

Romania

Romania Corruption Report

(Want to receive more corruption report updates? [Subscribe here!](#))

Snapshot

Corruption is a serious problem in Romania and raises the risks of doing business in the country. Foreign investors complain of complicated procedures, arbitrary application of rules and requests for [bribes](#) when resolving administrative tasks related to business operations. The Romanian [Criminal Code](#) and other supporting laws criminalize [active](#) and [passive bribery](#), including bribery of foreign officials. A company can be held criminally liable for corruption offenses committed by individuals acting on its behalf. The government, however, does not enforce anti-corruption laws effectively and impunity is widespread. Early 2017 saw large numbers of protesters take to the streets of Bucharest to protest a decree that would have shielded many officials from corruption charges. The decree was ultimately rescinded. [Petty corruption](#) is a problem in Romania as irregular payments and bribes are common practice. The law does not distinguish between bribes and [facilitation payments](#), and [gifts](#) and hospitality may be considered illegal depending on



their intent and the benefit obtained.

Last updated: April 2017

[GAN Integrity](#)

Judicial System

Companies dealing with the judiciary in Romania contend with high corruption risks. Bribes and irregular payments are often exchanged in return for obtaining favorable court decisions ([GCR 2015-2016](#)). Romania's judiciary is formally considered independent, but in practice it suffers from pressure from the legislative branch ([CVM 2017](#)), and occasional cases of judges charged with bribery and trading in influence ([HRR 2016](#)). Courts lack experience and expertise with regard to the functioning of a market economy, international business methods, intellectual property rights, and the application of Romanian commercial and competition laws ([ICS 2016](#)). Moreover, there is a lack of consistency and predictability in the jurisprudence of the courts ([ICS 2016](#)). Companies do not consider the judiciary effective in settling commercial disputes and challenging government regulations ([GCR 2016-2017](#)).



Following a major reform of the Judicial Inspection, the agency has become more efficient and authoritative in sanctioning professional misconduct and disciplinary offenses by magistrates ([CVM 2017](#)). Notwithstanding, corruption scandals within the courts have eroded the institution's integrity ([NiT 2015](#)). In one corruption case, a former judge, Stan Mustata, was sentenced to 10 years and eight months for taking bribes in return for giving favorable rulings in cases over which he presided. An accomplice

of Mustata, clerk Mariana Curea, received four years and four months (*The Romania Journal*, Apr. 2015). In another high profile case, magistrate Mircea Moldovan, who after an appeal in 2016, was convicted to twelve years and two months of imprisonment for multiple acts of corruption and six counts of bribery (*Global Legal Insights*, 2017).

Attempts to enforce contracts take slightly longer and are slightly more costly than the European regional average (DB 2017). Romania is a member of the [International Centre for Settlement of Investment Disputes](#) (ICSID) and is a signatory to the [New York Convention 1958](#) on the Recognition and Enforcement of Foreign Arbitral Awards.

Police

The police may carry high corruption risks for business. Surveyed households rank the police force among Romania's most corrupt institutions (GCB 2013). Likewise, the majority of citizens perceive bribery and abuse of power as being common among police officers (European Commission, Feb. 2014). Corruption and impunity have contributed to the lack of the public's respect towards the sector and a disregard for its authority (HRR 2016). The reliability of police services to protect companies from crime is considered moderately high (GCR 2016-2017). However, three in five of businesses report paying for private security (ES 2013).

Public Services

Interactions with Romania's public services present high corruption risks for businesses. In fact, widespread corruption in the process of obtaining public services constitutes the main hurdle to a functioning public administration (European Commission, Feb. 2014; ES 2013). Companies report

that bribes and irregular payments are often exchanged in return for obtaining public utilities (GCR 2015-2016). Foreign investors complain of cumbersome, time-consuming and non-transparent bureaucratic procedures, and public officials are occasionally unable to provide investors with clear information on what permits or which approvals are needed or how they are obtained (ICS 2016). The number of days and procedures required to get electricity is higher than the regional average (DB 2017).

