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Corruption and Its Implications in Romania

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Abstract

Corruption is a phenomenon that acts internationally, regardless of barriers or cultural differences. The mechanism of corruption is a complex one, with various forms of manifestation activating in all fields of activity, worldwide, from the most developed countries, to the poorest, causing major long-term imbalances, becoming an enemy of the normal functioning of state institutions and authorities, as well as a brake on economic advance. In Romania, in the last 30 years of democracy, corruption has developed and found new ways of manifestation, which have slowed down the process of economic, social, technological, educational evolution of the Romanian society, creating a feeling of distrust in the state institutions and in the business environment. The research question was to observe the impact of corruption in Romania, in the public sector as well as the business environment. The aim of this research is to present the evolution of corruption in Romania from 2007 to 2019, according to the Transparency International Index and also, to make a comparison to the phenomenon of corruption in our country versus the European Union average in the last 12 years and also, to highlight that the process of corruption is an impediment to the harmonious development of the business environment and the public sector.

Keywords: Corruption, Romania, Transparency, Business Environment, Education.

JEL Classification: D7, D73, O, O3

1. Introduction

The mechanism of corruption is a complex one, with various forms of manifestation activating in all fields of activity, worldwide, from the most developed countries, to the poorest, causing major long-term imbalances, becoming an enemy of the normal functioning of state institutions and authorities, as well as a

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brake on economic advance. The international community has concluded that no country is completely immune to the phenomenon of corruption, with devastating effects on the state institutions and implicitly on the citizens, as well as on the business environment, the only solution being that of finding solutions and tools in combating and preventing this type of crime, in the public and private sectors.

In any state, there is a smaller or higher number of officials who are corrupt and carry out activities in important places of the national economy and institutions, following the influence to some extent of the local or central authorities. Thus, corruption is found in most sectors of captivity, national or international, from the smallest positions, to the highest.

The scale of the globalization process, to a certain extent, facilitates the propagation of corruption at national, European and global level, affecting, on the one hand, all states and sectors of activity, but on the other hand it promotes the cooperation between authorities and states and creation of institutions aimed at combating and judging acts of corruption and persons involved (dignitaries, functionaries, businessmen, etc.).

In Romania, in the last 30 years of democracy, corruption has developed and found new ways of manifestation, which have slowed down the process of economic, social, technological, educational evolution of the Romanian society, creating a feeling of distrust in the state institutions and in the business environment.

2. Problem Statement

Corruption is a phenomenon that acts internationally, regardless of barriers or cultural differences. Corruption is complex and involves economic, political, social and cultural dimensions, being difficult to find a universally valid definition, as a result of evolution over time, depending on the political and social dynamics (Vitoria & Kroeze, 2015). According to the OECD in the Glossary of International Standards in Criminal Law in 2008, it has issued a series of definitions, taken by countries depending on the current situation: corruption represents the abuse of private or public funds for personal purposes (OECD, 2008) or "assets". or passive misuse of the powers of Public officials (appointed or elected) for private financial or other benefits". (OECD, 2002) Transparency International: "Corruption involves behaviour on the part of public sector officials, whether politicians or civil servants, who improperly and unlawfully enrich themselves, or those close to them, by the misuse of public power entrusted to them." (OECD, 2007)

In a broad sense, corruption involves the misuse of the power held or entrusted with the objective of satisfying the interests of one or a group of people (Dr. Johann Graf Lambsdorff, 1999). The World Bank issued a definition which defined corruption as "the abuse of public or corporate office for private gain" (World Bank, 2005).

As a result of the increased interest in corruption, both on a global and national level, the Romanian authorities have modified and updated the legislation in recent years, including corruption in the Criminal Code, by defining the offenses that are

included in the generic notion of corruption. , thus: "giving bribes, taking bribes, trafficking in influence and buying influence, facts committed by or in connection with the members of the arbitration courts, acts committed by or in relation to foreign officials, etc." (Penal Code, 2009).

