

THE GATES TO EUROPE

MOLDOVAN CITIZENSHIP FOR SALE

Moldovan citizenship and passport sold to foreigners
for visa free trips to more than 120 countries in the world



**TRANSPARENCY
INTERNATIONAL**
MOLDOVA

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All the effort has been made to verify the accuracy of the information presented in this report. All information is considered to be correct as of September 1, 2019. Nevertheless, Transparency International – Moldova is not liable for the consequences of using this information for other purposes or in another context.

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Content

EXECUTIVE SUMMARY	4
GOLDEN VISA: CITIZENSHIP AND RESIDENCY FOR MONEY – FACTS AND DATA	6
CASE OF MOLDOVA	11
The history of promoting the citizenship scheme through investment	11
Why Moldova has chosen the "citizenship" scheme and not "residence" through investment?	14
Legal provisions	14
WHAT IS THE PROBLEM WITH THE SALE OF CITIZENSHIP?	17
WHERE ARE WE NOW AND WHAT TO DO NEXT?	25

Executive Summary

The Republic of Moldova is part of the Eastern Partnership since its creation in 2009. Signing of the Association Agreement between the Republic of Moldova and the European Union, in 2014, stimulated the process of bringing the parties closer together in the political, economic and democratic fields. In the same year, the visa regime for short-term travel in the Schengen area was liberalized for the citizens of the Republic of Moldova. Within this exercise, the Republic of Moldova committed to comply with certain data security standards, starting with the documentation, border control, combating the illicit trafficking of goods and persons etc.

Following the signing of several international agreements, the citizenship of the Republic of Moldova offers the right of visa-free movement in over 120 countries of the world. As a result, the citizenship of the Republic of Moldova has also become attractive for dubious persons from outside the country who would like to take advantage of obtaining the right to citizenship.

In 2014-2019 the Republic of Moldova was recognized as a state captured by the interests of an oligarchic group, a jurisdiction involved in several money laundering schemes. The most famous of these was the "Russian laundromat"¹, where tens of billions of US dollars were laundered. Within another large fraud, known as "the billion dollar theft", an amount equivalent to 1/8 of the Gross Domestic Product of the Republic of Moldova was stolen from the banking sector.

In these circumstances, in order to legalize the money obtained from such schemes, the "political elite" of the oligarch's circle initiated a series of legislative projects. Thus, in 2016, two draft laws have been simultaneously promoted: the "law of capital amnesty" and "the law of citizenship through investments" - two projects that created favorable conditions for international money laundering. Moreover, in 2017, the same people from the oligarchic circle tried to free of criminal liability persons involved in economic, financial and banking frauds through another project known as "the law of decriminalization of some types of frauds".

Although the real purpose of the "Golden Visa" program was to obtain income from money laundering at international level, the project was beautifully packaged for the citizens of the Republic of Moldova as an initiative to support the entrepreneurial environment, and for foreign citizens - as an opportunity to benefit from the visa-free regime and the possibility to travel without visas to over 120 countries.

At the same time, instead of the state law-enforcement and security bodies verifying the candidates for citizenship, these functions have been delegated to private companies, one being recently incorporated in Dubai (MIC – Moldovan Investment Company²). Moreover, by classifying the identity of "Golden Visa" candidates and beneficiaries, the program authors intended to prevent the attempts of research journalists and civil society to verify the lawfulness of the applicants' welfare sources.

The citizenship through investment program promoted in Moldova is largely similar to those in Cyprus and Malta, which have produced criticism due to generating corruption, undermining security and

¹ <https://www.occrp.org/en/laundromat/the-russian-laundromat-exposed/>, <https://www.rise.md/english/the-russian-laundromat/>, <http://www.transparency.md/2019/06/18/the-russian-laundromat-a-70-billion-money-laundering-scheme-facilitated-by-moldovan-political-elites/>

² <https://www.mold-street.com/?go=news&n=8292>

creating external interference. The citizenship of the Republic of Moldova was to be offered as soon as the money / value was paid or committed for the next 5 years. In fact, this program entails providing to the state short-term loans by citizenship applicants at a very advantageous interest rate or purchasing existing real estate, thus neither contributing to new business nor jobs creation, hence no real investments made.

Civil society came forward with numerous valuation reports and public statements regarding the harmful character of this program³. The National Anticorruption Center, an authority meant to assess the draft laws, evaluated this document as *“detrimental to the public interest and with major risks for the safety and security of the citizens and of the state of the Republic of Moldova”*⁴.

Among the first applicants for citizenship through this program were relatives and close friends of the main figures of several investigations initiated in a series of files related to bank fraud, fraudulent concessions of state assets, and persons with travel bans. 34 applications for citizenship already submitted will be examined; new applications are no longer accepted. The President of the Republic of Moldova has already granted citizenship of Moldova through investments to 6 applicants. The amount collected in the state budget (Public investment fund for sustainable development) is 545 thousand euros⁵.

Following the parliamentary elections in February 2019, the new government committed to repeal the Citizenship Law through investments. The law has been suspended for a period of 4 months, until there is clarity on the possible litigation consequences.

In view of the above, some measures can be implemented to eliminate the risks and negative effects of carrying out this program:

- Cancelling of the program, due to being harmful and pertaining regional security risks;
- Starting an investigation on the way the program was initiated and promoted (synchronized with other initiatives focused on capital amnesty and de-criminalization of the economic and financial frauds), examining the legal aspects of organizing the tenders for selecting private companies involved in order to demonstrate the real purpose and bad intention of the authors;
- Examining the opportunity to convert the “citizenship through investment” program into “residence through investment” program, with an emphasis on attracting foreign direct investments and stimulating entrepreneurial initiatives.

³ <http://www.transparency.md/2017/08/22/position-paper-the-new-amendments-to-the-citizenship-law-a-risk-of-legalizing-fraudulent-financial-means/> ,

http://www.transparency.md/wp-content/uploads/2018/04/Observator_8F.pdf

⁴ https://cna.md/public/files/raport_expertiza/rea-dep453-investitstrainid6398.pdf

⁵ <http://tvrmdova.md/actualitate/programul-de-acordare-a-cetateniei-in-schimbul-investitiilor-ar-fi-adus-deja-in-buget-545-mii-euro/>

Golden Visa: Citizenship and Residency for money – facts and data

Citizenship and residency of a European country can be obtained through simplified procedures within programs promoted in several European countries, including members of the European Union. The intensity of the application of these formulas, as well as their consequences, has become a burning topic in the European Union. High-ranking EU politicians have publicly revealed some dangerous issues that certain member countries admit through their citizenship and / or residence programs⁶.