In one corruption case involving the private water utility Apa Nova - three quarters of which are owned by the French Veolia Eau-Compagnie Générale Des Eaux, it was revealed that several employees of the Bucharest municipality had repeatedly taken bribes between 2008 and 2015 in return for increases in tariffs of drinking water and sewage services, which resulted in a EUR 6 million increase in net profit for Apa Nova. The advisor of Bucharest mayor is retained in connection with the case (*EurActiv.com*, Sept. 2015). The CEO of Apa Nova, Bruno Roche, resigned a couple of months later after also being charged with corruption by Romanian prosecutors (*Publics*, Jan. 2016). DNA has not provided an update on the investigation since September 2015.

Land Administration

The land administration is not free from corruption and carries moderate to high risks for business. More than one-third of surveyed citizens believe that bribery and abuse of office are widespread among officials issuing building permits (European Commission, Feb. 2014). Property rights are generally respected in line with the EU acquis (BTI 2016). The inviolability of private property is firmly stated in the constitution, and expropriation for reasons of public utility does not happen regularly in practice (BTI 2016). Foreign investors complain of time-consuming procedures related to securing necessary zoning permits and property titles (ICS 2016). The number of steps necessary to obtain a construction permit is significantly higher than the regional average (DB

2017).

Courts sentenced Solomon Wigler, senior advisor to former Bucharest mayor Sorin Oprescu, to four years in jail without parole for aiding a private firm with obtaining building permits in exchange for a bribe of EUR 200,000. Wigler maintained that he was only an intermediary, passing the bribes on to members of the Bucharest General City Council (*Romania Insider*, Feb. 2016).

Tax Administration

The tax administration carries moderate to high corruption risks for business. Over half of companies consider the administration as a major constraint to doing business, yet less than one in ten report paying bribes to tax officials (ES 2013). Likewise, more than one-third of surveyed citizens believe that Romanian tax authorities are affected by bribery and abuse of power, but almost none report bribery occurring during interactions with tax officials (European Commission, Feb. 2014). Payments of firm taxes have been reduced from quarterly to twice a year (DB 2015), limiting the number of direct encounters that companies have with tax officials. In addition, an electronic system for filing and paying taxes has been introduced (DB 2017).

Two senior officials of Romania's tax agency and Ministry of Finance resigned in October 2016 after being accused of playing a role in the "Murfatlar" case involving a number of major alcohol producers including the namesake "Murfatlar" winery. USD 145 million were evaded as a result of the scam (*Romania Insider*, Oct. 2016). The National Anti-Corruption Directorate (DNA) initiated criminal proceedings against five public officials and two directors at private companies involved (DNA, Oct. 2016).

Customs Administration

Companies dealing with the customs administration contend with high corruption risks. Bribes and irregular payments are often exchanged when importing and exporting across the borders of Romania (GCR 2015-2016). Companies cite burdensome procedures, frequent bribes, and the time-predictability of import and export procedures as the largest concerns (GETR 2016). Foreign investors occasionally complain of corrupt practices in the customs services, with demands for bribes by low and mid-level officials occasionally reaching the point of harassment (ICS 2016). Likewise, most Romanians believe the customs administration is affected by bribery and abuse of power (European Commission, Feb. 2014). Moreover, companies find the clearance process insufficiently efficient (GETR 2016). The time and cost required to export and import is lower than the regional average (DB 2017).

Public Procurement

Companies dealing with public procurement in Romania face high corruption risks. Romania's public procurement system is vulnerable to irregularities: companies perceive bribes and irregular payments to be widely exchanged in return for obtaining public contracts and licenses (GCR 2015-2016). Furthermore, procurement officials are strongly perceived to show favoritism when deciding on contracts (GCR 2016-2017). Businesses report a high perception of corruption in public procurement processes, with over half of businesses indicating they encountered unclear evaluation criteria, conflicts of interest in the evaluation of bids, specifications that were tailored to particular companies, and collusive bidding among others (EUACR 2014). Almost half of business respondents believe corruption has prevented their company from winning a public tender in the past three years (European

Commission, Feb. 2014).

