



Transparency International – Moldova

98, 31-August Str, Chişinău, Republic of Moldova

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Corruption and Quality of Governance: The Case of Moldova

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This study was funded by the United States Public Affairs Section – Chisinau. The findings, interpretations and conclusions presented in this report are entirely those of the author. The United States Public Affairs Section – Chisinau or the United States Government neither endorses nor takes responsibility for the content of this publication. The publication of this report was funded by UNDP.

Acknowledgements

The author expresses her gratitude to the Public Affairs Section of the US Embassy in the Republic of Moldova for the financial assistance of this research.

Special gratitude to *Bernell McIntire*, *Lisa M. Heilbronn* and *Rodica Stavarrache* for their moral support and valuable advise, to the team of CISR (*Dr.A. Gudym*, *A. Bucatca*, *A. Turcan*, *G. Balan* , *V. Bulan*) for excellent co-operation in carrying out the opinion poll. The study has benefited greatly from contacts with *Donald Bowser* (Transparency International). I also express many thanks to sociologists, *Dr. V. Turcan* and *Dr. I. Jigau* for their consulting and for conducting the poll. I am grateful for the team of 50 interviewers.

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Introductory note

Corruption is one of the most significant impediments for the reform and for the economic recovery of the Republic of Moldova. This has been recognized by both, the Government of Moldova, as well as international organizations collaborating with Moldova, including the World Bank, UNDP, IMF, and Transparency International.

The main purpose of this study is to assess the present situation regarding state capture and administrative corruption in the Republic of Moldova and identify priority measures for making a substantive advance in combating corruption.

Following an introduction, the first chapter of this report assesses the present situation regarding corruption and its consequences for the Republic of Moldova. It presents a summary of work previously done by the author, and published by the Center for Strategic Studies and Reforms. The notion of corruption on the national scene, the place of Moldova in international rankings of corruption and the assessment of consequences of corruption for the economic, social and democratic development of the country are also discussed in this chapter.

The second chapter generalizes the results of the opinion poll with regard to corruption carried out among businessmen and households. It presents the structure of the questionnaire, and the main results for general questions, as well as for the specific questions for businessmen and for households. Wherever it was possible, the chapter includes comparisons with other countries in transition in the South East Europe and CIS.

The third chapter includes the discussion of national attempts to fight corruption and concrete proposals to curb corruption in Moldova in the following cross-section: judiciary and legal reform, public sector reform, amelioration of state control procedures, transparency in political life, creation of a viable private sector, research of the phenomenon of corruption. The role of civil society and of international donor organizations are also examined here.

1. The face of corruption in Moldova

1.1 Notion of corruption on the national scene

The economic development of countries in transition appears to have been much more problematic than expected. Moldova's three-fold economic decline in the past nine years has placed this country at the lowest level of GDP per capita (US\$ 454 in 1999) amongst the transitional countries. The decline is not solely a result of combined unfavorable climatic conditions, the war in Transnistria and the lack of financial resources. Rather, an added major reason for this poor performance is an inefficient system of governance. The following factors have contributed to the poor level of governance in the country:

- lack of experience and professionalism in governing a newly formed sovereign state;
- unfavorable economic conditions;
- constantly changing environment;
- lack of understanding and support from population;
- lack of political will and fear of making major steps towards market reforms;
- the fact that the average life-span of governments so far has been too short to allow for significant changes.

These factors are all important, however, the single factor that most negative impact is affected on the governance and development of the country has been corruption.

Over the last few years, the problem of corruption surfaced in a number of transitional countries, and in some cases took over the structure and functions of the state, with inevitably dire consequences.

Similarly as an epidemic, corruption can be viewed as a disease capable of spreading fast, unless the proper dose of vaccination is applied in good time. Moldova, like many other countries, has been facing the problem of contagious corruption for decades. The initial phase (1989-94) of the transition from an administrative, command system to a market system did not interrupt the unofficial connections at the top level of the officials, of those who had the privileges and priorities of access to goods, finances, information and services (usually referred to as the system of *blat*). Adherence to a political "clan" was a kind of guarantee for their protection, and for barring legitimate security authorities from having access to information on their activities, including criminal activities. This kind of "grand" level corruption meant that while the number of corrupt persons was relatively small, the scale and dimensions of corrupt transactions were extensive. At a later stage of transition (1995-2000), identified with certain level of capital accumulation, the number of such transactions increased significantly.

1.2 Causes of corruption

The variety of forms as well as scope for corrupt behavior depends on factors promoting corruption. Besides, general ones, such as political instability, there are others that are closely linked to the structure of the public sector and sometimes can be eliminated or minimized through thoughtful government interventions¹. The source says that, in principle, each area of government's involvement contains something that the private sector might be interested in buying:

- government contracts (procurement, privatization, etc.);
- government benefits, transfers, privileged positions in the market;

¹ Tokhir Mirzoev, Corruption as Seen by the Private Sector, Open Society Institute, September 1999

- cheap credits, monopolistic positions through licenses, permits, etc.;
- public revenues (avoid taxation or reduce the amount to be paid), time (so-called “speed” money);
- changes in legal and regulatory provisions (e.g. through party financing);
- positions in the government, etc.

Fig. 1.1

The existence of the public sector itself is not, however, a complete explanation of why corruption occurs. Many countries, such as Finland, Netherlands, Sweden, Denmark and Canada, where the size of the public sector is among the largest in the world, are much less corrupt than many of the “more market oriented” economies of Africa and Asia. The latter suggests that it is not the mere presence or size of the public sector, but the way it operates that largely determines level of corruption in any given country.

The causes of corruption in Moldova are legal, institutional, economic, political, social, and moral.

Controversial and out of date legislation are the main *legal causes* of corruption.

The lack of strategy for fighting corruption, the lack of transparency in the decision making process, the high level of discretion in the work of public servants, and the policy generating rent-seeking - all these factors constitute *institutional causes of corruption*.

Its *economic causes* include low wages for government employees, and delays in payment of their wages. This puts an essential part of public servants under a dilemma: personal integrity or personal survival.

Political causes of corruption include the concealed interest of some groups to restore the totalitarian regime.

Social and moral causes are the erosion of ethical values of public officials, insufficient input of mass media and public tolerance of corruption.

Corruption perception index, 2000

Slovenia	5.5
Estonia	5.7
Czech Rep.	4.3
Poland	4.1
Lithuania	4.1
Belarus	4.1
Lithuania	3.4
Bulgaria	3.5
Romania	2.9
Moldova	2.6
Ukraine	1.5
Armenia	2.5
Russia	2.1
Cazahstan	3
Yugoslavia	1.3
Uzbekistan	2.4
Azerbaijan	1.5

Source: Transparency International

Fig. 1.2

Frequency and extend of the bribe tax

	Percentage of firms bribing frequently	Average bribe tax as % of annual revenues
Armenia	40.3	6.8
Azerbaijan	59.3	6.6
Belarus	14.2	3.1
Bulgaria	23.9	3.5
Croatia	17.7	2.1
Estonia	12.9	2.8
Georgia	36.8	8.1
Kazakstan	23.7	4.7
Kyrgystan	26.9	5.5
Lithuania	23.2	4.2
Moldova	33.3	6.1
Poland	32.7	2.5
Czech Republic	26.3	4.5
Romania	50.9	4
Russia	29.2	4.1
Slovak Republic	34.6	3.7
Slovenia	7.7	3.4
Ukraine	35.3	6.5
Hungary	31.3	3.5
Uzbekistan	46.6	5.7

Source: Transition Report, 1999, EBRD

1.3 The place of Moldova in international rankings

The ranking of Moldova on the quality of governance and levels of corruption varies depending on the methodology used, but in any case they are far from good ones. According to evaluations by Transparency International, Moldova is placed in a group of countries with a high index of corruption. On a descending scale of 10 to 0 (with 0 representing total corruption and 10 total lack of it), Moldova scored 2.6 in 2000. According to this scale, in 2000 Moldova is placed on the 76th place, after the Ivory Coast, and followed by the Ukraine and Venezuela.

In a joint study by the EBRD and the World Bank an opinion poll of about 3000 managers from 20 countries in transition was carried out. Its results show that Moldova held the 15th place from the top in terms of microeconomic governance (the index being equal to 0.52 out of a maximum of 3.0), the last place for the quality of macroeconomic governance (the index being 0.35), the last place for infrastructure (index being 1.42), and the penultimate place with regards to law enforcement (the index being 1.1).

According to the aggregated quality of governance index, Moldova held the last place, with an index of 0.82. About 75 % of Moldovan firms mentioned that the legal system does not protect their property rights. In Estonia, for example,

Fig. 1.3

Quality of governance index

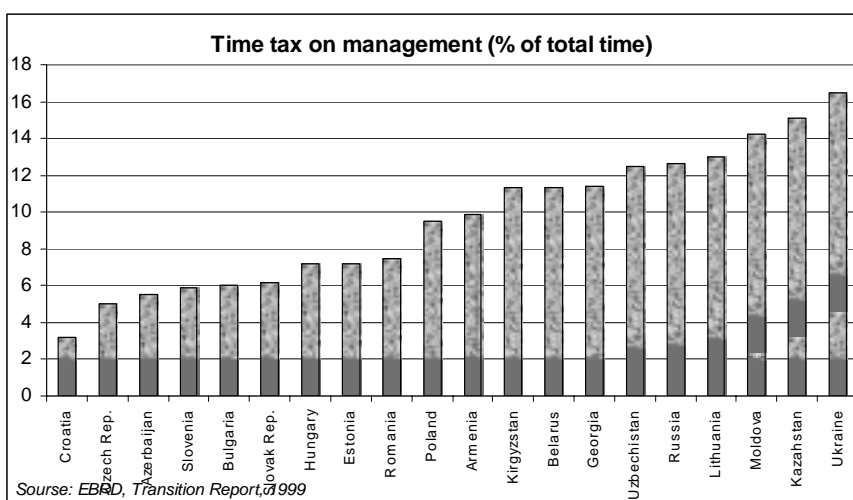
	Micro-measures	Macro-measures	Infrastructure	Law and order
Hungary	0.92	1.72	2.42	2.34
Slovenia	1.17	1.73	2.26	2.23
Estonia	1.25	1.74	2.38	2.17
Uzbekistan	1.4	1.44	2.11	2.16
Armenia	0.55	1.15	2.21	2.32
Poland	0.96	1.53	2.37	1.82
Slovak Republic	0.88	1.68	2.11	1.7
Czech Republic	0.8	1.35	1.57	1.97
Belarus	0.67	0.77	2.18	2.25
Lithuania	0.69	1.7	2.19	1.48
Azerbaijan	1.02	1.59	1.73	1.56
Croatia	0.67	1.18	2.13	1.62
Bulgaria	0.9	1.25	1.77	1.49
Kazakstan	0.75	0.72	1.85	1.68
Georgia	0.67	0.93	1.78	1.47
Ukraine	0.34	0.77	1.76	1.68
Russia	0.47	0.65	1.91	1.54
Romania	0.45	0.6	1.49	1.48
Kyrgyzstan	0.46	0.48	1.85	0.98
Moldova	0.52	0.35	1.42	1.1

Source: EBRD, Transition Report, 1999

only 22 % of the firms feel unprotected. Moldovan managers of enterprises spend 17 % of their total working time with public officials. This is the top figure amongst all countries in transition. In Croatia, for example, this time input constitutes only 3 % of the total.

“State capture commonly reflects the extent to which government policy-making is unduly influenced by a narrow set of interest groups in the economy which provide private benefits to politicians”². The State Capture Index proposed by the EBRD stands at 46 % for Moldova. In this respect, only the Ukraine and Armenia face a more difficult situation than Moldova.

Fig. 1.4



Data from the above-mentioned poll also show that about one third of Moldovan firms frequently pay bribes. According to this indicator, Moldova is placed in the middle rank of all transitional countries surveyed.

² Transition Report, 1999, EBRD

Regarding the relative scale of bribe in comparison with the total annual income, Moldova is placed amongst the first five countries. A more discouraging situation for the business appears only in Georgia, Armenia, Azerbaijan and Ukraine.

1.4 Consequences of corruption

Corruption has a strong negative impact on the economic and human security. Its consequences are many.

Social consequences:

Corruption creates an additional “unofficial” tax burden on population. It has a strong negative impact on the most vulnerable parts of the society, which have no political power to protect themselves. There is a direct correlation between poverty and corruption. The latter absorbs funds that could be allocated to health care, education, social security, and to address other social concerns.

Consequences on the political security of the state:

The formation of an economic and political oligarchy, which dictates its will to the society, without taking into account society’s needs, contributes to the rapid growth of state debts, the decline of budget revenues. It leads also to failure of policies supporting small businesses and social endeavors. It cuts funds collected for payment of civil servants drastically. As a result it often paralyzes state institutions.

Environmental consequences:

The environmental situation deteriorates due to the fact that society is subject to separate groups, who are interested in using natural resources to gain immediate profits without taking into account the long-term impact on the society as a whole.

Often, it is difficult to make a clear division between corruption and bad governance in Moldova. However, it is clear that some cases could not have reached such a scale unless the private interest of a small, but powerful groups of population was implied.

Economic consequences:

Corruption facilitates growth of shadow economy, and increases transaction costs; it reduces competitiveness, discourages investments and innovative ideas, reduces economic efficiency and makes the country more vulnerable to economic crises.

The existence of a large underground segment within the economy distorts macroeconomic indicators, such as unemployment rate, population revenues and expenses, as well as information related to living standards. It also reduces the effects of economic and social policies.

Shadow economy. According to our evaluations, shadow economy constitutes about sixty per cent of the official economy in the country. The negative side of this phenomenon is that budgets decrease and, as a result the state is unable to pay the salaries of public employees, to implement social assistance, to support educational and health programs, and it thereby loses its credibility.

Declining economic discipline and tax evasion. One of the negative effects of shadow economy and corruption is the decline of economic discipline. Thus the average occurrence of tax violation in Moldova grew from 53% of the total number of legal entities subject to fiscal control in 1994 to 70% in 1999.

According to our raw evaluation based on the data of the Main State Fiscal Inspectorate, total tax evasion rose from 4% of the consolidated budget incomes in 1994 to almost 30% in 1998 and 22% in 1999. This decline in 1999 was mainly caused by high inflation (43.8%), so that the real tax burden on the enterprises diminished in 1999. However, this is a raw estimation. Data on illegal import-export operations indicate that the actual level of tax evasion increased.

Smuggling. The problem of illegal exports and imports has expanded in alarming proportions. According to the data from customs administration, the detected volume of smuggled goods grew from 2.7% of the total foreign trade turnover in 1997 to 10.6% in 1998. During this time the number of criminal files reaching the court diminished continuously, criminal cases were closed. In 1998, twenty-eight criminal files were opened, but none was investigated.

The volume of non-repatriated currency is growing continuously. During the period from 1996-98, the practice of under-selling exports resulted in loss of 500 million Lei revenue, according to the estimates of the Accounting Court.

According to the data of the Ministry of Internal Affairs (September, 2000), only 2 of every 10 trucks with fuel, which came through customs, are officially registered by customs officers. The average payment for one unregistered truck is about 100 USD.

Our analysis on the export-import operations between Moldova, Russia and Ukraine revealed considerable discrepancies (ranging from sixty to ninety percent of the total turnover).

The Transnistrian problem creates additional losses to the state budget of the Republic of Moldova. In 1997-98 more goods were imported to Transnistria than to the rest of the territory, with respectively 1.7 and 3.1 times more for spirits, 9.7 and 19.4 times more for alcoholic beverages and 252 and 90 times more for cigarettes. This is particularly remarkable given that population of Transnistria makes up a mere 12-15% of the total population of Moldova. It is clear therefore that the main consumption of the imported goods takes place in the mainland (i.e. on the right side of the River Nistru), but without any contribution to the state budget by way of paying the due imports duties.

Moldova officially benefits from the preferential system for its exports to USA and EU, but, ironically, Transnistria gets most of the benefits, because it uses the Moldovan stamp of the state customs administration and exports goods without contribution to the Moldovan budget, and exports goods produced in Transnistria and Russia at dumping prices.

According to data from the Customs Department, in 1999 the Republic of Moldova imported goods valued at 622 million Lei. The Romanian customs administration registered imports for the territory of Transnistria of the total value of 2,761 million Lei. This should bring additional revenues to Moldova, or at least to Transnistria, to a value of about USD 80 million. In fact the budget of Transnistria obtained only USD 3.19 million, and that of Moldova nothing. The difference of about USD 75 million “settled” in private pockets.

Public procurements, manipulations of prices. Data from the report of the Accounting Court contain numerous cases of the breaking of rules of public procurement. Instead of adhering to transparent purchasing procedures, services of some firms with questionable reputations are accepted with prices exceeding the market level, and the benefit is shared by these firms and the public officials involved. The result is the transfer of considerable sums of public money to some private pockets, bypassing the market procedure of privatization, and hence distorting the market mechanism still further. A case in point is the contract signed between the social Fund and the S.A. Petrol, concerning sugar made from sugar cane imported from Brazil. The imported sugar was Lei 0.65 per Kg above the market price. The presumably private profiteering out of this single contract amounted to more than one million lei, sufficient to pay the monthly pension of some 12,000 people in Moldova.

In another case the Social Fund supplied 1196.5 tons of fodder wheat for a price of 263.2 Lei per ton (1998) to S.A. „Petrol”, more than half of the wheat was bought for a price of 450 lei per ton, which drained an additional 1.24 million Lei from the state budget.

The following case is an example of a barter transaction in which the price for the goods exported was below market price, and the cost of the imported goods was greatly increased. The contract was with the firm „Hellis-Mag” for the export of 30 thousand tons of sun-flower seeds, 30 thousand ton maize, 15 thousand tons of fodder wheat and 5 tons of oats. As a result of the transaction 4.9 million dollars were lost. The report of the Accounting Court contains a great number of this kind of cases. Ironically, these transactions take place in the organizations where financial resources are especially scarce: the Social Fund, the Ministry of Health, the Ministry of Education, and in the penitentiary system (where the average daily expenditures per convicted person is 0.7 lei, or 5-7 US cents). The question of whether these transactions happen due to corruption or due to bad governance caused by lack of professionalism does not really change their economic effect on society.

Sale of forfeited goods. This presents an activity during which a considerable part of the value of goods “remains” in the hands of the public servants involved. This is particularly the case with smuggled sparkling wines, which were sold after being seized without a tender (bid) procedure for a three-fold reduced price. As a result, the budget lost 357.3 Lei thousand. Another loss of 631.6 thousand Lei was caused by selling vodka at very reduced prices.

Illegal privatization. The findings of the Accounting Court reveal numerous cases of misappropriation of public funds. This causes considerable loss to the state budget. There are detected cases of illegal privatization of public property, avoiding the open bidding procedures, artificial reductions in the estimated value of enterprises in the case of privatization by the personnel of the enterprise, as well as other forms of reduction of the value of enterprises (falsifying the year an enterprise was established, intentional smoke-screening, or concealment of units belonging to the enterprise, exclusion of former workers and retired staff from the privatization list, etc.).

Energy sector. Probably, the largest of corrupt transactions occurs in the energy sector. Moldova’s debts for energy grow on an average of US\$ 60 million per year, while the country continues to risk a total lack of energy resources. At the same time, improving the situation in the gas sector alone could solve the problem of debts for the whole energy sector. Thus, due to the absence of a reliable metering system in Moldova, losses of gas are estimated arbitrarily. The total consumption of gas is estimated as the difference between the readings of the gas meters in the Ukraine and in Romania. The gas counter in the territory of the Ukraine is situated far away from the border between the countries (50 km), and so, the Ukrainian side consumes an essential part of gas. At the same time Russia continuously accuses the Ukraine of stealing volumes of gas, which exceed the total consumption of gas in the territory of Moldova. Just the total losses of gas (including the non-existing ones) in Moldova were estimated at USD 20 million over 1995-97. It is a very high figure, taking into consideration that in 1999, the GDP of the Republic of Moldova was USD 1,160,000.

Moldova pays for gas through a long line of intermediary firms, which transform the original payments in kind to payments in cash, and vice versa. This inevitably raises the price. As a result Moldova buys gas at prices, which are 10-15 per cent higher than its neighbors. While energy-related debts grow, the intermediary firms remain the sole profiteers out of the worsening situation. Obviously, this situation would not occur with fair governance. The main cause is private benefit for small groups of people with high influence.

The tobacco sector is mainly underground, even though, it is state property. According to our estimation, the recorded sale of cigarettes in the Republic of Moldova amounts to only about 10% of the total consumption. It is not surprising why there was such a strong opposition to the privatization of the tobacco sector in the Republic of Moldova.

The railroad traffic underreports a big part of its activity. Thus, when buying a ticket for Chisinau - Bucharest route, passengers are often told that there is a scarcity of tickets. So, passengers are forced to seek unofficial ways of getting on the train by paying cash directly to the conductor. Sometimes this way is even cheaper. In Bucharest there is a net of intermediaries who “convey” the illegal passengers to the train bypassing the usual train platforms. At the same time, the state railroad company has completely deteriorated and needs considerable investments for repairs.

Over-bureaucratization of state control procedures. The system of state control gradually becomes a system of extortion of money from the business sector. Data of the Survey on Identifying the Impediments to the Development of Private Farming Enterprises and Related Small Rural Business in Moldova --carried out by the Center for Strategic Studies and Reforms in collaboration with Carana Corporation--- show that during 1998-1999, twenty-five farms were visited twelve times by the fiscal inspector, with twelve of the entrepreneurs visited as frequently as 15-20 times. One entrepreneur complained that he was visited about fifty times by the fiscal inspector in one year. Visits of the Electricity inspectors are not less frequent: thirty-two companies were visited twelve times, ten companies between 16 to 100 times. In the majority of cases these visits are accompanied by the “procedures” of extortion of money from the private sector.

Unfair distribution of income and social benefits. The shadow economy generates additional income for the participants and members of their families, and sometimes it is the only source of livelihood. This sector’s existence in parallel with the formal economy, in fact, generates 60% of additional income. However, this *income is unequally distributed* among the population and the gap between the rich and the poor is actually greater than that stated in official statistics. Hence, an analysis of data in the Household Budget Survey shows that the consumption of meat in families is on the average 60% higher for those employed in the private agricultural sector, than it is for those engaged in the public sector, even if officially they are stated as having the same level of income.

The vulnerable sectors of society are the most severely affected by social inequity, which in turn worsened by protectionism. With no political influence, they are often subject to increased social pressures. Thus, our analysis of data of the Household Budgets Survey carried out by the Department of Statistical and Sociological Analysis with the financial assistance of the World Bank, prove that in 1997 the social benefits received by each member of the families at the highest level of disposable income (level V), is about five times higher than those received by families at the lowest level of income (level I). An inequitable social system inevitably appears where population sectors earning a higher income enjoy most of the social benefits. An unfair social system is thus created and sustained.

The population working for the underground sector of the economy is not entitled to social assistance and protection from the state: the requirements with regard to working conditions, working time and minimum wages are not met. There is an abuse of the work performed by minors and women, the system of temporary sick leaves is not in operation, the system of official holidays is ignored, so is the pension system, etc. A special case is the illegal employment of Moldovan citizens in other countries. It is known that about 500-600 thousand of people yearly work abroad. This is about one third of the total number of employees working in Moldova. Most of them are working illegally. There are not agreements between the Republic of Moldova and other countries on the export of labor force. Therefore, there are many cases where upon the completion of work, the individuals illegally employed abroad are paid less than initially agreed, or are not paid at all and expelled from the country, or they become enslaved by some local criminal organization, or, frequently, lose their lives. During 1999 alone, the Public Prosecutor initiated fifty criminal cases against firms offering “services” of illegal hiring abroad. At least 4000 of citizens of the Republic of Moldova have been affected by the activities of these firms, extorting more than USD 600 thousand.

The decline of economic discipline leads also to the *decline of the quality of goods and services on the national market*. Data of the National Center for Standardization, Measures and Certification show that the rate of law violations detected during the controls of consumer goods varied from 40% for foods to 70% for children's goods, and 79.5 for all imported goods.

Corruption in the judiciary. Mass-media continuously discloses numerous cases where criminal cases were inappropriately classified or generally dismissed. Unofficially, a system of so-called "tariffs" exists. For instance, for USD 1000, a person could have his sentence reduced by one year. If the payment is adequate, he is "justified" in Court. As a consequence, ninety-eight percent of all those who serve their sentence are people from rural areas, punished mainly for minor crimes. The cases of serious crimes do not usually reach the courts.

Crime. The existence of a large corrupted sector in the state creates favorable conditions for crime. Data of the scientific-practical conference "Organized crime and the shadow economy in the Republic of Moldova" held under the auspices of the Ministry of Internal Affairs of the Republic of Moldova, Academy of Police and the Independent Association of Criminology, shows that corruption in Moldova achieved striking proportions. Lack of state power creates conditions for emerging mechanisms and structures that quickly can substitute the state structures.

There are 1,237 members of a criminal organization named "Micu", which has its net of representatives in almost every village in Moldova and "is in control".

There are about 300 criminal groups, and 35 criminal clans, which control the economic, political, and social performance of the country. Thus, the problem of non-payments is solved by pressure of the criminal structures, playing the role of informal courts, and charging 50% of the indebted amount.

A practice exists of "temporary" releases of convicted individuals from jail, who are hired to commit another crime and then return to prison with a fool-proof alibi.

In the territory of Moldova there are four routes of *drug trafficking*. The monthly traffic of heroin is estimated to reach the volume of 150-200 kg. In the territory of Moldova, there are clandestine laboratories producing drugs based on local, much cheaper technologies, and this presents an essential threat to the local poorer population. During the last five years, the estimated number of addicted persons rose from 3 thousand to 60 thousand people. In 1998 their number grew 5 times in comparison with 1997. The illicit drug industry is highly concentrated. About 60% of all drug transactions is carried out by local gypsies (gypsies make up about 0.3% of the total population of Moldova).

The annual volume of narco-business in Moldova is estimated at USD 200-250 million. This figure exceeds by 3.5-4 times the annual direct foreign investments in Moldova. It is clear that the "efficacy" of running this branch is definitely "higher" than in any legal type of economic activity. The possibilities of corrupting state officials are extremely high. That is why the list of narcotic and psychotropic substances proposed by the specialists of the Committee of Drug Control underwent essential "modifications" just before its adoption and publication in the "Official Monitor". A number of substances, which can be easily produced in the territory of Moldova, "vanished" from the above-mentioned list. That is why the customs service does not have an elementary facility of drug detecting dogs. There is not database on drug trafficking, or an unique informational system for the force ministries and criminal cases do not "reach" the court (their total number has diminished from 15 in 1996 to 10 in 1997 and 9 cases in 1998).

Thus, the above mentioned materials show that in the Republic of Moldova corruption has reached great proportions and presents a threat to the viability of the state and the economic, social, and democratic development of the country. However, this is a conclusion of an

economic study. A consequent step of this research would be to study public opinion in order to verify whether public opinion would confirm the results of this study. So long as the real economic growth and improvement of the welfare of population can be provided only on the basis of the public initiative and involvement of the private sector, the liberation of the state structures from the cancer of corruption has a crucial significance. An active participation of the civil society and the private sector in this field presents a premise for recovery of the situation in the country.

2. Corruption as seen by businessmen and households

2.1 Purpose and development of questionnaire

A successful anti-corruption campaign can only be accomplished when the three main groups - government, the private business sector and civil society join their efforts. In July -August 2000 a poll was carried out by the Center for Strategic Studies and Reforms amongst the public officials of the Republic of Moldova. The sociological research entitled “Public officials survey” was conducted in compliance with the Terms of Reference, formulated by the World Bank and agreed upon by the Government of the Republic of Moldova. The poll was carried out among public official at various level and was targeted on the quality of governance issues and included a number of questions regarding corrupt behavior in public sector. The next logical step would be carrying out an opinion poll for households and businessmen, to find out what their opinion about this phenomenon is. In fact, would mean to study corruption from both, the demand and supply sides.

The *purpose* of the poll is to study the opinion of population regarding the acuteness of the problem of corruption in the Republic of Moldova. Besides the general goal of increasing our understanding of the corruption problem in Moldova, specific objectives of the survey included the following:

- To identify the impact of corruption as a factor, impeding private sector development and general efficiency of the government for the households and businesses;
- To assess the general attitude toward corruption in the country, and to evaluate when the phenomenon reached dangerous proportions for the society;
- To study corruption in four sectors: customss, fiscal inspections, education and health systems;
- To study the issue of public tolerance with regard to corruption, that is, people’s willingness to pay bribes;
- To asses the impact of corruption on the vulnerable stratum of the population;
- To clarify if there is any gender differentiation in the attitude toward corruption;
- To study public opinion about main ways of attacking corruption.

The questionnaire was elaborated by the working team, and included the experience of similar opinion polls carried out in Bulgaria³, Macedonia⁴, and Albania⁵, so that it makes possible to have some international comparisons. Questions targeting the evaluation of corruption among

³ Corruption Indexes of Coalition 2000, January 2000, Vitosha Research

⁴ Macedonian Empirical Report, February, 2000

⁵ Albanian Empirical Report, Albanian Center for Economic Research, 2000 and
Corruption Indexes: Results from the Comparative Survey in Albania, Bulgaria and Macedonia, 2000

tax, customs, health and education institutions were coordinated with Tokhir Mirzoev, Dept. of Economics, Central European University⁶.

The opinion poll “Corruption as seen by businessmen and households” was carried out in the Republic of Moldova in November 2000. More than 1,000 of people were interviewed, including 504 businesses and 502 households. In fact, there were two questionnaires – one designed to ask about general relations between the government and civil society (in our case -households) and another – the relations between the government and businessmen. In turn the two questionnaires are divided into two parts: the general opinion about corruption, and the opinion about corruption in the four mentioned sectors (see the questionnaires for businessmen and households in appendix 2 and 3). The methodology of choosing the respondents can be found in appendix 1. The reason for choosing tax and customs authorities, as well as health and education sectors for the study was that it would allow making international comparisons, and they influence most significantly business enterprises and the population at large and that corruption in these sectors is most harmful for a society in transition. However, a study of corruption in police, or judiciary could be extremely useful as well.

2.2 Structure of the questionnaire

The questionnaire may be subdivided into four main parts: a) data about the respondent; b) general assessment of corruption phenomenon in the country; c) corruption in tax and customs services; d) corruption in education and health sectors.

Data about the respondent includes general data and personal evaluation of his own economic situation by the respondent.

General data: the questionnaire asks for general characteristics of the interviewees. These questions aim to capture a brief detailed picture of the person who is answering in the questionnaire. Four characteristics are considered: age, gender, education and the type of locality (urban or rural).

Personal evaluation of welfare by the respondent: the interviewees were asked how they would evaluate their living standards during the last year, to which population group they consider their families to belong, how they would assess the purchasing capacity of their family’s income.

General assessment of corruption includes questions on public perception of corruption, general understanding of the meaning of corruption, main forms of “informal relations”, identification of the most corrupt sectors, evaluation of the level of public tolerance and the propensity to corruption:

Public perception of corruption: How acute is this problem in the country; When it has reached dangerous proportions for the society; How dangerous is corruption in comparison with the other factors impeding the development of the country.

Businessmen had to chose between the following factors: inflation, exchange rate instability, tax regulations, undeveloped banking sector, crime, corruption, lack of skilled labor, harassment from the side of police, difficulties to find, purchase or deliver inputs/raw materials, waste of time clarifying things with various kind of inspectors, political instability, unpredictability of changes in regulations, too “sophisticated” rules for starting a new

⁶ Corruption as Seen by the Private Sector, September 1999, Open Society Institute, Local Government and Public Initiative, Budapest

business, regulations for foreign trade, price control, foreign currency regulations, labor regulations (high payments to the social fund).

The list of problems for households differs. It includes the following items: inflation, decreased quality of education or health services, instability of national currency, crime, corruption, high taxes, political instability, harassment by the police, poverty, poor communication services, bureaucracy, frequent changes in legislation, complicated rules for starting a business.

General understanding of the meaning of corruption: the interviewees were given a list of examples of corrupt behavior and were asked which of the examples listed fell under the term of corruption.

Main forms of “informal relations”: the interviewees were asked which are the most spread forms of bribes and acts which imply corrupt behavior (contacts, gifts, money, pressure from the side of top managers, pressure from the side of criminal organizations, other).

Identification of the most corrupt sectors: the interviewees were asked to evaluate the spread of corruption among the employees of the following sectors and activities: the Tax Inspectorate, Customs, Police, Sanitation, the Fire inspectorate, departments dealing with issuing licenses for import / export, registration of property, credit system, privatization, rent of state property, employees of city halls, judges, public procurement, the education system, health services, ministries and departments, and the local administration.

Evaluation of the level of public tolerance of corruption and the propensity to corruption: the interviewees were asked how they would feel giving and accepting a bribe.

The questionnaire is divided into two parts: one is related to corruption in tax and customs services, and the other targeted the assessment of the level of corruption in health and education services. These two sections include questions on the evaluation of the frequency of corrupt acts at various levels of public services, the expectation regarding the behavior of respondents with regards to corruption, the main causes of corruption, and measures to curb corruption in public sector.

Corruption in tax and customs services

Evaluation of pressure from the side of Tax and Customs Services: Entrepreneurs were asked how often they were visited by representatives of the audit system during last 12 months (fiscal inspections, economic police, fire inspectors, electricity inspector, the sanitation and anti-epidemiological station, the Financial Guard and others); whether it was “easier” to avoid troubles with these institutions by paying bribes; how the inspector usually behaved when he detected deviations from statutes.

Evaluation of the frequency of corrupt acts at different levels of Fiscal State Inspection and of the Customs Service. The interviewees were asked how often corrupt acts take place at the level of the director of a department, the vice-director of a department, chiefs of regional offices, chiefs of local offices, and local inspectors.