 CITIZENSHIP-BY-INVESTMENT  RESIDENCY-BY-INVESTMENT  TERMINATED

Source: *European Getaway: Inside the Murky World of Golden Visas*

⁶ <https://www.independent.com.mt/articles/2018-04-21/local-news/Malta-needs-to-be-monitored-otherwise-how-can-we-argue-with-Putin-Erdogan-Tajani-6736188562>

At EU level, 14 member countries have been involved in various programs similar to Golden Visa that offer residence or citizenship to third parties. According to Transparency International's study conducted in 2018⁷ - *European Getaway: Inside the Murky World of Golden Visas* - four EU member countries trade their citizenship: Austria, Bulgaria, Cyprus and Malta. Another 12 countries offer residence permits for money: Bulgaria, Cyprus, France, Greece, Ireland, Latvia, Luxembourg, Malta, the Kingdom of the Netherlands, Portugal, Spain and the United Kingdom. The Hungarian program was stopped.

With the exception of Austria, the legal framework in EU countries indicates a certain cost for obtaining residence permits or citizenship of these countries. The residence can cost 250 thousand Euros in Greece and Latvia, and the citizenship and passport of Cyprus - costs 2 million euros. In some cases, for example Austria, the cost of citizenship can be as much as 10 million euros, because the national law does not prescribe exact prices for an Austrian passport.

The types of investment required to be made to obtain residence or citizenship begin with the purchase of real estate, government-issued securities or securities of private companies, as well as investments through so-called national development funds.

The study reveals that through the Golden visa schemes have been collected about 25 billion Euros as investments in the EU in the last decade.

Under the citizenship-trading scheme, for example, Cyprus sold 3336 citizenships and collected 914 million Euros, Malta sold 2027 citizenships, collecting 205 million Euros. Bulgaria managed to sell 16 citizenships, and Austria - 303.

Through the scheme of residences trading to foreigners, Spain has sold almost 25 thousand residence permits, Hungary - almost 200 thousand, Latvia and Portugal - over 17 thousand each, the UK - more than 10 thousand, Greece - over 7.5 thousand, and Ireland - 1290, Bulgaria - almost 300. The study authors did not have sufficient access to information to determine the number of residence permits issued by the authorities in Cyprus, France, Luxembourg and Malta.

The study also ascertains the origin of the main applicants (beneficiaries) of Golden visa schemes, from which parts of the world they come. From the image presented by the authors of the study, it was clear that the beneficiaries of the Russian Federation and China basically led the top in each of the EU countries where the Golden visa schemes are applied.

⁷ https://www.transparency.org/whatwedo/publication/golden_visas

WHERE DO GOLDEN VISA AWARDEES COME FROM?

AUSTRIA



BULGARIA

2012 - October 2017



CYPRUS



FRANCE



GREECE

2013 - 27 July 2018



HUNGARY

2013 - 2017



IRELAND

2012 - March 2017



LATVIA

2010 - 2017



LUXEMBOURG



MALTA



NETHERLANDS



PORTUGAL

October 2012 - August 2018



SPAIN

2013 - April 2018



UNITED KINGDOM

2008 - March 2018



Source: European Getaway: Inside the Murky World of Golden Visas

Several European countries have become scenes of heated discussions regarding the admission and application of the respective schemes, and the declassification or journalistic investigations have detected severe irregularities and big interests of some third countries in such schemes. The cases of Malta, Cyprus, Hungary or Bulgaria are probably the most relevant to Moldova's case. In Hungary, for example, having the names secrecy of the beneficiaries ensured though, the journalistic investigations found that the main beneficiaries of residences with free movement were certain services and administrations not friendly with the EU⁸. And in Cyprus and Malta, the interference in the political life of new citizens and residents has become an increased risk for the states, but also for the EU. Hungary was forced to stop the scheme, and Bulgaria intervened politically to suspend it and introduce changes in the legal framework.

The practices in Malta were bitterly criticized by the President of the European Parliament, Antonio Tajani⁹ in 2017, who noted among others that:

- *"The European Commission must take a stand against the controversial scheme for granting Maltese citizenship, given the problems related to the failure to respect the rule of law principle in this country;*
- *European citizenship cannot be sold, without having a clarity on the identity of the buyer, due to certain risks related to security, terrorism and money laundering;*
- *Not only the Russian politics should be a matter of concern, but also the Russian Mafia. And it is not correct to admit the legalization of money by granting Maltese citizenship."*

And yet, the authors and promoters of the Golden Visa schemes have invoked economic arguments every time, such as attracting investments and investing in key sectors. In fact, no EU member state, moreover Moldova has carried out an impact analysis of the schemes promoted. Thus, the socio-economic benefits and costs remain largely undetermined and shadowed by certain less official interests.

Among the recommendations to the European authorities are several solutions that aim to reduce the risks of applying the Golden visa schemes, namely:

- setting standards of due diligence, operational integrity and transparency to prevent the criminal and corrupt elements while implementing the Golden Visa;
- tightening measures to combat money laundering and requiring all those involved to comply with these procedures;
- establishing communication and coordination mechanisms between EU member states with regard to rejected applications;
- applying infringement procedures against EU member states (that offer such schemes) in case they are deemed to undermine the principle of sincere cooperation and jeopardize EU values and objectives.

⁸ <https://www.occrp.org/en/daily/8563-elite-russians-got-controversial-hungarian-residence-permits>

⁹ <http://www.europarl.europa.eu/news/en/press-room/20171110IPR87818/malta-s-rule-of-law-needs-close-monitoring>

In 2019 the European Commission presented a Report on the risks of EU systems of granting citizenship and the right of residence to investors and measures to combat these risks¹⁰.

The Commission report identified the following issues:

- **Security:** checks run on applicants are not sufficiently robust and the EU's own centralised information systems, such as the Schengen Information System (SIS), are not being used as systematically as they should be;
- **Money laundering:** enhanced checks ('due diligence') are necessary to ensure that rules on anti-money laundering are not circumvented;
- **Tax evasion:** monitoring and reporting is necessary to make sure that individuals do not take advantage of these schemes to benefit from privileged tax rules;
- **Transparency and information:** The report finds a lack of clear information on how the schemes are run, including on the number of applications received, granted or rejected and the origins of the applicants. In addition, Member States do not exchange information on applicants for such schemes, nor do they inform each other of rejected applicants.