The main causes that allow this phenomenon to be born and even to develop, can be: the degree of involvement of the state from the economic field perspective designates corruption as the way to obtain personal benefits by appealing to the public position (in the situation of state-owned enterprises there are more official public positions, so the possibility / degree of corruption increases). States that enforce power through reduced degrees of extensiveness and intensity are democratic countries. From the perspective of education, the private environment and the civil society have important attributions, as opposed to the cultural and religious domains, in which the state does not enforce its control (Radu, L., & Gulyas, G, 2010) cultural and traditional aspects, the institutional capacity of the state to impose its rules – (the capacity of the state, in various situations, can be exceeded by the extent and development of corruption, thus, from a technical point of view). Public authorities may not be able to compete with the perpetrators, which may lead to the exacerbation of this phenomenon, the emergence of new forms of crime and the diminished trust of the citizens but also of the entrepreneurs in authorities; the type of system or political regime is presented by way of political organization, under the name of "the circulation of elites", which measures the degree of democratization of a state according to the percentage of the population, which occupies a political function and the prominence with which those who hold such positions are changed (Radu L. & Gulyas G., 2010). Thus, the regimes characterized by a maintenance of power for a long time by certain individuals can favour the increase of corruption. As a result of the process of globalization, corruption has become an extremely complex and versatile process, which may have different approaches: sociological, legal, economic, ethical, etc. (Carjaliu, 2009).

3. Research Questions/Aims of the research

The research question of the article is: how does corruption in Romania impacts the public sector as well as the business environment? In order to find an answer, we made a review of the specialized literature in the field of corruption, of the different approaches of the international institutions regarding this phenomenon, framework and presentation in the Criminal Code.

Therefore, the aim of this research is to present the evolution of corruption in Romania from 2007 to 2019, according to the Transparency International Index and also, to make a comparison to the phenomenon of corruption in our country versus the European Union average in the last 12 years. Another objective was to highlight that the process of corruption is an impediment to the harmonious development of the business environment and the public sector. Also, in this article we wanted to present the fight that the Romanian authorities are carrying against corruption through the Anti-corruption Strategy 2016-2020, as well as the National

Strategy for Research, Development and Innovation 2014-2020 with the main objective to it ensures economic growth by presenting the importance of research and highly trained staff.

4. Research Methods

The research methodology used in the drafting of this article was both qualitative and quantitative. By using the quantitative method, we took data from 2007-2019 interval from Transparency International for Romania, with which we were able to draw a graph showing the evolution of corruption in the 12 years mentioned and we also made a graph showing the average of the European Union in antithesis to the ecology of Romania for the same period of time. Also, to show the attractiveness of the country in the context of the development of the corruption phenomenon, we have taken data on Ease of Doing Business in Romania from 2014 to 2019.

Therefore, with the help of the qualitative method, we used the comparison method to present the evolution of corruption in Romania, but also to compare it with the EU average, as well as the synthesis in order to transmit this information as clearly and concisely.

5. Findings

One of the most serious problems facing Romania is corruption, a fact pointed out both by the civil society organizations with attributions in the field, as well as by the sociological research carried out, but especially by the international partner organizations.

The evolution of Romania regarding the corruption situation is analysed and presented in the reports of the European Commission on the progress of the country, starting with 1998, before the accession to the EU, in 2007, after accession, as well as in 2017 and 2018. In these reports, our country showed that it has not made enough efforts to fight corruption and to strictly adhere to the Commission's recommendations, so that in 2018 the results were not the best, rising the problem that the situation had evolved in such a way that the diversity of progress was ambiguous. Even in the first months of 2019, Romania did not make the necessary improvements and failed to adopt effective measures, so that the European Commission expressed its concern regarding the address of our country. Thus, the attention is focused on the problems in the field of justice and the importance of the managerial measures through which the possibilities of committing crimes are low or even irradiated. The judgment factor is essential in this process, but for this situation, solutions from the substrate should be found, because prosecuting, punishing corrupt persons is a long and costly process, and in certain situations the results are uncertain. The phenomenon of corruption is rapidly spreading as a result of the corruption of others (which becomes a "kind of stimulus for those tempted to commit illegal acts" (Radu, L. & Gulyas, G, 2010), becoming a process of multiplication in game theory, corruption has become

systematic (a feature of this type of crime is persistence - which makes the elimination process difficult) and once widespread, it generates a robust and inefficient balance, difficult to neutralize, because this phenomenon is self-feeding.

