

## Enhancing anti-corruption in Moldova's SME sector: a blueprint for action

The Anti-corruption Partnership Pilot, initiated by the U4 Anti-corruption Resource Centre and Sida, is an attempt to very deliberately follow principles which we know can help deliver stronger anti-corruption efforts, namely that they are:

- 1) Evidence-led and problem-driven
- 2) Working across 'siloes'/ multi-expertise approach to systematically integrate AC perspectives within sectors
- 3) Locally-led
- 4) Partnerships: stronger donor coordination and effective political dialogue/influencing

The idea is that by following these approaches, we give ourselves a better chance of more sustainable and targeted anti-corruption efforts. Since 2021 this approach has been applied to the small and medium enterprise sector (SME) in Moldova, a country where much of the current political leadership emphasises stronger efforts in anti-corruption.

Around 98% of firms in Moldova fall within the SME sector, which accounts for an estimated 62% of all employment. There are an estimated 56,000 SME firms in total, many of which work in retail and service, manufacturing, tourism, agriculture and increasingly IT. Improving the efficiency, fairness and entrepreneurial potential of the small and medium enterprise (SME) sector is a priority for the Moldovan government and European partners.

The aim of this report is to provide distinct, evidence-based recommendations that can complement ongoing efforts. The recommendations are based on qualitative field work that unpacked the main dynamics of corruption in the SME sector and consider how new strategies could complement existing one.<sup>1</sup>

The blueprint presented here is based on:

- two seminars that sought regional lessons learned

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- a scoping visit that mapped key stakeholders in the sector
- a two-week study visit, between 24 April and 5 May consisting of 23 interviews with government officials, development partners, implementers, civil society organisations, business associations and small/micro entrepreneurs.
- a co-creation workshop with key stakeholders on July 27<sup>th</sup> and 28<sup>th</sup>

The report is divided into the following sections 1) Corruption dynamics in the SME sector; 2) Smarter anti-corruption approaches; 3) Blueprint for interventions that can add value in the sector.

**The main objectives for anti-corruption in the SME sector are:**

- Reduce bribery.
- Increase compliance with legal requirements.
- Increase trust in government's response to corruption.

**To tackle these, we suggest:**

1. Enhance existing information packages by identifying gaps and customizing these tools to fit specific SME sub-sectors and types of businesses.
2. Develop a public campaign that emphasises that bribery is not inevitable for Moldovan SMEs to counter the mainstream narrative that normalises bribery
3. Integrating anti-corruption compliance requirements into existing and upcoming business development opportunities can strengthen the business case for compliance.
4. Communicate why compliance makes sense from a business perspective.
5. Produce materials raising awareness about the new digital tools that are being made available by government.
6. Challenging conventional wisdoms that no progress is being made on anti-corruption to convince people that change is possible and increase trust in government's response to corruption.
7. Explore the idea of how the functions of a Business Ombudsman may be introduced in the Moldovan context, which could be a means to further pursue trust-building measures and as a resource for SMEs.
8. Incorporate compliance and integrity-building measures into existing donor portfolios and programs
9. Develop strategies to improve the responsiveness of public officials in providing services and examining complaints.

## 1. Corruption dynamics and anti-corruption objectives in the SME sector

The most important finding is that corruption is less significant for SMEs in Moldova than ten years ago (see Annex 1 for more detailed research). It still exists – and there is no certainty that it won't become more significant – but overall the research suggests that engaging in corruption is no longer unavoidable but rather a choice. Indeed, according to survey data (IDIS “Viitoriu” et al. 2018), corruption is not among the top concerns of SME owners and may also be less prevalent than the conventional wisdom suggests.