European commission mentioned that investor citizenship schemes run by third countries (Moldova is an example) can be problematic for several reasons, if the citizenship in question grants visa-free access to the European Union for short stays. For example, the Republic of Moldova, whose citizens have enjoyed a visa-free regime for short stays in the EU since 2014, introduced an investor citizenship scheme in 2018¹¹⁹. Some third countries, or the contractors supporting them, have explicitly marketed their citizenship with the argument that it gives visa-free access to the European Union. Investors interested in such schemes are often wealthy nationals of visa-required countries, who could use such schemes to bypass the regular Schengen visa procedure and the in-depth assessment of individual migratory and security risks it entails, including a possible evasion of measures to prevent money laundering and financing of terrorism.

While the European Union respects the right of sovereign countries to decide on their own naturalization procedures, visa-free access to the Union should not be used as a tool for leveraging individual investment in return for citizenship¹²⁰. The implementation of such schemes will be duly taken into account when assessing third countries that could be considered for a visa-free regime with the European Union. Moreover, third countries that already enjoy visa-free status must carry out security and background checks of applicants for citizenship schemes to the highest possible standards; any failures in this regard could be grounds for re-imposing a visa requirement and suspending or terminating visa waiver agreements.

The Commission will monitor the impact of investor citizenship schemes implemented by **visa-free countries** as part of the **visa-suspension mechanism**.

¹⁰ https://ec.europa.eu/info/sites/info/files/com_2019_12_final_report.pdf

Case of Moldova

History of promoting the citizenship scheme through investment

The Republic of Moldova has been part of the Eastern Partnership with the European Union since 2009. The approximation and conformity of the national framework allowed in 2014 signing of the Association Agreement between Republic of Moldova and the European Union, which establishes the political and economic association between the parties.

Starting with April 28, 2014, the visa regime for Moldovan citizens was liberalized by amending the EU Regulation no. 539/2001 regarding the abolition of the visa requirement for short-term travel in the Schengen area for Moldovan citizens holding the biometric passport. This became possible by ensuring the implementation of the conditionality of the Action Plan on the liberalization of the visa regime offered to the Republic of Moldova on January 24, 2011, within the Moldova-EU Dialogue on visa regime liberalization (launched on June 15, 2010).

The decision on the visa waiver for the citizens of the Republic of Moldova was published in the Official Journal of the EU on April 8, 2014 and entered into force on April 28, 2014. The visa liberalization for the citizens of the Republic of Moldova is provided by EU Regulation no. 539/2001 regarding the list of third countries whose nationals must hold visas for crossing the external borders and the list of third countries whose nationals are exempt from this obligation.

Since the visa regime was liberalized with the EU, the Republic of Moldova has become very attractive for the promoters of the free movement rights trading schemes which aimed at the citizenship / residence in the Republic of Moldova. In such a context, given the possibilities of wiping / legalization of money fraudulently obtained (capital amnesty) this desire to obtain Moldovan citizenship is amplified to attract certain groups of persons interested in a passport of Moldova.

Thus, on December 1, 2016, two legislative initiatives were registered in the Parliament of the Republic of Moldova:

- the capital amnesty draft law¹¹,
- the citizenship through investments draft law¹².

Both draft laws were part of the same package and concept of attracting certain foreign citizens and their means in exchange for the citizenship of the Republic of Moldova, legalization of important amounts of money and amnesty of the capital of fraudulent origin. The "all inclusive"

¹¹ after the first attempt and the criticisms brought to the project by the civil society and the development partners - the project was withdrawn from the Parliament on February 27, 2017. Subsequently, from the second attempt, suddenly included in the agenda of the Parliament sitting on July 27, 2018, it became Law 180 / 2018 -

<http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=376854>

¹² https://cna.md/public/files/rapoarte_expertiza/dep453-cetainvestitstraini4540b.pdf

approach would make the Moldova Citizenship Program more attractive compared to other similar countries.

The projects had the same date of entry into the Parliament and neighbouring registration numbers (452 and 453), as well as the same group of authors-signatories (members from all the political components of the government: Andrian Candu, the president of the Parliament at that time, Sergiu Sîrbu, Roman Boțan, Corneliu Padnevici, Igor Vreamea).

At the same time, the newly elected President's party, PSRM, provided support. President Igor Dodon was a promoter of the interests of certain categories of businesspersons from the Russian Federation, the President having also business interests in Russia through third parties¹³. At an economic forum in the Russian Federation, the President of the Republic of Moldova Dodon actively invited businessmen from there to come to Moldova and take citizenship of Moldova¹⁴.

Transparency International-Moldova has repeatedly warned against the risks of applying the trading schemes of Moldovan citizenship¹⁵.

"TI-Moldova brings notice to the Moldovan society, development partners and especially to the European Union, the governments of the United States of America, Germany, Romania, as well as to the International Monetary Fund and to the World Bank on the inadmissibility of the legalization under any form or shape of the illegally acquired capitals, covered by some laws and Governmental Decisions deviating from the constitutional provisions, against the public interest and the international commitments of the Republic of Moldova, especially of the Association Agreement with the European Union. TI-Moldova expresses its concern that the new provisions of the Law on citizenship of the Republic of Moldova, promoted and adopted in December 2016, as well as the draft government decision, launched by the Ministry of Justice, could be a new attempt to legalize the means of doubtful origin."

Similarly, the National Anti-Corruption Centre (NAC) issued an Anti-corruption Expertise Report¹⁶ on the draft law on "citizenship through investments", in which it criticizes the project, stating that:

*"The implementation of the provisions of the project benefits foreign citizens and stateless persons, who, naturalized as citizens of the Republic of Moldova, **will gain advantage from the liberalized visa regime of the Republic of Moldova with the European Union**, as well as the political rights and the possibility to participate in the political life of the Republic of Moldova.*

¹³ <https://agora.md/stiri/59888/dodon--despre-afacerile-fratelui-sau-in-rusia-si-legaturile-cu-fiul-procurorului-general-de-la-moscova-nu-vad-nimic-criminal-in-asta>

¹⁴ <https://www.digi24.ro/stiri/externe/moldova/promisiunea-lui-dodon-pentru-oamenii-de-afaceri-rusi-cetatenie-contra-investitii-689881>

¹⁵ <http://www.transparency.md/2017/08/22/position-paper-the-new-amendments-to-the-citizenship-law-a-risk-of-legalizing-fraudulent-financial-means/>,
http://www.transparency.md/wp-content/uploads/2018/04/Observator_8F.pdf

¹⁶ https://cna.md/public/files/raport_expertiza/rea-dep453-investitstrainid6398.pdf

The promoted interests are detrimental to the public interest and with major risks for the safety and security of the citizens and of the state of the Republic of Moldova. The project contains formulas to legalize the money of criminal origin and their introduction in the legal circuit"

The "Law on Citizenship through Investment" was adopted in the final reading on December 16, 2016 (two weeks after the registration of the bill in Parliament, without discussions and debates on the project. The President of Moldova promulgated the Law on December 21, 2016, and on December 27, 2016 Law 283/2016 was already published in the Official Gazette.

