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**The Reform of the Public Administration and of the Socio-Economic System within the Association Process of the Republic of Moldova to the European Union: Theoretical and Practical Aspects; Problems; Solutions**

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**Abstract:** Pseudo-reforms of the public administration and of the social-economic system in Moldova conducted to deprivation of the legal and operational capacities of the state institutions to react at the increasing level of corruption in the country. More than that, these conditions provided a stimulus for increasing economic disequilibrium, social vulnerabilities and constraints. In this sense, the current article is analyzing the conflicting social-economic policies with the basic economic theories and practices and the negative consequences for Moldova in the process of the EU Association. The scope of the present article is to identify necessary measures to strengthen the capacities of the public administration institutions in facing current problems related to corruption, economic development, socio-economic equilibrium and Moldova's faster integration in the EU system of values and mechanisms. In this sense, the idea is to elaborate a new Strategy containing combined measures for balanced economic development and increase of the quality and efficient implementation of reforms in the field of administration, legislation, prevention and control of economic and political disequilibrium as well as combatting the corruption. The current article is using a research method of interactions and close relationship between development ways (balanced and misbalanced) of the socio-economic systems and the administrative, legal and institutional capacity to implement the European aquis and standards. The European standards meaning economic equilibrium, increase of the national economic potential and diminishing the corruption and oligarchy levels. The Strategy and measures for a balanced development represents the main result of the article. The aim of implementing this kind of policies is to achieve the creation of a legal institutional framework for public administration in order to support the core values of a democracy as it follows. An independent justice from political injuries, guarantee of the private ownership, free economic competition in a free market, reduction of state regulations, adaptation of the socio-economic system to the modern and functional market economy.

**Keywords.** Public administration reform; geopolitical vector; socio-economic equilibrium and disequilibrium; corruption; economic development

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## **1. Introduction**

Practical and theoretical background of the public administration reform policies and strategies, social-economic development and EU integration is the concept of pseudo-reform of public administration and socio-economic pseudo-development. These concepts include: dualism in the activity of public administration in terms of the socio-economic development vector, different models and ways of creation of the mixed market economic system and integration.

In the unique hierarchic system of the public administration authorities and in the process of its reformation, there are implemented two policies and concepts diametrically opposed in terms of democratic model, development of the socio-economic system and creation and operation of the free mixed market economy, namely: an European administrative model, based on democratic principles, immovable private ownership, fair competition of the markets, guarantee of fundamental human rights, free initiative, and the other unitary model, administratively centralized, so-called euro-asian, with destructive implication of the state in socio-economic relations and affairs.

In fact, public administration in its activity, under the cover of different models of development and pseudo-reformation, led to the establishment of an economic structure that is primarily monopolist, ignoring private economic interest, distorting and harassing socio-economic and legal elements and relations and constraining the freedom of business, monopolizing media (70% of mass-media is controlled by oligarchy) and establishing anti-loyal market economic structure.

At the same time, the following processes are occurring: distortion of the economic system as a result of smallholders and family households failure, oligarchization of the financial system (70% of the monetary mass is controlled by owners of 3 banks), total control of economic, political and informational flows. Pseudo-reform of administration and pseudo-increase of economy based not on the concentration of investments for renovation of some consecutive priorities, but on final consumption, stimulation of demand and consumption fueled by remittances, have considerably extended sectoral, socio-economic imbalances, stimulated the involvement of public administration structures in the system and shadow social and economic relations; advanced destructive role of administration at all levels by direct intervention in business activity. Furthermore, public administration authorities implemented mechanisms of inefficient redistribution of income and bribery of human resources and small and medium business, took possession over bank capital and the real one through monopolization as the result of the “raider” attacks, distorted private economic interest, disordered the system of social and economic relations, caused an overall poverty and irreversible pauperism.

The corruption among different parties and governing administrative structures increased, creating so-called “Alliance for European Government” that during 5 years had continuously negotiated and traded sectorial administration (ministries, state agencies, departments, etc.) and shared spheres of influence in state’s external and internal policy and in conducting general public administration, through which they stole and laundered money from the banking system, extorted diverse extra-budgetary funds (road fund, subsidy funds, grants, etc.), bankrupted and symbolically privatized state property.