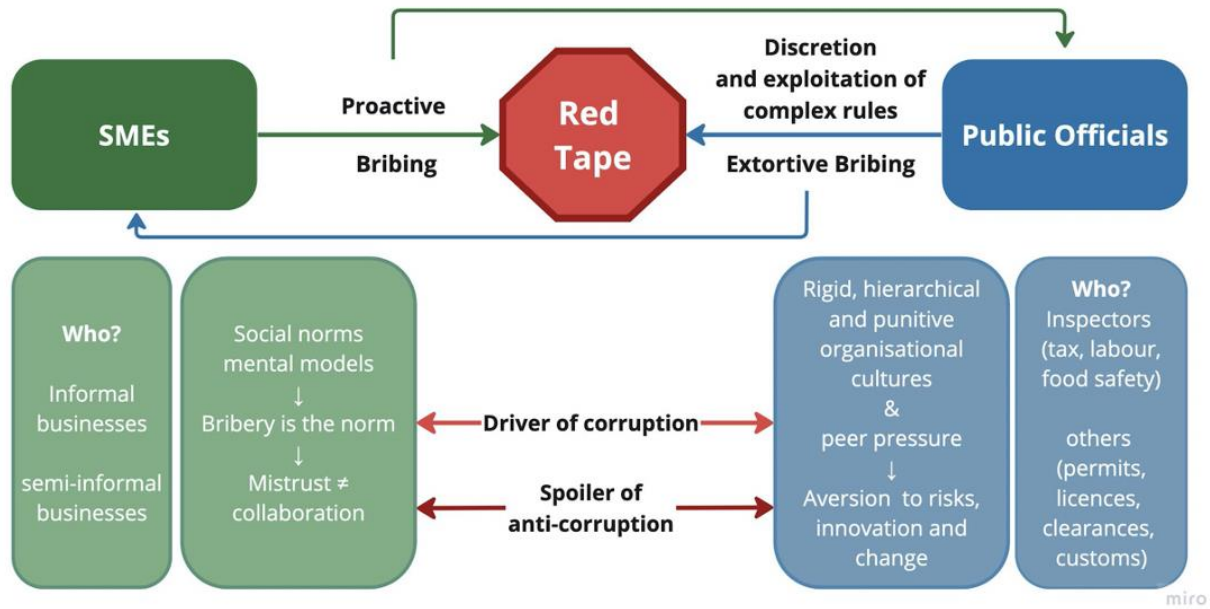
Of course, corruption and bribery do persist and continue to affect many SMEs. But the nuance matters. Understanding whether some types of SMEs are more affected by corruption than others and the underlying factors that give rise to incentives to engage in bribery is key to develop tailored anti-corruption approaches.

### The main drivers of corruption

The research has identified red tape as the most relevant element giving rise to and exacerbating corruption risks. [Red tape](#) can be defined as a “series of actions or complicated tasks that seem unnecessary but that a government requires one to do in order to get or do something.” According to many of the interviewees consulted, red tape in Moldova is notoriously convoluted and burdensome.

Figure 1 summarises the findings whereby red tape is at the centre, driving corrupt practices on the part of SMEs and public officials alike.

*Figure 1: Research findings on drivers of corruption for SMEs in Moldova*



The SMEs interviewed agreed that it is a challenge to comply with ambiguous and excessive licensing, permit, and clearance requirements. To overcome the “red tape”, SMEs have to invest significant human and financial resources. Those businesses that cannot make this investment could be incentivised to operate informally. This informality can lead to proactive bribery to avoid sanctions.

Corruption on the public sector side involves officials responsible for granting permits, licenses, and clearances, as well as inspectors from the State Labour Inspectorate (SLI), National Food Safety Agency (ANSA), and the State Tax Service (STS). These officials could take advantage of SMEs' lack of knowledge and awareness about complex rules and requirements, using threats of high fines to extort bribes. The research also highlights that SMEs' compliance errors further create opportunities for inspectors to demand bribes.

The research shows that SMEs vary in their vulnerability to corruption. SMEs that can invest the necessary resources to be compliant appear to be less targeted by unethical inspectors and have little incentives to engage in proactive bribery. Compliance therefore empowers entrepreneurs to defend themselves against extortion attempts. In turn, fully informal businesses are somewhat more vulnerable to corruption, but interviewees did not consider the risks much higher. This is because fines for small informal businesses are relatively low stake, i.e., some interviewees suggest that these businesses can easily pay minor fines during inspections and continue as usual.

Partially formal SME's appear to be the most vulnerable to corruption. These SME's are registered and comply with certain legal requirements (e.g., permits) but not others (e.g., tax reporting). Due to this partial formality, the fines for non-compliance are often disproportionately high, which incentivises business to bribe inspectors and officials

because it is cheaper than paying the official fine. It could be that some SMEs stay partially informal by choice, willingly or unwillingly, because it is easier to pay a bribe than to invest the necessary time, people, and money to understand the red tape and become fully compliant.

Besides red tape, the research also found other elements in the Moldovan context that contribute to exacerbating corruption risks for both private and public sector stakeholders.

For SMEs, the tendency to bribe is exacerbated by two further elements. Firstly, there is a perception that bribing is the normal behaviour that occurs when SMEs interact with public officials. This can be understood as a (descriptive) social norm (what we think are the common behaviours around us) that reinforces the willingness to give in to corruption because the belief that most SMEs are bribing normalises this practice. Interestingly, according to survey data, the perceptions about the prevalence of corruption do not correspond to the experience with corruption. 69.2 per cent of surveyed entrepreneurs reported their belief that bribery is widely spread in the Moldovan business community. At the same time, 72% of respondents in the same survey asserted they had never encountered corruption (IDIS “Viitoriu” et al. 2018). This suggests that there is a discrepancy between the beliefs about the prevalence of bribery and the actual occurrence of cases of bribery.