Subsequently, in October 2017, the Government approved the decision no. 786/2017 regarding the acquisition of citizenship through investment¹⁷, based on provisions of Law 283/2016.

In the GD 786/2017, initially were largely described and decrypted the mechanisms for applying the "Law on Citizenship through Investments", however several provisions were revised considerably through amendments subsequently applied.

In March 2018, the Ministry of Economy (ME) intervened with amendments to GD 786/2017. The essence of the changes consists in the delegation of the functions and duties of promoting the Program for acquiring citizenship through investment and verifying the "good economic and financial reputation of the foreign or stateless citizens" from the Commission for examining the file for obtaining citizenship to two private companies (one "International" and another "specialized"). Essentially without public debates and without the required reviews, the Government approved on April 4, 2018¹⁸ the project that fundamentally changed the procedures for selecting candidates for citizenship of the Republic of Moldova, eliminating the state from the process of examining their files.

Later, in August 2018, after signing the contracts with the companies selected by the Ministry of Economy, the Government intervened once again in its own Government Decision 786/2017, permanently placing the mechanisms under the private companies commissioned to implement the Moldovan citizenship-trading scheme.

Thus, starting with November 2018, practically foreign citizens, in exchange for money, had the opportunity to apply for citizenship and the passport of RM respectively.

The launch of the Moldovan Investment Citizenship Program took place on November 5, 2018 in Dubai, United Arab Emirates¹⁹. At the Global Conference on Residence and Citizenship, Economy Minister Chiril Gaburici stated that *"The program of acquiring citizenship through investments will stimulate economic growth, inspire local industries and facilitate the development of society in general. The funds collected will be invested in infrastructure,*

¹⁷ <http://lex.justice.md/md/371843/>

¹⁸ <http://lex.justice.md/md/371843/>

¹⁹ <https://mei.gov.md/ro/content/programul-de-dobandire-cetateniei-republicii-moldova-prin-investitie-fost-lansat-la-nivel>

education and other projects and directions of strategic importance for the Republic of Moldova. The statistics speak for themselves, we just have to analyze the annual financial reports of countries such as Latvia, Malta, Cyprus, Canada, Australia and others, where a similar program has been implemented."

Contrary to the former minister declarations, the strategic development areas indicated in GD 786/2017 are different from those Gaburici declared at the conference, and the statistics cannot describe the socio-economic context and the effects of the Golden visas programs for now.

Why Moldova has chosen the "citizenship" scheme and not "residence" through investment?

Most countries in the world that are really looking to attract outside investment have chosen the residency scheme from Golden Visas. This formula provides residence to the beneficiary to facilitate the mobility of the movement and stay during the entrepreneurial activities and investment projects.

The investment citizenship scheme, however, is more attractive to beneficiaries who pursue not necessarily the investment and entrepreneurship activity in the new homeland, but the rights and freedoms of movement in other jurisdictions offered by the desired citizenship. Thus, Moldova, being neither part of the European Union nor the Schengen Agreement, however, offers such benefits through its program (i.e. citizenship and passport of Moldova).

The Moldovan authorities, in fact, sell rights and freedoms offered to citizens by the Visa Agreement between Moldova and the EU, implemented since April 2014.

Moldova's "citizenship through investment" program is not actually about foreign investments, investments in business development, jobs creation or economic growth in the Republic of Moldova. This program promoted and implemented in Moldova has other sponsors and beneficiaries - interest groups that trade rights and freedoms in exchange for a passport that offers such rights.

Legal provisions

The Law "Citizenship of Moldova through investments"²⁰ entered into force starting June 27, 2017, after 6 months from the day the Law was published (December 27, 2016).

The initial version of Law 283/2016 provided that:

- By way of derogation from the Law on the citizenship of the Republic of Moldova 1024/2000²¹, the citizenship of Moldova may be granted at the request of the foreign citizen or the stateless person who in aggregate meets the following criteria:
 1. Has a good economic and financial reputation;
 2. Does not present any danger or risk to public order and state security;
 3. Places the contribution to the Public Investment Fund for Sustainable Development (PIFSD) or has made and maintains, for a period of 60 months, investments in at

²⁰ <http://lex.justice.md/md/368101/>

²¹ <http://lex.justice.md/md/311522/>

least one of the strategic development areas of the Republic of Moldova, approved by the Government.

- The minimum value of the contribution to the PIFSD and of the investment in one of the strategic development areas of the Republic of Moldova, as well as its method is approved by the Government;
- The corroboration of the good economic and financial reputation of the persons acquiring the citizenship of the Republic of Moldova, including the evaluation, acceptance and monitoring of the investment foreseen, is carried out by the Examining Commission that deals with citizenship application files by participating in the investment program in the Republic of Moldova. The Commission is constituted by the Ministry of Economy, whose structure and activity are governed by a regulation approved by the Government;
- For the purpose of examining cases of citizenship granting or withdrawal on the basis of "citizenship through investment", the Commission for Citizenship Issues and Political Asylum will examine only the complete file presented by the Ministry of Economy;
- The application for citizenship is addressed to the President of the Republic of Moldova and is submitted to the Ministry of Economy in person or through a representative, based on the power of attorney authenticated by a notary;
- The examination deadline for citizenship applications is 30 days from the date of their submission;
- Granting of citizenship through investments will be limited to 5 thousand people;
- Family members (husband, wife, children, parents), who are in custody of the person who has obtained Moldovan citizenship through investment and who satisfy the conditions 1 and 2 above, can obtain Moldovan citizenship by paying a non-refundable contribution to the PIFSD in amount of at least 30% for each person from the amount of the standard contribution established by the Government for the main applicant.

After the entry into force of the "Citizenship Law through investments", the Government approved a Government decision, no. 786 of 04.10.2017, regarding the acquisition of citizenship through investments²².