The expectation regarding their own behavior with regards to corruption. The respondents had to estimate the consequences of the choice whether to behave in a corrupt or on honest way.

Main causes of corruption in tax and customs services: The businessmen were asked to evaluate which is the most important cause of corruption in these two sectors: are inspectors too greedy, or there is a crisis of ethic values during this transition period. Does the government not pay them properly, or laws/rules are so poorly designed and difficult to follow that it is easier to pay officials to get things done. Is this a cultural tradition, or do

inspectors have too much discretionary power. Is the control over the inspectors weak, or is judiciary power inefficient. Is the reason that public officers want to gain “easy money”, or it is the lack of administrative control.

Measures to curb corruption in tax and customss sector. The questionnaire asks the interviewee to evaluate how effective lowering taxes on export-import activities could be, and increasing the salaries of state employees, as well as increasing punishment costs for corrupt behavior, and increasing the transparency of the tax, or didthey they have any other suggestions.

Corruption in education and health sectors

Evaluation of the state of corruption in education and health sectors: Households were asked to assess how corruption is likely to occur in these sectors; what the main forms of corrupt behavior are, and what kind of services require the highest level of bribes.

Expectation regarding a choice of corrupt or, conversely, uncorrupt behavior: The households were asked what their expectations in two cases, were when they paid bribes and when they refused to do this.

Main causes of corruption and measures to curb corruption in health and education sectors: Interviewees were asked almost the same questions as in the case of tax and customss services with a number of specifications.

Expectations towards curbing the corruption

Both, businessmen and households, were asked if they thought that corruption might be attacked in Moldova, and to what degree it could be possible.

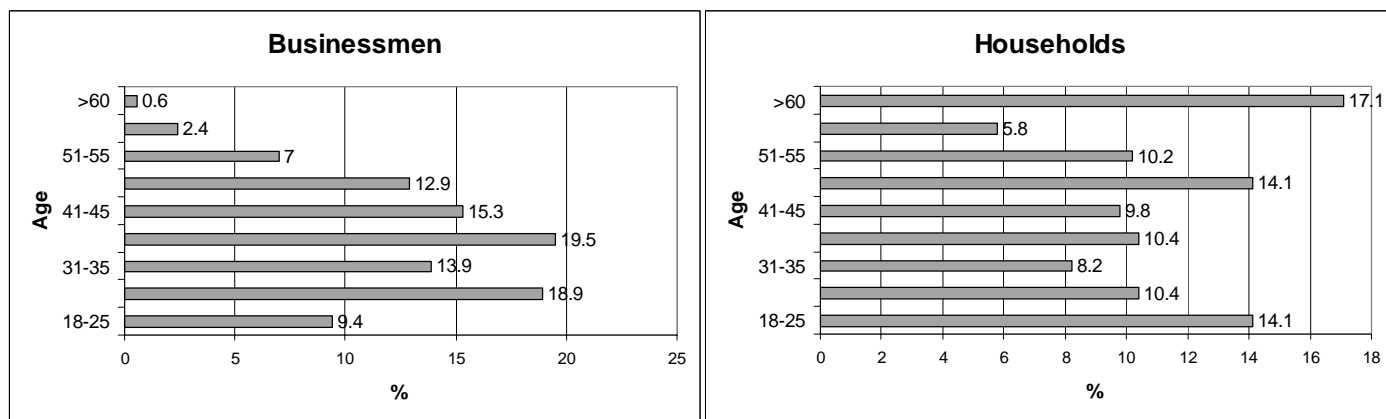
2.3 Summary results for general questions

This section summarizes the results of the questionnaire. The graphs and tables show the distribution of the opinions of the respondents regarding every question. The full distribution of answers for every single subcategory is given in appendices 4 and 5.

2.3.1 Characteristic of respondents

Age of respondents

Fig. 2.1



The distribution of respondents according to their ages is as follows: 26.5% of the total number of respondents were 30 or under 30 years of age, 25.8% - 31-40 years old, 26% were 41-50, 12.6% -51-60, 6.1% - 61-70, and 3 % - over 70.

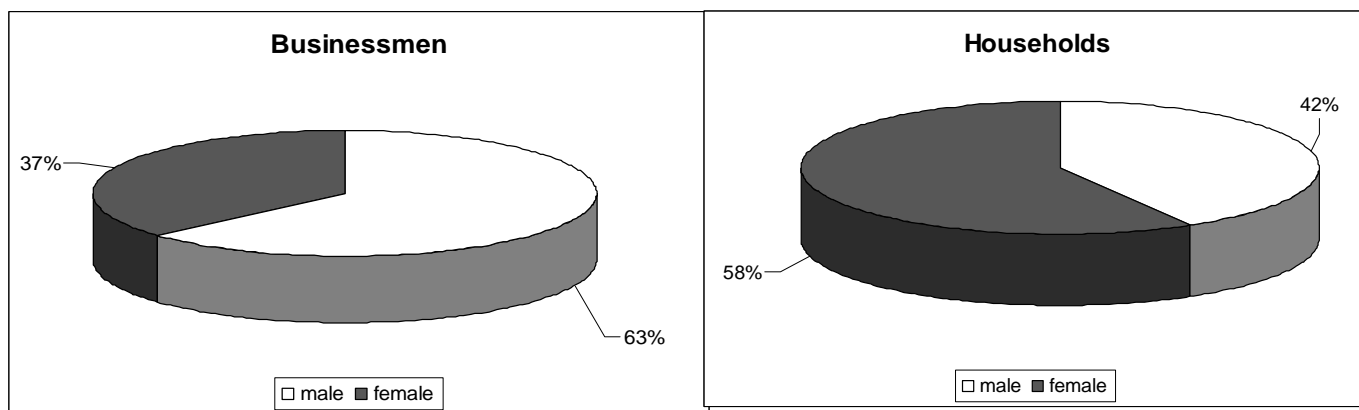
Among businessmen those under 30 make up 28.3%, between 31 and 40 – 33.5 %, those who are 41- 50 account for 28.4%, 51 – 60 years – 9.4%, and elder than 60 – 0.4 %. So, we can see that those between 31 and 40 make up the main part, and 90.2 % of all businessmen are under 50.

Among households those under 30 make up 24.6% of the total, those between 31 and 40 amount to 18.5 %, those between 41 and 50 – 23.7%, 16.1% are 51 – 60, 11.1% are between 61 to 70, and 6% are over 70.

Gender

In the total number of interviewees men make up 52.6% , and 47.4% - women. Among interviewed businessmen men make 63.2 %, and women – 36.8 %. Among households – 41.7% are men and 58.3% - women.

Fig. 2.2



Education

The breakdown of the total number of respondents by their education is as follows: 7.5 % finished a high school, 27.6% had a secondary education, 18% unfinished high education, 44.8 % had university education, 2.1% - had doctorates.

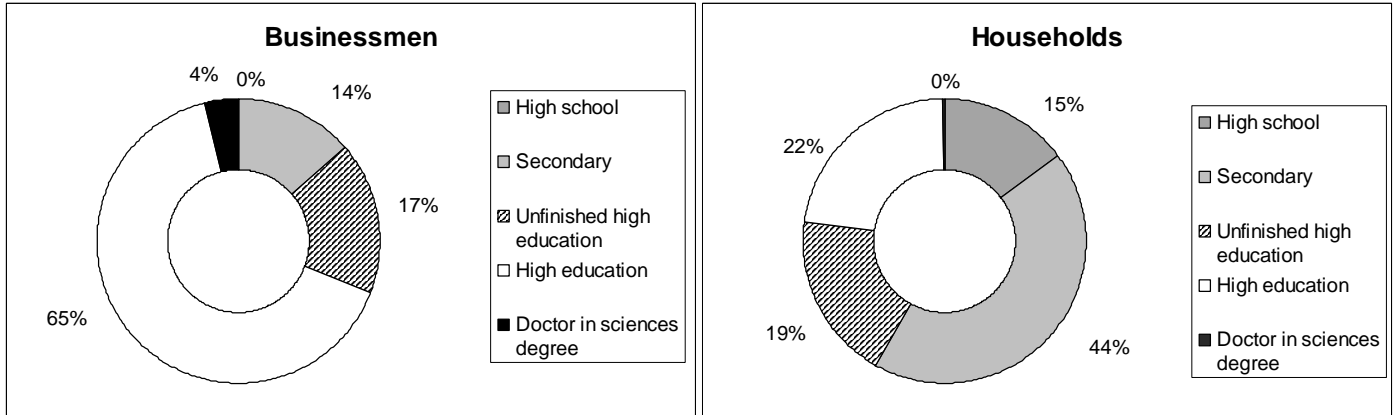
Among interviewed entrepreneurs 4% had doctorates, 65.3% had graduated from universities, 17.2% have unfinished high education, and 13.5% - secondary education. This confirms a high level of education among businessmen.

Among households 14.6% had finished high schools, 43.5% poses secondary education, 19.2% have unfinished high education, 22.4 % have high education, and 0.4 has doctors in sciences degree.

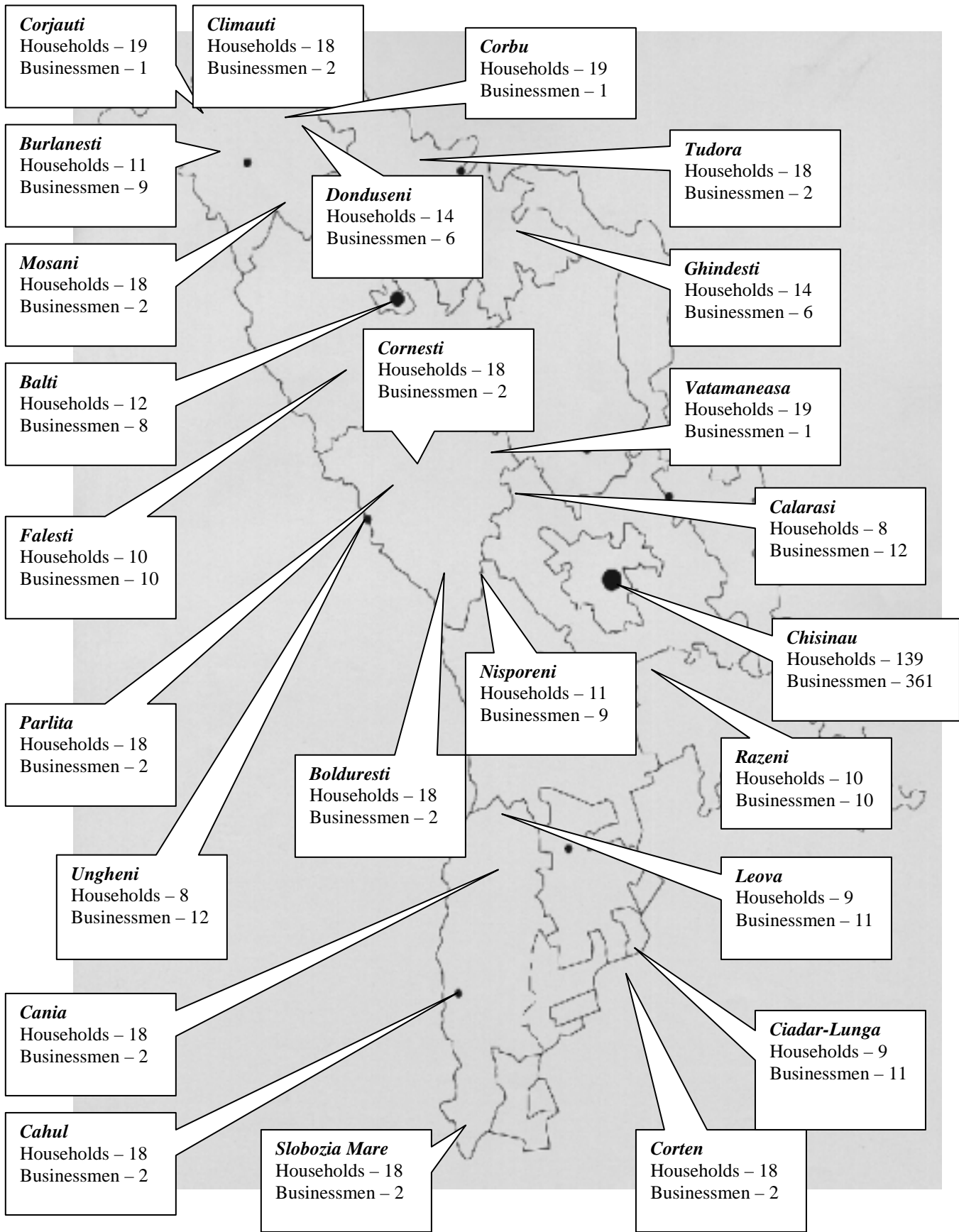
Regional decomposition

Location of respondents: The geographical distribution of respondents is presented on the following figure, a detailed explanation of which may be found in appendix 1 “Methodology of the sample selection”.

Fig. 2.3



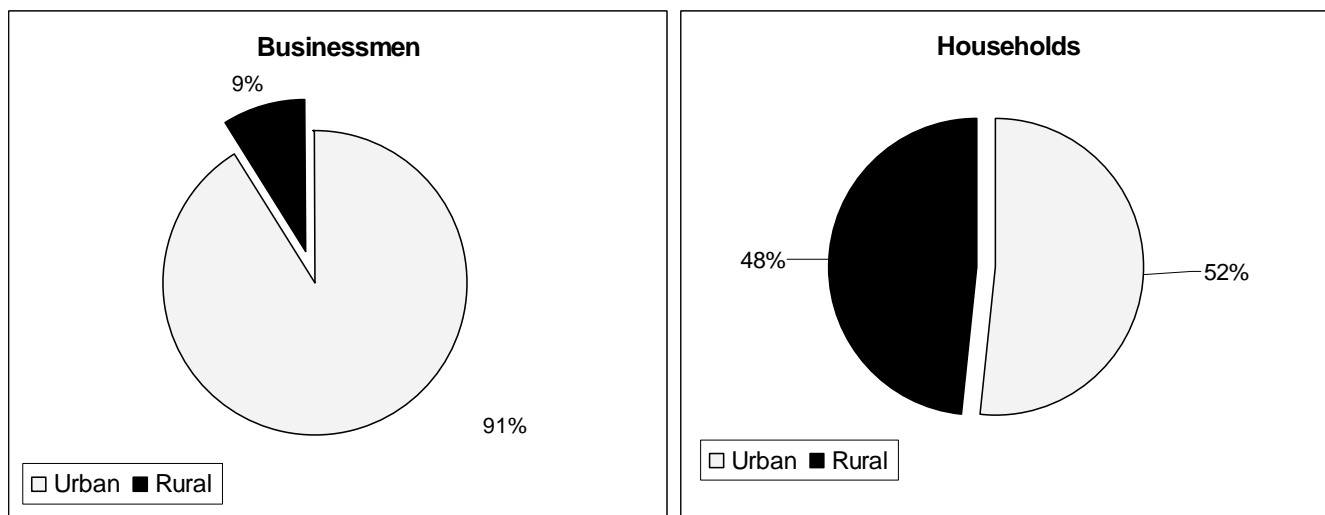
Field polling



Rural – urban distribution

The breakdown of the respondents by location (i.e. urban or rural area) is as follows: 717 (70 % of the total number) are from urban areas and 292 (30 %) are from rural localities. Among businessmen 460 (91 % of total number) live in urban area and 45 (9 %) in rural areas.

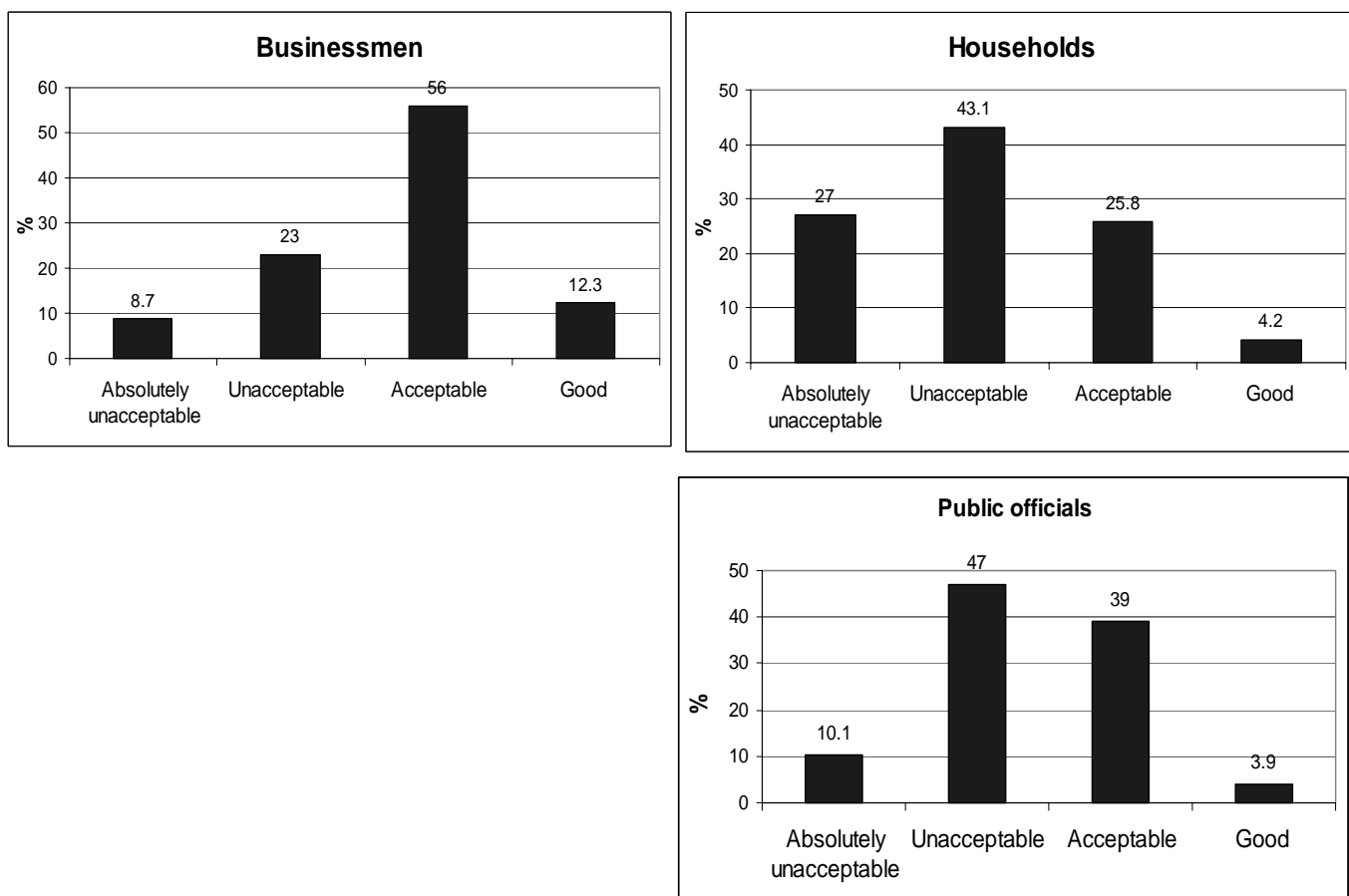
Fig. 2.4



Among households 257 (52 % of total) are townspeople, and 247 (48 %) live in rural localities.

2.3.2 Personal welfare of the respondent

Fig. 2.5



How would you assess the quality of your life over the past year?

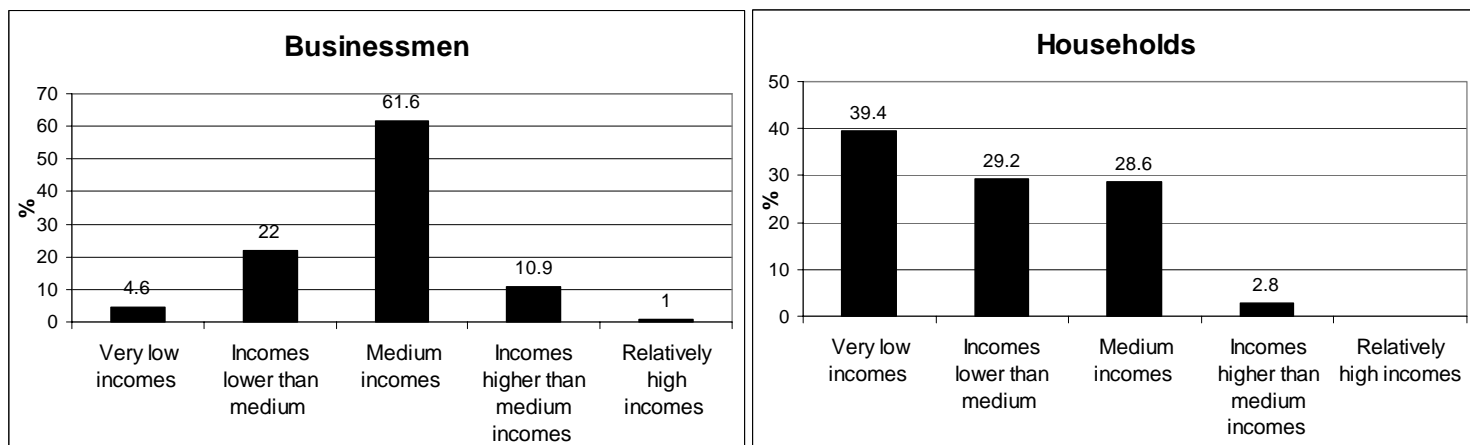
Data show that among businessmen 31.7% have a negative attitude towards the quality of their life. Among households this opinion is shared by 70.1%. The average for businessmen is 2.72, that is closer to an acceptable standard of living. According to the scale, the average for households is 2.07, that means, in fact, an unacceptable level.

The public administrators in the “Public Officials Survey” were asked a similar question. The results show that public officials evaluate the quality of their life somewhere in the middle between businessmen and households levels.

To which group of population would you consider your family to belong to?

Almost 68.8 % of households consider that their family’s incomes are very low or lower than the medium. Among businessmen only 26.6% were of this opinion. The strata of population with medium incomes is 61.6 % among businessmen, and only 28.6 % among households. About 11.9 % of businessmen and almost 2.8 % of households consider their family’s

Fig. 2.6



incomes are higher than the medium, or relatively high. The average for businessmen is 2.82, which is closer to the meaning “average incomes”, and for households – 1.95, which means “incomes lower than the medium”.

How would you assess your family income?

Fig. 2.7

	Businessmen (%)	Households (%)
It does not suffice even for the most necessary things	2.8	33.7
It suffices only for the most necessary things	32.5	40.5
It suffices for a normal life, but we cannot afford expensive products	47.3	21.8
We can afford expensive products, but with difficulty	16.4	3.8
We can afford everything we need	1	0.2

In fact, this question is targeted to evaluate the purchasing capacity of incomes. Here again, 35.3% of businessmen assess their incomes as being hardly able to suffice their necessary things. Among households 74.2 % have the same opinion. Only 3.2 % of households and 17.4 % of businessmen confess that they can afford expensive products, but with difficulties, or they can afford everything they need. The average for households

is 1.96, which means that the income suffices only for the most necessary things. The average for businessmen is 2.8, which is closer to the meaning “the incomes suffices for a normal life, but we cannot afford expensive products”.

The difference between the opinions regarding personal welfare mainly mean that businessmen are likely to feel more satisfied than those working in other sectors. However, an internal discomfort of businessmen, while comparing their efforts and risk and the results, may be observed. The more effort one makes, the better the expectations are. If the expectations are not confirmed, it discourages the entrepreneur, and his (her) evaluation of personal welfare is rather negative, in spite of higher incomes.

2.3.3 Public perception of corruption

How acute are the following problems for you? (1 – not a problem, 2 – it sometimes makes problems, 3 - impedes, 4 – impedes much, 5 – impedes greatly, 6 – it blocks).

The results show that for the households the most acute problems are the following ones:

Poverty obviously ranks first place (the average is 5.44); Second place belongs to corruption (the average being 5.34). Third place belongs to decreased quality of health care services (5.33).

74.3 % of households marked poverty with the most extreme mark – 6, as being very acute. At the same time 69.1% characterize corruption as being one of their most acute problems. It seems that the population intuitively feels the existing link between poverty and corruption.

Fig. 2.8

Households	
Factor	Average mark
1. Inflation	4.57
2. Decreased quality of education services	4.68
3. Decreased quality of health care services	5.33
4. Instability of national currency	4.36
5. Crime	5.21
6. Corruption	5.34
7. High taxes	4.73
8. Political instability	4.21
9. Harassment by the police	2.86
10. Poverty	5.44
11. Poor communication services	3.2
12. Bureaucracy	4.49
13. Frequent changes in legislation	3.97
14. Complicated rules for starting a business	3.2

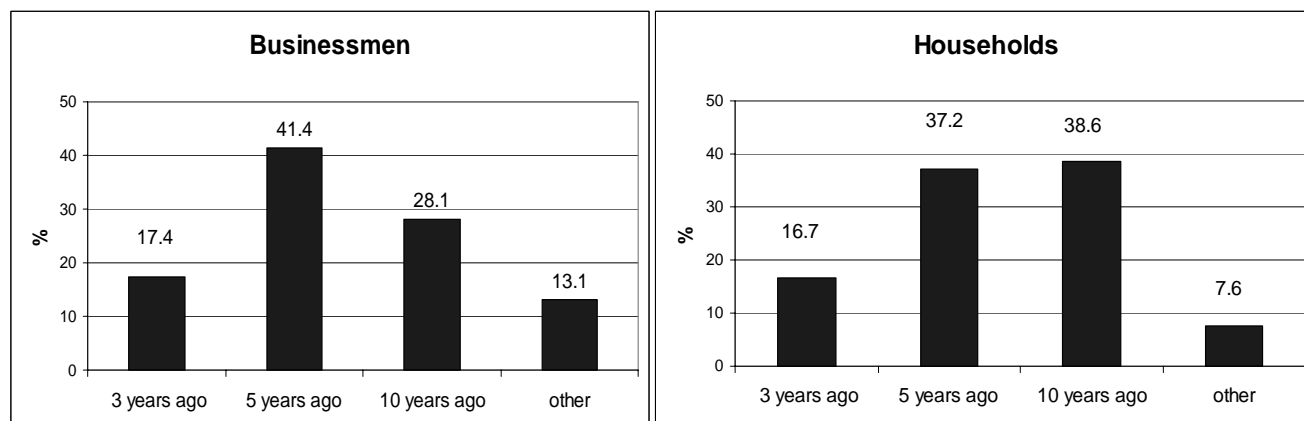
When asked to *evaluate the problem of corruption in the country on a scale of 6* (where 1 means that it is not acute at all, 2- it is acute only to a low extent, 3- it seldom causes problems, 4 – it often causes problems, 5 – it is acute, 6 – it is very acute), the respondents answered in the following way: the average for households is 4.97 and while for businessmen it is 4.84, or slightly lower.

Among the households 84.3 % rank corruption from the position of “making problems often” to “very acute”. Nearly 82.3 % of businessmen have the same opinion. Data given by public servants show that 96.3 % of public officials also share this opinion.

When in your opinion has corruption reached dangerous proportions for society?

Here the opinion differs. Between households the main part (38.5 %) consider that corruption reached dangerous proportion for the society 10 years ago, so to them the problem is connected with transition to the market economy. The majority of businessmen think that corruption grew especially 5 years ago. One of the respondents answered with a sense of humor: “I may tell you the exact date: 7 of November, 1917...”

Fig. 2.9



It is not surprising that in the opinion of many respondents, corruption has risen in especially big proportions after the beginning of transition to market economy. First reason for this is during the years of autocracy people had little access to information regarding grand corruption. Next, corruption took mainly the form of mutual services, which were not rated as real corruption, even in cases when people were offered free apartments, prestigious jobs, education, access to credits and other facilities groundlessly, things which could be evaluated very highly in terms of money.

2.3.4 General understanding of the meaning of corruption

As you see it, which of the acts enlisted below fall under the phenomenon of “corruption”?

Fig. 2.10

	Businessmen (%)			Households (%)		
	Yes	No	Do not know	Yes	No	Do not know
1. Gift to a doctor to take special care of the patient	51.0	45.2	3.8	26.7	63.8	9.1
2. Using connections to exempt somebody close from military service	72.2	17.9	9.9	69.9	19.2	10.3
3. To pay a bribe in order to employ a relative of yours	83.7	9.7	6.3	86.1	6.9	6.3
4. Extending cash to policeman not to revoke your license	90.3	6.3	3.2	86.1	8.7	4.8
5. Abuse of official position in order to perform private business	75.0	11.5	13.5	74.9	14.7	10.1
6. Providing official information to people you know for the purpose of personal benefit	67.7	12.1	20.2	65.0	19.2	15.4
7. Accepting cash by officials for the purpose of tax concealment or reduction	91.5	3.8	4.6	93.7	2.6	3.0
8. Additional reimbursement for a lawyer who assists a suspect in terminating his case	95.2	2.0	2.2	95.0	2.2	2.4

In general terms both, businessmen and households, understand what corruption means, however, their attitude towards various types of its manifestation sometimes differs. It is interesting that only 51 % of household interviewees consider offering a gift to a doctor to take special care of the patient as a manifestation of corruption. While among businessmen only 26.7 % view this as corruption. About 27.8% of households and 29.5 % of businessmen do not realize that using connections to exempt somebody close, from military service is, in fact, corruption. Almost 25 % of the households and 25.8 % of businessmen do not consider the abuse of official position in order to perform private business as being corrupt behavior. Among households 8.4% do not think that the acceptance of cash by officials for the purpose of tax concealment or reduction is an example of corrupt behavior. The same opinion share 5.6 % of businessmen.

When you have to contact officials in the public sector, is it easier to bypass official procedures and solve your problem via “unofficial” ways?

Fig. 2.11

	Businessmen (%)	Households (%)
1. Every time	15.1	11.0
2. In majority of cases	36.5	30.3
3. Often	16.5	21.0
4. Sometimes	21.3	18.4
5. Seldom	6.6	11.0
6. Never	4.0	8.2

About 68.1% of businessmen and 62.3% of all households consider that it is easier to solve all problems with public officials in “unofficial” ways. These figures suggest the fact that the population is accustomed to the idea that solving the problems in an official, bureaucratic way implies waste of time, money and, in fact, health. As a result about two third of it (the population) is “prepared”, at least, morally, to solve their problems in unofficial ways.

2.3.5 Main forms of “informal relations”

The main “unofficial” ways of solving the problems with public officials are:

Fig. 2.12

	Businessmen (%)	Households (%)
1. Contacts	16.3	14.2
2. Gifts	11.2	13.8
3. Money	63.5	59.9
4. Pressure from the side of top managers	5.0	6.6
5. Pressure from the side of criminal organizations	1.2	0.2
6. Other	2.8	5.4

In contrast to planned economies, where corruption was based mostly on informal clan-type of relations, the transition to a market economy brought a relatively new form of unofficial relations - bribe in cash. Almost two third of Moldovan respondents think that the main form of unofficially solving problems with public officials is the one by offering cash, however, personal contacts do not disappear completely. They remain in the second place of the ranking.

Here, there is a significant difference between the opinion among Moldovan respondents and those from Tajikistan ⁷. In Tajikistan the most frequently applied “additional instrument” is the use of contracts (friends, relatives, or third parties). This largely reflects the attitude that is predominant in that country.

Fig. 2.13

Family and regional ties have been strengthened and their use becomes more frequent. The use of contacts is not the only instrument, however. Painful transition experience, rapid decrease in income, widespread poverty and values that the

Sector	Businessme	Households
1. Tax inspections	3.84	3.94
2. Customs	4.03	4.61
3. Police	3.98	4.32
4. Sanitation and anti- fire inspections	3.32	2.86
5. Obtaining licenses for import / export	3.34	3.46
6. Access to credits	2.96	2.94
7. Registration of property	2.84	3.10
8. Privatization	3.03	3.23
9. Rent of state property	3.02	3.11
10. Employees of city halls	3.61	3.24
11. Judges	3.48	4.06
12. Public procurement	2.90	2.81
13. Education	3.58	4.33
14. Health services	4.05	4.90
15. Ministries and departments	3.38	3.68
16. Local administration	3.45	3.24

capital accumulation phase of the transition to market economy carries has raised the importance of money for people in general and for the younger generation in particular.

2.3.6 Identification of most corrupt sectors

How often, do you think, people have to offer cash, gifts, or favors to public officials in exchange for the solution of a problem? (1- never, 2 – very seldom, 3 – sometimes, 4 – often, 5 – very often, 6 – every time).

In the opinion of businessmen, the most corrupt sectors they deal with is health services. After this comes customss, police, tax inspections, the municipality, the educational sector, the judiciary, local administrators, ministries, departments, sanitation and anti-fire inspections.

In the view of households, the most corrupt area is the health sector and customss. After these two come education, the police, the judiciary, the fiscal inspectorate, ministries and departments, municipal administrators, local administrators.

Of cause, this tables explains how often corruption takes place. It does not explain the amount of corruption. In order to have a clearer picture of the spread of corruption in various sectors, it should be made clear what kind of corruption and where it takes place. However, this would require a more specialized poll.

Similar question was asked in the opinion polls carried out in Albania, Macedonia and Bulgaria. The only difference was that the evaluation was done on the scale of 1 to 10, where 1 means total absence of corruption, and 10 – total corruption. The recalculation of data to be in correspondence with this scale shows that in the Republic of Moldova all indicators are lower that in the nominated countries. It is unlikely that in Moldova corruption is lower in the

⁷ Corruption as Seen by the Private Sector, September 1999, Open Society Institute, Local Government and Public Initiative, Budapest

indicated sectors. This probably indicates a more tolerant attitude toward corruption in our country.

