

# Resetting the Moldovan Banking Sector: What Can Europe Do and Why?

## Executive Summary

Few years ago, Moldova's and European Union's (EU) financial systems have been used to launder billions of euros. While the "one billion bank theft" has put Moldova's financial stability in particular and the country's security in general, under threat, the over 20 billion laundered through Moldova ("the Laundromat") have cast a shadow over the EU's financial system.

This could give the EU full legitimacy to act and demand an **international asset recovery mechanism**, as per article 18 of the EU-Moldova Association Agreement. It becomes all the more imperative, given the visible inaction by Moldovan national authorities. There is currently no thorough investigation being held in Moldova over a theft equivalent of 15% of the country's GDP – money stolen from the banking system more than two years ago.

While economically, politically, socially and in terms of international image and credibility, the consequences for Moldova were harsh, the EU must act decisively on these crimes that exposed both Moldova and the EU to internal security risks. Dirty money originating from corrupt practice ending up on EU bank accounts can pose a serious threat to the EU itself, corrupting the system from the inside.

Through these crimes the EU taxpayers have been robbed of significant amount of aid money. Only from 2007 to 2015 €782 million euros in bilateral aid intended to strengthen public administration were allocated to Moldova, and as I write these lines the politically controlled mass media is praising the government's efforts to have unblocked another 100 million euros (that would not have been blocked in the first time, if not for corruption at highest level). It is the obligation of each EU institution to investigate and recover the stolen funds.

## Recommendations

🔍 **The EU must initiate a credible international investigation and asset recovery task force, and a sanctions' list. This could possibly restore the pro-EU sentiment in Moldova, which is currently in decline. The people have simply lost trust in the nominally pro-European corrupt politicians in power.**

🔍 **The EU must demand reforms that are visible for the wider public and ensure more strict oversight of the funds that are disbursed to help the Moldovan people. The EU must demand results, not reports.**

🔍 **The EU must support free and independent civil society and mass media. With Moldova visibly slipping to authoritarianism, this becomes an imperative not only for investigating the financial crimes discussed in this paper, but also for protecting the core values of democracy.**