To reduce corrupt practices, the government has established an [e-procurement system](#) designed to provide transparent publication of tenders by publicly publishing the names of winners and closing prices. The system has increased government efficiency and has somewhat reduced vulnerabilities to corruption, but overall supervision and compliance with procurement regulations remain inconsistent (ICS 2016). Furthermore, a new system called PREVENT was established in late 2016 allowing the imposition of ex-ante check on public procurement deals (CVM 2017; ICS 2016). Companies are highly recommended to implement [due diligence procedures](#) to reduce the likelihood of encountering corruption in the procurement process.

In March 2017, DNA charged Bogdan Padiu, the CEO of IT firm Teamnet, with the offenses of influence peddling, money laundering, and setting up an organized criminal group (*DNA*, Feb. 2017). It is alleged that many of the public sector IT contracts he secured for Teamnet, were obtained through the intervention of businessman Sebastian Ghita, who has gone missing (*Business Review*, Feb. 2017). In a number of separate occasions, Teamnet paid Ghita a total of RON 55,3 million for his help to secure government contracts (*Business Review*, Feb. 2017). Teamnet has since filed for insolvency (*Business Review*, Mar. 2017).

Natural Resources

Romania's natural resource industries suffers from a lack of transparency and can carry high corruption risks for businesses. Opaque bureaucratic procedures related to environmental approvals are one of the major problems for foreign investors in Romania (ICS 2016). Very few surveyed companies have been asked or expected to pay a bribe for environmental permits (European Commission, Feb. 2014).

A corruption case in the mining industry sparked mass protests all over Romania when the Romanian mining company Rosia Montana Gold Corporation (RMGC), majority owned by Canada's Gabriel Resources, employed fraudulent means such as bribery, fraud and procedural rule-bending to obtain approval for the gold and silver mining project in Alba County in the Apuseni Mountains (*ERCAS*, Dec. 2013). Romanians took to the street to oppose the approval of the environmentally risky project and the political corruption involved. The mining company is being investigated for money laundering and tax fraud. RMGC had reportedly paid over USD 300,000 to a phantom company, which was found to be connected to the network of Marcel Păvăleanu, an advisor to the Romanian government (*Mining*, Dec. 2013). The government eventually opposed the project and halted its development. Gabriel Resources Ltd has filed a request for arbitration before the International Center for Settlement of Investment Disputes (ICSID) against Romania (*Yahoo News*, July 2015). Information on the proceedings is difficult to obtain since the Romanian government has agreed to conduct the proceedings behind closed doors (*CIEL*, Oct. 2016).

Legislation

While Romania's anti-corruption legal framework is in place, enforcement remains weak. Anti-corruption laws include the [Criminal Code](#), [the Law on Prevention, Discovery and Punishing Corrupt Acts](#), [the Law on Preventing and Sanctioning of Money Laundering](#), and [the Law on Accounting Registrations](#). Anti-corruption legislation criminalizes both active and passive bribery, [extortion](#), bribery of foreign officials, [abuse of power](#), [influence peddling](#) and [money-laundering](#). Romanian criminal law does not distinguish between bribes and facilitation payments, and [gifts](#) and hospitality may be considered illegal depending on their intent and benefit obtained (*Global Legal Insights*, 2017). Gifts and hospitality offered to public servants are regulated. A company can be held criminally liable for corruption offenses committed by

individuals acting on its behalf. The Criminal Code carries sentences of up to thirteen years and four months of imprisonment, along with other penalties including forfeiture of proceeds, and confiscation of property, money and other assets. Consistency in the application of the Criminal Code has been improving (CVM 2017). However, amendments proposed by the government to align the law with rulings of the Constitutional Court on the constitutionality of the new Criminal Code have stalled in the legislature. This process is further complicated by the unpredictable legislative approach and interference by parliament without consultation of key state institutions including the judiciary (CVM 2017). While Romania's National Anti-Corruption Directorate (DNA) investigates and prepares a high number of cases for trial each year (HRR 2016; CVM 2017), the repeat of similar offences suggests that corruption prevention and deterrence has so far not been effective (CVM 2017). Senior public officials are required to disclose their assets. The Whistleblower Protection Act only protects employees in the public sector. The provisions in the law are strong, but implementation is poor (*Transparency International*, 2015).