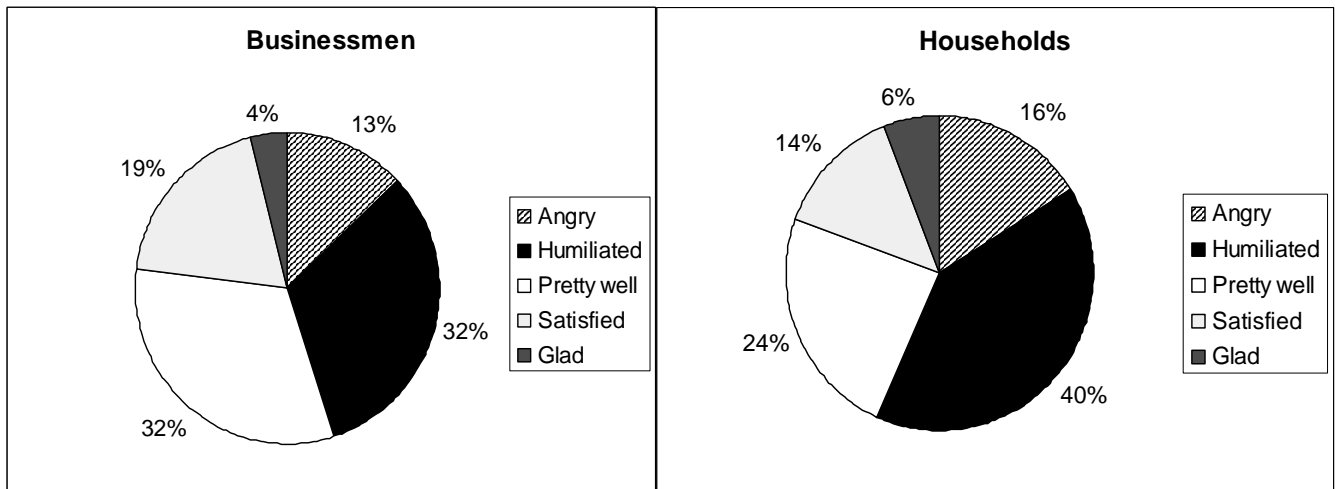
Fig. 2.14

Sector	Average mark on a scale of 10			
	Moldova	Albania	Macedonia	Bulgaria
1. Tax inspections	6.48	8.86	7.20	7.68
2. Customss	7.2	9.72	8.14	9.02
3. Police	6.92	7.06	6.72	7.30
4. Privatization	5.22	7.10	6.82	7.96
5. Employees of city halls	5.71	7.34	Z	6.82
6. Judges	6.28	8.78	7.02	7.68
7. Ministries and departments	5.88	Z	6.84	7.24
8. Local administration	5.58	7.24	Z	7.02

2.3.7 Public tolerance of and a propensity toward corruption

Imagine someone who has extended cash or a gift to an official and has obtained what they wanted. How, in your view, is this citizen most likely to feel?

Fig. 2.15



For both, businessmen, and households, the pictures look much the same. Neutral, or even positive feelings about offering bribes are evidenced by 55 % of businessmen and 44 % of households. A similar question was asked in the opinion poll carried out in Macedonia. About 30 % of respondents answered that they would feel content. However, in that questionnaire the possible answers were the following ones: content, angry, indignant, embarrassed. In our opinion the interviewer gives little choice to the respondent to express his attitude, because three of four answers express a negative feeling.

Speaking about public tolerance towards corruption, we could give a number of examples. During an interview, code #16, 11/4/2000, 12:30, Chiadârlunga, the respondent said he will accept the bribe, because "...this is a MUST".

Int. code #19, 11/10/2000, Leova, when asked to tell a concrete story about herself, the respondent said "...There are plenty of them, but I will not tell you any, because it will change nothing anyway..."

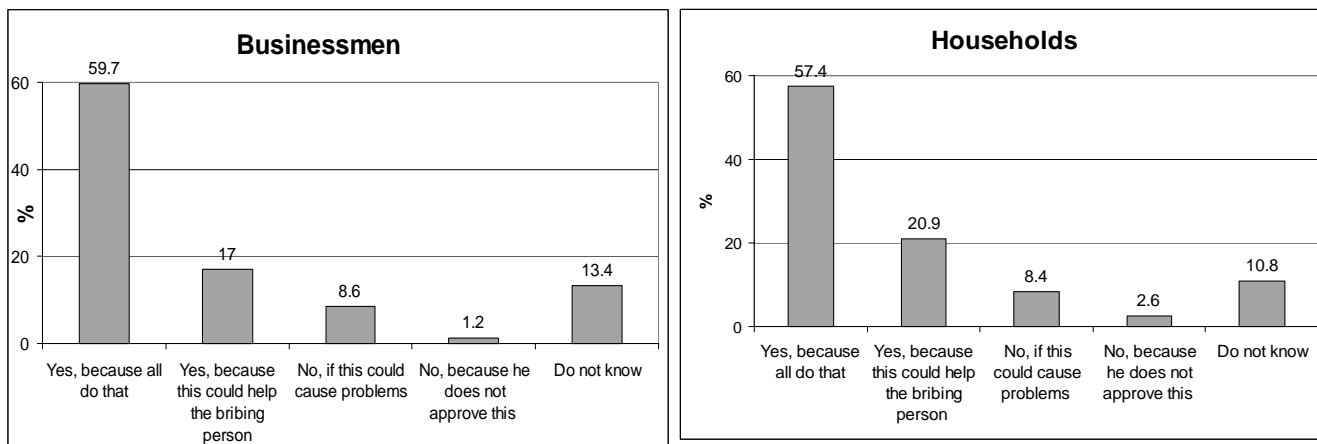
Int. code #33, 11/5/2000, 10:20, Stefan Voda: “Here there are many people who possess a lot of land, but do not pay taxes. They register the plots under many names, so they do not have to pay taxes. Everyone knows this and does no one does anything about this”.

Int. code #2, 11/27/2000, 10:40, Chisinau. “They (inspectors) do not ask for anything. This is already a customs, a tradition. If you want something, you are supposed to pay”.

Int. code #6, 11/8/2000, 13:30, Chisinau. "I was suggested that I export money outside the country in an illegal manner. For this I was promised 9% of the total sum”

Imagine a low paid official, who is approached by someone offering cash, a gift or a favor to solve this person’s problem. What would he do?

Fig. 2.16



Both, businessmen (76.7 %) and households (78.3 %) agree that the public official would most probably accept the bribe for various reasons. It is remarkable that about 60 % of all respondents explain the acceptance of bribes by saying that all do that. It is also remarkable that only 12 % of businessmen and 2.6 % of households do not approve of bribery.

2.4 Summary of the results of the questions for businessmen

2.4.1 The quality of business environment

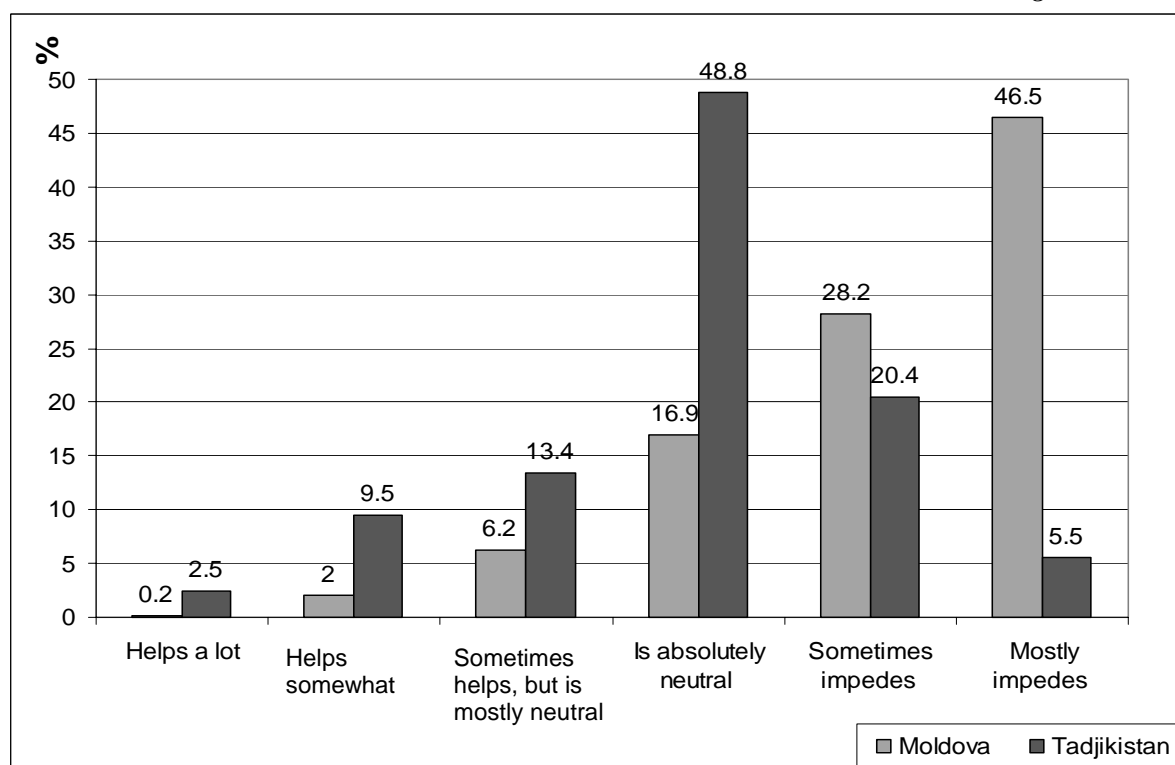
As an introductory question businessmen were asked what the ***main source of starting capital for business*** was. About 45 % of businessmen formed their starting capital from personal savings, 25.4% applied for loans from friends and relatives, 12.6 % used bank credits, 5.2 % mentioned that they benefited from some kind of windfall revenues (inheritance, gifts, lottery), and 11.8 % other sources.

An example of what “other sources” means was given during the interview code #51, 11/9/2000, 10:25, Chisinau: “The source is my intellectual capacity. For example: I come to a big state enterprise and offer the director my services. He asks: “Well, what am I going to have from this?” Then I propose to raise the price and share the difference between us. So, I got my capital”.

The next question businessmen were asked ***whether they felt that the government is supporting them while doing business***. Although the question might sound like a provocative one, it also provides a good sense regarding the significance of the corruption problem in the country. 2.2 % of the total number of respondents said that the Government helps a lot or helps somewhat for doing business in Moldova, 6.2 % says that sometimes it helps, but mostly is neutral, 16.9 % - it is absolutely neutral, 28.2 % - that it sometimes impedes, and almost 46.5 % of respondents said that the government mostly impedes the development of

the private sector. By comparison, in Tajikistan 20.4 % of businessmen consider that their government is mostly neutral but sometimes impedes, and only 5.5 % of the respondents think that the government mostly impedes their development. This might mainly mean a negative attitude toward the state from the side of private sector, and the first outcome of this attitude may be the neglect of the state institutions, and growth of tax evasion.

Fig. 2.17



How problematic (impeding) are the following factors for doing business in Moldova?

Fig. 2.18

	Moldova	Tajikistan
1. Inflation	4.20	5.06
2. Exchange rate instability	4.13	5.22
3. Tax regulations	4.83	4.67
4. Undeveloped banking sector	3.31	4.34
5. Crime	4.19	4.36
6. Corruption	4.81	4.28
7. Deficiency of skilled labor	2.79	4.07
8. Harassment by the police	3.08	4.01
9. Difficult to find/ purchase or deliver inputs/raw materials	2.87	3.9
10. Political instability	3.92	4.07
11. Unpredictability of changes in regulations	4.39	3.65
12. Too "sophisticated" rules for starting a new business	3.64	3.55
13. Foreign trade regulations	3.53	2.9
14. Price controls	2.85	2.88
15. Foreign currency regulations	2.73	2.87
16. Labor regulations ⁸	3.63	2.51

⁸ One of the respondents (Int. code #47, 11/10/2000, 16:00, Chisinau) mentioned with regards to the "regulation on the labor force (high payments to the social fund)": "This is not a problem at all for me. In documentation I write that I pay them ML 200. In reality I give them ML 1,800 more".

A good understanding of the main impediments for private sector development is important for the elaboration of an efficient and targeted state policy. To understand the most significant problems for the private business the respondents were asked to rate a set of 16 factors in terms of the threat for doing business in the Republic of Moldova. The results show that the businessmen in eastern and western countries in transition rank their problems in different ways. Thus, in the Republic of Moldova first place belongs to tax regulations. The average is 4.83, which means something closer to „impedes very much”. Corruption holds the second place among the main impediments for doing business in Moldova. The average for corruption is 4.81, which is also closer to the meaning „impedes very much”.

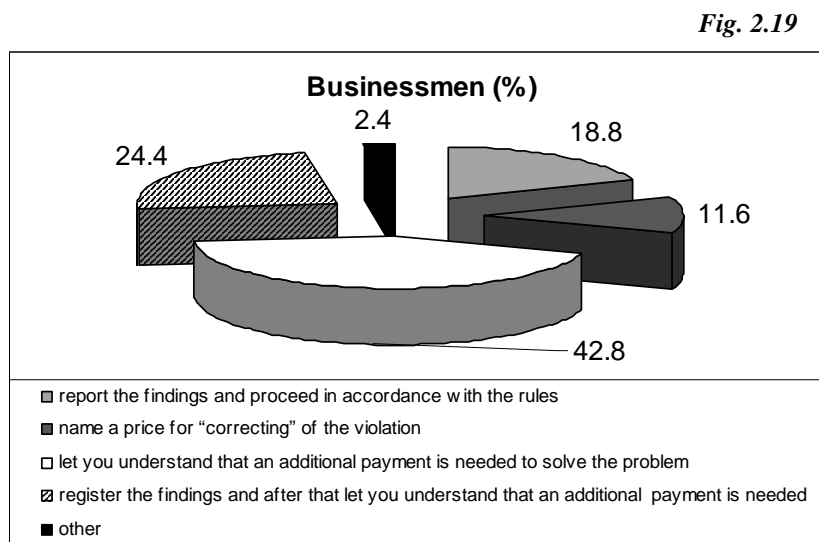
After this comes inflation (average – 4.2), crime (4.19), and exchange rate instability (4.13). The same is true in the case of households, as well as in the case of businessmen, corruption is one of the greatest impediments for doing business in the Republic of Moldova. In fact, the opinion poll shows that complicated tax regulations and high taxes, results it turns in a high level of corruption.

The situation is slightly different in Asian countries. In Tajikistan, for example, businessmen rank corruption on the fifth place among the main threats to the private sector. First place belongs to the instability of the exchange rate (the average being 5.22). After this comes inflation (5.02), tax regulations (4.67), and crime (4.36). Here we should remember that the main form of „informal” relations in Moldova is bribe in cash, whereas in Tajikistan personal contacts predominate. Hence, in Moldova the population feels more directly the pauperizing effect of corruption.

2.4.2 The “demand” side of bribing in tax and customs services

When a violation of the tax code is found, a tax/customs inspector is likely to ...

According to the opinion of businessmen, in 42.8 % of cases inspectors give the person to understand directly, or un-directly, that an additional payment is needed to solve the problem. In 24.2% of cases they first register the findings and after this give understanding that an additional payment is needed. Only 11.6 % directly name the price to “correct” the report. As for those who report the findings and proceeding in accordance to the regulations, in the opinion of Moldovan businessmen, they constitute only 18.8 %, which is, however, anyway more than in Tajikistan (14 %).

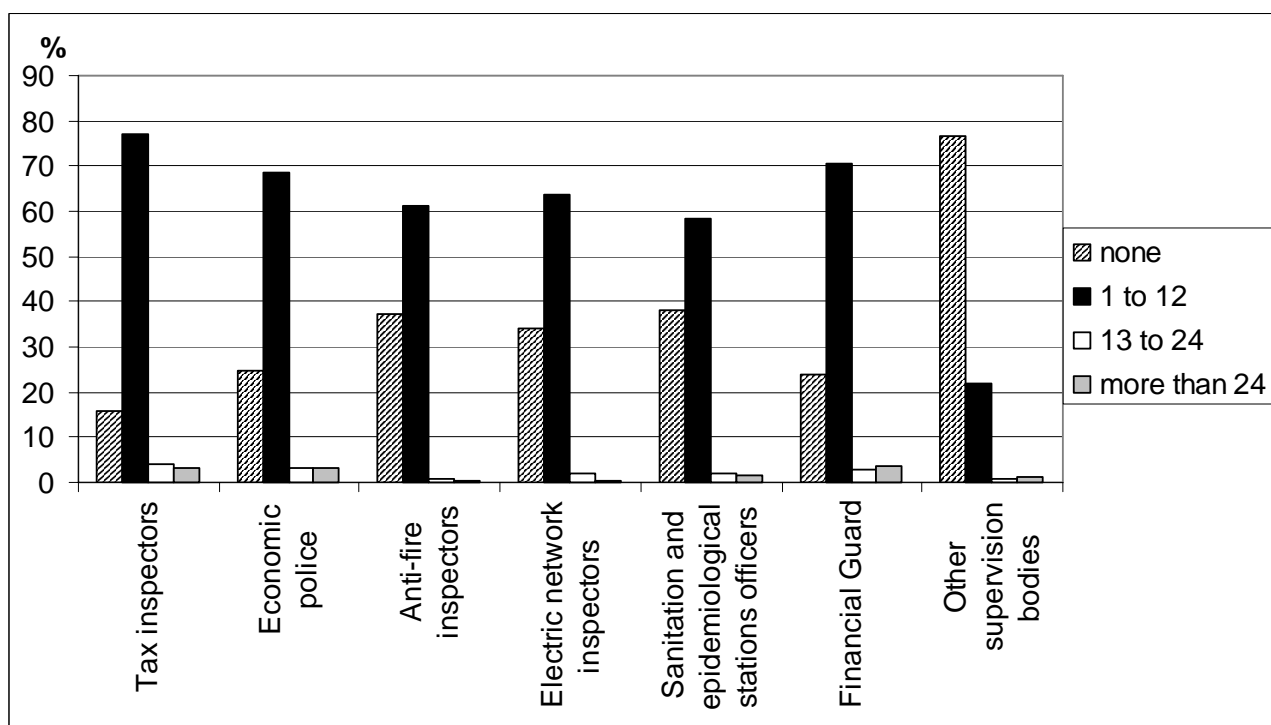


Generally in Tajikistan, according to the authors, 79 % of tax inspectors seem to operate as true market agents by immediately naming the price for “correct” the violation (when found) and avoiding punishment. Since in most cases the price is lower than the penalty one would pay to the state and given the amount of potential timesaving, it is obvious that deals are closed in the majority of cases. This is common for both countries.

During the last 12 months how many times and by who were you inspected?**Fig. 2.20**

	Average (times/12 months)
1. Fiscal inspections	6.28
2. Economic police	6.4
3. Anti-fire inspections	3.04
4. Electrical systems inspector	5.46
5. Sanitation and Anti-epidemiological Station	6.03
6. Financial Guard	6.04
7. Other (specify)	5.1

The results show that in average businessmen are visited by various kinds of inspections very often – about 38 times. It is not surprising then why, according to the evaluation of the World Bank and EBRD, the „administrative burden” on businessmen in Moldova is one of the highest among all countries in transition.

Fig. 2.21

Many respondents complain about repeated inspections. Thus, in the interview code #6, 11/16/2000, 11:45, Chisinau, the businessman reported: “All of them visit me about 12 times per year. This is as if they come to pick up their wages”.

Int. code 24, 11/6/2000, 17:30, the interviewee said that besides 73 visits of control organizations mentioned in our questionnaire, he also was visited by a representative of the Dept. of Standards 2 times, a representative of the Direction of Trade – 3 times, by the Preture – 3 times, by the Veterinary Inspector – 1 time, Termocom – 5 times, Apa-canal (water channel) – 12 times.

Int.code # 24, 11/8/2000, 9:30, Chisinau, “Policemen visit our dairy shop about two times per day”; Int. code # 24, 11/9/2000, 11:55, Chisinau, “I was visited by representatives of the local administration about 20 times”.

Int. code # 11, 11/6/2000,19:00, Chisinau, “Besides 28 visits of representatives of the nominated institutions I was also visited by representatives from the Department of Protection of Work, the Dept. of Environment Protection, the Dept. of Standardizations, the Dept. of Combating Corruption and Organized Crime”.

Int. code # 4, 11/8/2000, 10:35, Chisinau. “Besides 21 visits listed in the table, I had two visits of representatives from “Solubilitatea”, four - from “Apa canal”, and four from the Dept. of Trade”.

Int. code #6, 8/11/200, 11:30, Chisinau. “I HAD NO INSPECTIONS, because I have connections everywhere”.

Int. code # 6 ,11/6/2000, 16:02, Chisinau. “Additionally we were inspected by representatives from the Department of Statistics, Financial Dept. and the Social Fund”.

Int. code #14, 11/11/2000, 10:35, Donduseni “The tax inspectors visits me almost every week, the Financial Guard – once a week, and sanitation inspectors – once a week”.

Int. code #2, 11/27/2000, 10:40, Chisinau. “Tax inspector comes 5 times per year, before every holiday. The district policeman comes when he needs a gift”. Int. code #2, 11/13/2000, 11:30, Chisinau. “Tax inspector and economic police come, unauthorized, almost every day. The electric net inspector and the sanitation inspection, every month, a man from the Financial Guard – sometimes 3-4 times per week”.

Int. code #2, 11/9/2000, 15:30, Chisinau. “We HAD NO INSPECTIONS, we have paid all of them”.

So, the conclusion is, if the inspectors are „rewarded” adequately, they do not bother the entrepreneurs too much. If the entrepreneur is not willing to pay, he will be visited as many times as are needed in order „to collect” the required „reward”.

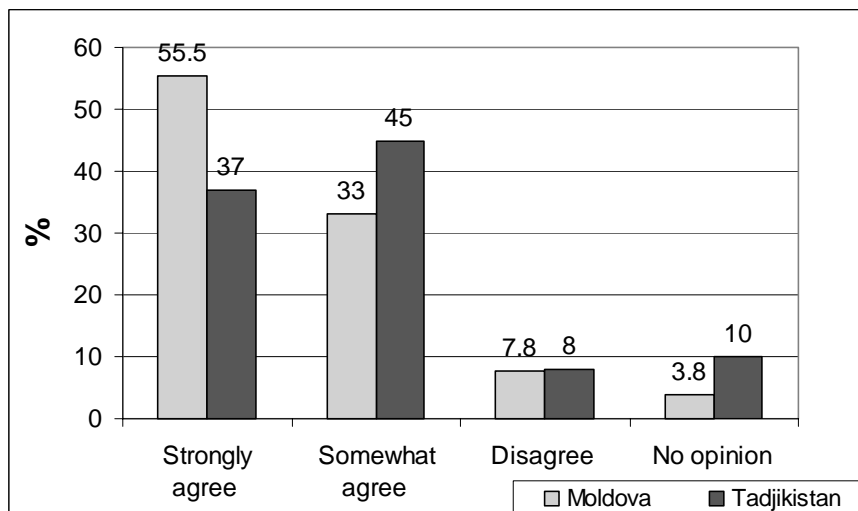
2.4.3 The „supply” side of bribing in tax and customss services

Do you think that taxes levied on business activities are so high that most of businesses prefer to pay in cash to tax inspectors to avoid full tax payments?

Fig. 2.22

Most respondents (88.5 %) recognize that businessmen would prefer to avoid full tax payment and to pay in cash to tax inspectors. In fact this is a very high indicator.

Because the supply side of corruption is very strong, it is not surprising that corruption has reached such great proportions in this country. Only 7.8 % of respondents would refuse paying bribes.

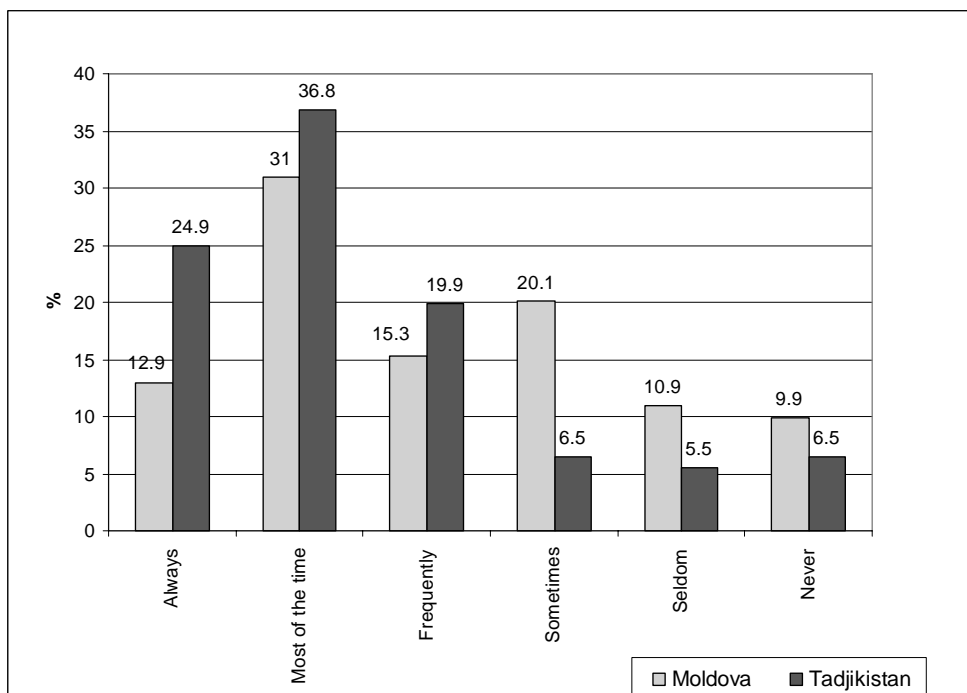


When being inspected by the tax/customs authorities, is it likely that you will be asked for additional payment to “ease” the inspection process?

About 60 % of businessmen expect to be asked to pay a bribe when being visited by the tax inspector. In fact, this means that they are already morally prepared to pay bribes.

During the interview code #2, 11/15/2000, 16:30, Chisinau the respondent said: “No one asks me to pay a bribe. I understand for myself, that I have to pay in since I am dependent upon the circumstances and the inspector”.

Fig. 2.23



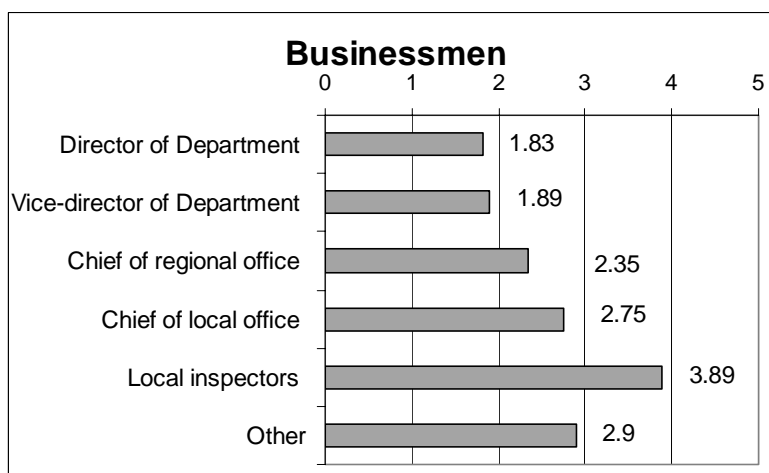
It is a little surprising that in Tajikistan, where corruption is considered as being a less harmful factor for the development of the private sector, more than almost 81.6 % of respondents expect to be asked to pay a bribe when being visited by the tax inspector.

How often are bribes, gifts and personal contacts are used at different levels of State Inspection and Customs Service? (1 - never, 2 – seldom, 3 – sometimes, 4 – frequently, 5 – most of the time, 6 – always).

In fact, a pyramid structure of corruption can be designed. The lower the level is, the more often the public officers take bribes directly from the public. Every level is supposed to share their „rewards” with the upper levels. Thus, at the department director’s level bribes are seldom taken (the average being 1.83). At the vice-director’s level it happens seldom (1.89). Chiefs of regional office and chiefs of local offices are ranked at the level, which means „sometimes”.

Local inspectors accept bribes most frequently (3.89). A respondent (int. code #03, 11/8/2000, 15:00, Chisinau) commented in his evaluation as follows: “The staff of these institutions is very incompetent, so, they need

Fig. 2.24



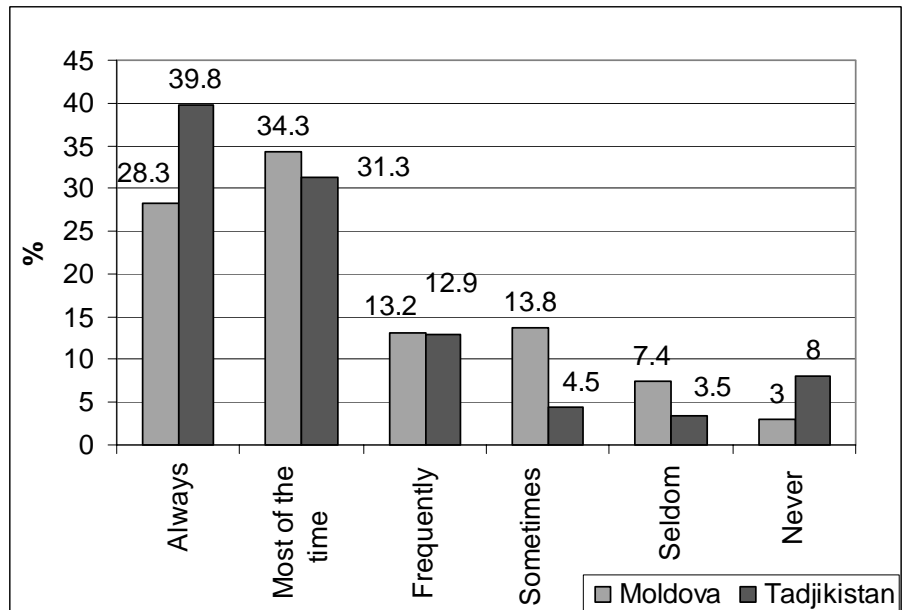
to take bribes in order to pay to keep their jobs”. Another respondent, int. code #47, 11/16/2000, 10:40, Chisinau, states: “They have to accept bribes in order to share this money with their superiors.”

However, these figures do not tell anything about the manner of distribution of the total amount of bribes among all levels of the institutions. During the interview code #47, 11/16/2000, 10:40, Chisinau the respondent has mentioned: “For 10,000 Lei no one will even speak to you at the department director’s level. You must know someone at a lower level”.

When a businessman refuses to pay a bribe, will he find doing business even more problematic?

More than three fourth of respondents are likely to expect problems upon refusing to pay a bribe. The purpose of this question is not so much to evaluate the possible effect of refusal to behave in a corrupt manner, as it is to understand the expectations of the respondents, and, hence, their most probable behavior while being inspected. The results show that the respondents will more probably offer a bribe.

Fig. 2.25

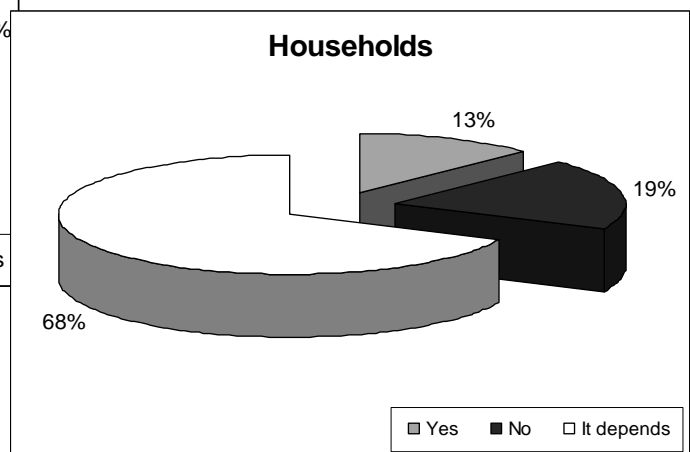
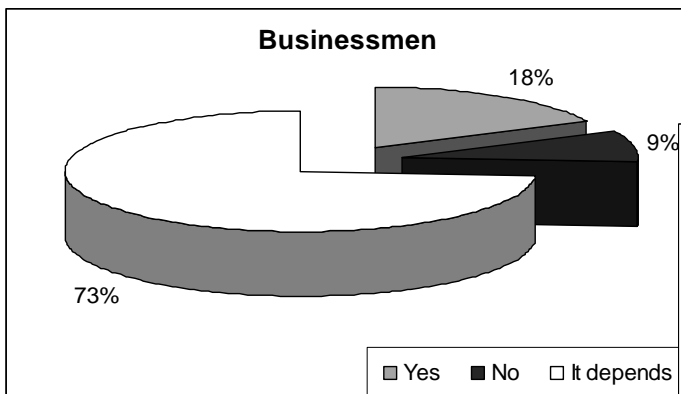


If asked to pay a bribe, will you pay it ?

Here the question is very direct. So, only 14 % of respondents answered unambiguously „No”, and 15.5 % - „Yes”. For the majority (70.5 %) the answer was “It depends...”, although this is another way of saying that they probably would pay a bribe.