If we turn our attention to the evolution of corruption in Romania from 2008 to 2019, we can see a slight improvement, but our country is in the penultimate place in the Transparency International ranking, at European level, with a position higher than in Bulgaria (43) and on a par with Hungary (TI, 2019), which is supported by Figure 1.

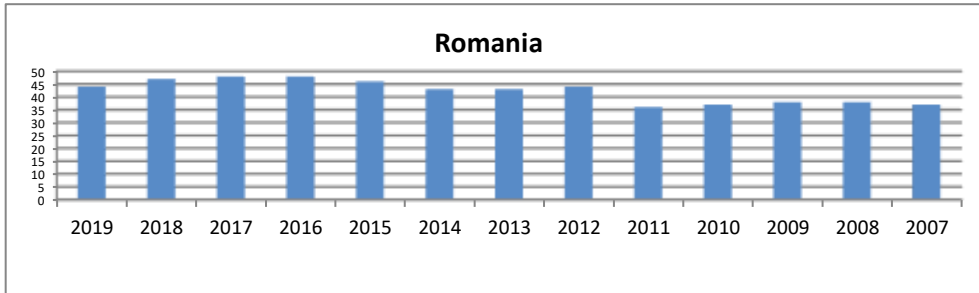


Figure 1

Source: adapted by the author from Corruption Perceptions Index (2019) Report in Romania

However, if we compare the last two years from Figure 2, we observe that in 2019, Romania had a decrease of three points, positioning itself on the same score as in 2012 (44). Also, the average of the European Union related to corruption was maintained in the same interval, with small differences from year to year (in the year 2008- 66, 2013- 63, 2019-64), observed in the graph below (TI, 2019).

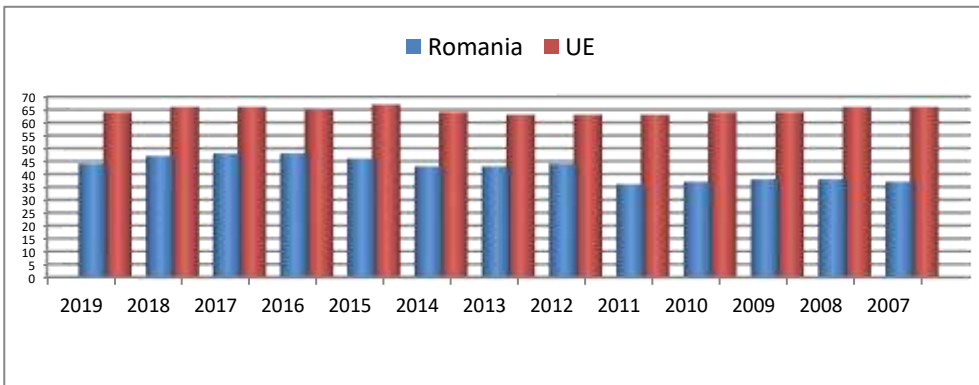


Figure 2

Source: adapted by the author from Corruption Perceptions Index (2019) Report in Romania

The main result of this index of corruption perception is, that at the level of the Romanian society there is an acute lack of integrity and education at the political level that contributes to the development and maintenance of the high degree of corruption in public institutions, affecting the society and the business environment.

Even the perception of citizens on the phenomenon of corruption in the Romanian state is not better. Thus, according to a survey conducted by the European Commission, between September and October 2019, Flash Barometer 482, in Romania, in the business environment, corruption is a major problem with a weight of 88%, compared to the European average of 37% (European Commission, 2019), and regarding the spread of this type of crime, the interviewees described a share of 97% in 2019, compared to 63% at European level (European Commission, 2019).

The Figure 3 shows that although the corruption perception index has fluctuated in the last 5 years (in 2004 the level was 44, the increase was in 2016, 2017 – 48, and in 2019 it dropped to 44), very high, compared to the European Union average, as Ease of Doing Business shows an increase in Romania's attractiveness for business activity. This interest of the business environment for Romania can be represented precisely by the implications of corruption, namely: lack of transparency, incorrect application of legislation, favouritism, bribery for various situations, etc.