In January 2017, the government passed an emergency decree which decriminalized official misconduct resulting in damages less than USD 47,600. This measure led to massive protests, forcing the government to rescind the decree. The decree would have spared the leader of the ruling Social Democratic Party, who is facing charges of abuse of power for granting contracts worth USD 26,000 to associates who allegedly performed no work (*The Economist*, Feb. 2017). In March 2017, a lawmaker introduced a bill granting prison pardons for offences that include corruption (*Reuters*, Mar. 2017). However, many senior figures including Romania's president have since denounced the bill (*Romania Insider*, Mar. 2017).

Romania is signatory to the [United Nations Convention Against Corruption](#) (UNCAC), the Council of Europe's [Civil and Criminal Law Conventions against Corruption](#), and the [Group of States Against Corruption](#) (GRECO).

Civil Society

Freedom of the press is constitutionally guaranteed but is weakened by financial instability and strong business and political interests in the media industry (FotP 2015). Many media outlets have been taken over by wealthy businessmen in order to advance their own political and economic agendas; for example, jailed media mogul Dan Voiculescu extensively uses the media outlets he owns to attack the head of the DNA (FotP 2015). Public officials sometimes obstruct access to information on corruption and other sensitive topics (FotP 2015). This limits the extent of investigative journalism and the likelihood of uncovering corruption cases (FotP 2015). After parliamentary elections, the new majority typically changes the leadership of the public broadcaster, leading to a pro-government bias in its reporting (FotP 2015). In an attempt to further restrict investigative journalism, a draft bill proposed the criminalization of the disclosure of information from criminal cases, including corruption investigations. If passed, the bill would provide a prison sentence for offenders (NiT 2016). After a firestorm of media criticism, the bill has been significantly watered down, but remains under consideration. Romania's media environment is considered 'partly free' (FotP 2016).

The constitution provides for freedom of assembly and is generally respected by the government in practice (HRR 2016). A lack of consistent funding remains a big obstacle for NGOs (NiT 2016; FitW 2016). Cooperation between the government and civil society used to be lacking; however, a Ministry for Public Consultation and Civil Dialog (MCPDC) was established in 2015. There are some preliminary signs of improvement. However, the public consultation for the MCPDC's 2016 budget largely disregarded the legal time frame and rules for consultation, triggering discontent among civil society (NiT 2016). Political parties often seek to co-opt prominent critical civil society representatives (BTI 2016). Moreover, smear campaigns aimed at particular NGOs have been conducted with the help of politically biased media (BTI 2016).

Sources

- › European Commission: [On Progress in Romania under the Co-operation and Verification Mechanism 2017](#).
 - › World Bank: [Doing Business 2017](#).
 - › Global Legal Insights: [Bribery & Corruption 2017, 4th Edition - Romania](#)"
 - › Business Review: "Teamnet International Files for Insolvency", 20 March 2017.
 - › Romania Insider: "Romanian SocDem Leader Doesn't Support a Pardon That Includes Corruption Sentences", 7 March 2017.
 - › Reuters: "Romanian Lawmaker Proposes Pardoning Corruption Jail Sentences", 6 March 2017.
 - › DNA: "Press release No. 194/VIII/3", 27 February 2017.
 - › Business Review: "Head of Teamnet, Bogdan Padiu, Detained in Corruption Case", 28 February 2017.
 - › The Economist: "Huge Protests Force Romania's Government to Reverse Itself on Corruption", 11 February 2017.
 - › Romania Journal: "Ex-Senator Media Tycoon Dan Voiculescu Stays in Prison, Final Ruling", 10 January 2017.
 - › World Economic Forum: [Global Competitiveness Report 2016-2017](#).
 - › World Economic Forum: [Global Enabling Trade Report 2016](#).
 - › Bertelsmann Foundation: [Transformation Index - Romania 2016](#).
 - › Freedom House: [Nations in Transit - Romania 2016](#).
 - › Freedom House: [Freedom in the World – Romania Country Profile 2016](#).
 - › Freedom House: [Freedom of the Press 2016](#).
 - › US Department of State: [Country Report on Human Rights Practices - Romania 2016](#).
 - › World Economic Forum: [Global Competitiveness Report 2015-2016](#).
 - › US Department of State: [Investment Climate Statement - Romania 2016](#).
 - › Ploiesti: "Cine este Constantin Ispas, apropiatul lui Sebastian Ghiță trimis în judecată de DNA pentru divulgarea de secrete de stat", 22 December
-