During one interview (code #47, 11/10/2000, 16:00, Chisinau) the respondent stated: “If they

Fig. 2.26

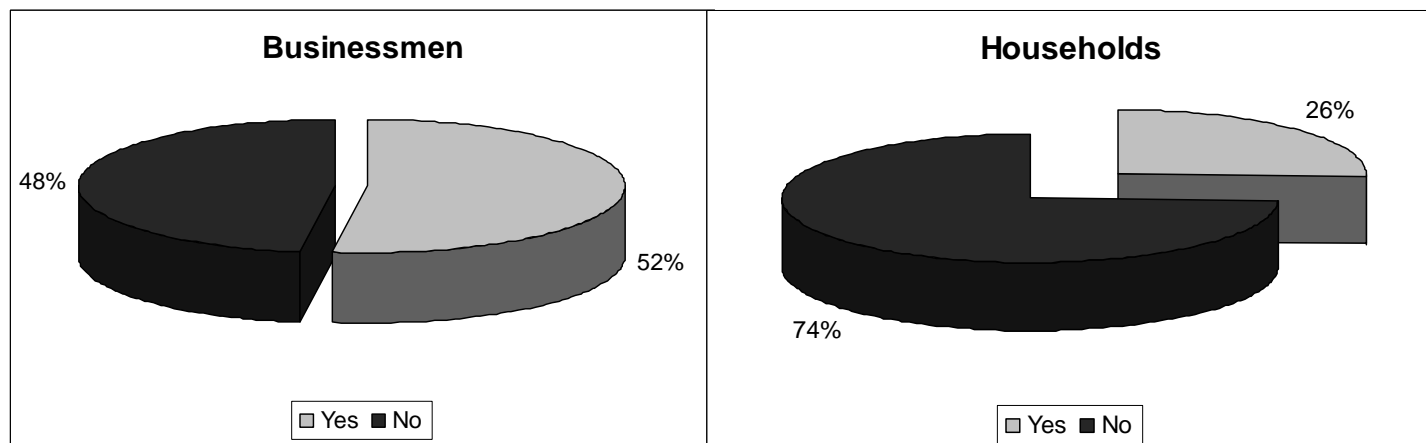


ask you, this is already a good sign. This means that you may negotiate. It is better when they name the “price”.

In the case of Tajikistan the respondents had to choose between only two options: „Yes” or „No”. So, 74.6 % answered „Yes”.

Do you think paying a bribe will “ease” your life“?

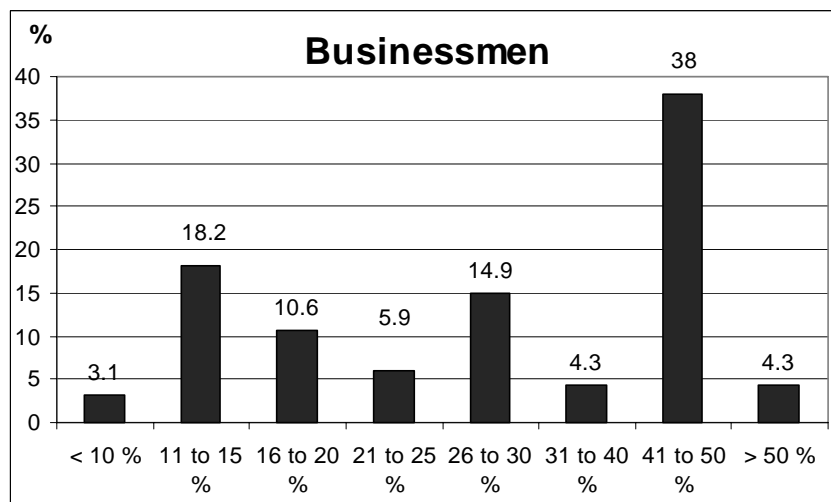
Fig. 2.27



A part of the respondents, especially households, are not optimistic about results of paying bribes. Nevertheless they still prefer to pay them. This response could serve as a starting point for a public discussion about whether people ever expect to „gain” by paying bribes.

If during the control process the inspector finds that you are supposed to pay to the government a sum of money X, what part of this sum (% of X) is usually enough to pay directly to the tax inspector in order to “solve” the problem?

Fig. 2.28



The average for all respondents is 34.22 %, this means that on an average businessmen may „save” about two thirds of the sum they were supposed to pay to the state. This presents a very favorable background for bribery. The distribution of the answers shows that in reality tax evasion is even more attractive.

2.4.4 Evidence of corrupt behavior in state agencies

This chapter was written mainly on the base of an open question for businessmen: *“Will you share a story of what happened to you in this regard?”*

The question was asked tentatively, because it was not expected that the interviewees would be very sincere while answering direct questions. In fact, to admit that one has paid a bribe is in fact, an admission that the person has committed a crime. For an economic study this

means just the supply side of corruption. So the majority of interviewees refused to answer this question, indicating that this question is too personal, sensitive, and intimate, or they are not sure about the confidentiality of the interviewer. They value their business too much, to answer these questions. However, the main part of those, who decided to be sincere, double-checked that the interview had an absolutely confidential character before sharing their concrete cases with us. So, in order to keep the confidential character of the questioner, we included only the interviewer's code, date, time and the location of the interview. In certain cases, when the interview took place in small villages, and the respondent could be very easily identified, the geographical region in the country replaces the name of the location, however, the questioners are still kept in order to prove the true (the reality) of the responses.

Customs service

The frequency of corrupt officer in Customs services is likely to be very high. Customs officers accept both, cash and "in kind bribes". More than this, sometimes they prefer to choose themselves the goods they want:

Int. code #16, 11/3/2000, 17:03, South. "I have to make unofficial supplementary payments very frequently to the customs service".

Int. code #38, 11/17/2000, 17:00, Chisinau. "The customss officer asked me to give him a golden chain with a cross which cost me \$ 300....".

Int. #19, 11/11/2000, 11:35, South. The customss officer had a short look into the car, and named the sum to be paid unofficially. She (the respondent) put the money into her passport and gave them to the customs officer; or, for example, the customs officer has a look into her bag, choose a thing he liked the most, which are usually the more expensive things, and let her go.

Int. code #5, 11/17/2000, 10:40, Chisinau. "While taking out the seal, the customs officer grabbed the goods he liked the most and asked additionally to give him money for a cognac".

Int. code #9, 11/9/2000, 13:10, Chisinau. "While entering on the territory of Moldova I was asked to pay 20 Lei, otherwise they would break the lead (seal). A new lead (seal) would cost me 3 Euro".

Int. code #2, 11/9/2000, 15:30, Chisinau. "Last year, while importing some equipment, I had to pay \$ 300 to the customss, otherwise, officially, I would have to pay half of its cost".

One way of forcing the population to pay bribes is slowing down the customs procedure. Usually importers have to pay per every hour of the transportation mean, so, delaying the customs procedures would cause considerable losses to the business, and will force the entrepreneurs to pay a bribe in order to accelerate the procedure:

Int. code #5, 11/17/2000, 10:40, Chisinau. "Passing the customs is every time synthetically slowed down, so if you are in a hurry, you do not want to spent a couple of hours, or, sometimes, days at the customs, so you will pay".

Int. code #51, 11/9/2000, 10:25, Chisinau. "Even if all documentation is perfect, the customss agents will never just let me go. They will say that I have to wait and show me the place. I will wait 10 minutes, 1 hour, 2-3-4 hours, until I will understand that I have to pay. If you start to protest, you will have troubles. After being paid \$10, 20, 50, sometimes even more (it depends on what you have), they let you go very quickly."

Int. code #25, 11/11/2000, 17:15, Chisinau. "...all documentation was fine, but then the customss agents started to count manually slowly every piece of imported goods, so, that I had to pay them cash in order to "accelerate" the procedure". Int. code #6, 11/9/2000, 12:40,

Chisinau. “Customs almost always takes money, however my documentation is every time OK”.

Int. code #9, 11/3/2000, 13:15, Chisinau. “Customser demands to make “a corridor” inside the truck, which means to make an empty place in the middle of the truck, or to unload the truck. This will take a lot of time and physical effort, so I had better pay them.”

Int. code #25, 11/4/2000, 19:00, Chisinau, Customs service : “while importing the raw materials, if I do not want my car to wait a long time for the customs procedure and pay for downtime of the car, which is very expensive, I have to pay the customss about \$ 100”.

Some of answers testify about the discouragement of businessmen and a great deal of apathy and tolerance to corruption among the population: Int. code #1, 11/9/2000, 11:15, Chisinau. “The Customs takes money always, even when all your documentation if fine, they do this just because you exist...”

Int. code #6, 11/16/2000, 11:450, Chisinau. “Go and see how Customss works at the Moldovan – Ukrainean boarder: not a single paper without a bribe...”, or int. code #17, 11/4/2000, 9:30, Taraclia. “About Customs: everyone knows the unofficial “tax”, so they prepare the money beforehand (in advance) and give them in silence.”

Although it seldom happens, sometimes the poor qualification of customss officers is mentioned: Int. code #47, 11/16/2000, 11:45, Chisinau. “The same man at customs evaluate the cost of wood, chicken and perfumes – they can not be competent to evaluate right all imports, here the disagreement start”.

Accepting a bribe becomes a norm of behavior, and a person who refuses to pay a bribe has to face problems: Int. code #47, 11/10/2000, 16:00, Chisinau. “I remember the case when I imported my first merchandise into Moldova. All my papers were absolutely perfect, I was quite sure about the legality of my transaction, so, I on principle told the driver not to pay anything additional t the official payments. At the customss six officers in white shirts on the principle unload the ENTIRE truck. Finally, they found something not corresponding to the regulations and they forced me to pay for this. After passing the formal procedure they asked me “Couldn’t you just pay about \$ 150 and avoid all these troubles?...”

Sometimes the tax officers proposes their own modalities of avoiding the payment of taxes to their clients: Int. code #47, 11/10/2000, 16:00, Chisinau. ”Two years ago the interviewee was proposed by the Cahul customs officer to not pass the customs procedures at Chisinau terminal as a legal entity, but to pass it as a physical entity, and, so, “to not pay to the government”.

Tax inspections

Rent seeking in tax audit offices also seems to be a wide spread phenomenon. On one side – low wages, on the other side – large possibilities for gathering additional income, makes bribery an easy, and frequently very essential source of income. When the entrepreneur can easily “save” from 50 to 90% of the money he has to pay to the state, he is interested very much in bribing the tax inspector, so, in order to “lighten” the procedure, both sides easily agree and avoid the formal inspection procedure. Int. code #47, 11/10/2000, 16:00, Chisinau. “I was supposed to pay a fine of about \$12,000, but the inspector still had to work a lot in order to prove it. So we agreed, and I paid him just \$ 400. The inspector is afraid to take bribes directly from an unknown person. Usually he prefers you to give a bribe through the third person, who knows him better.”

Int. code #10, 11/10/2000, 15:00, Chisinau. “The tax inspector found that I have broken a regulation I never even heard about , so he demanded a bribe from me, which was 50% of the official penalty”. The same case Int. code Int. code #10, 11/9/2000, 12:45, Chisinau.

Int. code #6, 11/16/2000, 16:20, Chisinau. “The tax inspector before starting the inspection proposed to establish a fine in the amount of 100,000 Lei, because they supposed that in reality it would be much greater. The logic is the following one: they (tax inspection) establish deliberately lower fines without any control, and I pay them for this”.

Int. code #47, 11/7/2000, 15:46, Chisinau. “Yes, I have paid bribes, starting with \$ 1,000 (to the fiscal inspector, \$ 1,500 to the customs) to \$ 10,000 (to a vice-director of an enterprise)”.

Hospitality among tax inspectors is also remarkable. Int. code #31, 11/11/2000, 12:50, South. “The tax inspector came to my office and demanded a bottle of an expensive cognac, a box of candies and sausage, because he was expecting some important guests from Chisinau”.

Police

Whatever, the responsibilities of various branches of the police, it looks like accepting bribes is the commonest activity in all cases: Int. code #25, 11/4//2000,10:05, “Traffic Police found fault with the number of the car, stopped the car, grabbed as much goods as they could handle and let us go...”

Int. #19, 11/10/2000, 12:50, Leova: “The policeman has drank alcohol costing 70 Lei on account for further fines”, or in the case of int. #19, 11/10/2000, 10:30, Leova : “The police may order some alcoholic drinks and leave without paying anything”.

The low quality of goods or an overdue serviceable life seems to not be an impediment for being sold in the market, as soon as the respective payment was made. Int. code #03, 11/7/2000, 11:00, Chisinau. The economic police fined me with 360 Lei for 3 bottles of “Frigușor” and 6 bottles of “Lemonade” was past the expiration data (use-by date). So, I paid them a bribe of 70 Lei and continued to work”.

Sometimes corruption among police officers is motivated by low wages. However, sometimes bribes reach very big proportions, so when the chances of being significantly punished is low, it is not quite clear how big the wages should be in order to discourage corruption. Int. code #51, 11/9/2000, 10:25, Chisinau. “Yes, I have paid bribes. I had to pay \$9000 to the economic police, so, I paid to them directly \$ 2000 and the question was solved.”

Financial Guard

A technique Financial Guard likes to use is to surprise the businessmen by rushing into the office and scaring the businessmen and then seek for bribes: Int. code #6, 11/8/2000, 18:40, Chisinau. “The Financial Guard, without presenting their documents, rushed into our office in a rude manner, threatening us with their weapons. They forced us to stand with our faces turned to the wall, made a search of our personal things, including handbag and pockets. It seems that they did not find what they were looking for, so, that left, without even not apologizing”.

Int. code #47, 11/10,2000, Chisinau. “The Financial Guard with drawn weapons burst into our shop and started to turn upside down. Their behavior with me as if I were a criminal. They scared me to death. The director of the shop was on a business trip, and I felt completely unprotected. They said that I had to pay them for about 18,000 Lei and, if I did not want the shop to be closed, I had to pay to both of them \$ 400. I paid \$ 800. After this they still wrote a report, so I still had to pay officially 4500 Lei.” When asked why didn't she install a movie camera to prove that the inspectors extort money, the businessman said: “why should I? If I prove that they extorted money, they will come again and again, but my inspectors even left me their mobile telephone number, and asked me to call them in case someone else would come to inspect me.”

Int. code #04, 11/8/2000, 11:00, Chisinau. “When you deal with the Financial Guard or with the economic Police, if you do everything officially, you pay - 100%, if you pay them unofficially (a bribe), it is enough to pay about 15-20%.”

Local administration

Although we expected the businessmen to remember some certain cases that happened to them in respect to corruption in tax and customs services, some of them preferred to give us some examples about other control inspections, as well as local administration. Local administrators are likely to prefer gifts, at the same time not avoiding acceptance of bribes.

Thus, Int. code #6, 11/8/2000, 11:30, Chisinau. “I gave a gas-stove (gas cooker) to a public officer, so that he reduced the payment for the rent”, or in int. code #6, 11/8/2000, 12:40, Chisinau. “In order to be able to rent a room in a state institution I gave the employee of Primaria a vacuum cleaner”.

Int. code #03, 11/7/2000, 15:50, Chisinau. “In order to extend the authorization for my business I was asked by the Chief of the social-economic Section of the Pretura to “pay” him directly ML 2600”.

Int. code #51 , 11/7/2000, 13:20, “In order to maintain my “good” relations with city hall, sometimes when they call me and say that they are building a villa (dachia), I have to send them a couple of cars of slurry, or a number of floor slabs, or other things...”

Int. code #26, 11/7/2000, 14:20, Chisinau. “Yes, I had to overpay for everything: for the place for my shop, for the opening of the business, for the fence around the shop, again, for everything...”

Sanitation inspections

Int. code #25, 11/11/2000, 10:30, Chisinau: “First, they said that the certificate of quality was wrong, it was a copy, and I was supposed to show the original. After this they said that the chlorine was in solution, but it should be in powder form. Later they said that the pressure of water in the tap was too low, as if it depended on me. When I paid the bribe, suddenly everything became fine”.

Int. code #26, 11/5/2000, 9:30, Chisinau. “When the sanitation inspection comes, they will find something wrong wherever they want. We have to pay in any case. Usually they do not tell us to pay directly, they just do not leave and wait until we pay them”.

Int. code #26, 11/6/2000, 9:25, Chisinau. “...Sanitation Inspection, Tax inspection, Environment Inspection – all of them are paid, so that they leave us for 7-8 months, and then they come again”.

Int. code #2, 1/27/2000, Chisinau. “The Sanitation Inspector proposed that I sign contracts with their collaborators. I refused; I have no money to pay them a wage. So, now I am expecting inevitable problems”.

Other inspections

Int. code #45, 11/7/2000, 14:20, Chisinau. “During the inspection my merchandise was seized. I paid to the inspector a bribe and got back my merchandise”.

Int. code # 6, 11/6/2000, 9:35, Chisinau. “All representatives of the state audit institutions indicated in Q.19 regularly visit me and have their lunches on account of the “further fines”.

Int. code #03, 11/6/2000, 14:00, Chisinau. The director of the bar says that money is extorted by public officials under the pretext of holydays, e.g. International Day of Protection of Children, the Day of Firemen, the Day of Police, etc. he has to pay from ML 50 to 200.

Int. code # 12, 11/4/2000, 13:05, North, “the inspector found that the expiration date for chewing gum had expired and let me know that I had to pay him, if I did not want to have problems. So I did.”

Int. code #31, 11/10/2000, 17:25, South. “This year we were supposed to change our cash register by August, 1. We succeeded in buying such cash register only the last day before the deadline. So, we had to pay a bribe in order to register it quickly”

Int. code #26, 11/4/2000, 15:30, Chisinau. “The cash register did not print the sum. I was supposed to pay a fine of 1800 Lei. I paid 360 Lei in cash to the inspector and he left.”

Int. code #6, 11/13/2000, 11:05, Chisinau. “The main accountant of an energy enterprise received a golden chain worth \$ 100 from us.”

Int. code #16, 3/2/2000, 9:15, Chiadârlunga: “I had to pay for the certificate of quality about 1200-1300 ML. I paid in cash directly to the public officer 1000 ML, so I saved 200-300 ML”. So, both sides were satisfied.

Int. code #2, 11/13/2000, 10:20, Chisinau. “When they found some irregularities in our work, they “asked” us to pay for a prosthesis for a former combatant from Afghanistan. So, we paid. I do not know whether the man has received the money, or not”.

Chamber of Accounts

In fact, we did not expect any “revelation” about the work of the Accounting Court, because this institution deals with the control of the state organizations. However, two respondents mentioned the following:

Int. code #47, 11/16/2000, 13:10, Chisinau. “An employee of the Accounting Court came to my office, introduced himself and said that his salary was low and that he needed an additional job, and wanted me to hire him. In fact, he wanted me just to pay him regularly a wage. I told him that we did not have any vacancies; I would call him when we will had vacancies. He said that he wanted me to sign a contract with him. I said that I do not sign contracts even with my employees. He said that he knows a lot of employees from other control agencies, letting me know that if I refuse, I could have problems. This is blackmailing from the side of the state.”

Int. code #6, 11/13/2000, 11:05, Chisinau. “A representative of the Accounting Court has received a bribe of \$ 100 for a netting-out operation.”

Judiciary system

Int. code #47, 11/7/2000, 13:20, Chisinau. “I had to receive USD 35,000 from my client thought the Court. In order to win in the process, I had to promise the judge USD 5,000 (about 15%) of this sum. So, I won. If I had had to solve this problem (the reimbursement of money) with criminal structures, I would have had to give them 50% of the total sum”.

Int. code #47, 11/7/2000, 13:20, Chisinau. “I exported two carriages of goods to Vladivostok (Far East in Russia), value of about USD 75,000. They passed all customss successfully, but suddenly they were impounded in Vladivostok under the motivation that there was something wrong with the documentation. I sent them all the necessary additional documentation by mail, but it did not work. Then I had to fly by myself to Vladivostok. There I understood that the public official dealing with my case was closely connected with criminal structures, because he has shown me the criminals standing outside his office, and proposed to “solve the problem” through them (it meant for me at least 50%), or my dead body would stick in their sewerage system. In reality the public official used MUCH WORSE language. So, I lost USD 75,000”.

Int. code #47, 11/10/2000, 16:00, Chisinau. "I will tell you a real story, where the judge and the investigator of the same case were very close relatives. The Judge received a bribe for this case from one side, and promised to win the case. The investigator received another bribe from the other side, and also promised to help. After they found out that they were supposed to defend different interests, they declared that they would solve the problem in an impartial way, meanwhile keeping both bribes".

Contacts

For those people who are used to solving their problems with public officials through contacts (Q.12) corruption is more likely to present a small problem (Q.8).

Int. code 29, 11/10/2000,14:00, North. The wife of the police inspector has a food shop. In her opinion, problems with public officials are usually solved through personal contacts; also there is no corruption in any sector indicated in Q.13, with exception of tax inspections, health care and sanitation inspections.

Int. code #6, 11/9/2000, 13:40, Chisinau. "I have pretty good relations with all inspectors, however, it costs me a lot of presents".

Racketeering

If at the very beginning of the transition economy racketeering was a big problem for the entrepreneurs, then at present time the entrepreneurs say that racketeering was replaced with the blackmailing from the state structures. One person, which is in strong contacts with the criminal being evaluated that no more than one fifth of total payments might go to criminal organizations, the rest of payments go unofficially to the public officers. However, some of the respondents complained that they were approached for racketeering purposes.

Int. code 23, 11/5/2000, 9:00, North, "a group of strangers asked to pay money without any motivation".

Int. code 23, 11/5/2000, 21:00. When asked how many times they were visited by various inspections, he mentioned also 5 visits of racketeers.

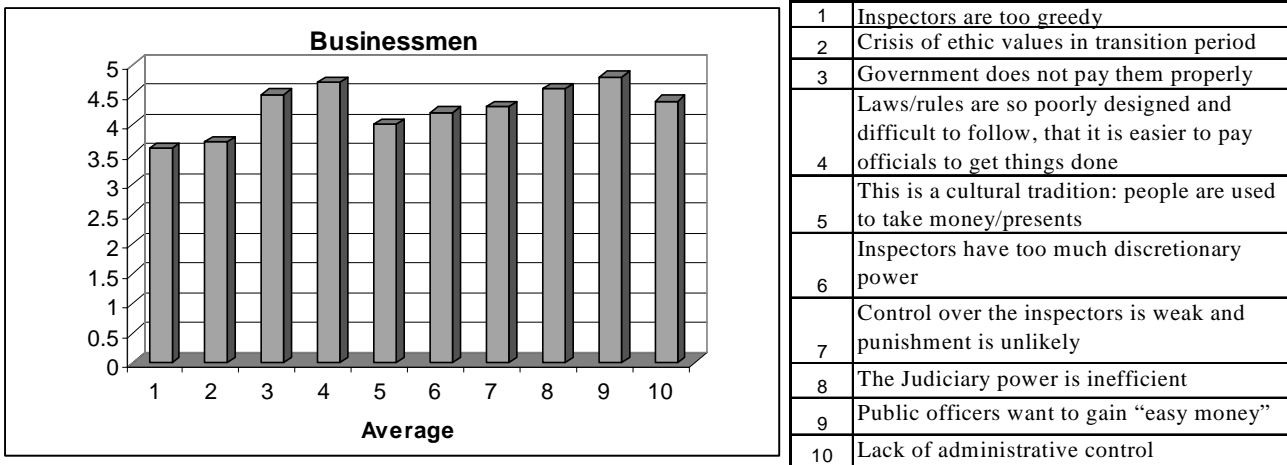
Int. code 23, 11/11/2000, 13:20, North, „A former convicted person asked money for the protection of my business". Int. Code #28, 11/4/2000, 15:00, Ungheni „Criminals also disturb me..."

So, the conclusion of this chapter is, that even if respondents have a tendency to exaggerate the things, it is clear, that corruption presents a serious impediment for the legal development of business. If the businessman chooses the illegal base for the development of his business, things change quickly, and both, supply and demand side of bribes are interested in this phenomenon. The dimension of the bribes exceed many times the official wage of tax and customs inspectors. So, such a measure for fighting corruption, as to simply increase wages without strengthening the law will be quite inefficient.

2.4.5 Causes of corruption in tax and customs sectors

How would you evaluate the following possible reasons of why tax/customs inspectors take money or presents?

Fig. 2.29



The respondents rank the causes of corruption among tax and Customs institutions as follows:

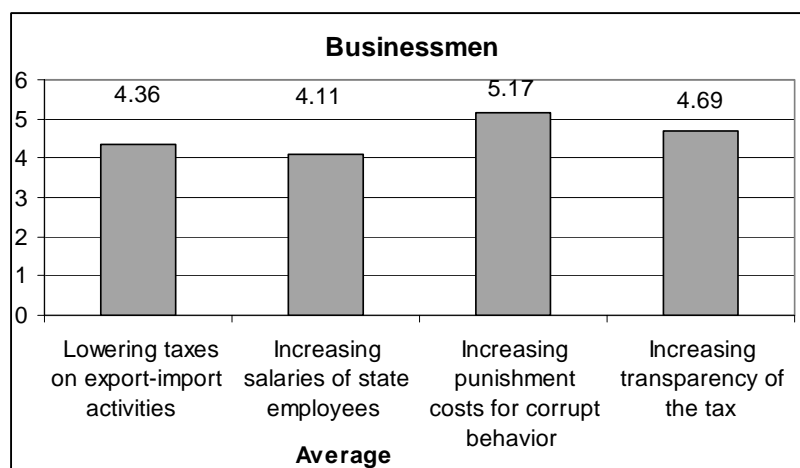
Laws/rules are so poorly designed and difficult to follow. It is easier to pay officials to get things done (the average being 4.8), public officers want to gain “easy money” (4.7). The judiciary power is inefficient (4.6). The government does not pay them properly (4.5). The good side of these results is that population does not consider that corruption is a cultural tradition in the country (4.0). This means that in principle the situation could change.

2.4.6 Measures to combat corruption in tax and customs sectors

How effective, in your opinion, could the following measures be in reducing corruption in customs and tax services?

(1 – not efficient, 6 – very efficient)

Fig. 2.30



The most effective way to combat corruption in the country, according to public opinion, is increasing punishment costs for corrupt behavior. The average is 5.17 with maximum of 6). After this comes increasing transparency of the tax system (4.69). It is remarkable that such a measure as increasing salaries of state employees is ranked very low. The population realizes that just an increase of wages without law enforcement will not help for tackling corruption in the country.

Some respondents asked to add to our list some other measures. We list them below:

Int. #24, 11/7/2000, 11:20, Chisinau: “To punish corrupt people in public”;
 Int. # 24, 11/7/2000, 11:20, Chisinau: “To deduct a certain per cent of the fine for the inspector in order to rise his interest”;
 Int. code #6, 11/8/2000, 1:30, Chisinau. “A change of a generation is needed”;
 Int. code # 6, 11/8/2000, 9:50, Chisinau “Death penalty with public execution is needed”;
 Int. code #7, 11/10/2000, 11:00, Chisinau “Higher efficacy in the judiciary system”;
 Int. code #7, 11/7/2000, 11:05, Chisinau. “An independent external control of the inspectors is needed”;
 Int. code #9, 11/12/2000, 11:35, Chisinau. “Establishing a system in which all people are equal before the law”;
 Int. code #9, 11/10/2000, 17:00, Chisinau. “We need a law on protection of victims of violence from the public official’s side”;
 Int. code #2, 11/27/2000, 11:20, Chisinau. “Introduce changes in the tax system. Reduce the payments to the social fund from 31 to, let’s say, 6%.”

So, we see that more and more people demand very severe punishment of corrupt behavior, and even insist on public execution. This might serve as a strong signal to the government, that if no legal measures are undertaken, society threatens violence and spontaneous illegal cases of revenge, or even executions.

Speaking about the reason for the growth of corruption in the public sector, many respondents mentioned fear to expose corruption. A respondent (Int. code #6, 11/14/2000, 20:45, Chisinau) told us a story about when the tax inspector demanded a bribe from him in exchange for not reporting the detected violation. The economic police proposed to mark the money, so that they could prove that the tax inspector had received a bribe. The interviewee refused to do this, being afraid of revenge.

Another opinion expressed says that people do not report corruption because they feel unprotected: Int. code #47, 11/10/2000, 16:00, Chisinau. “One of the causes of the wide spread of corruption is the corporate interest of the inspectors. I may put him behind bars very easily, but his colleagues will do everything they can to destroy my business. I can not report that he demands a bribe. I am unprotected”.

The last opinion we would like to present is the statement of a completely desperate person: Int. code #03, 11/8/2000, 15:00, Chisinau. “I have the impression that laws are written in such a manner in order to destroy this state...”

2.4.7 Conclusions from the questionnaire for businessmen

The main conclusions drawn from the answers to the questions for businessmen regarding corruption in tax and customs services are as follows:

1. According to the opinion of the absolute majority of businessmen, corruption is one of the main impediments in the development of the private sector in the Republic of Moldova;
2. Corruption in customs and tax services is mainly caused by two factors. On one hand, low wages and salary arrears force public officers to seek for additional income. On the other hand, a possibility to gain “quick money” and a low risk of being punished makes taking bribes very attractive.
3. There is a high level of public tolerance towards corruption from the side of civil society. This makes fighting corruption less effective.

4. Tax legislation is not widely understood, even by entrepreneurs. Officials can sometimes play on that and fool managers and extract payments. Such cheating more often occurs with small-scale firms.
5. In order to “ease” further inspections, businessmen try “to build good relations” with the inspector by offering money, gifts and services.
6. Inspectors sometimes assist entrepreneurs in reporting smaller amounts of sales or to hide illegal activities, which, again, implies sharing uncollected taxes.
7. When the inspector finds a violation of the rules, usually it is enough to pay an average of 30% of the fine directly to the inspector in order to avoid the reporting of the case. This makes bribes very attractive for both sides: businessmen and public officials. The losing side is the state and socially vulnerable strata.
8. Unlike similar public officers in Asian countries, those from Moldova usually do not demand bribes directly from businessmen before the inspection starts. However, inspectors use all possibilities to let the businessmen know that the fine is going to be high and they should undertake some measures to lower it.
9. According to the evidence, on an average, businessmen are visited more than 30 times per year both, officially or unofficially. If the businessman pays the bribe in advance, sometimes he might not even be inspected.
10. Businessmen are not inclined to report incidents when bribes are extorted by public officers because they feel unprotected by law.
11. Refusal to pay bribes is believed to further complicate business. This makes the businessmen more willing to offer bribes.
12. Very often a bribe exceeds the official wage of the inspector several times over. This makes a simple doubling of the wage an ineffective way of tackling corruption in customs and tax services.
13. There are no clear rules (nor a mechanism for enforcement) that would prohibit inspectors to be simultaneously hired at the enterprises under his control.
14. The so-called “corruption ladder” also seems to work well for the tax authorities. Positions in the tax administration are considered the most profitable in terms of the potential to generate revenue. Thus, many are willing to pay to get this type of job. Payments are made not only when the employment decision is being made, but also afterwards on a regular basis. Promotion along the service ladder means a higher position on the “corruption ladder”, higher revenues and thus it has its price. There is a pyramid structure of corruption among the tax authorities and higher officials have a full authority over their subordinates. This is probably because of a high potential cost for losing a position in these institutions.
15. Not all of the positions in the tax administration are necessarily bought. Quite frequently social factors influence hiring decisions. Employing friends, relatives, etc. is very widespread, and is caused by social factors and by a need to have reliable assistants to better hide corruption.
16. The most corrupt sectors in the Republic of Moldova are believed to be health services, customs, and police. However, this might mean that these are just the most exposed to corruption sectors.
17. The most effective ways of fighting corruption in tax and customs services are believed to be increasing punishment costs for corrupt behavior. Very often the respondents require public punishment of corrupt persons.

18. Corruption in the customs sector can be dealt with only by carrying out a consistent customs reform. It must include the following measures:

- Establishing a temporary board with all formal customs procedures along the river Nistru;
- Examining of the possibility of a temporary introduction of the army in customs service;
- Examining the possibility to transfer the customs service to the private sector;
- Construction of customs service buildings, service modernization;
- Minimizing the discretion in decision making;
- Applying a competitive system in hiring employees;
- Training customs officers (expertise techniques, responsibilities, classification of tariffs, using computers);
- Enhancing fluidity of personnel within the departments for customs service control;
- Raise the customs collaborator's interest in good performance by granting as an incentive a certain percent of the value of seized goods.
- Setting up a modern informational system;
- Carrying out of cross-checking information with the tax inspectorates;
- Using X-rays in customs service;
- Making additional random inspections (5% of total) of documentation and goods by special groups after going through customs;
- Introducing the principle of rotation of assignment and random allocation of examinations among customs officers and, in certain circumstances, regular relocation of staff;
- The system of external auditing should be complemented with an internal unit that has the specific task of investigating all cases of suspected malpractice⁹.

2.5 Summary results for questions for households

The use of money, presents, etc. in health and education institutions is subject to debate¹⁰. One could argue, that the use of payments for social services is a reflection of a need to privatization (or partial commercialization) of health and education. Since the government is no longer able to afford to subsidize these sectors, they have to become financially sustainable. Accepting money allows medical and educational institutions to survive in the absence of budgetary transfers. Since law forbids these payments, many of them are legally considered as corruption. A natural remedy to the problem is to legalize commercial activities in these sectors. Another argument is based on the low level of wages in health and education. While the general level of wages in Moldova is quite low, salaries of teachers and medical doctors are more than six times as low as those in financial sector, the latter having the highest salaries within the public sector. Thus, one may hypothesize that most of the corruption in the health and educational sectors happens due to need, while tax/customs and police officers have greed as a driving force. One should exercise caution, however, before making a conclusion about non-negative nature of corruption in health and education.

Corruption in the health and educational sectors is one of the most destructive forces in the nation. Corruption in the health sector causes a decline in the quality of health services, and,

⁹ Strategies to Combat Corruption in Ecuador, Custom Service, National Association of Business Owners, 1999

¹⁰ Tokir Mirzoev, Corruption as seen by the private sector, September 1999, Central European University

hence, the health of the nation. Corruption in the educational sector causes a rapid decline in the intellectual potential of the nation. Since the main resource of the Republic of Moldova is its labor force, corruption, in fact, means (demolition, devastation) of a nation and a country.