One can imagine the level of responsibility, coordination, monitoring, transparency, honesty and integrity of the public administration, if to take into consideration that the Minister and, also, leader of the party that performed administrative functions in state for years had been convicted to 9 years of prison for corruption when the billion was stolen and laundered, financial system and real capital was monopolized, and everything was taken under control of an oligarchic administration. More than that,

the level of corruption increased in the structures of public administration, through the sectorial administration procurement system, through establishment of free zones based on political criteria for the companies affiliated to the central public administration, creation of different systems of facilities, administrative value of the salaries and bonuses of the public employees in relation to growth of labor productivity. Usually, salaries and bonuses in the structures of public administration are dozen times higher than the socially necessary work. Through these and other methods, corrupt public administration got into all elements and socio-economic relations and at all levels.

As corruption, economic frauds, theft and money laundering done by sectorial public administration advanced, the process of monopolization and joining potential and corrupt economic flow with the political one sped up, macroeconomic indicators, investments and accumulations in the real economic sector decreased, obtained income depleted, disproportions and socio-economic crises deepened. At the same time, as a result of the conversion in euro under the cover of central administrative groups of billions of lei lent from NBM under the government guarantee and their laundering to off-shore (a question can be posed where was the responsibility, coordination, monitoring and control of the high level institutions on the frauds done in full view of the public administration) prices for essential goods increased, national currency depreciated and, respectively, the purchasing and investment power of the accumulations of the economic agents and population decreased. The problem even worsened because the considerable reduction of the GDP in the result of the extensive development policy conducted by central public administration and “erosion” of capital resources (in 2000-2016 amortization fund was around 50 billions lei) and overall economic potential and all these created preconditions for significant migration of the active workforce and honest and efficient foreign capital, as well as the local one. All these contributed to significant advancement of the imbalances and instability in the economic, financial and social systems, decreasing the volume of investment in innovation priorities, increasing the rate of unemployment and massive migration of the workforce.

The problem gets even more complicated, as the concept, policy, principles and solving mechanism of this and other problems are not stipulated in the Strategy on central public administration reform in Moldova of 2005, nor in the Strategy on central public administration reform for 2016-2020.

A new Strategy on reforming public administration and socio-economic system and association to the EU reiterates the timeliness of implementation and promotion of such public administration reform based on the international institutional and legal framework aiming to be not just a reform for the sake of reform, but to create a socio-economic system according to the principles developed by modern economic theories applicable to the current national conditions, that should ensure at the end of reform the following: economic growth and stable and sustainable development; real guarantee of the ownership and economic freedom; growth of the population’s wellbeing and poverty eradication; technological upgrade of the economic system and transition to an economy based on primarily intensive development; relaunch of the structural changes and creation of an modern economic structure, based on diffusion (action) of private property; establishment of a free market system, transparent with a fair competition; demonopolization of economy and abolishment of oligarchy and escaping state institutions from captivity; depoliticization of the sectorial administration and ensuring functional independence; balanced development of the socio-economic system by financial, monetary, fiscal of the current account stabilization according to the equilibrium model IE-LM. Institutional system and national judicial framework and sectorial public administration are corrupt, contradictory, politicized, fragmented, implemented by government in a selective manner, have proved in time their inefficiency, as these have not been based on the principles of the law theory and models of

equilibrium and real separation of the power branches in state, values of the economic equilibrium theory, including principles developed and promoted by the EU institutions.

Given the vicious socio-economic and political disequilibrium and a pseudo-reforming public administration, caused by penetration of corruption in all relations and elements of the economic system, the growing role of the modern economic theories and international and EU institutional framework becomes more emphasized for efficient implementation of reform measures, separation of power branches in state for addressing strategic problems of socio-economic development, prevention and counteracting corruption.

At the same time, an obstacle in implementation of the strategy on stabilization and public administration reform on medium term, is addressing the current problem in institutional, legal, judiciary, structural and financial domains.

Balanced development in the process of public administration reform based on the principles developed by economic theories and international law theories, values of real separation of the power branches in state and the EU association, is the only chance of survival of the country as a state.