Secondly, SMEs share high levels of mistrust vis-à-vis the state and public officials, which further incentivises proactive bribery in order to avoid the trouble of dealing with a state that is a priori expected to be abusive and not responsive to the needs of small entrepreneurs. The perception about a generalised low level of trust in government was shared among interviewees and is supported by survey data. According to an International Republican Institute [national representative survey](#) conducted in 2022, 64% of respondents disapprove of the activities of the Government of Moldova. When asked which public figure they trust most, 27% of respondents said they do not trust anybody. In addition, close to half (46.7%) of the respondents to the IDIS “Viitoriu” et al. survey expressed a lack of trust in law enforcement bodies.

The organisational culture inherited from the Soviet era makes it harder to address norms around bribery within the public sector. For example, public servants are used to enforcing laws in a top-down, often punitive, fashion as opposed to espousing a responsive and accountable stance vis-a-vis SMEs and citizens. The research also hinted at social dynamics involving peer pressure, which underpin collusive extortive schemes whereby inspectors coordinate tactics for extorting bribes from SMEs. Furthermore, similar as in other post-Soviet and Eastern European former socialist countries, the bureaucratic modus operandi that persists in Moldova is characterised by hierarchical rigidity as well as aversion to change, innovation and risk, all of which problematises behavioural change, even in the face of reforms.

Crucially, these context-relevant elements contribute to diminishing the impact of anti-corruption initiatives and must be taken meaningfully into account for the development of impactful interventions in support of the SME sector in Moldova.

### Anti-corruption objectives

Based on the main research findings described above, the following anti-corruption objectives have been identified for developing interventions that aim at benefitting Moldovan SMEs:

- **Reduce bribery.** The main form of corruption affecting SMEs is bribery which stems from the red tape leading to both proactive bribery by SMEs themselves as well as extortive bribery by abusive inspectors and other public officials. This type of corruption is additionally fueled by prevailing descriptive social norms that normalise bribery among SMEs and possibly by negative emotional reactions to red tape.
- **Increase compliance with legal requirements.** Corruption does not affect all SME's equally: formal and compliant SMEs are less at risk of falling prey to corruption. Properly understanding the rules and regulations that are applicable is an effective way to resist abusive behaviours from public officials and do away with the incentives to proactively bribe oneself out of potentially onerous fines.
- **Increase trust in government's response to corruption.** Lack of trust in the state and public authorities compromises the effectiveness of ongoing efforts by the Government of Moldova to improve the business environment for SMEs.

## 2. Smarter anti-corruption approaches in the SME sector

Anti-corruption has become a busy space in Moldova. This blueprint seeks ways to add value and be effective. We reviewed what has been tried and tested in the SME sector, as well as conducting interviews to understand what is ongoing and may have not worked so well so far. The main lessons are:

### Focus on feasibility and bottom up support

Over the last ten years, policy documents have provided wide-ranging recommendations to address corruption issues in the SME sector (see Annex 4). We found 36 separate policy ideas across reports, gray literature, and interviews. 42% of the recommendations have not been implemented at all, 47% of recommendations have been implemented partially/ to some limited extent and only 11% are considered to be implemented.

In general, many recommendations have emphasized increasing responsibilities and commitments for public authorities, anti-corruption institutions and other government agencies, but interviews indicated a worrisome low trust in the state and lack of trust among local and central government. SME's have expressed frustration at the rate of change and

sense that have not enabled SMEs to deal with problems. This the need for a SME-driven approach: responding to concerns of SMEs and finding entry points that can support them to restrain from corruption.

### **Real world limits of enforcement and collective action**

Law enforcement-based approaches that rely on reporting of suspected corruption cases, have yielded limited results. Businesses have the right to denounce corruption and other issues according to the legal framework. However, overall, the widespread mistrust in the state, fear of repercussions and the belief that impunity is the norm result in low reporting levels among Moldova business actors.

In addition, the research highlighted the limits to engaging SMEs in collective action initiatives in Moldova. One reason for this is the fact that the SME landscape is extremely atomised, consisting mostly of microenterprises scattered around the country, which makes SMEs a difficult stakeholder group to reach out to and mobilise. In addition, according to the interviews, SMEs appear to lack interest in collaborating, and there seems to be a level of mistrust amongst them, which further exacerbates the challenges to operationalising collective action anti-corruption approaches in the Moldovan context.

A further constraint to anti-corruption discovered by the research is the generalised lack of trust in the state, which is compounded by a lack of strategic communications on the part of the government. These two factors result in that some key efforts to fight corruption, reduce red tape and improve the business environment undertaken by the Government of Moldova are not known or taken advantage of adequately, thus stifling their impact. Even when there is awareness about new digital tools there is reluctance to make use of them because there is a preconception that interactions with the government in any form will be complicated, time consuming and costly.