2.5.1 The extent of corruption in the educational sector

Although the literacy level is quite high in the Republic of Moldova (96.4 %), and the number of private Universities in the country is growing, the economic decline and the scarcity of financial resources make pressure on development within this sector.

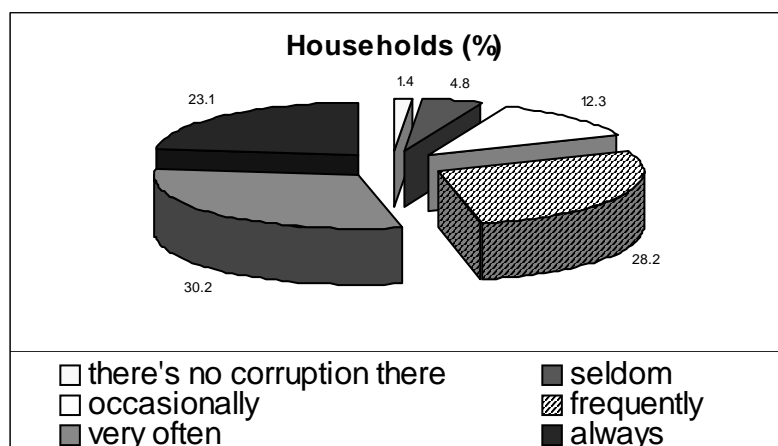
It is commonly accepted that the quality of education depends largely on the competitiveness of the wages in the system; yet in the Republic of Moldova the teaching staff is almost the last paid social category. In 1999 their average monthly wage was worth Lei 190 (USD 18). This is only about 50 % of the average wage in the country. According to The Common Country Assessment of the Republic of Moldova (United Nations, 2000), pursuant to erroneous policies, this intellectual labor force became the most disadvantaged field of activities. During 1995 – 1999 almost 20,710 teachers quit teaching, searching for alternative sources of survival. Young graduate-teachers are reluctant to be involved in practicing their profession. In 1998 of the 2.8 thousand graduates of pedagogical universities, only 2 thousand jobs were offered. Of that number only 31 % were accepted. In 1999, 1537 young specialists were offered jobs, but only 23 % went to schools.

An immediate consequence of this situation is dissemination of corruption phenomenon in the educational sector.

How is the corruption phenomenon likely to be extended in the educational system?

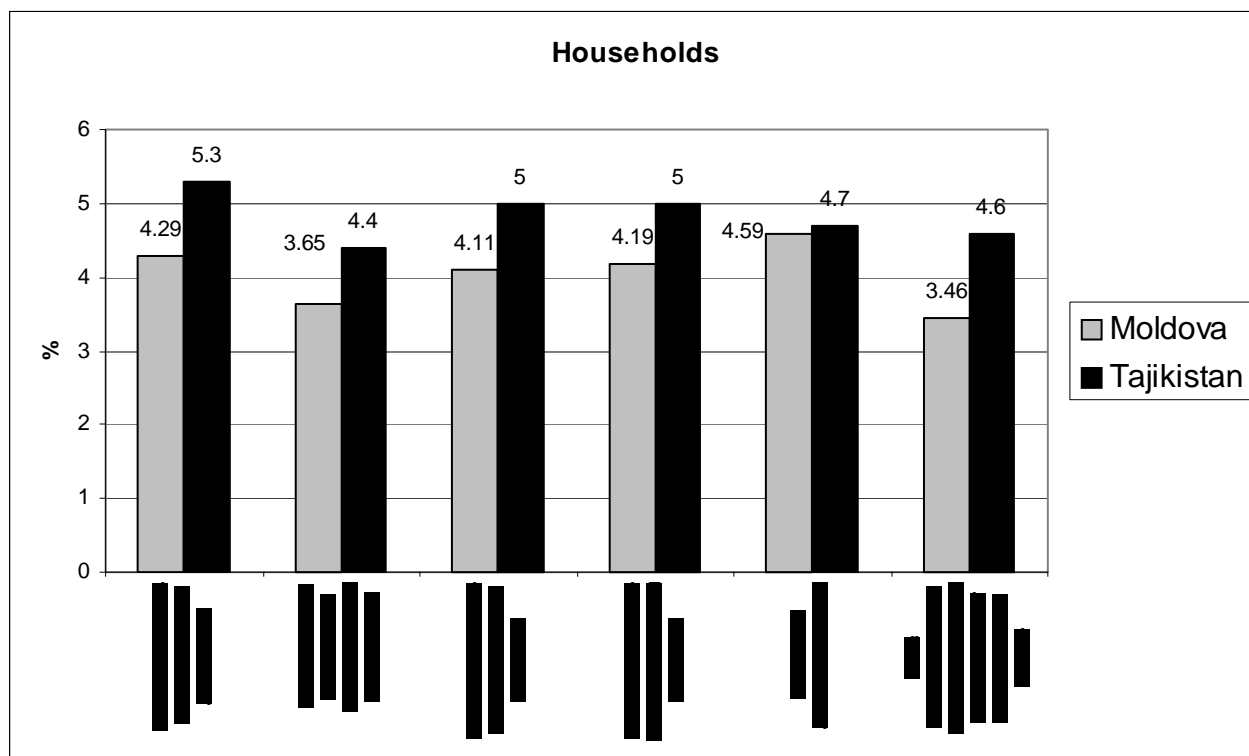
About 81.5 % of households think that corruption in the educational system is likely to happen always, very often, or at least, frequently. This figure is confirmed by the results of the question regarding the main problems for the respondents. As was indicated, poverty was first, the second was corruption, and the third, the decreased quality of health services.

Fig. 2 .31



The additional payments are most likely to take the form of...

Fig. 2.32



Faced with extremely tight budget constraints most public secondary schools began asking for additional payments and creation of such special chargeable services, additional classes, specialized classes, classes with a smaller number of pupils, various ceremonies and reconstruction of the building.

Although these payments were not stipulated legally, they still were not affecting the quality of education. Later on, things turned in such a way that now parents have to make additional payments for all kinds of services. In some of schools, parent are simply told that the wage of teachers is too low, so, if parents want them to continue their work, they have to pay regularly a certain sum of money. This is a less dangerous way for the educational process. The other methods of “interesting” the teachers in fulfilling of their duties have a worse impact on the educational process – the direct bribing of the teacher. This might be done to ensure that the child gets enough attention, and this results in reduction of the time spent with the other pupils. The bribe may also be offered in order to build good relations with the teacher, and as a result the child usually studies less intensively, because he/she expects a good grade anyway. The bribe may be given simply to ensure a high grade, and this is completely detrimental to the educational system.

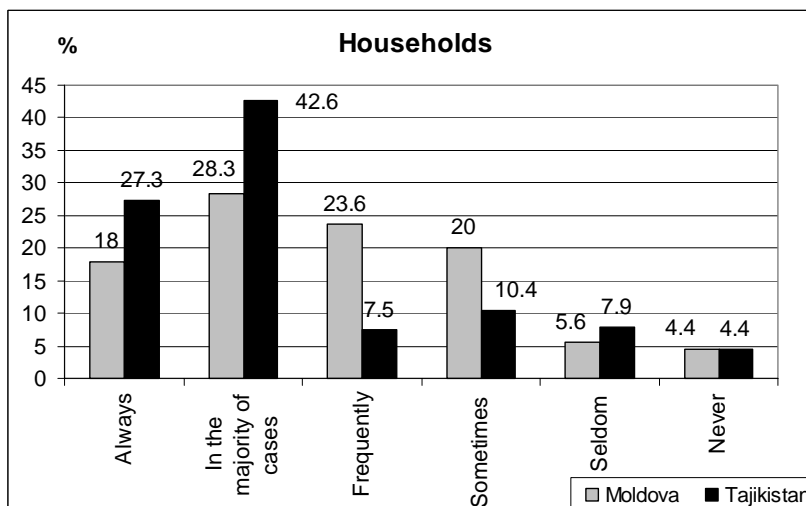
The results show, that in the educational system of Moldova the population pays mainly for supplementary lessons (the average being 4.59 of maximum 6). After this come extra-payments for the reconstruction of the school building (4.29), and payments for recommended textbooks (4.11). The data show that direct payments to teachers or directors to express “gratitude”, or build good relations are the rare. However, in all list of additional payments only two could be considered as corruption: the payments for supplementary lessons (especially because usually supplementary lessons cost several times more than for the regular lessons, or sometimes this is just a nice pretext for offering a bribe), and the direct payments to teachers or directors to express “gratitude”, or build good relations. As we can see in the graph, the average grades for every type of payment is higher in Tajikistan. The difference is

in Tajikistan the maximum of payment is for reconstruction of buildings, festivities and textbooks, which should be considered to be bribery.

Will the refusal to pay additional payment when asked by the school be negatively reflected in children’s grade?

Fig. 2.33

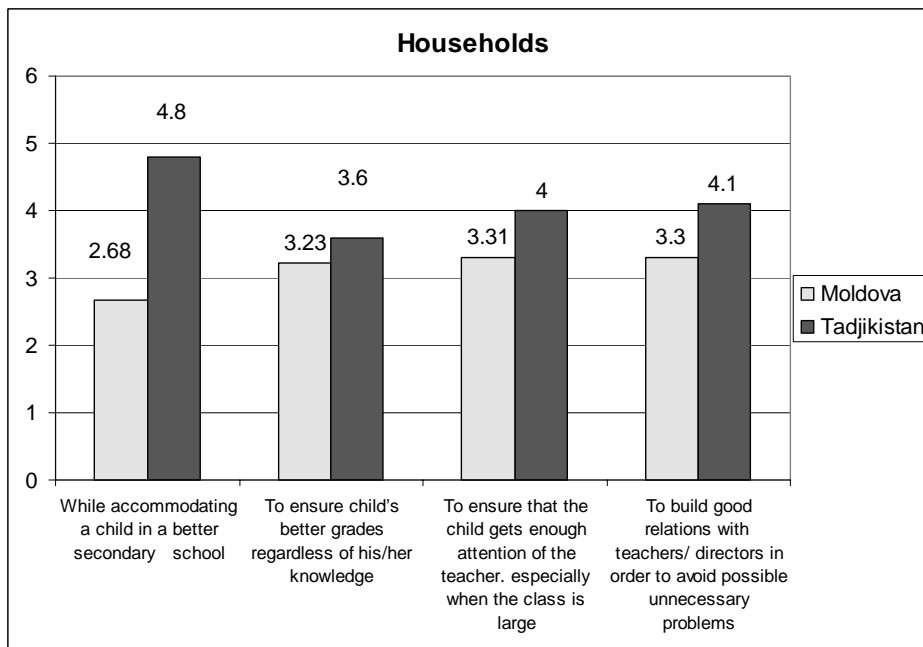
About 70 % of respondents think that the refusal to make additional payments will have a negative impact on their child’s grade. This expectation, whether it is right or wrong, will, obviously imply a desire to pay bribes in the future, and extend the phenomenon of corruption in the educational system. In the case of Tajikistan this opinion is shared by almost the same proportion of respondents.



How likely is the use of money to occur in the following situations?

Fig. 2.34

Among a variety of bribes offered in the educational system, the predominant ones are bribes to build good relations with teachers (the average grade being 3.3). Parents prefer to prevent possible problems and to build good relation with teachers. Then parents pay to ensure that the child gets enough attention (3.31), and only after this they pay to ensure better grades regardless of knowledge.

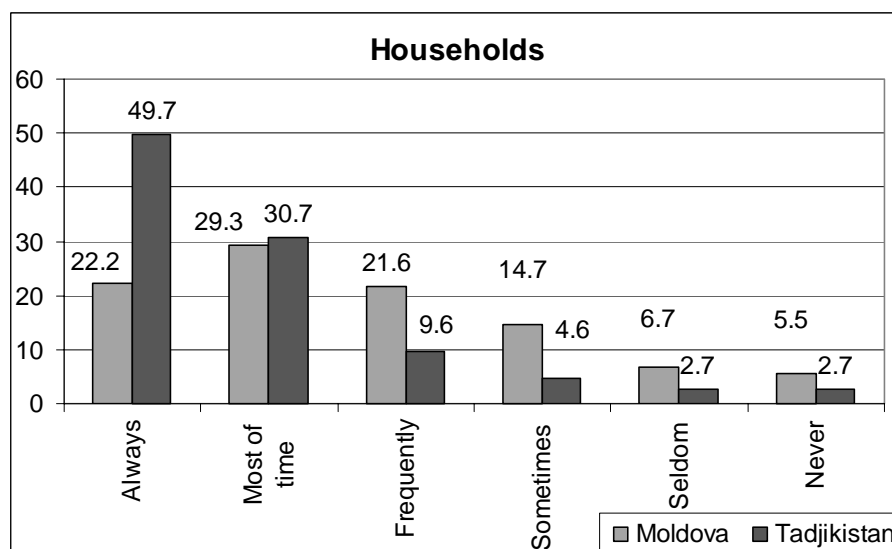


When entering a University, how likely is the use of unofficial money, gifts, and personal contacts?

About 73.1 % of respondents consider that the use of bribes of unofficial payments when entering a University, or similar educational institution, takes place always, most of time, or frequently. The use of money, presents, and contacts in public universities takes place both when entering a university and in the course of studies. Often the “price” for a certain

service is well known between both parties, students and professors. The popular web-site among students <http://www.student.md/> displays a large number of testimonies of the students with regard the bribery. It even includes the price list for the test in some of the institutions. It is remarkable that the price varies between USD 50 to USD 500. It is enough to compare this with the official average monthly wage in the educational system which is about USD 20, and makes the accepting of bribes in this sector very attractive.

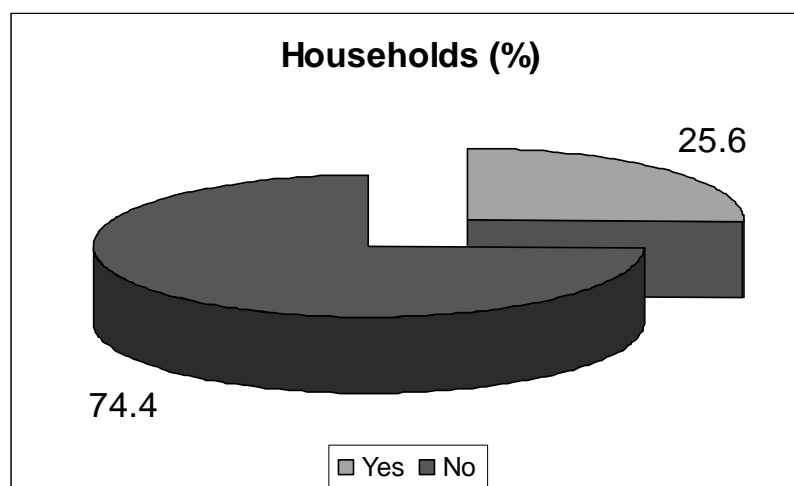
Fig. 2.35



Have you ever had to use money, presents, contacts to solve a problem in universities?

This question is very direct, so it is difficult to expect a lot of sincerity from the respondents, nevertheless one quarter of the respondents recognize that they had to offer a bribe, or resort to contacts to solve their problems in universities.

Fig. 2.36



2.5.2 The extent of corruption in the health sector

Although during the transition period some progress in the reform of the system of health care was achieved, the economic decline and continuous cuts of the health care budget restrained development in this sector. Thus¹¹, the budget for the state health care system in 1999 was reduced in real terms by about 40 % compared to 1998. This endangered the success of the measures that have been planned (postponing introduction of health insurance has already been considered) and called for temporary, frequently palliative steps to maintain the system, such as the introduction of “cashier offices” at the hospitals to receive direct payments from patients for the services.

Comparing the size of wages in health sector with the average monthly wage in the economy, we can notice that the average salary in this sector has regularly decreased through out the past years. The average wage in health sector in 1999 was Lei 190 (USD 18), as compared to Lei 303 – the average, and it covered only 29 % of the minimal consumer requirement.

A large burden of health care cost falls to patients. As well as all former Soviet Union countries, Moldova has a long history of informal payments for health services. These payments exist beyond the official sources for health care expenditure and it is difficult to quantify their exact value. The recent UNICEF study estimated that family spending for the health care services accounts for approximately 6.21 % of the total expenditures for the health care system.

Fig. 2.37

Although primary care services are officially free, the survey estimated that almost two thirds of all visits require some form of payment.

At the same time, the available resources are not rationally used. The system is very hospital-oriented. In recent years, up to 88 % of funds were utilized in inpatient care and only 12 % in outpatient and primary sector. The number of hospital beds and duration of stay in hospitals are among the highest across the European region. Among the first consequences of an inefficient health care system is an extension of corruption among its employees.

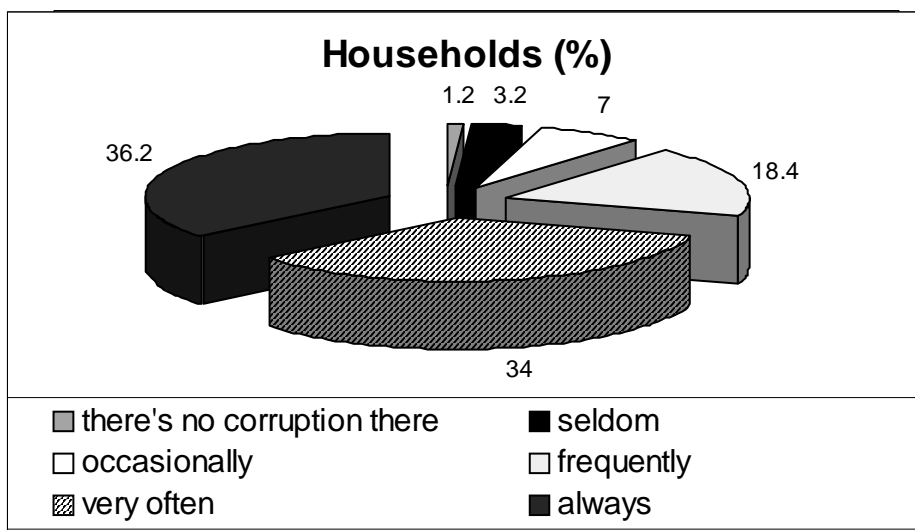
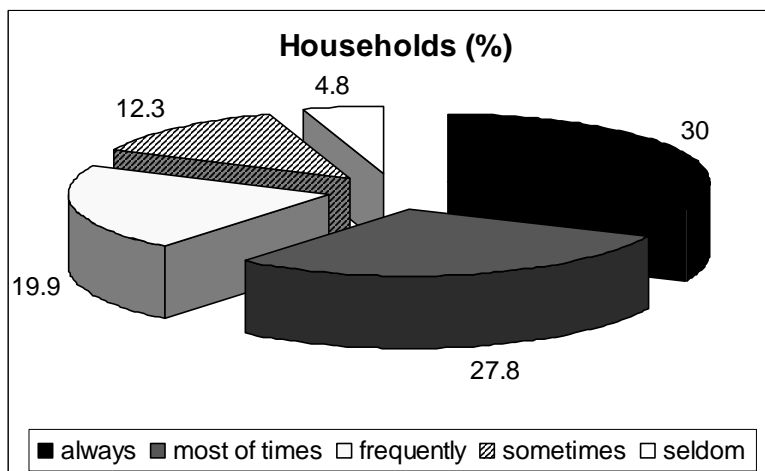


Fig. 2.38

How is the corruption phenomenon likely to extend to the health care system?



¹¹ Republic of Moldova, Common Country Assessment, United Nations, 2000

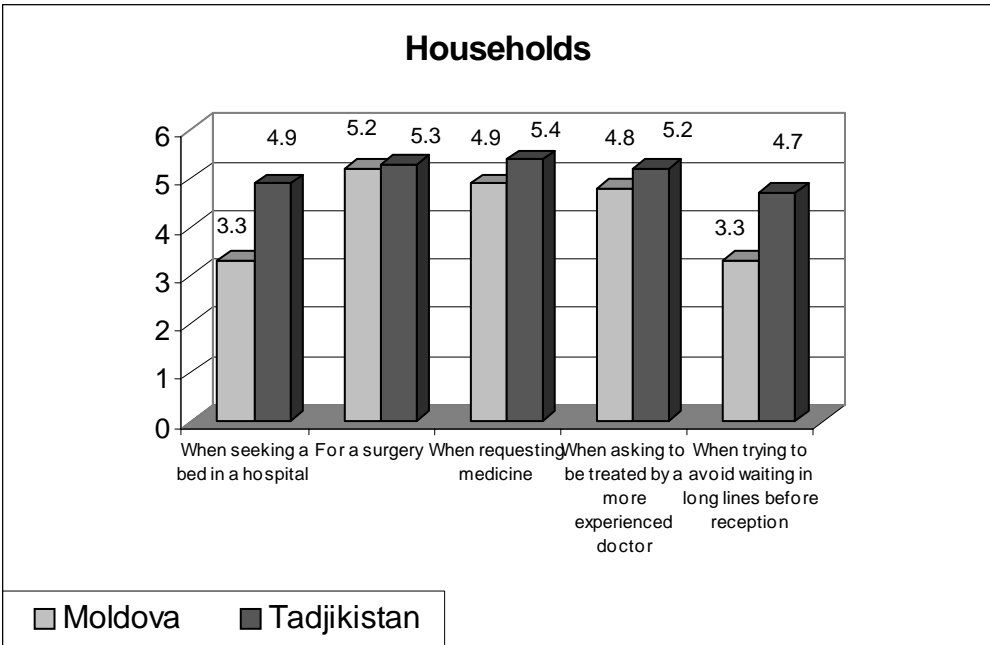
The health sector in Moldova is characterized by an oversupply of labor. On an average there are about 40 patients per one medical employee, which is a high number. It seems that this does not have a competition effect on the development of the health sector. Almost 88.6 % of respondents consider that corruption in health sector occurs frequently, very often, or always.

How likely is it that a person like you will be asked for payment when asking a doctor for a service that should be provided for free?

About 77.7 % of respondents expect that they will be always, most of time, or frequently be asked for a payment for a service that should be free. This does not imply that they will actually be asked for money. It mainly indicates that the respondents expect to be asked, and, are resultingly morally prepared. The rationale that “everybody does this” as in the case of businessmen, is intensified by the thought that “My health depends mainly on this”.

How likely is the use of money, presents, or contacts to occur in the following situations?

According to the results, most of all population is supposed to pay for a surgery (the average grade being 5.2), which means an intermediate stage between “very often” and “always”. Second type services where the use of money, presents, or contacts occurs is the case when patients request medicine (the average – 4.9), and when asked to be treated by a more experienced doctor (4.8).



We can see in the graph that the situation is slightly different in Tadjikistan, and their evaluation of the occurrence of corruption in health sector is a little higher.

How would you evaluate the following possible causes of corruption in educational and health care services?

Fig. 2.40

The main cause of corruption in the health care sector is poverty and low wages in this sector. The average grade for this answer is

	Health care	Education
They are too greedy	3,21	3,53
Government does not pay them properly	5,54	5,53
Crisis of ethic values in transition period	3,68	3,75
This is a tradition: people are used to take money/presents	3,92	4,08
Nepotism and clan relations	4,05	4,06
They have a too much discretionary power	4,05	4,14
Lack of administrative control	4,59	4,69

5.54, which means an intermediate stage between “very much” and “exactly”.

Coming back to the same question about corruption in tax and customs services, we should remember that the three main causes in those two sectors were: Laws/rules are so poorly designed and difficult to follow, it is easier to pay officials to get things done, public officers want to gain “easy money, or the judiciary power is inefficient. So, we can easily see that the public opinion differs. This might be a reasonable idea. In contrast to, customs and tax services, getting a high education in medicine require at least 8 years of studies and years of practice. Substantially lower wages in health and educational sectors, as well the low flexibility in labour force in the health sector, forces a considerable part of the employees to accept a corrupt course of action.

How effective, in your opinion, could the following measures be in reducing corruption in state health care services?

Fig. 2.41

In first place measure to fight corruption in the state health services is, increasing the financial support of the sector by the government (the average – 5.23) and increasing the punishment for corrupt people (5.08).

	Health care
Increasing of financial support from the government	5,23
Increasing of punishment for corrupt persons	5,08
Strengthening of supervision over medical staff	4,76
Improving of supervision system over humanitarian aid	5,06
Conducting of anti-corruption propaganda campaigns in schools and universities	4,00

It is significant that, understanding the problem of funds for the health sector, people see that the lack of transparency in the management of the distribution of humanitarian aid provides a fertile grounds for corruption.

An improvement in the supervision system over humanitarian aid distribution is seen as the third measure of tackling corruption in the country. It should be mentioned that the registration and distribution of humanitarian aid is absolutely a non-transparent process in the Republic of Moldova. Representatives of foreign aid institution complain that a officials from Moldova usually thank the donors, take their pictures and leaves no possibility to track the distribution of the humanitarian aid. Sometimes containers of goods disappear over night and no one is able to explain where they are. Occasionally mass-media “lights up” some general data about the total cost of humanitarian aid arrived into the country, however, these data can not be used for a control from the side of civil society. Government does not seem to be interested much in the control of transactions with humanitarian aid. Very limited information about some work of the Accounting Court in this direction may be found in its reports.

Possibly, the donor organizations could promote the principles of transparency by demanding the recipients to publicize in mass media the concrete directions of the distribution of the humanitarian aid, indicating not just its cost and the agency, but also specifying the content of the aid, indicating the physic volumes, so that interested persons could check the way it was disseminated. As the next step of tackling corruption in the field of distribution of humanitarian aid could be setting an UNDP project (or, at least, support an independent NGO), which would monitor the efficiency of the distribution of humanitarian aid. It is possible that in some cases, the recipients of humanitarian aid should provide some kind of work for the offered humanitarian aid, such as cleaning the space around their houses, planting trees, painting benches, nursing, etc.

How effective, in your opinion, could the following measures be in reducing corruption in education?

Fig. 2.42

The main two measures to curb corruption in the educational sector do not differ from those in health system in the public opinion. The third measure is considered an increase of transparency in the admission to education.

As the first steps towards transparency in the system of higher (University) education in the Republic of Moldova could serve the maximization of using computer tests instead of oral

exams, or clear explanation during the exams what will be the exact price of every question during the test. This can be done, at least, during the exams for the exact sciences.

In fact, a total reform of educational system is needed. The main problem lies in the funding of the state educational system, which reduces the quality of education in the country, these resources are still used in an absolutely inefficient and inflexible way. Thus, many locations, mainly in rural area suffer of depopulation; classes are taught to very small groups of students (one teacher for around 10 children). The program of education foresees very promptly when and which subject has to be taught. So, hypothetically, on spring time pupils of the tenth grade are supposed to have 28 hours of a certain section of Geography, 26 hours of History, 40 hours of Romanian literature, etc. This does not give any flexibility to form bigger groups of students, have a lower ratio “teacher/students”, and, thus, being able to afford more competitive wages.

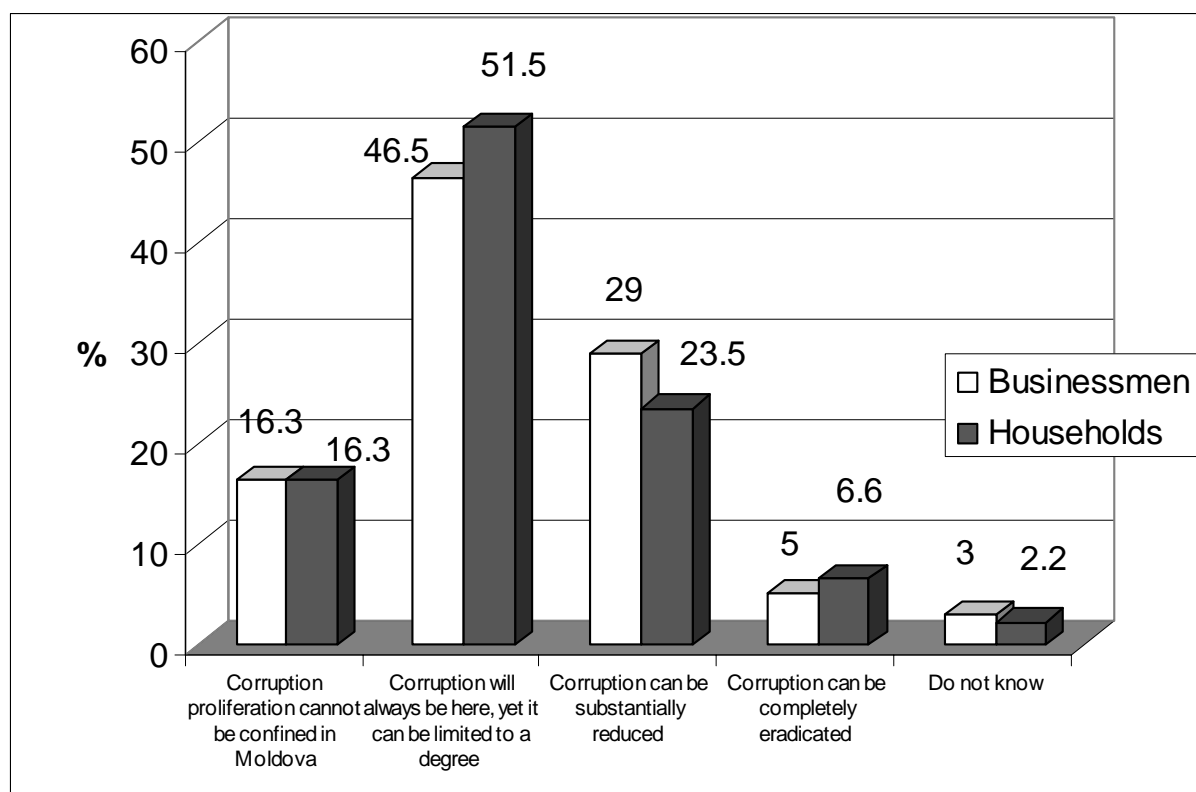
Another direction of reform of the educational system in the Republic of Moldova is simplifying its program. Having no possibility to afford a decent wage in the educational system, a way to raise the incomes of professors, especially at the University level, is to increase considerably the number of courses. So, the list of obligatory subjects (classes) students are supposed to study simultaneously during a semester in a high school varies between 15 and 20. In universities students study simultaneously 10-15 subjects. By comparison, in the US University system during one semester students study simultaneously in average only 3 – 4 subjects. This gives the possibility of getting a deeper understanding of the subject and passing the tests successfully. In Moldova, in order to be promoted to a higher grade, students are supposed to pass every year about 10 and even more exams, and 20-30 tests. Students have to attend about 40 hours each week, and then prepare their homework. Obviously, this is a stress producing system of education. It put a lot of pressure on students; so, the main solution to get a positive mark is cheating or offering a bribe.

Another factor that promotes corruption in the system of education in the Republic of Moldova, as well as other former SU countries is the lack of possibility to choose the teacher (professor). In fact, students are “attached” to certain professors, and, if the relations between the professor and the student are not good, or students know that the professor customarily demands additional payments for tests, good marks, or special attention, they cannot be transferred to another professor, and cannot complain, because this will worsen the relations with the teacher. A system of confidential evaluation of the quality of professor’s work among students is absent. Setting up a more flexible educational system could give possibility of solving a considerable part of the problem of corruption in this sector almost automatically.

	Education
Increasing of financial support from the	5,34
Increasing of punishment for corrupted persons	5,06
Increasing of transparency of the admissions and	4,94
Strengthening of supervision over teaching staff	4,73
Improving of the system (e.g. using computerized tests instead of oral exams, stipulating which fees	4,84
Conducting of anti-corruption propaganda campaigns in schools and universities	4,11

2.5.3 Expectations with regards to the possibility to fight corruption

Fig. 2.43



In view of corruption in Moldova, which of the following statements is the closest to what you think?

We can see that public opinion regarding the possibility of dealing with corruption in the concrete situation of the Republic of Moldova is quite rational, and not completely pessimistic. Thus 34 % of respondents think that corruption can be completely eradicated or corruption can be substantially reduced. The majority of people think that corruption will be always present in Moldova, but yet it can be limited to certain degree, and only 16.3 % are completely pessimistic, saying that corruption proliferation can not be eliminated. So, the main problem for the immediate future is to unify and strengthen that 80,5 % of the civil society, which is not completely disappointed with the real situation. The promotion of a public anti-corruption campaign among all healthy parts of society, would explain the importance of civil society in anti-corruption movement.

2.5.4 Conclusion for the questions for the households

The study of the public opinion of households regarding corruption in state health care and educational system are as follows:

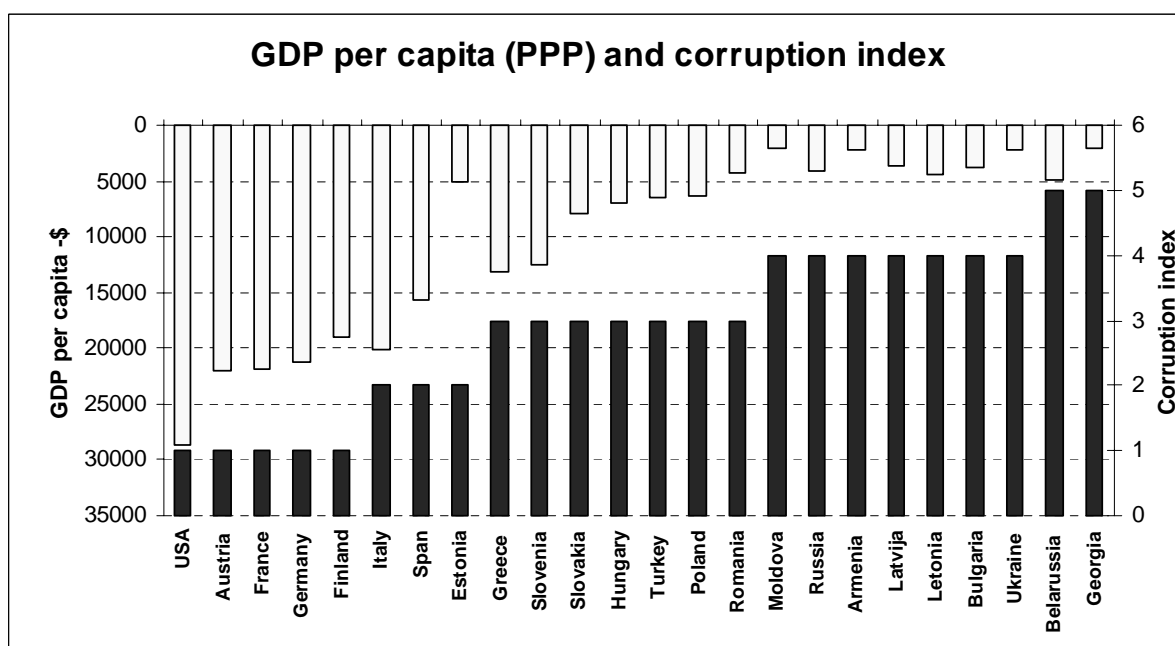
1. According to public opinion, the state health care and educational systems are recognized as being among the most corrupt sectors in the Republic of Moldova.
2. Although its monetary evaluation is of a lesser magnitude when compared with corruption in the tax or customss sectors, its social and human consequences might be even more dangerous.
3. The main causes of corruption in these two sectors are low wages for public servants and low administrative control.

