
The Difficulties of Combating Corruption

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Abstract:

Corruption as an impediment to good governance and to economic development nowadays has developed in a very large scale, influencing all the major public fields of politics, economics, administration and judiciary.

The vicious circle of corruption, informal economy, the reductions of formal economy, the financial inability to address public needs and the inefficient governance are the main issues analyzed in this study. It also focuses on last measures voted to combat corruption such as the efficient implementation of the monitoring systems included in the government reform.

Key words: political corruption, high corruption, policies corruption

INTRODUCTION

Corruption as a phenomenon has taken on a large scale, not only in developing countries or countries in transition, but also in the developed countries. Bribery and corruption are well known to be the worst evil of a society. Therefore, the scale of the devastating effects that corruption brings globally is big. The World Bank estimates that one trillion dollars a year are

paid in bribes worldwide¹. However, the damage goes beyond these figures, corruption leads to a perversion of economic decision. It distorts the competitive markets, not allowing the partition of resources, and destroys the investment climate².

It is difficult to make an ultimate definition of corruption, but the necessity to fight it because of the consequences that it brings, made it necessary to take initiatives to design laws and conventions. Some of these initiatives resulted with conventions like the Convention of the Council of Europe³, the Additional Protocol of the criminal convention⁴, the Civil convention on corruption⁵ and the Convention against bribery of foreign public officials in international business transactions of the OECD⁶. These conventions contain concrete measures how to combat corruption or at least minimize it. Nevertheless, the greatest difficulty to measure corruption is the lack of measuring indicators. This is why corruption is assessed much more on the perceptions a society has about its level in state institutions. The other reason of the lack of relevance of corruption is linked to the fact that one of the main subjects of the criminal offenses of the passive corruption is administrative officials. There is an interest of the state administration to hide the level of corruption

Secretary of State John Kerry stated an international summit in London on 12 May, 2016 that corruption is as great an enemy as extremism⁷. “Corruption writ large is as much of

¹ Robert I.Rotberg, “Corruption, Global Security, and World Order”, 2009, ph. 417

² Ibit.

³ ETS No: 173, “Criminal law convention on corruption”, Strasbourg, 27.01.1999

⁴ ETS No: 191, “Protocol additional criminal law convention on corruption”, Strasbourg, 15.05.2003

⁵ ETS No: 174, “Civil law convention on corruption”, Strasbourg”, 04.11.1999

⁶ Convention on combating bribery of foreign public officials in international business transactions, OECD

⁷<http://www.usatoday.com/story/news/world/2016/05/12/kerry-corruption-great-enemy-extremism/84271670/>, accepted on 13/5/2016

an enemy, because it destroys nation states, as some of the extremists we're fighting," he added.

"Corruption is the cancer at the heart of so many problems we need to tackle in our world," Cameron said at the meeting. He said that eliminating corruption is "about not just changing laws and practices. It's about changing culture"⁸

Some authors consider corruption as an ethical and moral phenomenon, whereas, legally treated, corruption is a criminal offense that must be treated legally. Nevertheless, corruption can be delimited as a misconduct of a civil servant whose aim is to obtain material or moral benefits, for himself or for his group. The aim of this benefit, as a product of crime is legalization, which is becoming more difficult, because of the measures taken to formalize the economy. In most of the forms communist countries, informal economy is very high. In Albania, an OECD reports considers the level of the informal economy reaching 50% of the global economy of Albania⁹

THE PERCEPTION OF CORRUPTION

Corruption increasingly extends its metastases in all areas of life, political, economic, social, becoming thus a major stumbling for economy, the functioning of the system, endangering of democracy. It must be admitted that the phenomenon of corruption has spread in all countries, in developed countries as well as in the underdeveloped countries because the consequences of corruption are very important and destructive for the democracy. This is also the reason why measures to combat corruption are growing and very often failing. Acts of corruption in different countries are different which makes it difficult to delimit corruption and as a consequence we don't have a standard to understand the occurrence and the causes of this destructive phenomenon.

⁸<http://www.usatoday.com/story/news/world/2016/05/12/kerry-corruption-great-enemy-extremism/84271670/>, accepted on 13/5/2016

⁹ Report of OECD

The analyses are made on the basis of the measurement's perception. These methods are being used by Transparency International, which carried out assumed corruption ranking from 0 to 100, where low levels of corruption is 0, while 100 is very high level of corruption. According to the 2015 report of the Transparency International, countries where the perception of corruption is measured by indicators are presented as follows: (Figure 1).