Unfortunately, policies and decisions of pseudo-development and pseudo-reform of public administration that have already been implemented in the national economy, led to socio-economic instability resulted from the theft of the billions from the banking system, monopolization and further stagnation of innovation and technical progress in the real economy, that distressed political and social contradictions, increased instability between economic and social domain, caused economic sanctions of political nature imposed by Russia, as well as some limits of the international structures, including IMF and EU. As a result, the level of state dependency of geopolitical factors increased, corruption continuously deepened, decreasing administrative and judicial capacities for the implementation of economic reforms appropriate to the EU standards, rehabilitation of socio-economic potential and maintaining European development vector.

The above-mentioned problems that are currently faced by the public administration ascertain the timeliness of implementation of the new Strategy on socio-economic stabilization through radical reform of the existing public administration system and fulfilment of the Copenhagen and Madrid criteria for adjustment to the modern economic, political, social and administrative standards. In order to recover situation of balanced and sustainable economic development, to consolidate capacities of performing sectorial public administration reform which shall be compliant to the European administration standards and free market economy, depoliticization of institutions, real separation of the power in state and keeping European vector requires political will and urgent and radical measures from all the structures and authorities of public administration. Concurrently, it is necessary to perform real monitoring over these processes by the EU and create a Moldovan-European structure of coordination and supervision of the efficient implementation of reform measures.

**Basic content.** The development of a Strategy for public administration reform and socio-economic stabilization according to the European standards under circumstances of an overall fraud, oligarchy and capture of the state institutions will be difficult as it implies adjustment and forecasting of economic imbalances caused by corrupt oligarchic system to ensure dismantling of this system. Only in such conditions, we can consider the possibilities of implementation of reform measures for socio-economic stability, separation, equilibrium and depoliticization of state institutions. Eradication of social-economic instabilities caused by corruption in public administration, under auspices of oligarchy is very complicated and lengthy, due to the fact that economic frauds largely affect all the elements of economic system, including real economic system, small and medium business, financial-

banking system, etc. The problem worsens because it is very hard to eliminate economic imbalances and corruption as these occurrences, caused by an overall poverty, have a continuous nature and are replicated in political, legal, socio-economic and credit-monetary relations between business and sectorial administration structures at all levels, pose a social risk that threatens national interest and state security. Expansion of money laundering, penetration of corruption in all structures of sectorial administration, justice, media, legal domain and others represent the financial and juridical essence of oligarchy in capturing, controlling and maintaining in their claws of sectorial public administration structures, justice and legislative power.

Development of the Strategy on economic stabilization through public administration reform and EU integration requires highlighting and addressing the most serious problems and obstacles in the way of development, reform and association. Identification of necessary solutions to overcome these problems requires professional analysis and implementation of the principles of the modern theories and models of economic equilibrium and values of the international law and Copenhagen and Madrid criteria for adjustment to modern economic, social and administrative standards. Practical implementation of the requirements of the general theory and models of economic equilibrium, different specific types of equilibrium, including: equilibrium of monetary market, inputs market, goods market, labor market and others according to the European Commission's criteria will mean that results of the administration reform are compliant to the national and European requirements.

Strategy on public administration reform through economic stabilization and sustainable development will take into consideration the neoclassical and neoconservative doctrines, economic nationalism doctrine of F. List, general equilibrium model of J. Keynes, and monetary model of M. Fridman and S. Fiser, equilibrium models of Walras-Wald and Arrow-Debreu-McKenzi and others.

At the same time, development of the Strategy will be based on the theory of law and European and international legal framework on public administration reform according to the European standards. In the Strategy on public administration reform, stabilization and socio-economic renovation and integration to the EU, it is necessary to highlight and implement the constituent parts of these theories, principles of the Institutional Framework, such as recommendations of the European Councils from Copenhagen, Madrid and Luxemburg; European Court of Justice; Decision no. 91/308 of 10.06.1991 of the European Economic Council of the EU, Directive 2001/97/CE of the European Parliament and Council of 4.12.2001.

In the framework of the new Strategy on public administration reform for socio-economic stabilization and sustainable development, renovation and association, it is necessary to remark and achieve objectives and requirements imposed by IMF and take into consideration the measures of equilibrium of the economic-financial system, accepting principles such as: multiplicity of equilibrium and equilibrium problems, elimination of limiting hypothesis, strategic interaction between agents, game theory, etc. and limits set by the Basel Supervision Committee to financial policy, budgetary deficit, international standards in the field of supervision.