4. Most of the people consider that the refusal to offer a bribe in the state health or educational system will worsen their concrete situation, and, hence, this phenomenon will continue to extend further.
5. Regardless of the magnitude of corruption phenomenon in these two sectors, a considerable part of the population is still optimistic about the possibility to curb corruption in these sectors. An important role in tackling corruption belongs to the civil society. Promoting a prompt “zero tolerance to corruption” campaign among students, representative of the private sector, women organizations, religious congregations, trade unions, and the army is one of the most important directions of an anti-corruption movement. The idea of fighting corruption could be chosen as the main, national idea, which can unify, strengthen, and direct all available forces into an efficient anti-corruption campaign, with the balanced involvement of government, civil society and the private sector.
6. A successful anti-corruption in the state health care and educational system may be undertaken only if a serious reform of these two sectors takes place. The reform mainly includes steps towards increasing the share of private sector, increased transparency of their all activities, and optimization of the management of resources.

2.6 Corruption and poverty

It is largely believed that there exist a strong connection between corruption and poverty in a

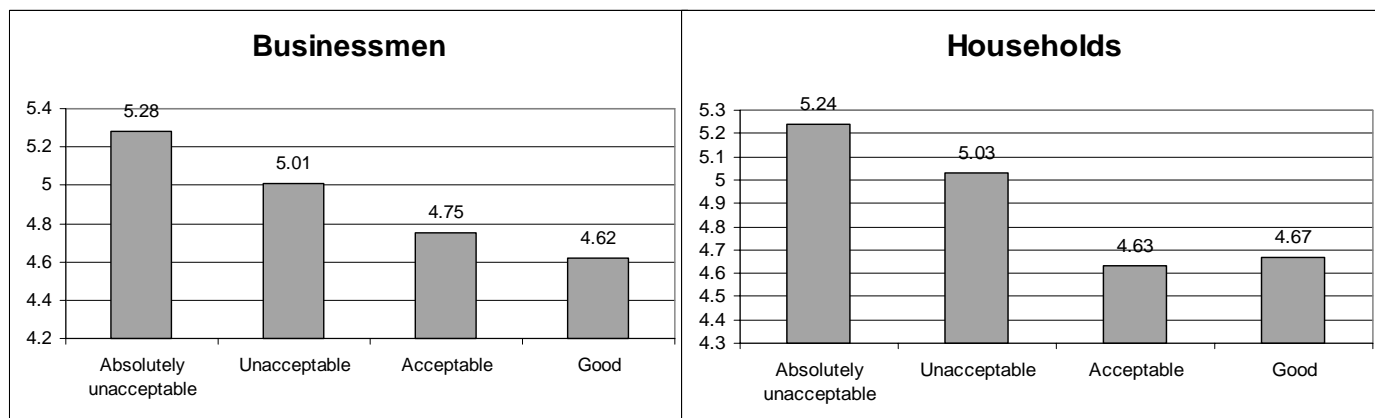
Fig. 2.44



country, at least for certain groups of countries. Corruption creates inequity, unfair competition, in the use of the state institutions and diminishes the economic efficacy. A number of studies prove this. Gupta, Davoodi, and Alonso-Terme¹² show that there is a strong correlation between corruption and the degree of inequity in the country.

¹² Gupta, Sanjeev, Hamid Davoodi, and Rosa Alonso-Terme, 1998, “Does Corruption Affect Income Inequity and Poverty?”, IMF Working Paper

Fig. 2.45



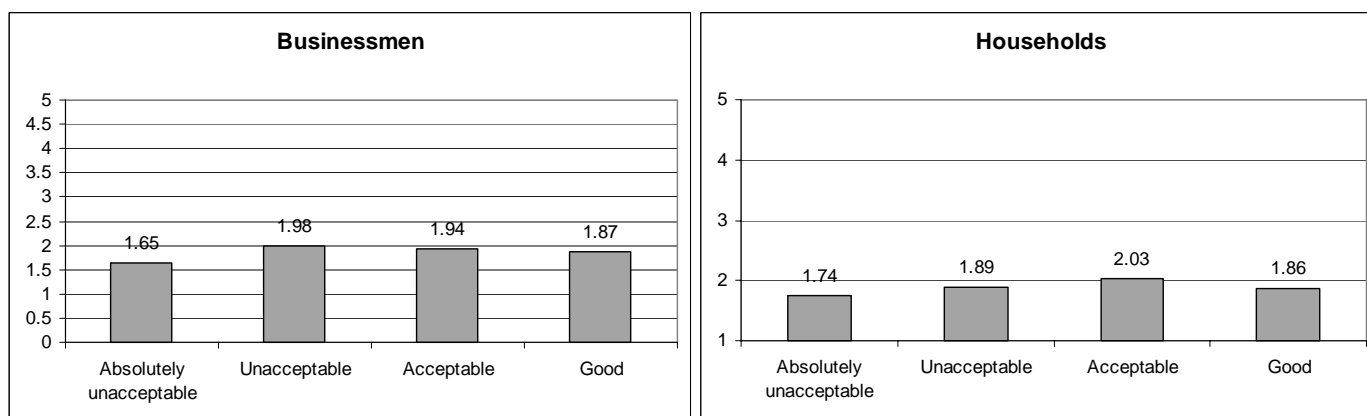
A simple figure of GDP per capita and corruption index evaluated by Transparency International suggests that there exists a negative correlation between the level of corruption and the welfare of the country. The beginning of the third millennium marks reduction of poverty in the countries in transition as one of the main priorities of the World Bank and UNDP.

Corruption and poverty are not just two sides of the same coin, but rather corruption is the main cause of poverty in countries in transition. That is why reducing poverty, without undertaking prompt measures to combat corruption would be an attempt to have an impact on the consequence rather than on the cause. Tackling corruption means, first of all, helping the poor strata of population.

The results of our opinion poll prove that the poorest strata are affected worse than the other stratum of population. Thus, all respondents were grouped in four categories according to their evaluation of their living standards: those who consider that their living standard is far beyond the acceptable level, those with an unacceptable level, an acceptable, or a good level. After this determination a selection of their answers with regard to their evaluation of the problem of corruption in the country on a six degree scale (where 1 means that it is not acute at all, 2- it is acute only to a low extend, 3- it seldom creates problems, 4 – it often creates problems, 5 – it is acute, 6 – it is very acute) was made.

We can see in the graph that those having a good living standard evaluate the problem of

Fig. 2.46

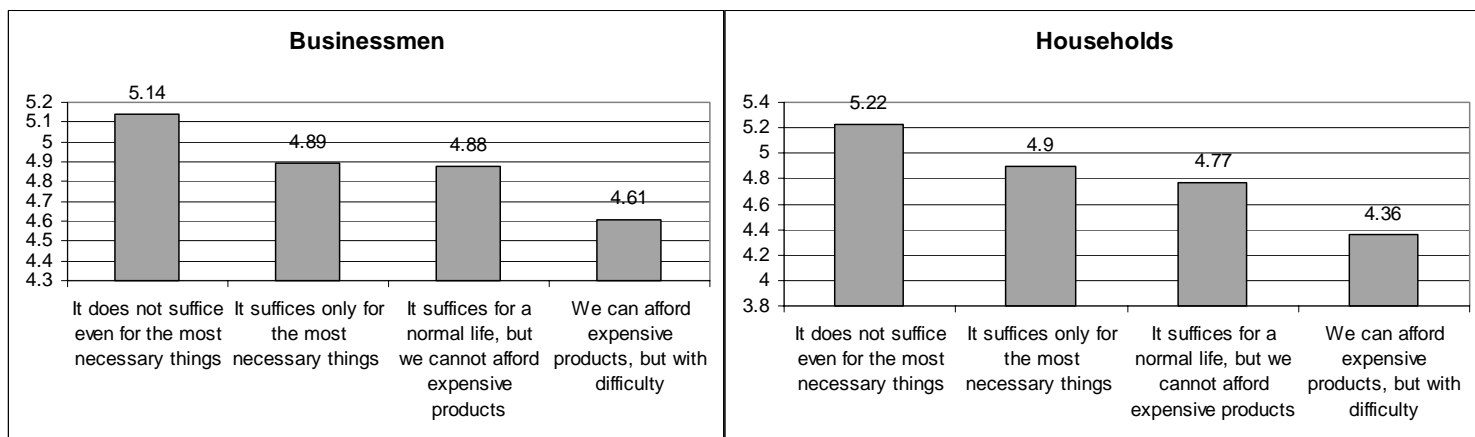


corruption as creating problems frequently (the average being 4.62 for businessmen, and 4.67 for households). Those who evaluate their living standards as being absolutely unacceptable evaluate the problem of corruption as being very acute (the average for businessmen is 5.28 and for households – 5.24).

When asked how in their view a person offering a bribe would feel (where 1 means angry, 2 – humiliated, 3 - pretty well, 4 – satisfied, 5 – glad), the average answer of those with an absolutely unacceptable living standard was closer to angry (the average for businessmen – 1.65. for households – 1.87). Those with a good quality of life were more close to the answer “humiliated”.

Next all respondents were grouped in four categories according to the social position relatively to other social stratum as follows: First group included those respondents, who consider that the income does not suffice even for the most necessary things. The second group includes those whose income suffices only for the most necessary things. Third group

Fig. 2.47

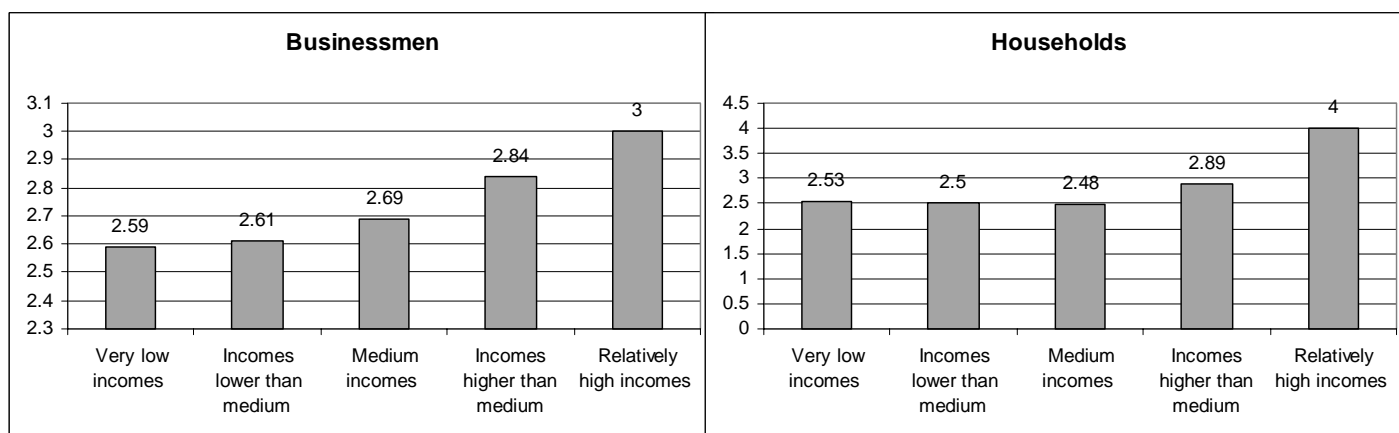


is made up to the respondents whose incomes suffices for a normal life, but they cannot afford expensive products. The fourth group can afford expensive products, but with difficulty.

The results also show that the lower the social position of the respondent is, the greater the problems corruption creates for this social stratum.

After this the respondents were grouped in four categories according to the assessment of their families' incomes as follows: group 1 includes the respondents with very low incomes. Group 2 includes those with lower than the average incomes. Third group is made up of respondents with average incomes, fourth group – with higher than average incomes, and the sixth – with relatively high incomes.

Fig. 2.48



When asked the same question, how in their view a person offering a bribe is likely to feel (1-angry, 2 – humiliated, 3 – fairly good, 4 – satisfied, 5 – glad), those with very low incomes said they would feel humiliated (the average for businessmen – 2.56, and for households – 2.53) those with relatively high incomes would feel fairly good or even satisfied (the average for businessmen – 3, for households – 4).

In grouping the respondents according to their incomes proves that corruption creates more problems to the poor strata of population. It may be easily explained. When a person with low incomes gives a bribe, it affects the consumption of basic goods, such as foods and payments for the elementary services. When a relatively rich person offers a bribe, it usually affects only his (her) possible savings or purchasing of luxury goods, and does not make pressure on the quality of life.

2.7 Gender and corruption

Gender studies in countries in transition became very popular during the last few years. During the soviet time, in a system completely isolated from any kind of competition, it was easy to declare, at least formally, some kind of gender equality. The main task for gender related studies and projects at that time was to prove that the Government undertook measures to achieve a strong proportion of men and women in every section of economic and social life.

However, gender equality is a more complicated, delicate, and sensitive problem. In our opinion, it cannot be described better than is done in “Gender Mainstreaming: Conceptual framework, methodology and presentation of good practices”¹³. In their vision, gender is the social design of a biological sex, determined by the conception tasks; functions and roles attributed to women and men in society and private life. Gender is not only a socially constructed definition of women and men; it is a socially constructed definition of the relationship between the sexes. Gender equality is a culture-specific definition of femininity and masculinity. Gender equality means accepting and valuing equality the differences between women and men and the diverse roles they play in society. Gender includes the right to be different. It is question of using the competencies, skills and talents of each and every citizen, of involving both women and men in building society, solving problems and preparing the future.

So, if there really exists a gender-based difference in talents, skills, aptitudes, in attitudes and behavior, it must be used optimally, and the whole of society has to benefit from this. In this chapter we examine whether there is a gender gap in the attitudes towards corruption.

At the present time there are a large number of papers dedicated to differences in the attitudes of men and women toward certain political, economic, social and moral issues. Probably the most politically influential gender difference has been the well-studied “gender gap” in presidential elections voting, in which women have supported Democratic presidential candidates more strongly than men since the 1980 presidential election¹⁴.

Fig. 2.49

	Corruption index *	Seats in Parliament held by women (%)
Russia	2.4	5.7
Moldova	2.6	8.7
Ukraine	2.6	7.8
Romania	3.3	5.6
Estonia	3.5	17.8
Poland	4.2	12.7
Peru	4.5	10.8
Italy	4.7	4.2
Germany	8	33.6
Norway	8.9	36.4
Canada	9.2	22.7
New Zealand	9.4	29.2
Sweden	9.4	42.7
Finland	9.8	36.5
Denmark	10	37.4

Sources: Human Development report, UNDP, 2000
 Corruption perception index, Transparency International, 2000
 * the grade 10 means absolute absence of corruption, and 1 - total corruption

¹³ Gender Mainstreaming: Conceptual framework, methodology and presentation of good practices, Final Report of Activities of the Group of Specialists on Mainstreaming (EG-S-MS), Strasbourg, May 1998.

¹⁴ Chaney, Carol Kennedy, 1998. Vote Choice in Senate elections: The Impact of Campaigns and candidate Gender, 1988-1992. Riverside: University of California and Chaney, Carol Kennedy, R. Michael Alvarez, and

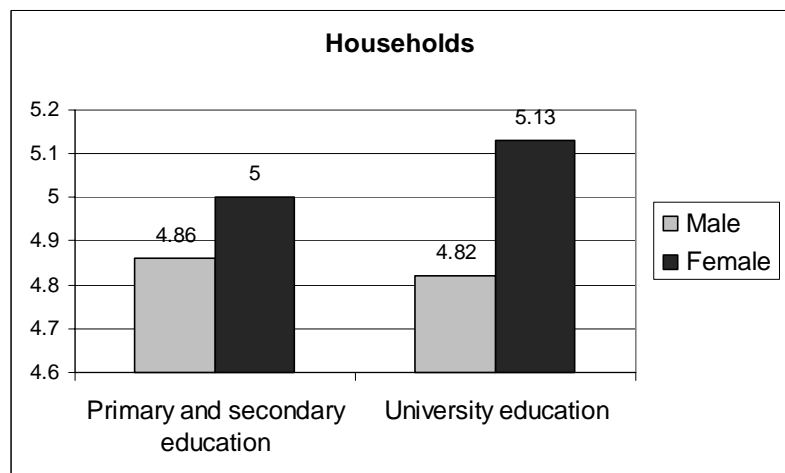
According to R. Michael Alvarez and Edward J. McCaffery¹⁵ there is a significant gender gap with men being far more likely than women to support tax cuts or paying down the national debt. Given a menu of particular types of tax cuts, women are marginally more likely to favor child-care relief of working poor tax credits whereas men are marginally more likely to favor capital gains reduction or tax rate cuts. When primed that the tax laws are biased against two-worker families, men, write the authors, significantly change their preferences, moving from support for general tax rate cuts to support for working poor tax relief, but not to child-care relief.

A study of the Center for Institutional Reform and Informal Sector of the Maryland University as well as World Bank proves that, there is a perceived tendency that, women are less corrupt than men. Countries with a higher share of women in the top level of the government structures and Parliament are usually less corrupt. An explanation of this phenomenon is that the ethical standards of women are higher than those of men. Women, having a special instinct of self-protection and protection of their children avoid unneeded risks for themselves, their family and society. This experience has accumulated during million of years. One of these risks is rescuing to be convicted. This is one of the reasons northern Mexico increased the number of women in police considerably.

The former Soviet country – Georgia, had also an interesting experience related to gender and corruption issues. The American Bar Association held a training course for the Georgian attorneys and prosecutors. The auditors of the course were supposed to pass a number of tests, including ones, which relate to the likelihood of corruption. Almost 80 % of the examinee could not pass the tests successfully. Among those who passed them successfully the majority were women.

Taking into consideration the above mentioned, we wish to determinate if there is a gender gap with regards to the attitude toward corruption in the Republic of Moldova. The results show that when asked how they would evaluate the problem of corruption in the country on a six points scale, women evaluate the problem as being more acute than men, that is, the average for women was 5.02 and for men – 4.9. The profile of the respondents varied not only by gender, but also by education, or age. That is why, to ensure that this is not just a result of the different levels of education in both groups, the answers were grouped also by the level of education.

Fig. 2.50



The result confirms that the opinion of households represented by a woman differed from the one represented by a man.

Jonatan nagler. 1998. "Explaining the Gender Gap in Presidential Elections, 1980 – 1992. "Political Research Quarterly" 51 (2).

¹⁵ R. Michael Alvarez, and Edward J. McCaffery, "Is there a Gender Gap in Fiscal Political Preferences", 2000. University of Southern California Law School, Los Angeles.

The average for women with primary and secondary education was 5, whereas the average for men was 4.86. The average for women with a university education was 5.13, while men evaluated it at a level of 4.82. So, our results comply with the results of similar studies in other countries.

Another case: when asked how they believed a person offering a bribe would feel (where 1 means angry, 2 – humiliated, 3 - fairly well, 4 – satisfied, 5 – glad), 53 % of women households and 59.4 % of – businesswomen said that they would feel angry or humiliated, whereas this indicator for men is lower: 40.7 % for businessmen and 52.6 % households.

When asked how a low paid official who was offered a bribe would be more likely to behave, again women seem to be less likely to accept bribes. Thus 78.4 % of businessmen and 80.4 % of male – representatives of households would accept the bribe under various pretexts. Among women 73.7 % in business and 76.8 % in households would do so.

So, we see that women, in general, evaluate corruption as a more acute problem for the development; they are less likely to be disposed to accept bribes and their feeling about accepting bribes are more negative.

A special case are women in business. Not long ago business activity belonged to men. During the last decade, however, women, distinct personalities with energy and a spirit of initiative, have become more and more active as business people. Despite low levels of participation in business and among managers of enterprises – 5%, the number is steadily increasing. Approximately 2% of women managers run big enterprises, 10% are in mid-sized enterprises, 40% in small enterprises and the others 48% are in micro-enterprises.

According to data provided at the conference “Small Business – A Way to Progress” (May, 1999) organized by the Parliament of the Republic of Moldova only one in five firms which are run by men survives. By contrast three of five businesses run by women continue to operate after establishment. It is interesting as well, that firms in which the second person involved is a woman are also more likely to survive, in comparison with male operated businesses. This phenomenon was explained by the author by an inborn intuitive capability, knowledge of the domestic market, risk aversion, productive managerial styles, and a higher level of education (38% of women at the age of 20-40 years have higher education or special studies as opposed to 30% of men of the same age). On the average, Moldovan women invest approximately 4 times more time perfecting a level of proficiency.

The rise of women’s participation in business represents a specific alternative to unpaid family work and unemployment, and is at the same time an efficient utilization of labor resources.

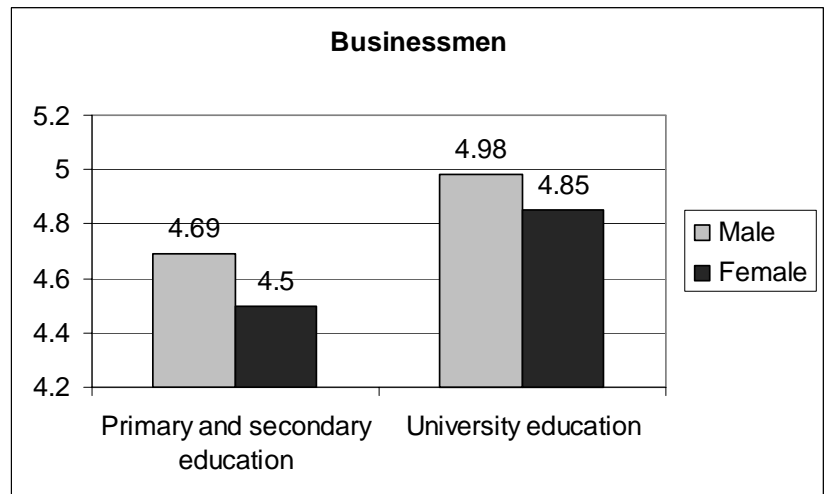
There are some obstacles, including the psychological ones of psychological character, for women’s business activity. Just as there were prejudices concerned with the women-drivers 20 years ago, today women in business are treated in the same manner. A female entrepreneur is constantly forced to prove that she can hold her own.

It is worth mentioning that the starting point for activity in the small business sector is more disadvantaged for women. Men have gained more as a result of privatization by bonds due to the length of their work. Women have fewer saving. The number of women who have accounts in banks is only half that of men. Women form 20% of entrepreneurs who have received a loan. Even at the present the number of women entrepreneurs is less than 10% of the total of business owners.

Perhaps, in a way, these are some of the reasons why the attitude of businesswomen towards corruption is different that of women representing a household. Maybe entering into business require more effort for women, and they have to accept even more difficult “rules of the game”. In a way business changes the nature of women. Our data show that businesswomen evaluate corruption on six grade scale as being a smaller problem for them than men. The average for businesswomen is approximately equal to the average grade of men who are representatives of households.

So, the slogan “Give the government to women, and the business – to men” may have some validity.

Fig. 2.51



3. Proposals to fight corruption

3.1 National attempts to fight corruption

Since its declaration of independence, the government of the Republic of Moldova, has enacted a number of laws (decrees) designated to fight corruption and organized crime: *The Law On State Security, The Law On Public Servants* (1995). In 1996 The Parliament adopted the *Decision On Measures to Combat Corruption and Protectionism*, and the government adopted a *Decision On Measures of Intensification of Fighting Corruption, Protectionism and Organized Crime*. In 1997 the President of Moldova signed the *Decree for establishing the Department for Fighting Organized Crime and Corruption*. The year 1998 was declared in Moldova as a year for fighting corruption. In 1999, the government adopted the Program on Fighting Corruption, Organized Crime and Protectionism, however, the practical implementation of institutional decisions remains limited. The main reason for this is the passivity of civil society. It is difficult to expect a very high anti-corruption activity from the government unless there also exist a real demand for fighting corruption on the part of its citizens.

Civil society in the country is very weak and pre-mature. The degree of the maturity of civil society depends on a series of objective and subjective factors: attaining certain democratic traditions, culture, education, psychology, national dignity, social and political conditions. There are numerous cases where abuse of power is treated as the cultural “norm”. It is rather unrealistic to expect a high degree of self-consciousness of its power from a society that has been subject to political and other kinds of repression. This situation is a characteristic of autocratic states, in which a bureaucratic hierarchy of norms has existed for a long time along with a preponderance of vertical relations of domination-subordination. In countries where, for many years, a strong state dominated a weak economy, and the civil society manifested relatively meager participation in political life, where the authority of a single party or cult dominated, and corruption was a form of survival, where the ethic and religious identity of the society was destroyed, corruption overcomes the weak resistance of the newly formed civil society much easier. Formation of an integral civil society is a continuous and absolutely necessary process. Given that transitional countries have to go through a “condensed” version to democratize, external assistance becomes vital. In this context, a special role belongs to non-governmental organizations (NGO), especially when they are involved at the grass-root reorganization. For that, NGOs must be completely independent of state structures, although in practice this is not always the case.

Improving the quality of governance cannot be achieved without curbing corruption. This can be done by promoting transparency, accountability, and law enforcement. *Government must design an anti-corruption program, which the public can monitor.*

The *main objectives of fighting corruption* are assuring an equitable and democratic development of society, political correctitude, improving the efficiency of economic processes and growth of economic welfare.

The anti-corruption movement is important particularly along the following *dimensions*:

- *Humanitarian*, because corruption oppresses and distorts human development and gives rise to the abuse of human rights;
- *Democratic*, because corruption stands in the way of democracy;
- *Ethical*, because corruption impedes the development of integrity of the society;

- *Practical*, because corruption contributes to market distortions and deprives the society from its potential benefits.

In 1999, the government of Moldova adopted the Program on Fighting Corruption, Organized Crime and Protectionism, but the implementation of this program has to be the first priority for the government. Besides, there are a number of measures, which could be taken in order to strengthen the anti-corruption activities of the government. We will consider these measures in this section.

The *main parameters* of the implementation of an anti-corruption policy in the Republic of Moldova include the study of corruption phenomenon and its particularities in the Republic's judiciary and legal reform, optimization of the management of the public sector, improvement of the system of state audit, measures on improvement of transparency of political life, creation of a viable private sector, strengthening the relations with civil society, and collaboration with other institutions.

3.2 Judiciary and legal reform presuppose the establishment of an independent judiciary system, and the adjusting of the legal system to international standards and law enforcement. It embraces the following measures (actions):

3.2.1 Measure: *Criminalizing by Law the giving, offering or promising by any party ("active") and the receipt or solicitation by any official ("passive") of a bribe, and criminalizing or sanctioning the giving of receiving of an improper gratuity or improper gift.*

Rationale: In transition countries there is a tradition to consider that the person who gives the bribe is innocent. Potential executor: Ministry of Justice, Parliament.

3.2.2 Measure: *Adoption of a new Civil Code, Criminal Code, Criminal Procedure and Civil Procedure Codes.*

Rationale: The Codes currently in force were adopted in the 1960ies, and do not correspond to the present social order. The positive results of the implementation of these measures are expected in short term, as soon as the Codes will be adopted. Potential executor: Ministry of Justice, Parliament.

3.2.3 Measure: *Introduction of a system of state attorneys (lawyers).*

Rationale: A big part of the population does not even try to defend their rights, simply because they cannot afford the services of a private lawyer.

Expected positive results of this measure will be achieved in a medium term, because there is still little trust in the judiciary among the population. Potential executor: Ministry of Justice, Parliament.

3.2.4 Measure: *Subordination of the Office of Public Prosecutor to the Ministry of Justice as an executive body.*

Rationale: In fact, one of the main causes of corruption in Moldova is lack of law enforcement. Since May 2000, according to the decision of Parliament, the main law enforcing body in the country -- the Office of Public Prosecutor-- does not have the right to control the implementation of legislation, and the Ministry of Justice did not undertake this responsibility.

Potential executor: Office of Public Prosecutor, Ministry of Justice.

Timeline: by the end of 2000.

3.2.5 Measure: *Adopting a Law on Money Laundering and elaborating the mechanism of its implementation.* Potential executor: Ministry of Justice, Parliament.

3.2.6 Measure: *Drafting and adopting a Law on Lobbying.*

Rationale: The Law will regulate lobbying activities and control.

Potential executor: Ministry of Justice, Parliament. The expected positive results of this measure will be more clearly observed in a long term. It will be easier to observe the negative results in the event that the Law is not adopted.

3.2.7 Measure: *Elaboration of a mechanism of declaration of incomes and ownership for high-ranking public officers and their relatives while undertaking and being freed from the position.*

Rationale: Presently, the income and expenditures/assets of public officials are not commensurable. In a country with a spread phenomenon of nepotism, it is important to have this procedure for close relatives. A good example could be a similar Law adopted in the Republic of Georgia. Potential executor: Ministry of Justice, Parliament.

3.2.8 Measure: *More intensive implementation of the Law on Bankruptcy; Review of the effectiveness of this Law.*

Rationale: There is little evidence that this Law really works. Potential executor: Prosecution Court, Ministry of Justice, Parliament.

3.2.9 Measure: *Elaboration of a mechanism of implementation and control of implementation of the Law on Public Procurement. Increasing transparency in public procurement, including open tendering on the Internet. Creation of a Public Procurement Electronic Information System.*

Rationale: The Law is elaborated and, I guess, adopted, but, according to the authors of this Law, in Chisinau, where about 70% of public procurement takes place, the current law is not respected.

The positive results are expected in short term, as soon as the Law will start working. Potential executor: Ministry of Justice and Parliament.

3.2.10 Measure: *Drafting and adopting the Law on the Ground for the Legality of the Acquisition of Property and Receipt of Income by Residents.*

Rationale: This Law will should require that the person suspected of committing a serious offence should prove the legal acquisition by him/her of property and receipt or income. Close relatives and members of the family of the suspect as well as other citizens linked to him/her will have to prove the legality of their property and income. A similar Law was adopted in Lithuania¹⁶.

Potential executor: Ministry of Justice, Parliament.

3.2.11 Measure: *Elaboration of a system to facilitate and accelerate international seizure and repatriation of forfeitable assets associated with corruption actions.*

Rationale: Even if the person is accused of corrupt activities, it is difficult to track the transactions and his/her assets outside the country. Here the help of international organizations is needed. Potential executor: Ministry of Justice, Parliament.

3.2.12 Measure: *Elaboration of a mechanism that protects private citizens who, in good faith, report acts of official corruption.*

Rationale: People do not report cases of corruption and crime because they are afraid of further persecution by the accused. The positive results will come in long term, because there is still little trust in the government among the population.

¹⁶ Lithuania – Anticorruption Activities, Specialiuju Tyrimu Tarnyba, 19999

Potential executor: Ministry of Internal Affairs, Security Council, Ministry of Justice, and Parliament.

3.2.13 Measure: *Elaboration of a mechanism that ensures that officials report acts of corruption, and that protect the safety, livelihood and professional situation of those who do, including protection of their identities to the extent possible under the law.*

Rationale: The same as in item 12. Potential executor: Ministry of Internal Affairs, Security Council, Ministry of Justice, Parliament.

3.2.14 Measure: *Creation of a specialized State Judiciary Analysis Center which will provide juridical expertise of laws and amendments proposed for adoption, improving the legal system, removing contradictions and ambiguities giving rise to multiple interpretations of laws and regulations, will bring the legislation of Moldova into conformity with international standards, and will coordinate and divide the responsibilities among the Ministry of Justice, the Ministry of Internal Affairs, the Supreme Court, the Security and Information Service, and the Public Prosecution Office.*

Rationale: At present there is much confusion regarding the competence of these government institutions. In fact, criminal cases often disappear while circulating between these institutions. There is not a certain institution responsible for these facts.

Potential executor: Office of Public Prosecutor, Ministry of Justice, Ministry of Internal Affairs, Supreme Court, Security and Information Service, Parliament.

3.3 Public sector reform includes de-politization, optimization, and increased transparency of this sector.

3.3.1 Measure: *Reduction of staff in public sector, and the de-politization of the government, by introducing an obligatory system of professional promotion on the basis of performance and competitiveness. Vacancies, and, possibly, wages have to be announced in the mass-media.*

Rationale: In a country where nepotism and patronage are rampant, or government posts are sold explicitly or implicitly, bureaucrats will be less competent and less well-motivated because success depends on advantages gained by connection or bribing superiors rather than merit, and will be very vulnerable to corruption. Potential executor: All state agencies.