The government has established the following:

- Approved a Regulation on the acquisition of citizenship through investments;
- Approved the List of fees and payments for preparing, processing and evaluating the file for acquiring the citizenship of Moldova through investments, the fee for issuing and delivering the passport, the payments to the public service provider and agent, as well as the fee paid by the accredited agents.

The Government regulation establishes:

²² <http://lex.justice.md/md/371843/>

- The minimum amount of the non-reimbursable contribution to the PIFSD for a main applicant who has reached the age of 18 years constitutes the equivalent of 100 thousand Euro; for each additional eligible family member - an additional amount of 15 thousand Euro; if the family comprises 5 or more persons, including the main applicant – an equivalent of only 155 thousand Euro is paid for the whole family;
- The minimum value of the investment in at least one of the strategic development areas of Moldova constitutes the equivalent of 250 thousand Euro;
- The areas of strategic development of the Republic of Moldova are as follows:
 1. **The real estate sector** - by purchasing and owning, for a continuous period of at least 60 months, one or more real estate property with a total market value of minimum 250 thousand Euro;
 2. **The public financial sector** - by acquiring and maintaining ownership of the state securities issued for this purpose, for a period of at least 60 months, worth no less than 250 thousand Euro.
- **The corroboration of the good economic and financial reputation** and the risk assessment regarding the applicant's public order and security is carried out by the Commission, **as well as by one or more companies specialized in investigations of the evaluation of the good economic and financial reputation and risk assessment on the order and public security (due diligence company)**²³. Due diligence companies will be selected by the Commission and contracted by the Commission secretariat under the conditions set by the Commission approved procedures;

Thus, are admitted to lodge the application for Moldovan citizenship within the program only applicants and their dependents, who meet the qualification and eligibility criteria, including through good economic and financial reputation and the lack of danger or risk to the state order and security. Due diligence reports will evaluate and confirm applicants' compliance with the set qualification and eligibility criteria.

An eligible dependent person is considered to be:

- The spouse of the main applicant;
- The child of the main applicant and / or his / her spouse's child under the age of 16;
- The child of the main applicant and / or his / her spouse's child between the age of 16 and 29, being in custody of the main applicant;
- The child of the main applicant and / or his / her spouse's child over the age of 16, suffering from disability and being in the main applicant's care;
- The parents of the main applicant and / or his / her spouse's with the age of over 55 years old, maintained by the main applicant.

²³ The highlighted formulation was subsequently introduced in the GD 786/2017, contrary to the provisions of Law 283/2016, but which served as the basis for the selection by the Government of the private partners for the implementation and promotion of the Program at international level.

What is the problem with selling citizenship?

The European Union has developed and approved a legal mechanism for suspending visa-free regimes for countries with such agreements. This mechanism was approved in February 2017 and there are concerns that countries, such as the Republic of Moldova, could be assessed against the new provisions.

On February 27, 2017, the Council adopted a regulation reviewing the suspension mechanism²⁴ that can be applied to all existing visa liberalization agreements.

"Visa liberalization brings great benefits to the EU and third countries. At the same time, the EU must be able to respond effectively if the rules are not respected. The revision of the suspension mechanism, adopted today, facilitates the fight against the misuse of the system" - was written in the press release of the European Council²⁵, issued on February 27, 2017.

In the context of the Visa Suspension Mechanism revised by the European Commission, the suspension may be triggered by a notification from a Member State or the European Commission. In the event of notification on behalf of a simple majority of Member States, the Commission will have to adopt an implementing decision, temporarily suspending the visa waiver for certain categories of the third-country nationals for a period of 9 months. During this period, the Commission shall establish a consolidated dialogue with the third country concerned, in order to alleviate those circumstances.

The Moldovan authorities involved in promoting the 2016 Program have often invoked the Maltese and Cypriot model as a reference and success stories. At the same time, the European authorities see increasing risks in these two cases, and the involvement of the Maltese authorities and corrupt contacts with some companies involved in the citizenship scheme has been and remains subject to investigations.

*"The program for acquiring the citizenship of the Republic of Moldova through investment was elaborated by the Government of the Republic of Moldova in partnership with the service provider - the consortium composed of the companies Henley & Partners and Moldovan Investment Company"*²⁶ – informs the Ministry responsible by law for the process of granting citizenship through investments.

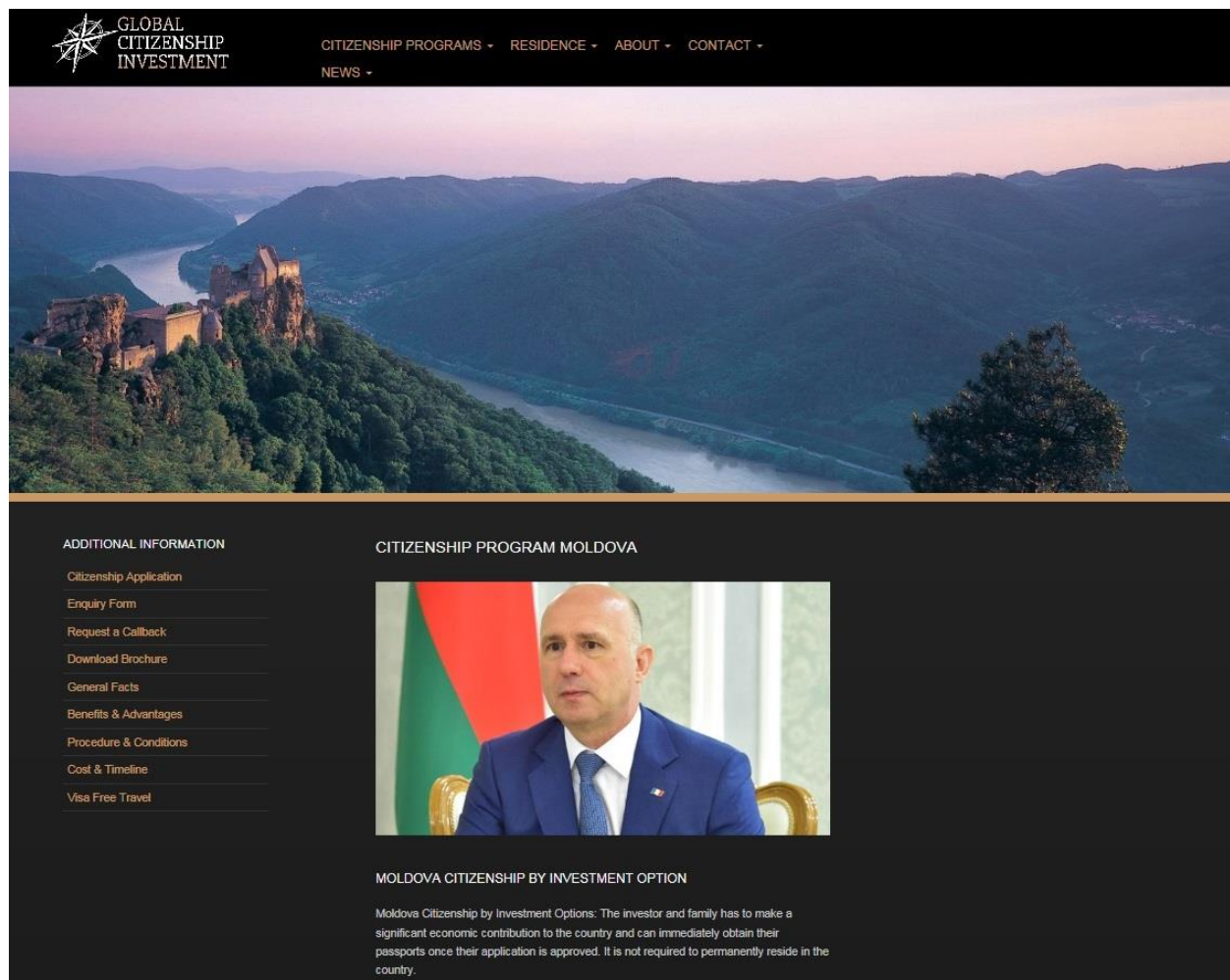
²⁴ <http://data.consilium.europa.eu/doc/document/PE-58-2016-INIT/ro/pdf>