### **The need to find complementary approaches**

Our review of the sector revealed important ongoing reforms to reduce corruption and improve governance, with four main approaches being tried:

*Deregulation and bureaucratic streamlining* with substantial reforms to inspections and simplification of bureaucratic burdens and a roadmap for reducing the regulatory burden for small and medium-sized enterprises.

*Digitalisation* of government services with the goal to move towards contactless procedures for business, including for opening a business, making payments and dealing with the tax authority.

*Capacity building of government* agencies with customs, the tax agency and General Labour inspectorate in particular receiving support to build more efficient processes and effective ways of working.

*Integrity*-building initiatives for SMEs which relies mostly on promoting the development and adoption of corporate business codes and international standards.

This blueprint will build on these approaches to seek complementary interventions in the sector.



### 3. Blueprint interventions that can add value

As highlighted above, sound objectives for anti-corruption in the SME sector are to

- **Reduce bribery.**
- **Increase compliance with legal requirements.**
- **Increase trust in government's response to corruption.**

The blueprint distinguished more short term and medium term approaches.

#### Short term approaches

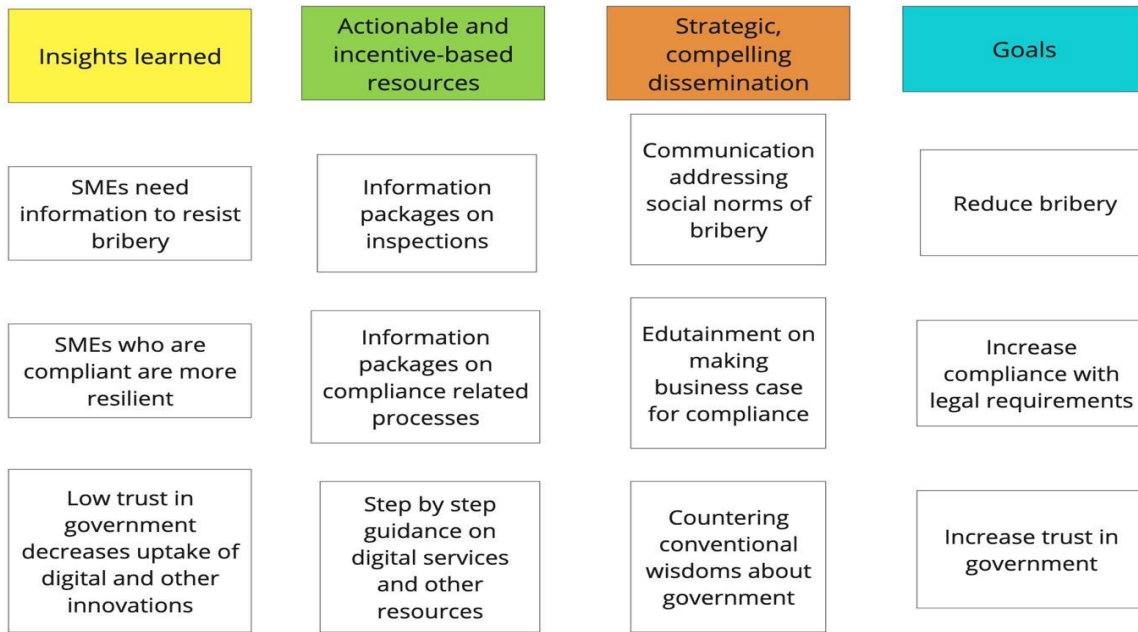
- **Developing actionable and incentive-based resources.** The aim is to make anti-corruption attractive for business and useful in addressing concrete needs of SMEs with tools, resources and information.
- **Targeted compelling dissemination of information.** Well-designed communication can help change narratives about corruption and

#### Medium term approaches

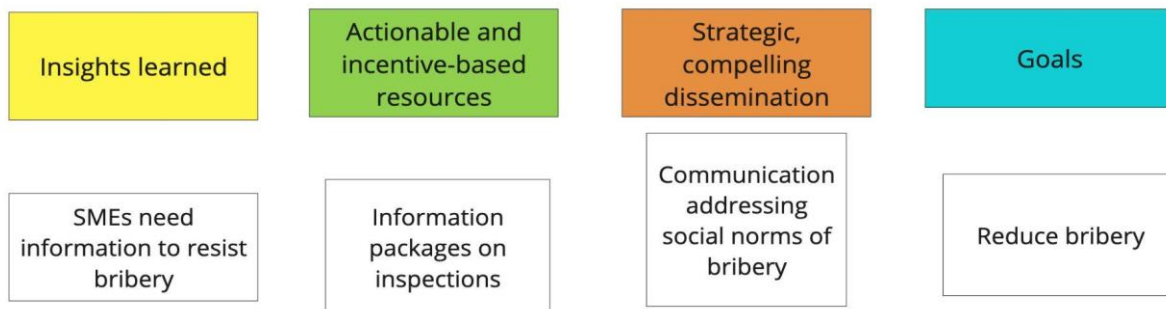
- **Strategic capacity building and institutional investments to sustain change:** a broader institutional ecology is important to sustain anti-corruption. We identify the kinds of changes and improvements that could be more broadly made to enhance trust in government.