3.3.2. Measure: *Eliminating the conflict of interests by adopting and enforcing on Ethical Code for public officials, which include rules on conflict of interest and requirements for the regular disclosure of financial interests, assets, liabilities, gifts and other transactions; The Code needs to specify the various types of public servants: police, customs, prosecutors, education and health, employees municipal employees, judiciary system employees and public procurement personnel, etc. Also it would be more efficient, if public officers signed the code of ethic at the time of signing their employment contract.*

Rationale: At present, there exist a similar code, but it is has a very superficial character and it is not regarded as a rule enforcing document.

Potential executor: Ministry of Justice, Parliament, with participation of representatives of civil society (public discussions).

3.3.3 Measure: *Adopting a decision according to which there will be a limitation of transfers after being employed in state organizations to the commercial firms which were previously under the control of the state employee.*

Rationale: This is to avoid the tradition of preparing “warm chairs” in the private sector while working in public sector.

Potential executor: Ministry of Justice, Parliament.

3.3.4 Measure: *Training and counseling of officials to ensure proper understanding of their responsibilities and ethical rules governing their activities as well as their own professionalism and competence.*

Potential executor: Ministry of Justice, Parliament.

3.3.5 Measure: *Introducing the practice of probationary periods after initial hiring.*

Rationale: This could be an effective measure in a system of non meritocrat hiring of public officials. Potential executor: All state structures.

3.3.6 Measure: *Ensuring transparency of all sectors of public life by publicizing the detailed budgets of all state institutions.*

Rationale: At present, budgets of almost all state institutions are “closed” to the public. It is impossible to obtain this information even for state research structures. This information is very relevant especially at the level of local administration.

Potential executor: All state structures, starting with local public administration, and ending with Parliament and State Chancellery.

3.3.7 Measure: *Introducing the practice of independent monitoring of privatization procedures of strategically important entities.*

Rationale: Data of the Accounting Court prove the necessity of this measure. It is also important to accept representatives from Accounting Court, specialized NGOs and the mass-media.

Potential executor: Department of Privatization, Accounting court, Ministry of Economy and reforms, Ministry of Finances, other state institutions. Expected positive results – in medium term.

3.3.8 Measure: *Applying methods other than personal visitations for solving problems by using mail, including e-mail system, in order to impersonalise the process.*

Rationale: This separates the person who applies from the decision maker. It also forces the decision maker to give an explicit answer, giving the reason, in case of refusal, in a fixed period of time.

Potential executor: All state structures, especially local public administration.

3.3.9 Measure: *Creation of Public Relations Departments in the Ministries and also training of the employees in issues of brutality and other civil rights violations.*

Rationale: At present, it is a widespread practice that citizens have to stand in long lines in order to receive permission to enter a state building. After this they are driven from one office to another in a brutal way, and there is no one to give an explicit answer as to where the question has to be solved. Thus some of them are “happy” to pay in order to overcome these difficulties.

Expected positive results – in medium terms. Potential executor: All Ministries, State Chancellery.

3.3.10 Measure: *Introducing an obligatory practice of displaying all necessary information on the services provided by every state department and office. If it is appropriate, the list of ALL necessary documentation is to be displayed, so, that the person is informed BEFORE coming to the public servant's office.*

Rationale: The fact that not one of the people who desire the services of public officials knows exactly what kind of documents they are expected to present. This is used by state employees for their own benefits. In fact, this is a virtual monopoly on information. Potential executor: All Ministries, Departments, local administration.

3.3.11 Measure: *Abolition of the institution of extra-budgetary (non-budgetary) funds.*

Rationale: This institution is the one which favors corrupt transactions in all countries in transition. Potential executor: Ministry of Finances.

3.3.12 Measure: *Completion of the accounting reform.*

Rationale: This is targeted to an increase the transparency of accounting procedures. Potential executor: Ministry of Finance.

3.3.13 Measure: *Elaboration of mechanisms to support officials in the public sector where there is evidence that they have been unfairly or falsely accused.*

Rationale: Obviously, cases of ungrounded accusations in corruption will take place.

Potential executor: Ministry of Justice, Ministry of Internal Affairs, Parliament.

3.3.14 Measure: *Stimulating the work of the collaborators of the Ministry of Internal Affairs, and the Department for Fighting Corruption and Organized Crime by adopting a decision to transfer to the budgets of these institutions a certain percent of seized goods involved in illegal transactions.*

Rationale: The lack of financial resources in law enforcement agencies limits the quality of their work. Expected positive results: this measure is likely to have an effect only in combination with law enforcement for the employees of force ministries.

Potential executor: Ministry of Justice and Parliament.

3.3.15 Measure: *Holding seminars on investigation prosecution and sanction of new kinds of economic crimes (e.g. related to utilization of credit cards, electronic payments, and others).*

Rationale: The legislature of the Republic of Moldova, as well as the specialists, are not prepared at all for the time when the system of electronic payments will be widespread in the country.

Potential executor: Office of Public Prosecutor, Ministry of Justice, Ministry of Internal Affairs, Supreme Court, Security and Information Service. Expected positive results – only in long term.

3.3.16 Measure: *Inspection of all completed diplomatic passports.*

Rationale: The number of diplomatic passports issued exceeds the total number of diplomatic corp several times. There are numerous cases of abuse.

Potential executor: Ministry of Internal Affairs, Customs Service, Security and Information Service.

3.3.17 Measure: *Increasing the coverage, frequency and timely publication of economic statistics.*

Rationale: This is a measure to ensure transparency. The State Department of Statistics and Sociological Analysis does not have resources to publish its Annual Year Book, and sell it for the price of 80-100 lei, so, they sell it on unofficial basis for cash (600 lei).

Statistics on energy production and consumption are confusing, being usually displayed in tons of conventional fuel, not indicating the energetic equivalents, so, it is not possible to verify their validity. Potential executor: All state structures.

3.3.18 Measure: *Search for alternate gas providers, appealing for help from international organizations.*

Rationale: The uncontrolled monopoly in the energy sector is the cause of huge state debts. It allows controll even of elections. The voting population understands very well, that if they

vote for certain candidates, soon thereafter they will be threatened with the discontinuance of their utility services.

Potential executor: The President of the country, The Prime-Minister, the Ministry of Economy and Reforms, representatives of the Department for Energetic Resources.

3.3.19 Measure: *Adopting a decision, which allows representatives from civil society (specialized NGOs, mass-media) to monitor the distribution of International Aid.*

Potential executor: State Chancellery.

3.3.20 Measure: *Elaboration of specialized courses on fighting corruption in the Academy of Police for people and organizations in charge of fighting corruption.*

Rationale: At present the students of the Police Academy do not have a really effective course of this kind. That means that they are not prepared for this kind of activity.

Potential executor: Ministry of Internal Affairs, Security and Information Service, Ministry of Education.

3.3.21 Measure: *Improving the system of monitoring the distribution of humanitarian aid. Adoption of a transparent system of registration, distribution, and utilization of humanitarian aid by making the information regarding all transactions accessible for the press and civil society. Setting an UNDP project (or, at least, supporting an independent NGO), which would monitor the efficiency of the distribution of humanitarian aid. Promoting the principles of merit based distribution of humanitarian aid, involving large numbers of people in work for the municipality or in the provinces.*

3.3.22 Measure: *Reform of educational system. Promoting the values of transparency in the system of admission to University education, substitution of computer based tests for oral tests, where it is possible; a clear explanation of the exact value of every question before starting the test. Raising the flexibility of the educational system by giving the students the possibility to chose the professor and course, and assembly in larger groups of students; reconsideration of the number of obligatory courses, and their justification; introducing a system of confidential evaluation of the quality of teachers.*

Potential executor: Ministry of Education and Science

3.4 Amelioration of state control procedures is oriented towards the optimization and increased transparency of this system. It includes the following measures:

3.4.1 Measure: *Transfer of the Department for Fighting Corruption and Organized Crime from the supervision the Ministry of Internal Affairs to the supervision of Parliament.*

Rationale: The Department for Fighting Corruption and Organized Crime can not fight corruption being subordinated to the Ministry of Internal Affairs.

Potential executor: Ministry of Justice and Parliament.

3.4.2 Measure: *Strengthening of the Accounting Court through:*

- *Attributing the authority of applying sanctions;*

- *Introduction of a system of monitoring of state procurements by representatives of the Accounting Court.*

Rationale: The collaborators of the Accounting court can not now open criminal proceeding on the basis of discovered facts. Potential executor: Ministry of Justice and Parliament, Accounting Court.

3.4.3 Measure: Simplification of regulations of state controls, reduction of the frequency of controls, systematization of the work carried out by different audit agencies, *establishing a unit for registering and regulating the number of controls of the same enterprise.*

Rationale: Opinion polls prove that enterprises are visited a surprising number of times by various kinds of inspectors. This provides a possibility to extort bribes from business, and needs to be regulated. Potential executor: Ministry of Justice and Parliament.

Timeline: first half of 2003.

3.4.4 Measure: *Publishing understandable information regarding controls, rights and obligations of audit agencies, regarding fiscal information.*

Rationale: This is a measure to help the tax inspection's work more transparent. Potential executor: Ministry of Finance.

3.4.5 Measure: *Improving the qualification level of the control and audit personnel.*

Rationale: The reports of the Main Tax Inspection show that some of their collaborators do not have a proper background (former nurses, etc.). Expected positive results – in medium term.

Potential executor: Ministry of Finances

Timeline: all duration of the Program.

3.4.6 Measure: *Improving the database and monitoring process of business activities dealing with import/export as well as sharing the information between tax and customs administration.*

Rationale: This will allow cross-checking the information on the activity of enterprises.

Potential executor: Ministry of Finances, Department of Customs.

3.4.7 Measure: *Elaborating proposals for a fairer distribution of tax burden among regions of the country (tax burden).*

Rationale: Probably, one of the causes of the phenomenon of tax evasion is lack of interest of the local authorities in fighting it. Payments to the budget by the region depend on its level of economic activity. Budget expenditures depend mainly on the number and ages of population. As a result, the ratio "budget expenditures / payments into the budget" varies substantially from one locality to another (from 0.5 to 2.5). On one hand, the possibility of covering local needs with finances from the state budget does not stimulate local administration to maximize tax collection. On the other hand, the realization by the local authorities that a big share of tax collection in the territory will be spent in other regions, creates indifference to tax collection and facilitates other kind of agreements between local authorities and taxpayers.

Potential executor: Ministry of Finances.

3.4.8 Measure: *Elaboration of proposals regarding strengthening the system of bank supervision, including control of National Bank's activity.*

Rationale: the lack of a proper supervision of the NBM is clearly evident. Good examples of the absence of this supervision are the cases of Bank "Guinea". Depositors were not reimbursed. The bankruptcy procedure started almost one year after the bank "Guinea" stopped reimbursing their depositors.

Potential executor: Parliament, National Bank.

3.4.9 Measure: *Customs reform. Establishing a temporary board with all formal customs procedures along the river Nistru; examining the possibility of a temporary introduction of the army into customs service; examining the possibility of transferring the customs service to the private sector; construction of customs service buildings, service modernization; minimizing the discretion in decision making; applying a competitive system in hiring employees, training customs officers (expertise techniques, responsibilities, classification of*

tariffs, use of computers); enhancing fluidity of personnel within the departments for customs service control; raising the Customs collaborator's interest in good performance by granting as an incentive a certain percent of the value of seized goods. Setting up a modern informational system; carrying out of cross-checking information with the tax inspectorates; using X-rays in customs service; making additional random inspections (5% of total) of documentation and goods by special groups after going through customs. . introducing the principle of rotation of assignment and random allocation of examinations among customs officers and, in certain circumstances, regular relocation of staff. a system of external auditing should be complemented by an internal unit that has the specific task of investigating all cases of suspected malpractice¹⁷.

Rationale: Fighting corruption in this sector could bring the greatest contribution to the state budget,. Fighting corruption in the customs service is of highest importance for the economy of the country.

Potential executor: Ministry of Justice, Parliament, Customs Service.

3.4.10 Measure: *International donor organizations should launch in-depth surprise procurement audits of selected projects in some countries to identify weakness in the procurement supervision system.*

Rationale: see the reason of p. 1.9. Potential executor: Donor organizations.

3.5 Transparency in political life

3.5.1 Measure: *Introducing the practice of accountability of parliamentary activities to the public (e.g. publication of the number of absences of the members of Parliament, their duties, etc.). Publishing the results of votes for the most important project of laws.*

Rationale: this would mobilize the activity of the members of Parliament and increase their accountability to their voters. Potential executor: Parliament.

3.5.2 Measure: *Abolishment of the system of immunity for members of Parliament in case they are accused of breaking the Law.*

Rationale: According to the opinion of collaborators of the Ministry of Interior Affairs, some members of the Parliament may run for a position in Parliament because otherwise, the Ministry of Internal Affairs would open criminal cases against them.

Potential executor: Parliament of the Republic of Moldova, Ministry of Justice, Ministry of Internal Affairs, Office of General Prosecutor.

3.5.3 Measure: *Publishing the sources of financial contributions to political parties.*

Rationale: this could clarify whose interests this party is supporting.

Potential executor: Parliament, mass-media.

3.5.4 Measure: *Applying the procedures for the declaration of income and assets of the members of Parliament and their close relatives.*

Rationale: the same as in p. 1.7. Potential executor: Ministry of Finances, Parliament.

3.6 Creation of a viable private sector

3.6.1 Measure: *Introduction of a flat income tax rate (about 10-12%).*

Rationale: The system of progressive tax rates does not work in an economy where tax evasion is widespread. A system of a law and flat tax rate, accompanied by a proper control

¹⁷ Strategies to Combat Corruption in Ecuador, Custom Service, National Association of Business Owners, 1999

system, would help to cultivate a new tax culture, so that in 4-5 years it would become possible to differentiate to some extent the tax rates for various strata of population.

Potential executor: Ministry of Finances.

3.6.2 Measure: *Increased competition in the economy.*

Rationale: In fact, the Republic of Moldova has a monopoly system in the energy sector, and a practical monopsony (a single buyer) for its output - Russia and the closest neighbors from the former Soviet Union republics. International organizations could play the role of a mediator and help Moldova find an alternative supplier of energy resources, or, even better, find a buyer for Moldovan goods in the third world, which would prefer low prices to quality. International organizations could also assist in buying Moldovan goods (mainly foods) at reasonable low cheap prices and send them as a humanitarian help to countries where the problem of starvation is acute. This measure would have a three-way impact: first, it would help Moldovan producers without burdening the country with heavy debts, second, it would help starving population in the third world (for example, in some African countries); third, it will help Moldova to get out of the vicious circle of buying energy for very high prices and selling foods for very low prices with continuous growth of debts.

Potential executor: International organizations.

3.6.3 Measure: *Applying for the help of international experts for monitoring of privatization of the tobacco and wine enterprises.*

Rationale: Even if members of Parliament have already voted for the privatization of the enterprises in these two sectors, there is still a lot of concern about the modality of the privatization process.

Potential executor: Department of Privatization, international experts.

3.6.4 *Creation of business associations which would protect producers' rights.*

Rationale: This is a measure for improving civil society, by creating horizontal links in the economy. Until now, the economy and society are built on vertical links. This will help to create a dialog between the government and the private sector.

Potential executor: Ministry of Economy and Reforms, business associations, NGOs.

3.6.5 Measure: *Examining the possibility of reducing the list of licensed goods, increasing transparency in the process of approving ordening of licenses, certificates.* Introduction of an mandatory system of written explanations for the refusing to ISSUE a license by the decision makers.

Rationale: Transparency in licensing.

Potential executor: Ministry of Finances, Ministry of Economy and Reforms.

3.7 Research of corruption

3.7.1 Measure: *State support of research on corruption. Supporting the initiative of creating a non-state anti-corruption organization empowered (having right) with the right to monitor the implementation of the anti-corruption measures in the country.*

Rationale: a high quality research will help to convince all civil society of the danger of corruption, and will help to improve the quality of anti-corruption programs, thus the anti-corruption programs will not have an ad-hoc character.

Potential executor: State Chancellery.

3.7.2 Measure: *Study of the phenomenon of corruption, its genesis, causes, main forms, country specificity; Investigating the possible links between corruption and shadow economy.*

Carrying out opinion polls which would allow the evaluation of the extent of this phenomenon from the demand and supply side.

Potential executor: a specialized NGO (for example, Transparency International – Moldova), or a project supported by UNDP and WB. Examples of these kind of NGOs can be found all over the world.

3.8 Relations with civil society

3.8.1 Measure: *Increasing access to information regarding the plans, decisions and activities of the executive* (obligatory supply of information of this type to the mass-media, population and NGOs, introduction a system of sanctions for refusal to provide this information).

Rationale: Increasing transparency of the activities of the executive.

Potential executor: all state organizations, especially the local ones.

3.8.2 Measure: *Supporting the creation of public web-sites on the Internet related to discussions about corruption.*

Rationale: this will promote the creation of the new type of civil society.

Potential executor: NGOs, mass-media.

3.8.3 Measure: *Formulate programs to complement the formal educational efforts the state might undertake through the educational system to promote the ethical values that underlie the fight against corruption.*

Rationale: the level of tolerance for corruption is very high. The public considers that corruption and nepotism are culturally bound and cannot be reduced.

3.8.4 Measure: *Organize professional workshops in support of investigative journalism, training in objective journalism and professional ethics in reporting, increase capacity to expose corruption.*

Rationale: There are a lot of publications on corruption issues in the mass-media. The problem is that many of them do not have adequate informational support and cannot prove their accusations. They are too emotional, so that it is easy to accuse them of bias.

Potential executor: Ministry of Education, NGOs, international organizations.

3.8.5 Measure: *Promoting an educational campaign regarding citizens rights and obligations of public servants.*

Rationale: This is a measure designed to strengthen the civil society.

Potential executor: Ministry of Education, NGOs.

3.8.6 Measure: *Strengthen capacity of NGOs to lobby, raise public awareness (empower the public).* Potential executor: all willing representatives of civil society.

3.8.7 Measure: *Encourage innovation by creative artists to use their skills to communicate essential awareness messages to a wide community, with a special focus on raising levels of ethics throughout society and empowering especially the marginalized in rural and depressed urban areas to recognize and act against the corruption they suffer¹⁸.*

Rationale: Involving large masses in anti-corruption campaign.

Potential executor: Ministry of Culture and Education.

3.8.8 Measure: *Publicize information bulletins, studies, reports. Organize TV programs, workshops and conferences dedicated to the subject of fighting corruption. Promote dialog*

¹⁸ The Durban Commitment to effective actions against corruption, 9th International Anti-Corruption Conference, Durban, 10-15 October, 1999

between the government, the private sector and civil society on problems of fighting corruption.

Rationale: strengthening the civil society and a public awareness campaign.

Potential executor: All representatives of civil society.

3.9 Collaboration with other institutions

3.9.1 Measure: *Coordination of efforts between educational, religious and mass-media organizations and institutions in an anti-corruption campaign.*

3.9.2 Measure: *Participation in national and international campaigns, which encourage adoption and implementation of higher standards of integrity and ethics in public services; Collaboration with public and private institutions, with similar national and international institutions, by supplying specialized consultation and joining in cooperation and partnership programs.*

3.9.3 Measure: *Exchange of experience in combating corruption within other countries.*

3.10 The Role of International organizations

3.10.1 Measure: *“Implement a system of consultations with the United Nations the Council of Europe, the Organization for Economic Cooperation and development, the World Bank, the International Monetary Fund, among others, to share experience and economic information, so as to enhance the understanding of each organization as it fights corruption, avoid duplication of efforts, and assess the prospects for joint projects”¹⁹.*

3.10.2 Measure: *Insure high-level political support, without which an anticorruption efforts is unlikely to succeed.*

3.10.3 Measure: *“...Establishing a steering committee, generally headed by a Minister, and working groups in several key areas. In-depth empirical survey work can often help to diagnose the extent and nature of problems and to raise awareness. For example, in-depth surveys of citizens, private firms, and government officials have helped to quantify the level of corruption, pinpoint where it is most troublesome, and thereby help set priorities for action. The results of the empirical work are then disseminated through a workshop that seek to bring public officials, the private sector, and civil society to gather to develop an anti-corruption strategy and multi-pronged action program”(the same source).*

3.10.4 Measure: *Taking corruption more explicitly into account in country assistance strategies, country lending considerations, policy dialogue, analytical work, and the choice and design of projects.*

¹⁹ Helping Prevent Corruption World-Wide, The World Bank, Press Backgrounder, 1999

Conclusions

This paper represents an effort to systematize our findings about corruption in Moldova. The results of the economic study, as well as of the study of public opinion shows that since the midst of the 90's corruption in the Republic of Moldova has increased greatly. Corruption deepens poverty; it debases human rights, it degrades the environment; it derails development, including private sector development; it drives conflicts, it destroys confidence in democracy, and the legitimacy of governments, finally, it debases the entire human development. Corruption is the illegitimate redistribution of power and wealth.

In the Republic of Moldova, as well as in the other post-totalitarian countries, there is no real dialog between government, civil society and private sector on these issues. Society accuses government of corruption and tolerates it on all levels in everyday life. The private sector perceives the Government as the main impediment to its development. Government tries to undertake some measures and fails without real support from society. Hence, a successful campaign against corruption in Moldova demands a full participation of three main sectors of society: government, the business community and civil society.

The main areas in which corruption needs to be curbed in Moldova are the customs service, tax inspections, public procurement and the energy sector. These are the areas, which would contribute mainly to the budget growth. Eliminating corruption in the public health care system and in education will accelerate human development of Moldova.

Efforts to combat corruption should be systematic and require a strong and long-term commitment on the part of the government's side. The basic principles for a state anti-corruption program has to be the following ones:

- Accountability, transparency, democracy, legacy and law enforcement, and zero tolerance for corruption;
- Design a program which the public can monitor;
- Set clear boundaries between official and social domain of power;
- Set open, orderly and predictable channels for interaction between officials and electorate.

In countries with a large increase in corruption, which corruption cannot be entirely uprooted, there is a chance to limit it through the mechanisms of civil control over the activities of political institutions. Public opinion and its institutions play a key corrective role in discovering and dealing with corruptive practices.

The government of the Republic of Moldova made a number of attempts to fight corruption. One of them was the adoption of the Government Program on Fighting Corruption, Organized Crime and Protectionism. However, its practical implementation remains limited. A high priority for the government should be the implementation of this program, including the signature of a number of international agreements for fighting organized crime and corruption.

In this paper a number of additional proposals are suggested. They include measures for tackling corruption in the judiciary and reform of judiciary system, management of public sector reform, amelioration of state control procedures, transparency in political life, creation of a viable private sector, research, relations with civil society, collaboration with other institutions, including the international organizations.

A successful anti-corruption campaign can be accomplished only with a great deal of technical work, which is aimed at improving the system and thereby making corruption less likely to happen. Many of the recommended activities are either too costly for the government to do or do not correspond to the technical capacities of the government to implement reform.

Thus only financial and technical assistance from the international community and donor organizations will ensure progress of the proposed reforms.

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Annex 1

Methodology of the sample selection

Sample structure was determined as a random stratified and multistage one.

A sample formed of 500 households was projected, of which 500 persons were to be selected, proportionally distributed by sex, place of residence, age and educational level in conformity with the data of the Department of Statistical Analysis and Sociology of the Republic of Moldova. The distribution of households by regions of the country is as follows: Chisinau – 120 (24%), Northern region – 170 (34%), Central region – 110 (22%) and the Southern one – 100 (20%).

The second sample was formed of 500 commercial companies, of which 500 managers were to be selected; 370 (74%) of them were selected in the municipality of Chisinau, 50 (10%) – in the Northern region, 40 (8%) – in the Central region and 40 (8%) - in the Southern region. The distribution of women was realized in accordance with their number in different geographic zones and social strata.

Rural and urban localities (except for the municipalities Chisinau and Balti) were selected randomly, using a table of random numbers.

Households and commercial units where the interviews took place were selected through the method of a random route with a statistic step. In cases when there were many adult members in a household (family), the person to be interviewed was determined by selecting the respondent whose birthday was the most recent.

Among the business people the person interviewed was the one with highest authority (with minor exceptions).

For households interviews were conducted by the CISR's interviewers at the respondents' home, for business people – at their offices.

Dr. in Sociology,
Professor of the State University,
V. Turcan

Annex 2

Questionnaire for businessmen

The Interviewer reads the following to the respondent.

UNDP/ Center for Strategic Studies and Reforms (CSSR) with Transparency International – Moldova is carrying out this opinion poll to study the causes and the extent of corruption in public institutions. The results of the poll will be used to elaborate proposals to eliminate corruption in the Republic of Moldova.

The coordinator of the study is the expert of CISR, the executive Director of Transparency International – Moldova, Lilia Carașciuc, tel. 23-74-02, fax, 23-71-04, e-mail: lilia@cisr.moldline.net

We would like to thank you in advance for your participation and assure you that ALL OF THE INFORMATION WHICH YOU OFFER WILL BE KEPT STRICTLY CONFIDENTIAL. Your name will not be indicated in any documents. Please, try to be as candid as possible in answering these questions.

Do you have any questions before we begin?

Individual code of interviewer: _____

Date of interview: _____

Place of interview: _____

Time at the beginning of the interview: _____

Location: _____

The respondent:

1. How old are you? (indicate number of years) _____

2. Gender

a) Male

b) Female

3. Your education:

- 1) High school
- 2) Professional secondary education
- 3) Unfinished university education
- 4) University education
- 5) Doctorate

4. Do you live in urban or rural zone?

1. Urban

2. Rural

5. How would you assess the quality of your life over the past year?

- 1). Absolutely unacceptable
- 2). Unacceptable
- 3). Acceptable
- 4). Good

6. To which group of population would you consider your family belongs to? (indicate only one answer)

1. Very low income
2. Income lower than medium
3. Medium income
4. Income higher than medium
5. Relatively high income

7. How would you assess your family income?

- 1) It does not suffice even for the most necessary things
- 2) It suffices only for the most necessary things
- 3) It suffices for a normal life, but we cannot afford expensive products
- 4) We can afford expensive products, but with difficulty
- 5) We can afford everything we need

8. We would ask you to evaluate the problem of corruption in the country on a 6 degree scale (1 – it is not acute at all, 2- it is acute only to a low extent, 3- it seldom creates problems, 4 – it often creates problems, 5 – it is acute, 6 – it is very acute)_____

9. When in your opinion corruption has reached dangerous proportions for the society?

1. 3 years ago
2. 5 years ago
3. 10 years ago
4. other (indicate) _____

10. As you see it, which of the acts enlisted below fall under the phenomenon of “corruption”?

	Yes	No	N/A
1. Gift to a doctor to take special care of the patient			
2. Using connections to exempt somebody close from military service			
3. To pay a bribe in order to employ a relative of yours			
4. Extending cash to policeman not to revoke your license			
5. Abuse of official position in order to perform private business			
6. Providing official information to people you know for the purpose of personal benefit			
7. Officials accepting cash for the purpose of tax concealment or reduction			
8. Additional reimbursement to a lawyer who assists a suspect in having his case closed			

11. When you have to contact officials in the public sector, is it easier to bypass the official ways and solve your problem via “unofficial” ways ?

1. Every time
2. In the majority of cases
3. Often
4. Sometimes
5. Seldom
6. Never

12. The “unofficial” ways of solving the problems with public officials most often take the form of: (indicate only one answer)

1. Contacts
2. Gifts
3. Money
4. Pressure from the side of top managers
5. Pressure from the side of criminal organizations
6. Other (specify)

13. How often, do you think people have to offer cash, gifts, of favors to public officials in exchange for the solution of a problem? (1- never, 2 – very seldom, 3 – sometimes, 4 – often, 5 – very often, 6 – every time)

Sector	Mark
1. Tax inspections	
2. Customs	
3. Police	
4. Sanitation and fire prevention inspections	
5. Obtaining licenses for import / export	
6. Access to credits	
7. Registration of property	
8. Privatization	
9. Rent of state property	
10. Employees of city halls	
11. Judges	
12. Public procurement	
13. Education	
14. Health services	
15. Ministries and departments	
16. Local administration	

14. Imagine someone who has extended cash or a gift to an official and has obtained what they wanted. How, in your view, is this citizen most likely to feel?

1. Angry
2. Humiliated
3. Fairly well
4. Satisfied
5. Glad

15. Imagine a low paid official who is approached by someone offering cash, a gift or a favor to solve this person’s problem. What would he do?

1. He would accept, because all do that
2. He would accept, because this could help the person offering the bribe
3. He would not accept, if this could cause problems
4. He would not accept, because he does not approve this
6. Do not know

16. What is the main source of starting capital for business like yours?

1. Personal savings
2. Bank credits
3. Windfall revenues (inheritance, gifts, lottery)
4. Loans from friends and relatives
5. Other (specify)

17. While doing business, you think the government...

1. Helps a lot
2. Somewhat helps
3. Sometimes helps, but mostly is neutral
4. Is absolutely neutral
5. Sometimes impedes
6. Mostly impedes

18. How troublesome are the following factors for doing business in Moldova (1 – it is not problematic at all, 2 – sometimes it impedes, 3 - impedes, 4 – impedes somewhat, 5 – impedes very much, 6 – blocks)

Factor	Mark
1. Inflation	
2. Exchange rate instability	
3. Tax regulations	
4. Undeveloped banking sector	
5. Crime	
6. Corruption	
7. Deficiency of skilled labor	
8. Harassment by the police	
9. Difficult to find, purchase or deliver inputs/raw materials	
10. Spend too much time clarifying things with various kind of inspectors	
11. Political instability	
12. Unpredictability of changes in regulations	
13. Rules for starting a new business are too complicated	
14. Regulations for foreign trade	
15. Price control	
16. Foreign currency regulations	
17. Labor regulations (high payments in in the social fund)	

19. During the last 12 months how many times and by whom were you inspected?

	times/12 months
1. Fiscal inspections	
2. Economic police	
3. Anti-fire inspections	
4. Inspector of electric nets	
5. Sanitation and Anti-epidemiological Station	
6. Financial Guard	
7. Other (specify)	

20. Do you think that taxes levied on business activities are so high that most of businesses prefer to pay in cash to tax inspectors to avoid full tax payments?

1. Strongly agree
2. Somewhat agree
3. Disagree
4. Do not know

21. When a violation of the tax code is found, a tax/customs inspector is likely to ...

1. report the findings and proceeding in accordance with the rules
2. name the price of “correcting” the violation
3. give to understand that an additional payment is needed to solve the problem
4. register the findings and then lets the respondent to understand that an additional payment is needed
5. Other (specify)

22. When being inspected by the tax/customs authorities, is it likely that you will be asked for additional payment to “ease” the inspection process?

1. Always
2. Most of the time
3. Frequently
4. Sometimes
5. Seldom
6. Never

23. When a businessman refuses to pay a bribe, will he find doing business even more difficult ?

1. Always
2. Most of the time
3. Frequently
4. Sometimes
5. Seldom
6. Never

24. If asked to pay a bribe, will you pay it?

1. Yes
2. No
3. Depends on the situation

25. Do you think paying the bribe will “ease” your life“?

1. Yes
2. No

26. If during the control process the inspector finds that you are supposed to pay to the government a sum of money X, what part of this sum (in % of X) is it usually enough to pay directly to the tax inspector in order to “solve” the problem? _____

27. How often are bribes, gifts and personal contacts used at different levels of State Inspection, Customs Service?

(1 - never, 2 – seldom, 3 – sometimes, 4 – frequently, 5 – most of times, 6 – always).

1. Director of Department	
2. Vice-director of Department	
3. Chief of regional office	
4. Chief of local office	
5. Local inspectors	
6. Other	

28. Will you share a personal story in this regard? _____

29. How would you evaluate the following possible reasons why tax/customs inspectors take money or presents? (1 – it is not the reason at all, 6 – it is the exact reason)

Cause	Mark	
	Customs	Tax insp.
1. Inspectors are too greedy		
2. Crisis of ethic values in transition period		
3. Government does not pay them properly		
4. Laws/rules are so poorly designed and difficult to follow, that it is easier to pay officials to get things done		
5. This is a cultural tradition: people are used to taking money/presents		
6. Inspectors have too much discretionary power		
7. Control over the inspectors is weak and punishment is unlikely		
8. The judiciary power is inefficient		
9. Public officers want to gain “easy money”		
10.Lack of administrative control		

30. How effective, in your opinion, could the following measures be in reducing corruption in the customss and tax services? (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Lowering taxes on export-import activities	
2. Increasing salaries of state employees	
3. Increasing punishment costs for corrupt behavior	
4. Increasing transparency of the taxes collected	
5. Other (specify)	

31. In view of corruption in Moldova, which of the following statements is closest to what you think?

1. Corruption proliferation cannot be confined in Moldova
2. Corruption will always be here, yet it can be limited to a degree
3. Corruption can be substantially reduced
4. Corruption can be substantially eradicated
5. Do not know

THANK YOU FOR YOUR COOPERATION!

Time the interview ended (on a 24 hour scale) _____

Fill in the table after the interview has ended and the respondent is no longer present

Mark an answer to each question

Respondent's	Very high level	High level	Medium level	Low level
1) Cooperation				
2) Confidence in the study				
3) Interest in the study				
4) Understanding of questions				
5) Sincerity in answers				

Annex 3

Questionnaire for households

The Interviewer reads the following to the respondent.

UNDP/ Center for Strategic Studies and Reforms (CSSR) with Transparency International – Moldova, is carrying out this opinion poll to study the causes and the extent of corruption in public institutions. The results of the poll will be used to introduce proposals to combat corruption in the Republic of Moldova.

The coordinator of the study is the expert of CISR, Executive Director of Transparency International – Moldova, Lilia Carașciuc, tel. 23-74-02, fax, 23-71-04, e-mail: lilia@cisr.moldline.net

We would like to thank you in advance for your participation and assure you that ALL OF THE INFORMATION WHICH YOU OFFER WILL BE KEPT STRICTLY CONFIDENTIAL. Your name will not be indicated on any documents. Please, try to be as candid as possible in answering these questions.