²⁵ <https://www.consilium.europa.eu/ro/press/press-releases/2017/02/27/revision-visa-waiver-suspension-mechanism/>

²⁶ <https://mei.gov.md/ro/content/programul-de-dobandire-cetateniei-prin-investitie>

A specialized portal²⁷ on citizenship trading services provides information about the Citizenship through investment program offered by the Republic of Moldova. Here we can find useful and systematic information designed for potential beneficiaries of other states citizenship, including of the Republic of Moldova.

Even on the first page is the picture of the former Prime Minister Pavel Filip, having on the background a flag other than of the Republic of Moldova, which gives the impression that he would advertise the Citizenship Program through investment.



Source: <https://www.citizenship-program.com/moldova/>

Further down, on the same webpage, we find a description of the benefits of the Program offered by the Government led by Pavel Filip. It is worth noting that the advantages presented for attracting potential beneficiaries of citizenship of Moldova differ fundamentally from those presented as arguments in the Informative Note to the project "the law of citizenship through investments", when the respective Program was adopted in Parliament as law. Among the

²⁷ <https://www.citizenship-program.com/moldova/>

advantages presented by the Filip Government in the international campaign to promote the Program are sensitive elements, which, in other circumstances, could be considered as an instigation to economic and financial fraud. For example, the Filip Government is presented as a promoter of the following benefits for the future citizens of Moldova:

- *life security in times of political unrest, civil wars or similar situations. Another citizenship is regarded as an additional life insurance or as a protection shield for spouses and children;*
- *another citizenship can help you reduce tax payments and protect your property. This offers greater security of assets, a higher degree of financial privacy, higher incomes, and greater personal and financial security.*
- *opening a bank account with another citizenship is much easier. Such an offshore bank account will allow new (Moldovan) citizens to purchase securities and funds on financial markets anywhere in the world;*
- *In journeys with this new passport, entry / exit stamps can be avoided from countries where the beneficiary's home governments limit / restrict travel;*
- *citizenship is granted for life;*
- *visa-free regime and access to 122 countries and territories. Guaranteed entry without visas in 26 countries of the Schengen Agreement, Russia, Turkey and Malaysia;*
- *Multiple citizenship is allowed;*
- *low residence requirements;*
- *no education or work experience is required;*
- *The passport of Moldova is valid for 7 years and ranks 46th in terms of freedom of travel.*

Thus, the major problem of the "citizenship through investment" scheme promoted in Moldova is that this directly or indirectly, in an open manner or less open one, promotes obtaining a citizenship of Moldova as a formula and solution for some potential applicants for circumventing the restrictions on entering certain countries, hiding income and property, using offshore bank accounts and registering proxy companies, as well as offering shelter for certain categories of eventual beneficiaries. That is, the **conversion of the Republic of Moldova into an offshore jurisdiction**. In 2016, former Prime Minister Pavel Filip spoke about the fact that "the government has a country project", without giving more details at that time. In fact, both, Moldova's isolation from the dialog with EU and turning to a "Fourth way" project launched by former government, indicates the essence of the project – **offshore jurisdiction based in Moldova**.

The security element is an important one. Probably for these reasons Moldova is presented as member of several international organizations, including NATO, although the Republic of Moldova is not yet a member of this international structure.

WHY CITIZENSHIP PROGRAM MOLDOVA?

We suggest the Citizenship Program Moldova will offer our customers a lot of benefits. Benefits of Moldovan citizenship program: The acquisition of a second citizenship could save your life in times of political unrest, civil war or similar situations. In this increasingly dangerous world, acquiring a second citizenship is a wise and future-proofing decision. Not without reason, thousands of international business people, wealthy individuals and families buy an alternative, second citizenship every year. This second citizenship is regarded as an additional life insurance or as a protective shield for the spouse and the children.

In addition, a second citizenship can also serve to lower your taxes and protect your assets. It allows for better protection of assets, greater financial privacy, higher returns, greater personal and financial security, and deferred taxes on pensions and life insurance. For example, opening a foreign bank account with a second nationality is much easier. Such an offshore bank account would allow you to buy securities and funds in financial markets around the world.

If you travel with this extra passport, you will also avoid the entry / exit stamps in your current passport from countries where your government limits travel.