#### Short-term approaches

*Blueprint for advancing anti-corruption actions in the Moldovan SME sector*



## 1. Reducing bribery



**1a. Operating assumption:** bribery is not inevitable for SMEs in Moldova, but is rather a choice influenced by the burdens imposed by red tape. Bribery can be resisted and avoided when SMEs have access to the right information that helps them properly understand their rights and abide by their responsibilities.

**Intervention Approach: Actionable and incentive based resources.** Concrete guidance and basic facts about how to comply with key bureaucratic hurdles can empower entrepreneurs to resist bribery attempts and desist from using bribery as a means to avoid complicated procedures. Fending off abusive inspectors can be promoted by disseminating easy-to-understand information about the exact rules and obligations that are the subject of different types of inspections, namely those from the State Labour Inspectorate (SLI), the National Agency for Food safety (ANSA) and the State Tax Service (STS).

The most straightforward approach is to produce succinct and clear checklists that entrepreneurs can have at hand when visited by inspectors. The lists should be endorsed by the government and should ideally include examples of what compliance and non-compliance with requirements look like in practice to ensure they do not give room for interpretation.

Various stakeholders have ongoing activities aimed at developing such lists. The Working Group for the Reform of the Regulatory Framework of Entrepreneurial Activity for example has established this as one of its stated objectives.

**Recommendation:** Enhance existing information packages by identifying gaps and customizing these tools to fit specific SME sub-sectors and types of businesses. Start by mapping, analysing, and evaluating ongoing initiatives relevant to SMEs' needs during inspections. Build from this initial analysis to avoid reinventing the wheel. For example, one can start by leveraging established SME-focused platforms more effectively, such as the Alliance of Small and Medium Enterprises (AIM) and civil society organizations like Zona Zero and the Center for International Private Enterprise (CIPE). All of which already have different toolkits aimed at improving SMEs awareness and interaction with red tape and the inspections that follows.

**1b. Intervention Approach: Strategic, compelling dissemination of information.** The research revealed an apparent mismatch between the perception of a descriptive social norm suggesting that bribery is widespread and the normal way to deal with public sector interactions, on the one hand, and the actual reported experiences with bribery, on the other. As evidence from the research suggests (Agerberg and Köbis et al) in such cases revealing the real preferences and behaviours (i.e., bribery is not as widespread as commonly believed) can be effective in triggering positive results.

**Recommendation:** Develop a public campaign that emphasises that bribery is not inevitable for Moldovan SMEs. The key goal is to counter the mainstream narrative that normalises bribery and to point to the fact that the survey evidence confirms that bribery rates are lower than the perceptions thereof. It will be important to emphasise that experience confirms that empowered entrepreneurs are able to defend their rights and fend off against bribery attempts. This in turn provides an opportunity to link and raise attention to the inspection checklists mentioned above.

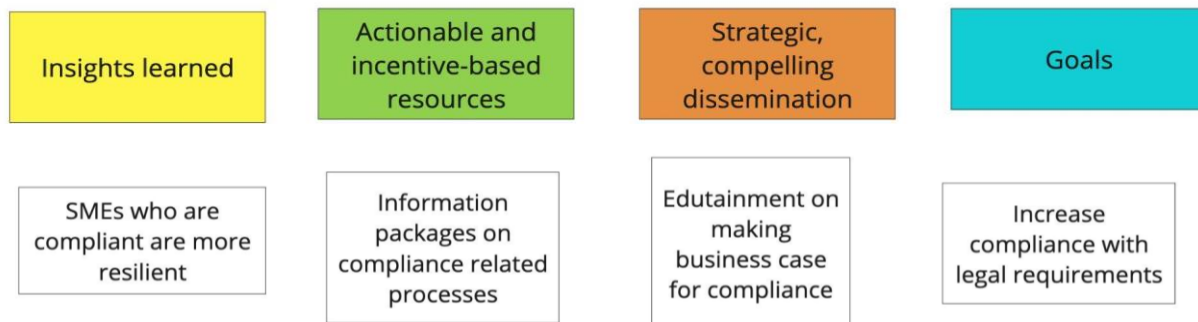
Several messages should be developed and prototyped to test for relevance and get a sense of how different individuals from different target groups engage with them. Some messages might be simple, making reference to the source of information to be credible. For example, figure 2 shows the poster Köbis et al used in their field experiment in South Africa. A similar approach could be tested in Moldova making allusion to the survey carried out by IDID “Viitoriul” and other sources.