The policies for public administration reform of the new Strategy will take into account particularities and nature of the socio-economic disequilibrium and current financial disparities and will undertake measures to balance aggregated supply and demand, GDP and monetary mass of national currency and foreign exchange reserves of the state.

Medium and long term implementation of the Strategy requires improvement and clarification of the main functions of the National Commission for European Integration (NCEI), National Council for Public Administration Reform and Center for Reform Implementation (CRI). The core functions of

CRI and Management Board shall include: implementation of reform in public administration for renovation and economic growth and intensive development, provision of jobs and decreasing the level of migration, economic and financial stabilization with empowerment in supervision of macroeconomic equilibrium, control and assessment of budgetary and banking system equilibrium, monitoring of tenders and privatization transparency, economic and financial transactions, supervision and improvement the quality of structural reforms; development of criteria and principles of economic and financial policies; propose legislation for accomplishment of reforms, coordination and cooperation of CRI with international institutions for expertise and external assistance aiming to reform implementation; assessment of the implementation capacity, so as the results of the reforms to be compliant to European economic, social and administrative standards.

The Center for Reform Implementation and Management Board will have responsibilities for monitoring, coordination and correction of macroeconomic evolution. Structure and functions of the Center for Reform Implementation are shown in figure 1. The functions of CRI involve also monitoring of macroeconomic disequilibrium and development of proposals for their adjustment, implementation of measures in order to avoid disequilibrium, promotion and implementation of European standards for balancing socio-economic system and sustainable development.

Rapid and asynchronous changes of the structure and functions of local economy and the European one, lack of synchronicity in the Moldovan-European relations will create barriers in: public administration reform, stabilization, intensive and sustainable economic development, timely avoidance of disequilibrium and association, prevention and coordination of fight against corruption, etc. In Moldova, during transition period the performance of National Development Strategy, Public Administration Reform Strategy and Center for Reform Implementation was insufficient because these had not functioned and are not functioning as Administrative Body detached from politics, to avoid traditional cleaning connected to changes in the government and to ensure continuity of the general interest projects. Moreover, Public Administration (and not only it) is totally dependent on oligarchy and obviously does not have competencies from political power to supervise economic stability, combat corruption in economic, financial and social domains with real control responsibilities. Subordination of reforms to Governmental Commission for public administration reform, led to increase of instability and corruption of the governing party headed by former prime minister that is currently convicted. Dependency on political factors of the first administrative level, subordination of administration and expression of political group's will at the highest level, allegedly to continue reforms, has led to oligarchy and capturing of the state institutions.

In Moldova's theory and practice there are different, diametrically opposed concepts addressing the problem on the relationship between politics and administration – one relates to detachment of administration from politics, at the highest level aiming to provide a continuity of actions for implementation of economic reforms and European vector; - the second relates to dependency of the first administrative level on political factors while providing the second level the very much desired stability of position. Unfortunately, in Moldova all levels of administration have been divided according to political principles and totally subordinated to it (they were dividing guards and maids on political principles, only to stimulate them to join the party).

In the national practice detachment of administration from politics have not existed, that's why reforms were done according to the principle one step forward, two steps back. Lack of political will to not interfere and offer administration freedom in actions led to a total disorder and damage in society that was done by politics. For instance, first progressive parliament put the basis of independency and opened European direction and reforms and provided a significant stimulation for

change (1990-1994), the second political parliament (1994-1998) stopped administrative reforms and the concept of socio-economic development, following euro-asian vector, the third (1998-2001) returned to the European vector of development, implementing so-called “shock therapy”, destroying over night the agro-industrial potential, offering nothing in return, the fourth (2001-2009) subordinated administration in a dictatorial manner and maneuvered one step to European vector and two to CIS, increasing economic instability and tensioned social contradictions up to antagonist apogee and forcedly changed the power, the fifth (2009-2017) overtook administration in its hands, miming reforms, monopolizing spheres of influence, merging politics with administration and creating a corrupt oligarchy that captured administrative institutions.