Do you have any questions before we begin?

Individual code of interviewer: _____

Date of interview: _____

Place of interview: _____

Time at the beginning of the interview: _____

Location: _____

The respondent:

1. How old are you? (indicate number of years) _____

2. Gender

a) Male

b) Female

3. Your education:

6) High school

7) Professional secondary education

8) Unfinished university education

9) University education

10) Doctorate

4. Do you live in urban or rural zone?

1. Urban

2. Rural

5. How would you assess the quality of your life over the past year?

1). Absolutely unacceptable

2). Unacceptable

3). Acceptable

4). Good

6. To which group of population would you consider you family to belong to? (indicate only one answer)

1. Very low income
2. Income lower than medium
3. Medium income
4. Income higher than medium incomes
5. Relatively high income

7. How would you assess your family income?

- a. It does not suffice even for the most necessary things
- b. It suffices only for the most necessary things
- c. It suffices for a normal life, but we cannot afford expensive products
- d. We can afford expensive products, but with difficulty
- e. We can afford everything we need

8. How acute are the following problems for you ? (1 – it is not problematic at all, 2 – sometimes it makes problems, 3 - impedes, 4 – impedes a lot, 5 – impedes very much, 6 – it blocks)

Factor	Mark
1. Inflation	
2. Decreased quality of education services	
3. Decreased quality of health care services	
4. Instability of national currency	
5. Crime	
6. Corruption	
7. High taxes	
8. Political instability	
9. Harassment by the police	
10. Poverty	
11. Poor communication services	
12. Bureaucracy	
13. Frequent changes in legislation	
14. Complicated rules for starting a business	

9. We would ask you to evaluate the problem of corruption in the country on a 6 degree scale (1 – it is not acute at all, 2- it is acute only to a low extend, 3- it makes problems seldom, 4 – it often makes problems, 5 – it is acute, 6 – it is very acute) _____

10. When in your opinion has corruption reached dangerous proportions for the society?

1. 3 years ago
2. 5 years ago
3. 10 years ago
4. other (indicate) _____

11. As you see it, which of the acts listed below would you consider to be “corruption”?

	Yes	No	N/A
1. Gift to a doctor to take special care of the patient			
2. Using connections to exempt somebody close from military service			
3. Paying a bribe in order to employ a relative of yours			
4. Extending cash to policeman not to revoke your license			
5. Abuse of official position in order to perform private business			
6. Providing official information to people you know for the purpose of personal benefit			
7. Officials accepting cash for the purpose of tax concealment or reduction			
8. Additional reimbursement to a lawyer who assists a suspect in having his case closed			

12. When you have to contact officials in the public sector, is it easier to bypass the official ways and solve your problem via “unofficial” ways ?

1. Every time
2. In the majority of cases
3. Often
4. Sometimes
5. Seldom
6. Never

13. The “unofficial” ways of solving the problems with public officials most often take the form of: (indicate only one answer)

1. Contacts
2. Gifts
3. Money
4. Pressure from the side of top managers
5. Pressure from the side of criminal organizations
6. Other (specify)

14. How often do you think people have to offer cash, gifts, of favors to public officials in exchange to the solution of a problem? (1- never, 2 – very seldom, 3 – sometimes, 4 – often, 5 – very often, 6 – always)

Sector	Mark
1. Tax inspections	
2. Customs	
3. Police	
4. Sanitation and fire prevention inspections	
5. Obtaining licenses for import / export	
6. Access to credits	
7. Registration of property	
8. Privatization	
9. Rent of state property	
10. Employees of city halls	
11. Judges	
12. Public procurement	
13. Education	
14. Health services	
15. Ministries and departments	
16. Local administration	

15. Imagine someone who has extended cash or a gift to an official and has obtained what they wanted. How, in your view, is this citizen most likely to feel?

1. Angry
2. Humiliated
3. Fairly well
4. Satisfied
5. Glad

16. Imagine a low paid official which is approached by someone offering cash, gift or favor to solve their problem. What would he do?

1. He would accept, because all do that
2. He would accept, because this could help the person offering the bribe
3. He would not accept, if this could cause problems
4. He would not accept, because he does not approve this
5. Do not know

17. If asked to pay a bribe, will you pay it?

1. Yes
2. No
3. Depends on the situation

18. Do you think paying the bribe will “ease your life“?

1. Yes
2. No

19. How is corruption phenomenon likely to be extended in the educational system? (1 – there is no corruption there, 2- it takes place very seldom, 3- it happens sometimes, 4 – it happens frequently, 5 – very often, 6- always) _____

20. The additional payments are most likely to take the form of : (1- never, 6 – always)

1. Extra payments for the reconstruction of the school building	
2. Extra payments for accommodating children in so-called “special classes”	
3. Payments for festivities and other holidays held by the school	
4. Payments for festivities and other holidays held by the school	
5. Payments for supplementary lessons	
6. Direct payments/presents to teachers or directors to express “gratitude” and/or to build good relations	

21. Will the refusal to pay additional payment when asked by the school be negatively reflected in children’s grade?

- 1) Always
- 2) In majority of situations
- 3) Very frequent
- 4) Sometimes
- 5) Seldom
- 6) Never

22. How likely is the use of money to occur in the following situations ?

(1- never, 2 – seldom, 3- sometimes, 4- frequent, 5 – very frequent, 6 – always)

1. When moving a child to a better secondary school	
2. To ensure a child receive better grades regardless of his/her knowledge	
3. To ensure that the child gets enough attention from the teacher, especially when the class is large	
4. To build good relations with teachers/ directors in order to avoid possible unnecessary problems	

23. When entering a University, how likely is the use of unofficial money, gifts, personal contacts?

1. always
2. most of times
3. frequently
4. sometimes
5. seldom
6. never

24. Have you ever had to use money, presents, contacts to solve a problem in universities?

1. Yes
2. No

25. How is corruption phenomenon likely to be extended in the health care system? (1 – it is absent, 2- it takes place very seldom, 3- it happens sometimes, 4 – it happens frequently, 5 – very often, 6- always) _____

26. How likely is it that a person like you will be asked for payment when asking a doctor for a service that should be provided for free?

1. Always
2. Most of the times
3. Frequently
4. Sometimes
5. Seldom

27. How likely is the use of money, presents, or contacts to occur in the following situations? (1 – never, 6 – always)

1. When seeking a bed in a hospital and/or a better room for a hospitalized patient	
2. For a surgery	
3. When requesting medicine for a patient	
4. When asking to be treated by a more experienced doctor/physician in the hospital	
5. When trying to avoid waiting in long lines before treatment by a doctor	

28. How would you evaluate the following possible causes of corruption in educational and health care services? (1 – not at all, 6 – exactly)

Cause	Mark	
	Education	Health care
1. They are too greedy		
2. Government does not pay them properly		
3. Crisis of ethic values in transition period		
4. This is a tradition: people are used to take money/presents		
5. Nepotism and clan relations		
6. They have too much discretionary power		
7. Lack of administrative control		

29. How effective, in your opinion, could the following measures be in reducing corruption in state health care services (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Increasing financial support from the government	
2. Increasing punishment for corrupted persons	
3. Strengthening supervision over medical staff	
4. Improving supervision system over humanitarian aid	
5. Conducting anti-corruption propaganda campaigns in schools and universities	

30. How effective, in your opinion, could the following measures be in reducing corruption in education (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Increasing financial support from the government	
2. Increasing punishment for corrupted persons	
3. Increasing transparency of the admissions and examination in educational institutions	
4. Strengthening supervision over teaching staff	
5. Improving the system (e.g. using computerized tests instead of oral exams, stipulating which fees are legal and which ones are not)	
6. Conducting anti-corruption propaganda campaigns in schools and universities	

31. In view of corruption in Moldova, which of the following statements is the closest to what you think?

1. Corruption proliferation cannot be eliminated in Moldova
2. Corruption will always be here, yet it can be limited to a degree
3. Corruption can be substantially reduced
4. Corruption can be completely eradicated
5. Do not know

THANK YOU FOR YOUR COOPERATION!

Time the interview ended (on a 24 hour scale) _____

Fill in the table after the interview has ended and the respondent is no longer present

Mark an answer to each question

Respondent's	Very high level	High level	Medium level	Low level
1. Cooperation				
2. Confidence in the study				
3. Interest in the study				
4. Understanding of questions				
5. Sincerity in answers				

Annex 4

Tables with the main results of the opinion poll for businessmen

1. How old are you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	47	9.3	9.4	9.4
	26-30	95	18.8	18.9	28.3
	31-35	70	13.9	13.9	42.2
	36-40	98	19.4	19.5	61.8
	41-45	77	15.2	15.3	77.1
	46-50	65	12.9	12.9	90.0
	51-55	35	6.9	7.0	97.0
	56-60	12	2.4	2.4	99.4
	>60	3	.6	.6	100.0
	Total	502	99.4	100.0	
Missing	System	3	.6		
Total		505	100.0		

2. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	318	63.0	63.2	63.2
	female	185	36.6	36.8	100.0
	Total	503	99.6	100.0	
Missing	System	2	.4		
Total		505	100.0		

3. Your education:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Professional secondary education	68	13.5	13.5	13.5
	Unfinished university education	87	17.2	17.2	30.7
	University education	330	65.3	65.3	96.0
	Doctorate	20	4.0	4.0	100.0
	Total	505	100.0	100.0	

4. Do you live in urban or rural zone?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	460	91.1	91.1	91.1
	Rural	45	8.9	8.9	100.0
	Total	505	100.0	100.0	

5. How would you assess the quality of your life over the past year?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Absolutely unacceptable	44	8.7	8.7	8.7
	Unacceptable	116	23.0	23.0	31.7
	Acceptable	283	56.0	56.0	87.7
	Good	62	12.3	12.3	100.0
	Total	505	100.0	100.0	

6. To which group of population would you consider your family to belong to?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low income	23	4.6	4.6	4.6
	Income lower than medium	111	22.0	22.0	26.5
	Medium income	311	61.6	61.6	88.1
	Income higher than medium	55	10.9	10.9	99.0
	Relatively high income	5	1.0	1.0	100.0
	Total	505	100.0	100.0	

7. How would you assess your family income?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	It does not suffice even for the most necessary things	14	2.8	2.8	2.8
	It suffices only for the most necessary things	164	32.5	32.5	35.3
	It suffices for a normal life, but we cannot afford expensive products	239	47.3	47.4	82.7
	We can afford expensive products, but with difficulty	83	16.4	16.5	99.2
	We can afford everything we need	4	.8	.8	100.0
	Total	504	99.8	100.0	
Missing	System	1	.2		
Total		505	100.0		

8. We would ask you to evaluate the problem of corruption in the country on a 6 degree scale

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	it is not acute at all	9	1.8	1.8	1.8
	it is acute only to a low extend	36	7.1	7.3	9.1
	it seldom creates problems	42	8.3	8.5	17.6
	it often creates problems	69	13.7	14.0	31.6
	it is acute	118	23.4	23.9	55.6
	it is very acute	219	43.4	44.4	100.0
	Total	493	97.6	100.0	
Missing	System	12	2.4		
Total		505	100.0		

9. When in your opinion corruption has reached dangerous for the society proportions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3 years ago	88	17.4	17.4	17.4
	5 years ago	209	41.4	41.4	58.8
	10 years ago	142	28.1	28.1	86.9
	other	66	13.1	13.1	100.0
	Total	505	100.0	100.0	

10. As you see it, which of the acts enlisted below fall under the phenomenon of "corruption"?

	Yes	No	N/A
1. Gift to a doctor to take special care of the patient	26,7	63,8	9,1
2. Using connections to exempt somebody close from military service	69,9	19,2	10,3
3. To pay a bribe in order to employ a relative of yours	86,1	6,9	6,3
4. Extending cash to policeman not to revoke your license	86,1	8,7	4,8
5. Abuse of official position in order to perform private business	74,9	14,7	10,1
6. Providing official information to people you know for the purpose of personal benefit	65,0	19,2	15,4
7. Accepting cash by officials for the purpose of tax concealment or reduction	93,7	2,6	3,0
8. Additional reimbursement to a lawyer who assists a suspect in terminating his case	95,0	2,2	2,4

11. When you have to contact officials in the public sector, is it easier to bypass the official ways and solve your problem via “unofficial” ways?

		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Valid</i>	Always	76	15.0	15.1	15.1
	In majority of cases	183	36.2	36.5	51.6
	Often	83	16.4	16.5	68.1
	Sometimes	107	21.2	21.3	89.4
	Seldom	33	6.5	6.6	96.0
	Never	20	4.0	4.0	100.0
	Total	502	99.4	100.0	
Missing	System	3	.6		
Total		505	100.0		

12. The “unofficial” ways of solving the problems with public officials most often take the form of:

		Frequency	Percent	Valid Percent	Cumulative Percent
<i>Valid</i>	Contacts	71	14.1	14.2	14.2
	Gifts	69	13.7	13.8	27.9
	Money	300	59.4	59.9	87.8
	Pressure from the side of upper management	33	6.5	6.6	94.4
	Pressure from criminal organizations	1	.2	.2	94.6
	Other	27	5.3	5.4	100.0
	Total	501	99.2	100.0	
Missing	System	4	.8		
Total		505	100.0		

13. How often, you think, people have to offer cash, gifts, of favors to public officials in exchange to the solution of a problem? (1- never, 2 – very seldom, 3 – sometimes, 4 – often, 5 – very often, 6 – every time)

Sector	Mark
1. Tax inspections	3.84
2. Customss	4.03
3. Police	3.98
4. Sanitation and fire-prevention inspections	3.32
5. Obtaining licenses for import / export	3.34
6. Access to credits	2.96
7. Registration of property	2.84
8. Privatization	3.03
9. Rent of state property	3.02
10. Employees of city halls	3.61
11. Judges	3.48
12. Public procurement	2.90
13. Education	3.58
14. Health services	4.05
15. Ministries and departments	3.38
16. Local administration	3.45

14. Imagine someone who has extended cash or a gift to an official and has obtained what they wanted. How, in your view, is this citizen most likely to feel?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Angry	64	12.7	12.8	12.8
	Humiliated	161	31.9	32.3	45.1
	Fairly well	159	31.5	31.9	77.0
	Satisfied	96	19.0	19.2	96.2
	Glad	19	3.8	3.8	100.0
	Total	499	98.8	100.0	
Missing	System	6	1.2		
Total		505	100.0		

15. Imagine a low paid official, which is approached by someone offering cash, gift or favor to solve this person's problem. What would he do?

		Frequency	Per- cent	Valid Percent	Cumulative Percent
Valid	He would accept, because all do that	299	59.2	59.7	59.7
	He would accept, because this could help the person offering the bribe	85	16.8	17.0	76.6
	He would not accept, if this could cause problems	43	8.5	8.6	85.2
	He would not accept, because he does not approve this	6	1.2	1.2	86.4
	Do not know	67	13.3	13.4	100.0
	Total	501	99.2	100.0	
Missing	System	5	1.0		
Total		505	100.0		

16. What is the main source of starting capital for business like yours?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal savings	225	44.6	45.0	45.0
	Bank credits	63	12.5	12.6	57.6
	Windfall revenues (inheritance, gifts, lottery)	26	5.1	5.2	62.8
	Loans from friends and relatives	127	25.1	25.4	88.2
	Other	59	11.7	11.8	100.0
	Total	500	99.0	100.0	
Missing	System	5	1.0		
Total		505	100.0		

17. While doing business, you think the government...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Helps a lot	1	.2	.2	.2
	Somewhat helps	10	2.0	2.0	2.2
	Sometimes helps, but mostly is neutral	31	6.1	6.2	8.3
	Is absolutely neutral	85	16.8	16.9	25.2
	Sometimes impedes	142	28.1	28.2	53.5
	Mostly impedes	234	46.3	46.5	100.0
	Total	503	99.6	100.0	
Missing	System	2	.4		
Total		505	100.0		

18. How troublesome (impeding) are the following factors for doing business in Moldova

Factor	Mark
1. Inflation	4,20
2. Exchange rate instability	4,13
3. Tax regulations	4,83
4. Undeveloped banking sector	3,31
5. Crime	4,19
6. Corruption	4,81
7. Deficiency of skilled labor	2,79
8. Harassment from the side of police	3,08
9. Difficult to find, purchase or deliver inputs/raw materials	2,87
10. Spend too much time clarifying things with various kind of inspectors	3,41
11. Political instability	3,92
12. Unpredictability of changes in regulations	4,39
13. Rules for starting a new business are too complicated	3,64
14. Regulations for foreign trade	3,53
15. Price control	2,85
16. Foreign currency regulations	2,73
17. Labor regulations (high payments in the social fund)	3,63

19. During the last 12 months how many times and by whom were you inspected?

	times/12 months
1. Fiscal inspections	
2. Economic police	
3. Anti-fire inspections	
4. Inspector of electric nets	
5. Sanitation and Anti-epidemiological Station	
6. Financial Guard	
7. Other (specify)	

20. Do you think that taxes levied on business activities are so high that most of businesses prefer to pay in cash to tax inspectors to avoid full tax payments?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly agree	279	55.2	55.5	55.5
	Somewhat agree	166	32.9	33.0	88.5
	Disagree	39	7.7	7.8	96.2
	Do not know	19	3.8	3.8	100.0
	Total	503	99.6	100.0	
Missing	System	2	.4		
Total		505	100.0		

21. When a violation of the tax code is found, a tax/customs inspector is likely to ...

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	report the findings and proceeding in accordance with the rules	94	18.6	18.8	18.8
	name the price of “correcting” the violation	58	11.5	11.6	30.4
	gives understanding that an additional payment is needed to solve the problem	214	42.4	42.8	73.2
	registers the findings and after this gives the understanding that an additional payment is needed	122	24.2	24.4	97.6
	Other	12	2.4	2.4	100.0
	Total	500	99.0	100.0	
Missing	System	5	1.0		
Total		505	100.0		

22. When being inspected by the tax/customs authorities, is it likely that you will be asked for additional payment to “ease” the inspection process?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	64	12.7	12.9	12.9
	Most of the time	154	30.5	31.0	43.9
	Frequently	76	15.0	15.3	59.2
	Sometimes	100	19.8	20.1	79.3
	Seldom	54	10.7	10.9	90.1
	Never	49	9.7	9.9	100.0
	Total	497	98.4	100.0	
Missing	System	8	1.6		
Total		505	100.0		

23. When a businessman refuses to pay a bribe, will he find doing business even more problematic?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	142	28.1	28.3	28.3
	Most of the time	172	34.1	34.3	62.7
	Frequently	66	13.1	13.2	75.8
	Sometimes	69	13.7	13.8	89.6
	Seldom	37	7.3	7.4	97.0
	Never	15	3.0	3.0	100.0
	Total	501	99.2	100.0	
Missing	System	4	.8		
Total		505	100.0		

24. If asked to pay a bribe, will you pay it?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	90	17.8	17.9	17.9
	No	43	8.5	8.6	26.5
	It depends	369	73.1	73.5	100.0
	Total	502	99.4	100.0	
Missing	System	3	.6		
Total		505	100.0		

25. Do you think paying the bribe will “ease” your life“?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	261	51.7	52.1	52.1
	No	240	47.5	47.9	100.0
	Total	501	99.2	100.0	
Missing	System	4	.8		
Total		505	100.0		

26. If during the control process the inspector finds that you are supposed to pay the government a sum of money X, what part of this sum (in % of X) is it usually enough to be paid directly to the tax inspector in order to “solve” the problem?

Average rate – 34.22%

27. How often are bribes, gifts and personal contacts used at different levels of State Inspection, Customs Service? (1 - never, 2 – seldom, 3 – sometimes, 4 – frequently, 5 – most of times, 6 – always).

1. Director of Department	1,83
2. Vice-director of Department	1,89
3. Chief of regional office	2,35
4. Chief of local office	2,75
5. Local inspectors	3,89
6. Other	2,90

29. How would you evaluate the following possible reasons why tax/customs inspectors take money or presents? (1 – it is not the reason at all, 6 – it is the exact reason)

Cause	Mark	
	Customs	Tax insp.
1. Inspectors are too greedy	3,65	3,53
2. Crisis of ethic values in transition period	3,79	3,70
3. Government does not pay them properly	4,54	4,52
4. Laws/rules are so poorly designed and difficult to follow, that it is easier to pay officials to get things done	4,74	4,69
5. This is a cultural tradition: people are used to take money/presents	4,06	4,03
6. Inspectors have too much discretionary power	4,24	4,23
7. Control over the inspectors is weak and punishment is unlikely	4,29	4,31
8. The Judiciary power is inefficient	4,61	4,60
9. Public officers want to gain “easy money”	4,78	4,78
10.Lack of administrative control	4,41	4,38

30. How effective, in your opinion, could the following measures be in reducing corruption in customs and tax services? (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Lowering taxes on export-import activities	4,36
2. Increasing salaries of state employees	4,11
3. Increasing punishment for corrupt behavior	5,17
4. Increasing transparency of the tax	4,69
5. Other (specify)	4,36

31. In view of corruption in Moldova, which of the following statements is closest to what you think?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Corruption proliferation cannot be eliminated in Moldova	82	16.2	16.3	16.3
	Corruption will always be here, yet it can be limited to a degree	235	46.5	46.5	63.0
	Corruption can be substantially reduced	146	28.9	29.0	92.0
	Corruption can be substantially eradicated	25	5.0	5.0	97.0
	Do not know	15	3.0	3.0	100.0
	Total	503	99.6	100.0	
Missing	System	2	.4		
Total		505	100.0		

Annex 5

Tables with the main results of the opinion poll for households

1. How old are you?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	71	14.1	14.1	14.1
	26-30	52	10.3	10.4	24.5
	31-35	41	8.1	8.2	32.7
	36-40	52	10.3	10.4	43.0
	41-45	49	9.7	9.8	52.8
	46-50	71	14.1	14.1	66.9
	51-55	51	10.1	10.2	77.1
	56-60	29	5.8	5.8	82.9
	>60	86	17.1	17.1	100.0
	Total	502	99.6	100.0	
Missing	System	2	.4		
Total		504	100.0		

2. Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	210	41.7	41.7	41.7
	Female	294	58.3	58.3	100.0
	Total	504	100.0	100.0	

3. Your education:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High school	73	14.5	14.6	14.6
	Professional secondary education	218	43.3	43.5	58.1
	Unfinished university education	96	19.0	19.2	77.2
	University education	112	22.2	22.4	99.6
	Doctorate	2	.4	.4	100.0
	Total	501	99.4	100.0	
Missing	System	3	.6		
Total		504	100.0		

4. Do you live in an urban or a rural zone?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	257	51.0	51.0	51.0
	Rural	247	49.0	49.0	100.0
	Total	504	100.0	100.0	

5. How would you assess the quality of your life over the past year?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Absolutely unacceptable	136	27.0	27.0	27.0
	Unacceptable	217	43.1	43.1	70.0
	Acceptable	130	25.8	25.8	95.8
	Good	21	4.2	4.2	100.0
	Total	504	100.0	100.0	

6. To which group of population would you consider you family to belong to?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very low income	198	39.3	39.4	39.4
	Income lower than medium	147	29.2	29.2	68.6
	Medium income	144	28.6	28.6	97.2
	Income higher than medium	14	2.8	2.8	100.0
	Total	503	99.8	100.0	
Missing	System	1	.2		
Total		504	100.0		

7. How would you assess your family income?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	It does not suffice even for the most necessary things	170	33.7	33.7	33.7
	It suffices only for the most necessary things	204	40.5	40.5	74.2
	It suffices for a normal life, but we cannot afford expensive products	110	21.8	21.8	96.0
	We can afford expensive products, but with difficulty	19	3.8	3.8	99.8
	We can afford everything we need	1	.2	.2	100.0
	Total	504	100.0	100.0	

8. How acute are the following problems for you ? (1 – it is not problematic at all, 2 – sometimes it makes problems, 3 - impedes, 4 – impedes a lot, 5 – impedes very much, 6 – it blocks)

Factor	Mark
1. Inflation	4,57
2. Decreased quality of education services	4,68
3. Decreased quality of health care services	5,33
4. Instability of national currency	4,36
5. Crime	5,21
6. Corruption	5,34
7. High taxes	4,73
8. Political instability	4,21
9. Harassment by the police	2,86
10. Poverty	5,44
11. Poor communication services	3,20
12. Bureaucracy	4,49
13. Frequent changes in legislation	3,97
14. Complicated rules for starting a business	3,20

9. We would ask you to evaluate the problem of corruption in the country on a 6 degree scale (1 – it is not acute at all, 2- it is acute only to a low extend, 3- it makes problems seldom, 4 – it often makes problems, 5 – it is acute, 6 – it is very acute)

4,97

10. When in your opinion corruption has reached dangerous for the society proportions?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3 years ago	84	16.7	16.7	16.7
	5 years ago	187	37.1	37.2	53.9
	10 years ago	194	38.5	38.6	92.4
	Other (indicate)	38	7.5	7.6	100.0
	Total	503	99.8	100.0	
Missing	System	1	.2		
Total		504	100.0		

11. As you see it, which of the acts listed below would you consider to be “corruption”?

	Yes	No	N/A
1. Gift to a doctor to take special care of the patient	51,0	45,2	3,8
2. Using connections to exempt somebody close from military service	72,2	17,9	9,9
3. To pay a bribe in order to employ a relative of yours	83,7	9,7	6,3
4. Extending cash to policeman not to revoke your license	90,3	6,3	3,2
5. Abuse of official position in order to perform private business	75,0	11,5	13,5
6. Providing official information to people you know for the purpose of personal benefit	67,7	12,1	20,2
7. Accepting cash by officials for the purpose of tax concealment or reduction	91,5	3,8	4,6
8. Additional reimbursement for a lawyer who assists a suspect having the clients cases closed	95,2	2,0	2,2

12. When you have to contact officials in the public sector, is it easier to bypass the official ways and solve your problem via “unofficial” ways?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Every time	55	10.9	11.0	11.0
	In majority of cases	151	30.0	30.3	41.3
	Often	105	20.8	21.0	62.3
	Sometimes	92	18.3	18.4	80.8
	Seldom	55	10.9	11.0	91.8
	Never	41	8.1	8.2	100.0
	Total	499	99.0	100.0	
Missing	System	5	1.0		
Total		504	100.0		

13. The “unofficial” ways of solving the problems with public officials most often take the form of: (indicate only one answer)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Contacts	82	16.3	16.3	16.3
	Gifts	56	11.1	11.2	27.5
	Money	319	63.3	63.5	91.0
	Pressure from the top management	25	5.0	5.0	96.0
	Pressure from criminal organizations	6	1.2	1.2	97.2
	Other (specify)	14	2.8	2.8	100.0
	Total	502	99.6	100.0	
Missing	System	2	.4		
Total		504	100.0		

14. How often, do you think people have to offer cash, gifts, of favors to public officials in exchange to the solution of a problem?

Sector	Mark
1. Tax inspections	3,94
2. Customs	4,61
3. Police	4,32
4. Sanitation and anti- fire inspections	2,86
5. Obtaining licenses for import / export	3,46
6. Access to credits	2,94
7. Registration of property	3,10
8. Privatization	3,23
9. Rent of state property	3,11
10. Employees of city halls	3,24
11. Judges	4,06
12. Public procurement	2,81
13. Education	4,33
14. Health services	4,90
15. Ministries and departments	3,68
16. Local administration	3,24

15. Imagine someone who has extended cash or a gift to an official and has obtained what they wanted. How, in your view, is this citizen most likely to feel?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Angry	80	15.9	16.0	16.0
	Humiliated	203	40.3	40.6	56.6
	Pretty well	120	23.8	24.0	80.6
	Satisfied	68	13.5	13.6	94.2
	Content	29	5.8	5.8	100.0
	Total	500	99.2	100.0	
Missing	System	4	.8		
Total		504	100.0		

16. Imagine a low paid official, which is approached by someone offering cash, gift or favor to solve this person's problem. What would he do?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	He would accept, because all do that	288	57.1	57.4	57.4
	He would accept, because this could help the person offering the bribe	105	20.8	20.9	78.3
	He would not accept, if this could cause problems	42	8.3	8.4	86.7
	He would not accept, because he does not approve this	13	2.6	2.6	89.2
	Do not know	54	10.7	10.8	100.0
	Total	502	99.6	100.0	
Missing	System	2	.4		
Total		504	100.0		

17. If asked to pay a bribe, would you pay it?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	63	12.5	12.5	12.5
	No	98	19.4	19.4	31.9
	It depends	343	68.1	68.1	100.0
	Total	504	100.0	100.0	

18. Do you think paying the bribe will “ease your life“?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	129	25.6	25.6	25.6
	No	374	74.2	74.4	100.0
	Total	503	99.8	100.0	
Missing	System	1	.2		
Total		504	100.0		

19. How is corruption likely to extend into the educational system? (1 – there is no corruption there, 2- it takes place very seldom, 3- it happens sometimes, 4 – it happens frequently, 5 – very often, 6- always)

4,50

20. The additional payments are most likely to take the form of: (1- never, 6 – always)

1. Extra payments for the reconstruction of the school building	4,29
2. Extra payments for accommodating children in so-called “special classes”	3,65
3. Payments for festivities and other holidays held by the school	4,11
4. Payments for supplementary lessons	4,59
5. Direct payments/presents to teachers or directors to express “gratitude” and/or to build good relations	3,46

21. Will the refusal to pay additional payment when asked by the school negatively reflect in children’s grade?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	90	17.9	18.0	18.0
	In the majority of cases	141	28.0	28.3	46.3
	Very frequently	118	23.4	23.6	69.9
	Sometimes	100	19.8	20.0	90.0
	Seldom	28	5.6	5.6	95.6
	Never	22	4.4	4.4	100.0
	Total	499	99.0	100.0	
Missing	System	5	1.0		
Total		504	100.0		

22. How likely is the use of money to occur in the following situations? (1- never, 2 – seldom, 3- sometimes, 4- frequent, 5 – very frequent, 6 – always)

1. While accommodating a child in a better secondary school	2,68
2. To ensure child’s better grades regardless of his/her knowledge	3,23
3. To ensure that the child gets enough attention of the teacher, especially when the class is large	3,31
4. To build good relations with teachers/ directors in order to avoid possible unnecessary problems	3,30

23. When entering a University, how likely is the use of unofficial money, gifts, personal contacts?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	109	21.6	22.2	22.2
	Most of times	144	28.6	29.3	51.5
	Frequently	106	21.0	21.6	73.1
	Sometimes	72	14.3	14.7	87.8
	Seldom	33	6.5	6.7	94.5
	Never	27	5.4	5.5	100.0
	Total	491	97.4	100.0	
Missing	System	13	2.6		
Total		504	100.0		

24. Have you ever had to use money, presents, contacts to solve a problem in universities?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	127	25.2	25.6	25.6
	No	369	73.2	74.4	100.0
	Total	496	98.4	100.0	
Missing	System	8	1.6		
Total		504	100.0		

25. How is corruption likely to be found in the health care system?

4,89

26. How likely is it that a person like you will be asked for payment when asking a doctor for a service that should be provided free?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Always	151	30.0	30.0	30.0
	Most of times	140	27.8	27.8	57.9
	Frequently	100	19.8	19.9	77.7
	Sometimes	62	12.3	12.3	90.1
	seldom	24	4.8	4.8	94.8
	Never	26	5.2	5.2	100.0
	Total	503	99.8	100.0	
Missing	System	1	.2		
Total		504	100.0		

27. How likely is the use of money, presents, or contacts to occur in the following situations?

1. When seeking a bed in a hospital and/or a better room for a hospitalized patient	3,29
2. For a surgery	5,17
3. When requesting medicine for a patient	4,88
4. When asking to be treated by a more experienced doctor/physician in the hospital	4,79
5. When trying to avoid waiting long lines before treatment by a doctor	3,26

28. How would you evaluate the following possible causes of corruption in educational and health care services? (1 – not at all, 6 – exactly)

Cause	Mark	
	Education	Health care
1. They are too greedy	3,21	3,53
2. Government does not pay them properly	5,54	5,53
3. Crisis of ethic values in transition period	3,68	3,75
4. This is a tradition: people are used to take money/presents	3,92	4,08
5. Nepotism and clan relations	4,05	4,06
6. They have much discretionary power	4,05	4,14
7. Lack of administrative control	4,59	4,69

29. How effective, in your opinion, could the following measures be in reducing corruption in state health care services (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Increasing financial support from the government	5,23
2. Increasing punishment for corrupted persons	5,08
3. Strengthening supervision over medical staff	4,76
4. Improving supervision system over humanitarian aid	5,06
5. Conducting anti-corruption propaganda campaigns in schools and universities	4,00

30. How effective, in your opinion, could the following measures be in reducing corruption in education (1 – not efficient, 6 – very efficient)

Measure	Mark
1. Increasing financial support from the government	5,34
2. Increasing punishment for corrupted persons	5,06
3. Increasing transparency of the admissions and examination in educational institutions	4,94
4. Strengthening supervision over teaching staff	4,73
5. Improving the system (e.g. using computerized tests instead of oral exams, stipulating which fees are legal and which ones are not)	4,84
6. Conducting anti-corruption propaganda campaigns in schools and universities	4,11

31. In view of corruption in Moldova, which of the following statements is the closest to what you think?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Corruption proliferation cannot be reduced	82	16.3	16.3	16.3
	Corruption will always be here, yet it can be limited to a degree	259	51.4	51.5	67.8
	Corruption can be substantially reduced	118	23.4	23.5	91.3
	Corruption can be completely eradicated	33	6.5	6.6	97.8
	Nu știu	11	2.2	2.2	100.0
	Total	503	99.8	100.0	
Missing	System	1	.2		
Total		504	100.0		