Source: Köbis et al, 2022

Other messages might be more elaborate, describing experiences of SMEs in upholding their rights and standing up against bribery and discussing how having the right information is crucial in order to do so.

**2. Enhancing Compliance:** Supporting SMEs to defend themselves, mainstreaming integration into approaches



**2a. Operating Assumption:** The **insights learned** allow us to generate the **assumption** that SMEs that are fully compliant are more resilient to corruption.

**Approach: Actionable and incentive-based resources.** Integrating anti-corruption compliance requirements into existing and upcoming business development opportunities can strengthen the business case for Compliance and help safeguard grants and loans made available to SMEs. These requirements should be combined with practical and tailored supporting tools, training, and Compliance resources to support SMEs throughout the implementation process. These tools and training opportunities can also help SMEs to prepare for an eventual EU ascension.

**Recommendation:** Integrating anti-corruption Compliance into tangible business development opportunities is key to shifting the narrative that Compliance is just adding to the cost of doing business.

Rather than creating new platforms, the priority should be to identify opportunities to leverage existing engagement, particularly across the many business development projects already ongoing in Moldova. For example, while projects specifically targeting SMEs would be obvious choices, development programmes aimed at strengthening citizen engagement and community participation can also be good channels to disseminate the resources aimed at SMEs. The one-stop-shops that are planned by the project EU4Moldova Focal Regions Programme would be another dissemination point. Also, the Organisation for Entrepreneurship Development (ODA) has expressed interest in incorporating a compliance module to their routine trainings and could be another strategic contact point through which to disseminate problem-solving materials and raise awareness about them.

**2b. Approach: Strategic, compelling dissemination of information.** A second component of a strategic communications campaign would be to communicate why compliance makes sense from a business perspective. This element of the campaign could also highlight a compliance made easy message, linking to the problem-solving tools and resources. This campaign should clearly spell out the downfalls to staying informal, amongst others, the fact that it is impossible for the business to grow and thrive while remaining in informality. Importantly, the campaign should also underscore the pitfalls of not being compliant vis-a-vis the expected EU ascension process.

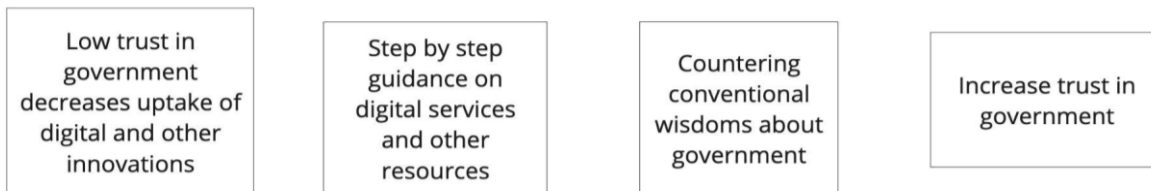
**Recommendation:** In this case, it would be interesting to explore an approach elaborating and communicating short stories that can vividly communicate the downfalls of not formalising operations and also of how entrepreneurs that have opted to upgrade their operations and abide by the legal and regulatory framework perform better. The information should be endorsed by the government, in order for it to be considered credible (e.g. the Government recognises the facts presented) and also ideally by an international donor or group of donors, which are recognised as trustworthy stakeholders.

Topics can include:

- why stepping out of informality is indispensable for business to grow
- what are the risks to non-compliant businesses vis-à-vis EU ascension?
- why businesses that remain in the informal economy are unable to transact with other who have formalised

**3. Increasing trust in government**





**3a. Operating assumption:** low trust in government is a crucial factor that hampers the impact of current Government of Moldova anti-corruption and business environment improving efforts.

**Approach: Actionable and incentive-based resources.** The research indicates that already significant gains have been made in terms of simplifying different bureaucratic procedures for SMEs. For example, opening a new business or managing tax declarations can be done online. Digitalisation can go a long way in reducing corruption by limiting human contact and simplifying services. According to the interviews, however, possibly the main hurdles for taking full advantage of these services are the lack of awareness about them and the limited IT literacy of SMEs.

**Recommendation:** To strengthen trust in government a concerted effort is recommended to produce materials raising awareness about the new digital tools that are being made available. Concrete information about where they can be found and developing easy-to-follow, step-by-step guidance on how they can be used in pursuit of processing different requests or accessing different services.