- **Citizenship for life, with the right to live and work in the country**
- **Visa-free or visa on arrival access to 122 countries and territories. Granted visa-free entry to 26 Schengen Area countries as well as Russia, Turkey and Malaysia.**
- **Dual citizenship is permitted**
- **Life in an economically, legally, and socially stable country**
- **Low tax policy**
- **Low residency requirement**
- **No previous education or management experience requirement**

Above all these appealing facts, Moldova offers also low tax policy for established businesses and individual incomes. Moldova is a member state of the United Nations, the North Atlantic Treaty Organisation (NATO) the Council of Europe, the World Trade Organization (WTO), the Organization for Security and Cooperation in Europe (OSCE), the GUAM Organization for Democracy and Economic Development, the Commonwealth of Independent States (CIS) and the Organization of the Black Sea Economic Cooperation (BSEC) and aspires to join the European Union.

MOLDOVA PASSPORT

Moldova passport is issued to citizens of Moldova for international travel. The passport is valid for 7 years. Moldovan citizens had visa-free or visa on arrival access to 122 countries and territories, ranking the Moldovan passport 46th in terms of travel freedom.

Source: <https://www.citizenship-program.com/moldova/>

Furthermore, the promoters of the Citizenship through Investment Program also present the list of fees that each of the main applicants must pay to the Government and its partners (private companies) in the process of submitting, examining and approving the citizenship of Moldova.

Filip Government has launched entire campaigns in several countries, to inform and convince foreign citizens about the benefits of acquiring a Moldovan citizenship. Thus, from November 2018, several launches took place as per a dynamic schedule. The first official launch was organized in Dubai, United Arab Emirates, on November 5, 2018²⁸, with the participation of Minister of Economy Chiril Gaburici

Other less traditional destinations for Moldova followed.

"The promotion campaign aims to familiarize the potential agents and applicants of the program in China with the economic and investment opportunities offered by the Republic of Moldova, as well as the concept of the program. The campaign media launch event took place on March 22 in Hong Kong, with the participation of about 50 top representatives of the media, as well as potential program applicants in the region. At the same time, on March 22, there was the first event to promote the program, held in Shenzhen, which was attended by about 100 potential applicants", it is shown in a statement issued by the Ministry of Economy²⁹. The program was promoted by the Secretary of State of the Ministry of Economy, Vitalie Iurcu, and the Deputy Director of the Public Services Agency, the director of the program for acquiring citizenship through investments, Iulia Petuhov.

²⁸ <https://mei.gov.md/ro/content/programul-de-dobandire-cetateniei-republicii-moldova-prin-investitie-fost-lansat-la-nivel>

²⁹ <https://mei.gov.md/ro/content/programul-de-dobandire-cetateniei-prin-investitie-promovat-orasele-de-top-din-punct-de>

Payment Step 1: (upfront Fees)

Government due diligence Fee non-refundable

- 6.000 EUR Main Application
- 5.000 EUR spouse and dependent over age 16 years
- 5.000 EUR Dependent Parents aged 55 years and over

PLUS

Government Application Fee non-refundable

- 5.000 EUR additional for Main Application Fee for Government (Single or family)

plus

- 5.000 EUR additional for each dependent over 55 years
- 2.500 EUR additional for spouse and each child over 16 - 29 years
- 1.000 EUR additional for each child under 16 years

PLUS

Lawyer and Advisor Fee non-refundable

- 20.000 EUR plus for each member 1500,-

(Total upfront Fee for Single 31,000 EUR)

Payment Step 2: (Post-Approval Fees)

Donation / Contribution to Public Investment Fund (PIF) non-refundable

- 100.000 EUR Donation Single,
- 115.000 EUR single and spouse
- 130.000 EUR single, spouse and Kid
- 145.000 EUR family of 4
- 155.000 EUR family of 5 and more

PLUS

Government Fee non-refundable

- 35.000 EUR additional Government service provider fees (Single or family) plus

PLUS

Passport Fee non-refundable

- 300 EUR each

PLUS

Lawyer and Advisor Fee non-refundable

- 10.000 EUR

(Total Post Approval Fee for Single 145,300 EUR)

The full amount (for single 176,300 EUR) is deposited in a designed account from the Lawyer or Advisor and also directly to pay in the Government Accounts.

Upon approval, donation amount will remain untouched in the designed account.

Applicant will go to a Consulate, Embassy, Ministry in Moldova and make the fingerprint and oath.

10 days later he can pick up his Passport and Citizenship.

Source: <https://www.citizenship-program.com/moldova/>

In some countries, various advertising articles have been placed about the Moldovan Citizenship Program through investments. As an example serves an Iraqi publication, Iraq-businessnews.com, which presented Moldova as "the most cost-effective passport from Europe"³⁰.

The image is a screenshot of a news article from the website Iraq-businessnews.com. The website's header is blue with the logo 'iraq-business news' and a small Iraqi flag. To the right, there is a yellow banner for 'PETRO' with the dates '27 - 28 Ju'. Below the header is a navigation bar with icons for various sectors: Oil & Gas, Construction, Industry, Communication, Finance, Transport, Education, Agriculture, Security, and Health. The article title 'Moldova: The most Cost-Effective Passport from Europe' is displayed in a blue box. Below the title is a large portrait of a woman with blonde hair. The article text begins with the date '9th January 2019' and lists categories: 'Investment, Iraq Banking & Finance News, Iraq Industry & Trade News, Politics, Security'. It is labeled as an 'Advertising Feature' and is by 'Veronica Cotdemiey, CEO of Citizenship Invest'. The sub-headline is 'Moldova: the most cost-effective passport from Europe'. The main text states: 'Citizenship by Investment has become one of the most reliable ways to obtain a legal citizenship and passport for many nationalities around the world. Allowing the ability to travel easily and secure a better future for individuals. However, when we talk about obtaining a fast-track second passport or citizenship and without immigration requirements, many come at a hefty price.'

Source: <http://www.iraq-businessnews.com/2019/01/09/moldova-the-most-cost-effective-passport-from-europe/>

³⁰ <http://www.iraq-businessnews.com/2019/01/09/moldova-the-most-cost-effective-passport-from-europe/>

First citizenships sold

It is noteworthy that among the first applicants for citizenship through investments were the relatives of Ilan Șor's wife³¹, one of the main figures of several investigations initiated in the Republic of Moldova, related to bank fraud, "billion dollar theft", concession of the Chisinau International Airport. Ilan Șor and the close circle of relatives and partners are included in the investigation conducted by the Kroll investigative company³².

The first citizenship was granted in the spring of 2019³³. According to official information, the beneficiary is considered to be a foreign citizen with business interests in the field of IT in other countries, and due to the ban he has entering those countries on business interest - he has appealed to obtain the citizenship of Moldova.

Subsequently, the President of the Republic of Moldova, Igor Dodon approved another six citizenships³⁴.