Inefficient results of reforms, subordination of administration to politics involves considerable decrease of economic potential, increased migration of workforce, rise of poverty, stimulation of monopolization process of the economic and financial flows, consolidation of oligarchy in theft and money laundering, allocation of funds to those areas where parties were in charge. In order to do so, oligarchy cancelled the law on establishment of Counties, returning to rayon structures of parties and their illegal financing. Reform was done according to the interest of governing clans that led to deepening of macroeconomic instability and local markets, „legalizing” corruption to the interest of monopolists and oligarchy.

Lack of a Center of Reform Implementation for socio-economic stabilization, combatting corruption, independent with control responsibilities similar to Constitutional Court and a developed civil society, allowed government to “tailor” legislation as they preferred (in Romania under the pressure of society the Ordinance no.13 on amnesty of the corrupt persons was repealed), “untied hands” of corrupt government to be not liable for committed crimes, including theft of billions by oligarchic power. It is easy to imagine the chaos and blockage that would have occurred in the political system of the country if an independent Court of Justice would not have functioned.

The absence of an independent Center for administrative reforms with conclusive decisions, led to penetration of oligarchy in socio-economic and political system, capture of state institutions. This resulted in an unbearable situation, disaster and a total disorder in the society. Most of the population is below the poverty line and leave the country in which they cannot survive because economic potential is in a state of „coma” and does not ensure proper employment opportunities and does not address critical social problems. In the country, there is no structure with authority and immediate and fixed mechanism to combat heavily corrupt oligarchy efficiently, to dismantle oligarchic structures and stop instability, disequilibrium, ending the theft of billions and refunding it, to escape state institution from economic and political captivity.