Care should be taken that any relevant reforms that are publicised and showcased be fully operative. During the research it became clear that there are examples of reforms, such as the e-procurement system, which on paper seem to be operational but in reality, might still face significant challenges. In order to promote the goal of increasing trust in government it is crucial that entrepreneurs take advantage of what is available and functional but also to avoid disappointment and frustration with tools or resources that are not yet working as they should.

**3b. Approach: Strategic, compelling dissemination of information.** Lack of trust in government is generalised in Moldova. This affects the interactions between businesses and public officials, exacerbates tendencies towards proactive bribery and slows down the pace at which government reforms can yield visible results. Furthermore, when SMEs are skeptical of the notion that corruption can be tackled, serious challenges arise vis-a-vis incentivising SMEs to become compliant and resist bribery.

Furthermore, the interviews also suggest that the government is doing a poor job in communicating its reforms, approaches and, importantly, achievements. Some anti-corruption initiatives that appear as a success on paper are not necessarily operational and that decreases trust in government. On the other hand, there are success stories that have not been properly communicated. This is the case of some of the contactless business

services that are now online that some of the interviewees spoke about in positive terms. This is also apparently the case of customs, where the research confirmed a very widespread mental model of customs being one of the worst offenders in terms of bribery and exploitative stances towards SMEs, whereas the direct experience of practitioners, working on the ground with the institution, very much suggests that there is an active leadership in the institutions that is promoting and, importantly, implementing serious reforms and conducting outreach efforts.

**Recommendation:** Challenging conventional wisdoms that the government has been doing a poor job on anti-corruption is, therefore, an important element to convince people that change is possible, increase trust in government and in anti-corruption, and start triggering virtuous circles where heightened uptake of reforms on the part of SMEs can also help reduce the opportunity space for corruption from the bottom up.

## Medium term approaches

In this section, some ideas are offered about what could be next-level interventions that could be implemented to deepen, consolidate and lend sustainability to anti-corruption efforts in support of SMEs in Moldova.

### **4a. Exploring the feasibility for a Business Ombudsman.**

One key consideration is that, given the lack of trust and fear of uncompetitive behaviour amongst SMEs, the value and potential of working collaboratively has to be demonstrated, focusing on business facilitation and problem-solving to build trust among business and stakeholders. In this regard, the idea of establishing a Business Ombudsman in Moldova, which has been a recurring theme throughout the research, could be a means to further pursue trust-building measures and as a resource to ensure SMEs do not feel they need to resort to bribery should they encounter problems with public agents.

The idea of the Business Ombudsman has been met with mixed interest by government institutions, business associations, civil society and the donor community. What has become apparent from these discussions is that despite general interest in this type of business-focused reporting and dispute resolution mechanism, there is still a lack of clarity on what an adapted Business Ombudsman model for the Moldovan context could look like. Nonetheless, the interest in the Business Ombudsman model can be viewed as an opportunity to think beyond the short term and strategically envision how short-term gains in increasing trust in government can be harnessed to launch more ambitious institutional solutions to the challenges and needs of SMEs in Moldova.

So far, the discussion around the status of the Business Ombudsman is viewed by most stakeholders as government-owned and donor-driven. This has raised concerns from the private sector, given the sensitivities around reporting on malpractices and corruption to government institutions.

Questions around the sustainability of potential funding models were also raised, and how best to strike a balance to ensure there is no political interference while also ensuring the ability of the Ombudsman to effectively address reports made. It was also noted that if such an Ombudsman was to be developed in Moldova it should be tailored to the needs of SMEs.

Overall, there seem to be more questions than answers in the discussion around setting up a Business Ombudsman in Moldova. To help answer some of those questions, a review of existing and similar initiatives could be helpful to add more substance to this discussion. One such example is the Ukraine Business Ombudsman Council, which has been identified as a useful baseline model given the similar environments. The Ukrainian Business Ombudsman Council should not be seen as a blueprint that can be simply applied in Moldova but rather as a basis for discussing what could be possible. Annex 2 provides a high-level overview of how the Business Ombudsman Council operates in Ukraine.



Setting up a functioning and impactful Business Ombudsman is not a quick fix but a lengthy process that requires ongoing commitments, both from the private and public sector as well as the international partners and donor community.

At this stage, it is unclear whether Moldova will be setting up a Business Ombudsman. Still, as the experience in Ukraine shows, this type of Alternative Dispute Resolution (ADR) mechanism has the potential to positively impact a number of underlying issues identified in this report.

A Business Ombudsman can be a powerful tool to help dispel myths around the necessity and pervasiveness of corruption and bad faith abuses of discretionary powers when conducting business dealings while also offering a practical alternative to giving in to unfair demands. A central function of the Ombudsman beyond investigating individual malpractices is collecting, analysing, and publishing systemic research, analysis and data, which can help shift the discussion on corruption/unfair business practices from perception based to more evidence-based and data-driven policy choices. By mediating between companies and public institutions, the Ombudsman can also help increase public accountability and build trust between the private and public sectors.