2016.

- > National Anti-Corruption Directorate: "Press Release No .1306/VIII/3", 21 October 2016.
 - > Romania Insider: "Romanian Anti-Fraud Chief, State Secretary Resign amid Tax Evasion and Corruption Probe", 21 October 2016.
 - > Center for International Environmental Law: "Romania's Government Agrees to a Complete Lack of Transparency in the Rosia Montana Arbitration Case", 5 October 2016.
 - > The Guardian: "Romanian Former PM Accused of Corruption over Tony Blair Visit", 6 September 2016.
 - > Romania Insider: "Former Bucharest Mayor's Advisor Gets four-year Jail Sentence for Bribery", 4 February 2016.
 - > Publics: "Sofia Water Utility CEO Resigned after Veolia Corruption Charges in Romania", 13 January 2016.
 - > The Guardian: "Book 'em: The Loophole Undermining Romania's Anti-Corruption Drive", 3 January 2016.
 - > Freedom House: [Nations in Transit - Romania 2015](#).
 - > Freedom House: [Freedom of the Press 2015](#).
 - > Transparency International: "Whistleblowing Protection in Romania and Hungary", 2015.
 - > The Guardian: "Bucharest nightclub fire: death toll reaches 45 as drummer of band dies", 8 November 2015
 - > Romania Insider.com: "Former Minister, local businessmen plead guilty in Microsoft licenses case, describe corruption ring", 13 October 2015.
 - > EurActiv.com: "France's Veolia accused of large scale corruption in Romania", 28 September 2015.
 - > DW: "Trial begins for Romanian PM Ponta charged with corruption", 21 September 2015.
 - > Romania Journal: "15 city mayor;s suspended due to corruption charges", 7 September 2015.
 - > Romania Journal: "Anti-corruption, police heads detained for corruption in
-

Prahova", 17 August 2015.

- > Yahoo News: "Canadian firm seeks arbitration over Romania gold mine", 22 July 2015.
- > Guardian: "Romania's Prime Minister indicted in corruption inquiry", 13 July 2015.
- > Romania Insider: "Another Romanian millionaire get out of jail", 7 April 2015.
- > European Commission: [EU Anti-Corruption Report: Annex 23, Romania, Feb. 2014.](#)
- > Eurobarometer: [Special Eurobarometer 397 – Corruption Report, 2014.](#)
- > Eurobarometer: [Flash Eurobarometer 374 – Businesses Attitudes towards Corruption in the EU, 2014.](#)
- > IFLR: "The New Criminal and Criminal Procedure Codes: Important changes towards modernising the Romanian legal system", 14 October 2014.
- > Mail Online: "Romanian mogul gets 10 years in prison for fraud", 8 August 2014.
- > World Bank Group: [Enterprise Surveys, Romania 2013.](#)
- > Transparency International: [Global Corruption Barometer 2013.](#)
- > Ernst & Young: [Navigating Today's Complex Business Risks – Europe, Middle East, India and Africa Fraud Survey 2013.](#)
- > ERCAS: "Major victory for civil society in Romania", 10 December 2013.
- > Mining: "Gabriel's subsidiary probed for money laundering and tax evasion in Romania", 6 December 2013.

Topics: Europe & Central Asia