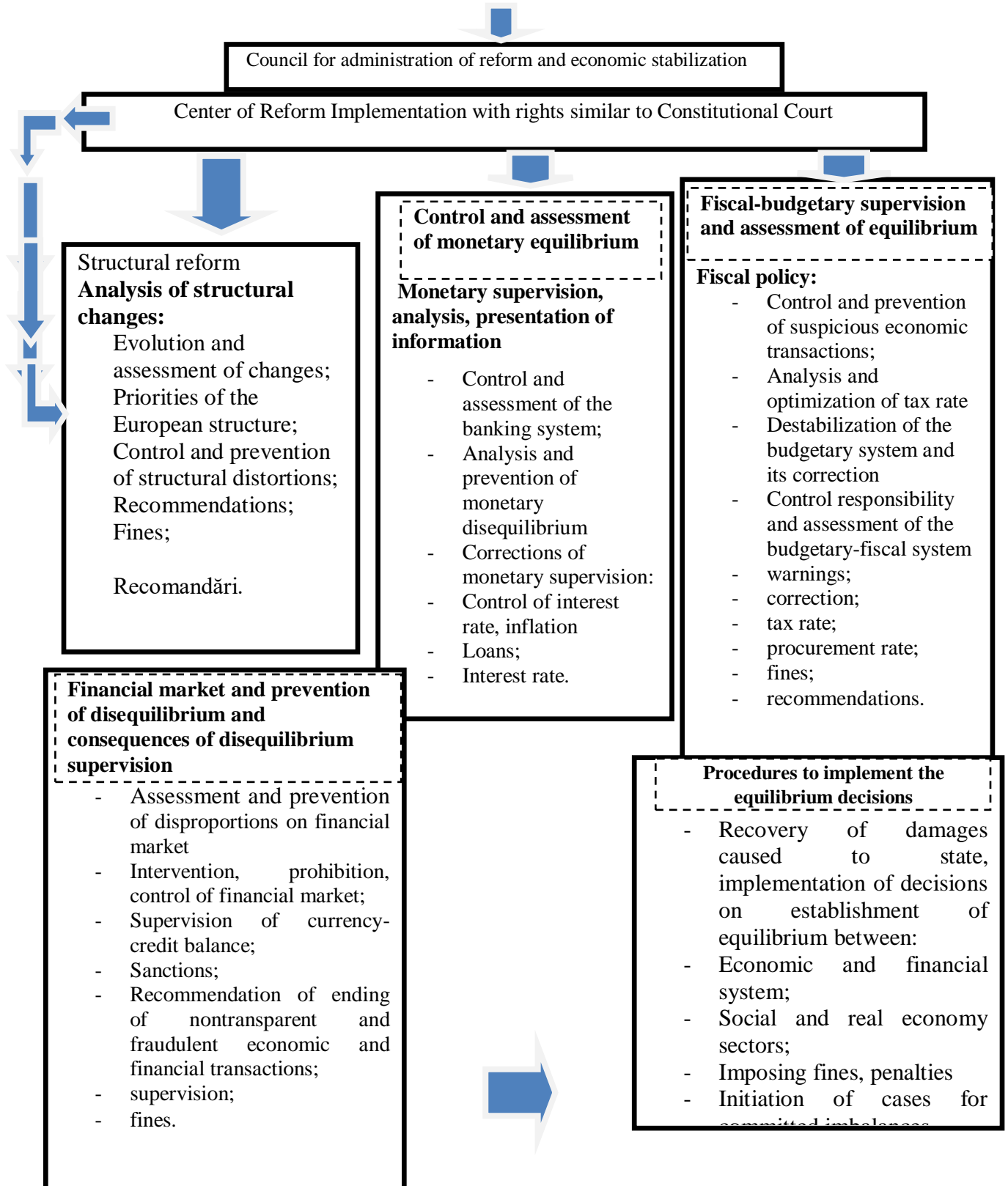


Figure 1.

Source: Created by authors



In order to avoid these and other processes and anti-national and fatal actions for Moldova, caused by comprador oligarchy, Center for Reform Implementation and economic stabilization must be established as an independent institution with responsibilities of control, supervision, prevention, correction and counteracting corruption and sustainable development of economy and society. Increase of real efficiency of CRI in combatting corruption and economic equilibration involves providing this Center immunity and rights similar to Constitutional Court, as in case state power deviates from legal framework and principles of theories and economic equilibrium models and causes social-economic instability, to urgently stop and counteract illegal actions. It is important that those responsible for corruption, including the theft of the billion and creation of disequilibrium and economic, financial and social instability to be accountable to justice and restore caused damages.

The absence of a Center for Reform Implementation, politically detached, for development, stabilization, supervision and prevention of disequilibrium caused by political clans in charge, led to the increase of the level of corruption in the monopolist system and its expansion among oligarchic clans and penetration in all state structures and levels. These negative structures undermined state's security, deepened socio-economic, political and institutional disproportions, caused a disorder, total chaos and uncertainty regarding the future in society, differentiated society in pauperism and wealthy, corrupt oligarchy, led country into an "abyss", "eroded" economic potential, bringing it to "coma" state, maximally tensioned contradictions between oligarchic clans and civil society, compromised European development vector, divided the society in terms of geopolitical orientation between West and East (in 2009 about 70% of population supported European vector, now only 30%). All these deepen even more tensions between political parties, that instead of joining efforts to overcome monopolism and corrupt oligarchy and escape state from captivity, plead for, i.e. Socialist headed by the President of the state, cancelling of the Association Agreement and joining euro-asian union, liberals plead for joining Romania, but oligarchic clans in charge maneuver among these forces, speculating with vector of development and miming reforms monitored by the EU. Not least, institutional instability increases, economic interests, socio-economic, property and management relations are more and more deformed, migration increases massively and all these generate and replicate macroeconomic disequilibrium and instability of financial markets, production factors, capital, consumer goods, local economic potential is irreversibly shrinking.

While performing these functions CRI will take into account obstacles and complications that will appear in relation to promotion of liberal policies that involve development of ownership, based on free competition on the market mechanism, supply policies, non-interference in private economic activity, supporting free initiative and namely: keeping oligarchic regulatory policies under mask of balanced policies, based on consumption demand, direct intervention of administration in business and focusing on global demand. Situation gets more complex as CRI will address the above-mentioned problems in confrontation with oligarchic and monopolist system.

Implementation of real reforms in public administration and achievement of strategy's objectives requires addressing problems of human resources, starting from organizational, structural and functional issues and ending with selection, recycling, recruiting and motivation of reforming staff, combating fluctuations and migration of specialists in administration, establishing strict assessment and control system for civil servants, radically reforming the Academy of Public Administration and transforming it into a Moldovan-European Center of administrative staff recycling.

Implementing the concepts of supervision and prevention of economic instabilities, overcoming disproportions, balanced development in the conditions of national economy with open markets and increasing competition, bringing closer to the EU of socio-economic system, CRI will take into

account exogenous factors, problems faced by EU, will associate and coordinate actions with EU Council.