#### **4b. Incorporating compliance and integrity-building measures into existing donor portfolios and programs**

Findings from the research indicate that most ongoing programs, including both government and donor sponsored, that provide financial or technical support to SMEs do not incorporate anti-corruption or integrity-building provisions. It therefore seems logical to link schemes that are providing grants and credits to SMEs with some elements of compliance conditionality. This is an approach with the potential to unleash systemic change because it links compliance and anti-corruption directly to the most relevant incentives driving decision-making among SMEs.

At portfolio level

The point of departure at portfolio level is for the donors to assess:

- (1) how corruption may affect the achievement of the goals within their economic development portfolio
- (2) which anti-corruption contributions and measures are already in the portfolio, and which other contributions and measures could be strategic, timely and feasible to add.

Above analyses should preferably also be done in relation to and dialogue with other donors in order not to overlap and to fill identified gaps. This study has done an overall mapping and presents gaps/areas relevant to engage in in Moldova.

At project/programme level

Based on the portfolio level assessment the donors should engage in a dialogue with partners in economic development projects/programmes in order to discuss anti-corruption-related measure to be integrated/”added-on” in upcoming or ongoing projects/programs in line with below.

The first step is to ask the following questions:

Within the scope of the project/programme itself, are there areas in the design which logically could contribute to key aspects of anti-corruption measures such as *integrity, accountability, transparency, participation or efficiency*?

In the wider context where the project/programme is located are there any special features of the project/programme which could (if further developed) serve to promote *integrity, accountability, transparency, participation or efficiency*?

Asking these questions reveals that many contributions – including the ones first thought of as completely unaffected by corruption or irrelevant for promoting anti-corruption – can offer promising opportunities to include anti-corruptions measures. The second step is to explore how to address the identified opportunities for anti-corruption in the design of the contribution, preferably by defining an explicit anti-corruption related objective, expected result or activity. (Please see Annex 3 table with possible measures to integrate in projects/programmes that relate to *integrity, accountability, transparency, participation or efficiency* and that are mainly based on the study finding.

#### **4c. Improving responsiveness of public officials**

The research shed light on some of the constraints to change on the side of public officials, and the bureaucracy generally. Many of those have to do with organisational cultures that are averse to change and favour a top-down, command and control approach to policy and rule implementation as opposed to responsiveness and accountability vis-a-vis citizens and businesses. Dealing with these cultural elements and finding meaningful entry points for elicit change in post-Soviet countries is a formidable challenge. However, improving anti-corruption outcomes is almost never feasible by addressing only one side of the equation.

If, in essence, a good part of the challenge is to change the overall practices in the public sector towards a more “customer friendly” stance, then there are a few entry points that can be considered:

On the side of formal incentives, one approach that could be piloted in “champion” institutions would be setting standards for the delivery of quality services. One modality of this would be to develop an analogous model to that of the citizens’ charters for SMEs. These tools set out clear prices, timelines, and distribution of responsibilities for the delivery of public services. When properly advertised and endorsed as a commitment by the respective authority, these can be used as benchmarks against which to hold public officials accountable for their performance.

The interviews shed light on some instances where inspectors are actually acting out of their own volition along the lines of a “customer support” advocate. There were accounts of tax officials that help SMEs who are not fully compliant with their obligations understand what they need to do and how. These anecdotes suggest that inspectors themselves can be engaged, trained and incentivised to act as “customer satisfaction” champions. The goal would be to change the culture towards one of providing services rather than punishing.

For such an approach to work it would need to be anchored along different dimensions. It should be recognised that, if public officials are to be asked to break with established practices, or in other words, to become positive deviants, they need to be properly supported and protected.

One way to do so is by adopting a network-building approach, whereby mutually supportive groups of champions in one or across various public sector institutions can provide resources on how to manage resistance or outright pushback towards their activities.

A complementary way to look at this is that, in order to stimulate behaviour change, often the priming and nurturing of specific identities is useful. In this regard, these champions could be given visibility and, indeed, a new identity. For instance, they could be cast as representing the face of a “new Moldova that is modern and turning its face towards the EU.” Status and respectability are important drivers of behaviour and thus, casting new, positive identities in the public light and raising these champions to be regarded as role models might be an effective element for such an approach.

Finally, cultivating buy-in of new behaviours can also be linked to concrete incentives. Providing recognition for a good record in championing positive behaviour change in performance assessments and recognising positive behaviours in career advancement processes could further stimulate the adoption of new norms in the Moldovan public sector.