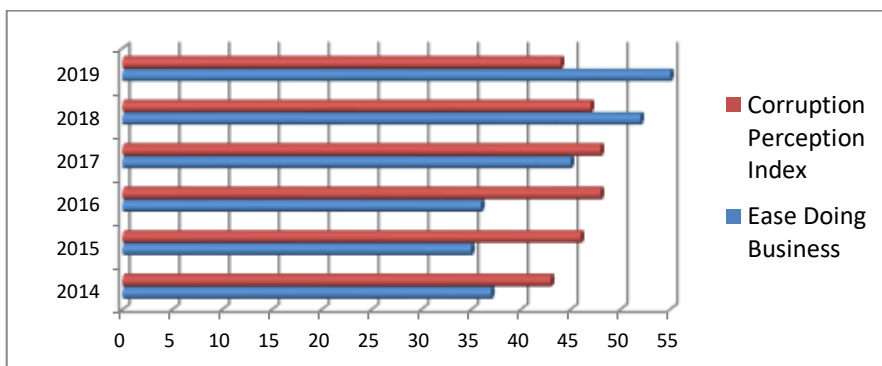


Figure 3

Source: adapted by the author from Ease of Doing Business and Transparency International Index

According to the freedom economic ranking, Romania is ranked 42nd in 2019, with a score of 68.6, being ranked regionally on the 21st place (out of 44 countries at regional level), and 42 in the world, with the moderately free status. (The Heritage Foundation, 2019). Foreign investors are reluctant about Romania, regarding the regulatory system which is unpredictable, and corruption is introduced at all levels of government and affects the rule of law (The Heritage Foundation, 2019).

6. Conclusions

The corruption phenomenon affects Romania, both from the public perspective – of the state institutions and of the civil servants –, as well as from the perspective of the business environment that diminishes the confidence of the foreign investors in the potential of the country, but also of the Romanian entrepreneurs who become reluctant to the training and professionalism of the local workforce. Thus, the extent to which the corruption phenomenon propagates and the finding of new ways of development and manifestation are of concern for the authorities, both nationally and internationally.

Therefore, at national level, the anti-corruption fight is in full swing, and the *National Anticorruption Strategy* for 2016-2020 has been materialized through the Government Decision no. 583/2016, being the result of a period of consultations, taking of good practices from the previous strategy and elaborating some directions of action adapted to the current situations. The purpose of this strategy is to promote the principles of integrity by applying, in a rigorous way, the "normative and institutional framework for preventing and combating corruption in Romania" (NAS, 2016), addressing public institutions with legislative, judicial, executives, the business environment, local public authorities and civil society. All types of interventions involve the transparency in the decision-making process, as well as the clarity of a double government on three pillars of intervention in the sphere of corruption: prevention, education, combating (NAS, 2016).

However, one of the major problems of Romania is the implementation of current laws. According to the reports of the European Commission, the Romanian judicial system has great difficulties, the most important being the poor quality of the staff, its lack or lack of qualified personnel in the key positions, the results being seen by the business environment in the country, therefore, at the country level, as a result of the raising awareness of the problem, the *National Strategy for Research, Development and Innovation 2014-2020*, which aims at an economic growth and to increase the role of science in society, with the help of qualified and trained human resources (NAS, 2016), both from a professional, as well as ethical point of view, an initiative conducted by the European Union by implementing the Europe 2020 strategy and the initiative *An innovation union with the help of the instrument – Horizon 2020* (European Commission, 2020) has been achieved.

Corruption remains a major challenge for the entrepreneurial environment, along with excessive administration and low degree of confidence of entrepreneurs in public administration, but Romania's strong point remains, according to *Start-ups, Scale-ups and Entrepreneurship in Romania – Horizon 2020*, "with upper – secondary-level education, exports in medium – and high-tech products, and employment in fast-growing firms in innovative sectors" (European Commission, 2020).

At the same time, Romania, like other countries of the European Union, is looking for solutions to fight corruption through legislative improvements and the development of new programs that coincide with the Europe 2020 Strategy. The

key documents adopted were “National Strategy for Competitiveness 2015-2020, the National Research-Development-Innovation Plan III 2015-2020, and the National Strategy on the Digital Agenda for Romania 2020” (European Commission, 2017).

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