**Results.** The particularities of public administration reform, economic development and association to the EU were focused on synthesis of anti-reform and pseudo-scientific policies of economic development, including: monetary, budgetary, investment and structural principles that have already been implemented and have not been based on modern theories of economic growth and stabilization, while actions and policies of the central public administration have been done fragmentarily and politically dependent, using international and national institutional and legal framework selectively. Overall result and particularities of the policies and actions for the public administration reform done in the transition period (1990-2016), involve implementation of structural reforms and transition to market economy and development based not on investments, but final consumption fueled by remittances and considerable increase of internal and external loans, grants and growth of budgetary deficit and state debts. In this period, different public administrations with opposite policies and methods obtained almost the same results and namely, extensive development expressed in more rapid growth of material and human resources efforts as compared to obtained results.

Reform processes of public administration that followed were contradictory, fragmentary and uneven. In transition period, we can mention several opposing policies and stages of public administration reform and economic development, including: inception of reform period (1990-1994); development of constitutional principles of public administration (1994-1998); active reform of public administration (1998-2000); fragmentary implementation of public administration reforms by left forces (2001-2008) with strong social policy and a corruption based on consumption; period of pseudo-reform and imitation of reforms and their ambiguous implementation (2009-2016), with massive advancement of corruption in governing forces, so-called pro-european.

Pseudo-reform of administration at all levels followed with changes “for the sake of changes”, carrying out reforms by adding or excluding ministries, agencies and departments, protecting those who were loyal to political power and continuance of incompetence, increasing conflicts of competence, with stressful supervision of administration by politics, with personal competition between the responsible leaders – all these led to unpredictable fluctuations of the administrative structure, creation of a negative image of population on any kind of public administration, and in general, compromised public administration and business environment at all levels.

For all stages of public administration reform the following results and actions are representative: birth, growth and dramatic failure of the small and medium business, a generally extensive and fraudulent development, massive bankruptcy of the state enterprises and their fraudulent privatization on an symbolic amount, an essential “erosion” of the socio-economic potential, and first of all, professional workforce (almost a million of people left the country), transformation of cheap loans and their “drain”, wasting amortization funds on investments for replacement of obsolete capital, inefficient growth (in 2000-2016 fixed productive capital increased 4 times, labor and capital productivity increased 3.7 times, average wages increased 4.6 times and nominal GDP increased at a slower rate and grew 3.3 times ). The problem worsened even more, because of the fraudulent administration and theft of the billions from banks and economic crisis and increase of unemployment, (30% of young people don't have jobs), the process of “erosion” of workforce sped up resulting from unprofessional education and forced migration (annual average rate of migration is 2.5%). Administrative pseudo-reform deepened disproportions and social-economic instability that considerably influenced efficiency and direction of development and decreased possibilities and chances of economic growth and association of Moldova to the EU.

Promotion of the anti-scientific, inconsistent, inefficient, unattractive fiscal-budgetary reform by public administration (fiscal burden in transition period is two times higher than in the critical point, that should not exceed 25% of income), not only reduced fiscal area, but caused growth of economic frauds, about 2,5% of economic agents leave their business or go into the illegal sector. As a result of administrative methods of the fiscal-budgetary reform, direct taxes that reflect the efficiency of business decreased (rate of this taxes accounts for one third of all taxes), budgetary deficit significantly increased accounting about one third of all income in 2016.

Administrative reform policy, anti-scientific financial, ignoring the requirements of the economic equilibrium theories, including model IE-LM, not only transformed national economy into a market economy with significant deficit of financial resources (average share of bank loans in economy in 2001-2016 accounted about one third of GDP), with a considerable drop in national incomes, but also extended financial and speculative frauds resulting from the increase of the interest rate up to 22% annually, and caused a significant and unexpected decrease of the local investments in the real economy. At the same time, these and other fraudulent processes caused monopolization of the financial system (70% of the monetary mass is controlled by 3 banks). These financial monopolists control actions of the public administration and impose their will and narrow interests to the society. An oligarchic financial group was created that monopolized economic and financial flow through several commercial banks and NBM. The entry of oligarchy into financial system, theft of money, concealment of bank founders, contradicted Basel and IMF supervision requirements that blocked and sanctioned Moldova in 2013-2016 in terms of concluding a financial agreement with IMF and considerably reduced support of the national economy. In parallel, the area of fraudulent financial monopolist system extended, speculations with currency rate of 40% and interest rate up to 22% annually (monopolist banks defrauded hundreds of millions lei resulting from these speculations) increased. Oligarchy of the public administration and economic and financial-banking system unbalanced AD-AS ratio of money on financial market, increased demand of money caused by the theft of the billion from banks, speculations of money supply and insufficient demonetization of economy (monetary mass in circulation accounts for one third of the GDP).