The names of the beneficiaries, as well as their countries of origin, are classified as set in the Citizenship Law through investments.

³¹ <https://www.mold-street.com/?go=news&n=8201>

³² <https://www.scribd.com/doc/264120732/Kroll-Project-Tenor-Candu-02-04-15>

³³ <https://www.zdg.md/stiri/stiri-sociale/r-moldova-a-acordat-prima-cetatenie-prin-investitie>

³⁴ <http://tvrmdova.md/actualitate/programul-de-acordare-a-cetateniei-in-schimbul-investitiilor-ar-fi-adus-deja-in-buget-545-mii-euro/>

Where are we and what to do next?

The issue of granting citizenships for money, along with other harmful laws (capital amnesty, de-criminalization of financial fraud, etc.) **has been burning topic in the public space in Moldova for the last 3 years**. The authorities and the government led by the Democratic Party (Vladimir Plahotniuc) have belligerently insisted on their promotion, and the civil society and some opposition parties, have opposed to the implementation of such laws.

On the other hand, **the development partners of the Republic of Moldova**, especially the EU, the IMF, the World Bank, other diplomatic representations **had clear and publicly declared positions against the laws promoted by the DP government**. Thus, immediately after the adoption of the Capital Amnesty Law in July 2018, the IMF suspended the program with the Republic of Moldova, and the EU issued two resolutions on the Republic of Moldova in 2018, clearly indicating the deviation of the Republic of Moldova from measures to fight corruption, lack of reform in justice sector and lack of progress in the investigation of financial-banking frauds with no recovery of stolen funds. Thus, in the period 2017-2018 Moldova missed several financings opportunities, including within the 100 million Euro macro-financial assistance from the EU, and found itself isolated from the external partners by 2019.

The citizenship law through investments was proposed by the former opposition for immediate repeal, and a bill was submitted to parliament. Thus, on May 8, 2019, the political bloc ACUM, which was in opposition at that time, organized public consultations on the project of repealing the "citizenship law through investments". The event was organized in Parliament with the participation of representatives of civil society and opposition members at that time, including Maia Sandu (the current Prime Minister, Alexandru Slusari (the current Deputy Speaker of the Parliament, Igor Munteanu (the current Chairman of the Economy, Budget and Finance Committee), Sergiu Litvinenco (current Chairman of the Legal Commission).

The main ideas set out were as follows:

- *the "Citizenship Law through investments", both in its initial form and amended in 2018, can have disastrous consequences for the security of the Republic of Moldova, implicitly for the safety of its citizens. The respective law can lead to the situation when persons with doubtful past from other states can benefit from the citizenship of the Republic of Moldova;*
- *there is a risk that this law will be used by those involved in bank fraud, and through persons brought in from outside the Republic of Moldova they can purchase real estate or government securities, using corrupt money, thus legalizing them."*

Thus, the first step to cancel the "citizenship law through investments" was taken.

Subsequently, being already in government, the **authors of the repeal insisted on the law cancelation and even voted in the first reading its annulment**, on June 18, 2019³⁵. The cancellation of the "citizenship law through investments" was part of the "removing oligarchs from power package" agreed between the components of the new government, as of June 8, 2019. Even the PSRM faction voted for the cancellation of the law, which in 2016 actively supported the DP government in promoting and voting it. Moreover, the leader of the PSRM, the current President of the Republic of Moldova Igor Dodon even granted by his decrees some new citizenships based on "the law of citizenship through investments".

The final reading in the Parliament of the repeal of "the law on citizenship through investments" was stopped. According to public information, the new Minister of Economy, Vadim Brânzan, having access to the contracts signed by previous DP government with their private partners in 2018, as well as meetings with the representatives of the partner companies³⁶ in the implementation of the Program, has identified several contractual clauses that may involve litigation and costs for the Republic of Moldova.

"Citizenship through investments also exists in other countries, but this project must be fair, transparent, comply with the law on combating money laundering. My request was that, as long as the issue is discussed in Parliament, we should pause this program. If we look at the structure of the transaction, it has not been publicized as it should be. There was a feeling of obscurity, that there are some offshore areas involved. We need to check who the last beneficiaries of the companies involved in this process are. There are 10 local operators whose function is to prepare documents for citizenship applicants. We need to check who is in behind this, how they were selected. "

Furthermore, the new government decided to **temporarily suspend**³⁷ the process of accepting applications for citizenship of Moldova. The Minister of Economy said that *"we must find a legal way to stop these applications, so that we do not have losses of 3.5 million euros. There is a clause in contract by which we, the State of the Republic of Moldova, or, more precisely, the Ministry of Economy, as a signatory, will have to pay compensation to this consortium for the expenses they accrued at the time of termination of the contract. There are expenses related to travel, promotion and other. I still do not have the real figures, however we talk about several million euros. We take a break for you and us to bring clarify to this law."*

The temporary suspension, as announced by the authorities responsible for the implementation of the Program, may take 4 months, starting from September 1, 2019. This period may be extended by another two months, at the request of the Ministry of Economy, if required. At the same time, during this period no further applications will be accepted, the ones

³⁵ <https://anticoruptie.md/ro/stiri/parlamentul-a-abrogat-legea-cu-privire-la-cetatenie-prin-investitie-ce-se-intampla-cu-persoanele-care-au-beneficiat-de-acest-drept>

³⁶ <https://agora.md/stiri/58743/daca-programul-cetateniei-contra-investitiei-va-fi-anulat--statul-va-achita-milioane-de-euro>

³⁷ <https://agora.md/stiri/60048/a-fost-instituit-moratoriul-asupra-acordarii-cetateniei-moldovenesti-prin-investitie>

already submitted until the suspension will be examined and the legal aspects will be analyzed to identify the optimum solution for canceling the law and the contracts signed by the previous government.

Suggestions to overcome the situation and release the Republic of Moldova from the trap of citizenship for money schemes

Some measures can be implemented to eliminate the risks and negative effects of carrying out this program:

- Cancelling of the program, due to being harmful and pertaining regional security risks;
- Starting an investigation on the way the program was initiated and promoted (synchronized with other initiatives focused on capital amnesty and de-criminalization of the economic and financial frauds), examining the legal aspects of organizing the tenders for selecting private companies involved in order to demonstrate the real purpose and bad intention of the authors;
- Examining the opportunity to convert the “citizenship through investment” program into “residence through investment” program, with an emphasis on attracting foreign direct investments and stimulating entrepreneurial initiatives.



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