxically, corruption in Moldova is perceived as a way of survival. But the vast majority of the population should be the main interested and driving force for changing the situation. But the obstacle to this is that citizens do not see the connection between their corrupt actions and the real losses for society as a whole, which are a natural consequence.

It is quite difficult to estimate the losses from corruption, and at the moment there is no convincing data on this either globally or locally. At the same time, there are several estimates that can show at least the scale of losses from this phenomenon. Estimates of corruption costs vary depending on the methodologies used, but all agree that corruption is an obstacle to economic development. Thus, a study conducted in 2005 (Dreher A., Herzfeld T., 2005) shows that on average in the world an increase in the level of corruption by one percentage point (pp) causes a slowdown in GDP growth by 0.13 pp, and for the level of corruption in the Republic of Moldova (at that time) it was 0.12 pp or an average annual decrease in GDP per capita by 387 US dollars (in 1995 prices).

Another commonly used estimate (WEF, 2012) shows that the damage from corruption is 5% of global GDP. Based on this assessment and assuming that there is a direct link between the Corruption Perception Index (CPI) and losses from acts of corruption, the losses for Moldova

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Estimate gives the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5.

will amount to about 8.7% of GDP<sup>3</sup>. This amount exceeds all the expenses of 2020 for all pensioners and for social assistance benefits. This amount exceeds all expenses for pensioners and social assistance benefits. It is important to mention that the damages from corruption are not only the direct and immediate ones, i.e. only those noticeable at the time of the corruption act. They have a multidimensional effect that spreads long after the crime of corruption.

The economic impact of corruption manifests itself in various ways. Bureaucratic procrastination in drafting documents, inability of the state to ensure producer security, lobbying, protectionism, influence peddling, unfair competition, excessive state regulations and controls, affecting market economy mechanisms and free competition, discouraging potential investors and entrepreneurship, they lead to an increase in the cost of public projects, to a decrease in economic efficiency, to an extension of tax evasion, to a reduction in payments to the budget and to the development of the shadow economy.

#### **4. Future Expectations and Implication**

Corruption is a complex, multi-structural and multidimensional phenomenon, an economic, social and political phenomenon, the complexity of which is determined by various causes, which can be grouped into: economic, institutional, legal, political, social and moral. The level of corruption always increases when the country is in the period of modernization. Moldova is experiencing at the present stage not only a simple modernization, but a complete restructuring of all economic, social and political processes at the state level. From these considerations, it is no wonder that it follows the path of modernization according to the rules of social development, including those that have negative consequences. A very effective protection of the principles of transparency is provided by the association of citizens in social organizations created specifically for these purposes. Such organizations are designed to increase the responsibility of citizens and increase their level of social consciousness both in the country and abroad. If the people do nothing to preserve democracy, if they do not have the social courage and trust in the elected government, then democracy will inevitably become a victim of corruption.

Recognizing corruption as a multifaceted and complex problem, it becomes clear that innovative solutions, such as the introduction of digital tools, are needed to empower stakeholders in their relentless fight against corruption. A successful example of this approach is the recent cooperation of the E-Governance Academy (eGA) with the NGO "Center for Policy and Reform" of the Republic of Moldova (CPR Moldova), which resulted in the creation of the AntiCorr anti-corruption platform. The history of the creation of AntiCorr dates back to 2017, when eGA conducted a study of the state of development of e-democracy and cybersecurity in the Eastern Partnership countries. The study made it possible to identify the main problems on the field, as well as to identify NGOs that can help solve them. For many countries, such as Moldova, a regulatory framework according to the "top-down" principle has already been created. The country has also developed an anti-corruption strategy, which determines the levels of responsibility in the fight against this problem not only of state authorities, but also NGOs and the media.

However, the activities of these actors are becoming more complicated due to the limited tools at their disposal, and corruption persists, despite the existing regulatory framework. For this reason, the project team decided to empower communities through bottom-up processes. The project aims to join forces with CPR Moldova in order to raise awareness of all sectors of society about corruption and stimulate more active activities aimed at solving this problem. The overall goal of the project "Educate. Engage. Empower. Community Tools Against Corruption"- to make the Moldovan society more aware of corruption at all levels and more active in the fight against it, educating, engaging and inspiring the population to fight corruption using ICT tools. The platform allows users to check their awareness of corruption, learn more about its most

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<sup>3</sup> GDP in 2020 in the Republic of Moldova amounted to 11.9 billion US dollars

common types and characteristics, and report specific cases of corruption that they are aware of or have encountered. Could you please translate for us the extra paragraph for the Moldova article and send us ASAP?

There have been political fluctuations in the Republic of Moldova, a new government has appeared, with which great hopes are associated - hopes that the authorities will be able to take a number of actions in order to restore people's trust in both the law and the justice system. But there is no such trust. If even the most "correct" laws do not work, we cannot talk about justice and a successful fight against corruption. On the one hand, the laws do not work, because it is possible to "negotiate" and avoid punishment. And on the other hand, the mentality of people is such that they believe that at every step one should "thank", "bribe" (be it a kindergarten, school, institute, hospital, any state authority) in order to provide themselves with a positive solution to their problem. The current corruption level in Moldova is their reality. It takes a long time to change traditions. Corruption is an unsolved problem in small developing countries. If it were so easy to answer why this is happening, it would be defeated.

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