Monopolization of the public administration institutions not according to professional criteria but the party one, theft and withdrawal of the billion of euro out of the country, increased the money deficit in the economy even more, reduced the purchasing power of the financial resources, considerably sped up inflation and as a result small business failures (in 2010-2016, 25% of enterprises failed) and, concurrently, shadow economy increased, economic frauds and corruption extended, creating favorable conditions for growth of economic instability and reduction of real sector.

New Strategy on public administration reform, stabilization and association on medium and long term is going to be implemented in conditions of a very threatening risk, especially in the case of economy strongly constrained by monopolism and national oligarchy and tough constraints imposed by IMF. It is meant that oligarchy will carry out public administration reform in the interest of governing groups. Constraints and financial, monetary and budgetary limits imposed by IMF, including: capping total cash deficit, net assets of NBM; minimal level of net international reserves stock of NBM; limitation of contracting or guaranteeing of non-concessional external debts by the Government of the Republic of Moldova; capping of accumulation arrears to external payments and monetary base; limitation of internal expenses on payroll funds, etc. will stimulate public administration reform, will create conditions for real promotion of radical and efficient reforms, will increase the amount of investment resources for renovation of priorities. At the same time, real reform of public administration will radically change financial policy in state, decrease tax rate and interest rate, stimulate investments,

radically reform business and institutional environments, dismantle oligarchy and strictly and toughly limit monopolism, create conditions for development, stabilization and economic association to EU. Otherwise, the state would not have a chance for survival.

Envisaged result of the recommendations proposed in the medium and long term Strategy on public administration reform is to restore state's security and avoid total bankruptcy and failure of the state, to stabilize and develop national economy, to dismantle oligarchic system, to reduce and limit functions of monopolism and to maintain flexible equilibrium using model IE-LM.

**Conclusions.** In transition years, implementation of pseudo-reform policies of public administration and pseudo-stabilization of economy that have not been based on principles developed and promoted by modern economic theories, ignoring the requirements of European standards, led to socio-economic destabilization, monopolization and oligarchy of the central and local public administration system, capturing of the state institutions, replication of total instability, constraint and "erosion" of socio-economic potential that is in the "coma" state, loss of a half of the active workforce of the country, decrease of the life quality, forced migration, pauperization of population, distortion of economic interest and property relations, penetration of corruption in all structures and economic relations, total economic defraud and massive money laundering.

Balanced and sustainable development of the socio-economic system, dismantling oligarchy, requires elaboration and implementation of a new Strategy on reforming public administration, socio-economic stabilization and association to the EU.

Efficient and comprehensive implementation of the Strategy on reform of public administration and balanced development and association, imply reformation of the Center for Implementation of Public Administration Reform (CIPAR) that should be politically detached with functions of supervision, prevention and correction of the socio-economic disequilibrium, with responsibilities of control and assessment of economic, financial and banking system, that would serve as a program to overcome oligarchy, strict limitation of the monopolism and the period socio-economic instability. Not least, CIPAR is responsible for control, prevention and combating economic and financial transactions, monitoring of Moldovan-European economic equilibrium.

This CIPAR must be politically independent and created through direct vote of the civil society, having immunity, with rights and responsibilities similar to Constitutional Court. Structure and functions of the Center for Implementation of Public Administration Reform for stabilization, control, supervision and forecast of disequilibrium could be created by reforming of the existent CRI.

Reforming the structure and functions of public administration, dismantling of comprador oligarchy and escaping state institutions from captivity, transition to mixed free market economy, strict limitation of monopolism activity under all forms, creation of stimulating and stable business environment, institutional environment necessary for a free market economy and development private ownership, including through diffusion and action, overcoming disproportions and socio-economic stabilization – all these will create real conditions for sustainable development and EU integration.

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