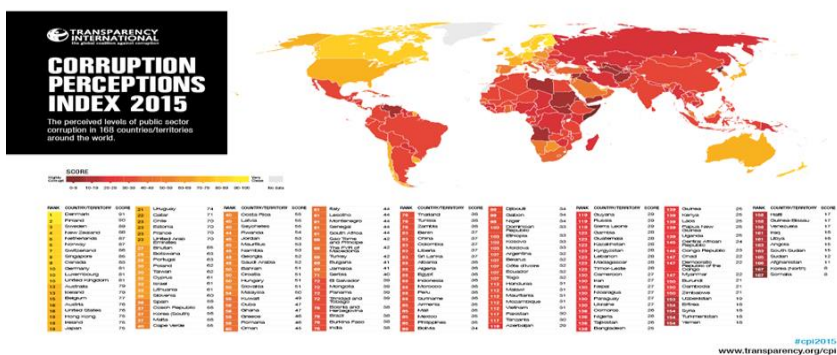


Figure 1: Corruption perception index 2015¹⁰

THE IMPACT OF CORRUPTION ON THE ECONOMY AND GOVERNANCE

The aim of this study is to find the relationship between the perception of corruption and the economic growth. What is their relationship? Does the perception of corruption impacts of the economic growth and how the economic decline affects governance? The answer to these questions gives us some conclusions and recommendations that we thing contribute to and are a reference to consider in the implementation of the anti-corruption reforms.

In order to make an analysis of the statistical indicators and to calculate the effect that brings the perception of corruption on economic growth, I refer to the indicators of

¹⁰ <http://www.transparency.org/>. Accepted on 13 May, 2016

perception in several Western Balkan countries like Croatia, Montenegro, Bosnia and Herzegovina, Serbia, Macedonia, Kosovo and Albania. These indicators are for the period 2003 - 2013 (Fig.2)

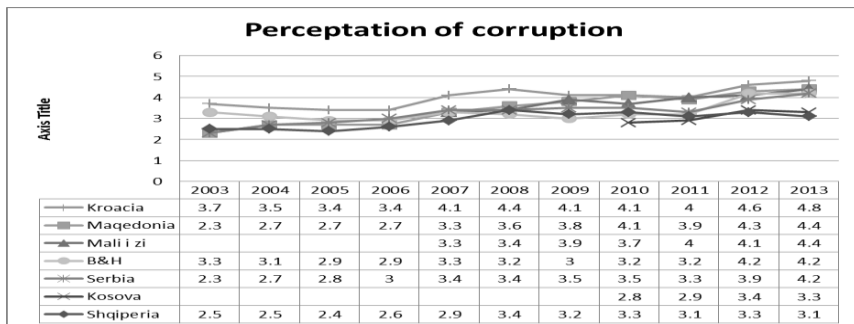


Fig. 2: Perception of corruption 2003-2013¹¹

The purpose of the following statistical analysis is to measure the effect of the impact of perceptions of corruption on economic growth for the countries under consideration and for the period of the last decade. The data on the perception of corruption are taken by Transparency International. The points represent the perception of corruption in a given country and in a given year. Points are indexed and major points imply a perception of greater corruption at the time and place of measuring the index. Economic growth is taken from the World Bank. These data are the percentage of the growth of the gross domestic product of a country, calculated in real terms. (Fig.3)

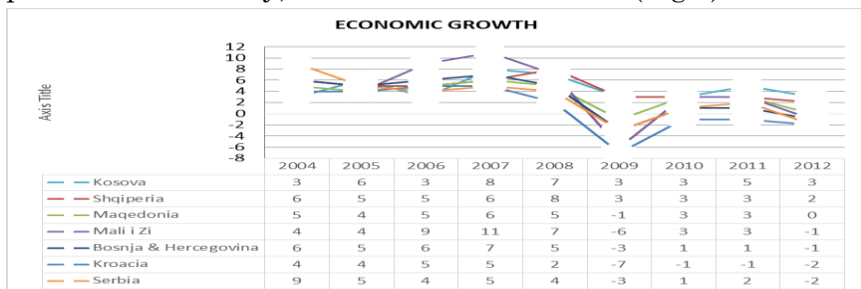


Fig.3. Economic growth¹²

¹¹ Source of data: <http://transparency.org/cpi>

It is easily justified the sense that economic growth is influenced to a large extent by the perception of the corruption in the economy and in social life in general. Among other things, it is worth mentioning that:

1. Corruption or the perception of corruption grows the costs of transactions. This makes it possible to reduce the profits and the entrepreneurs are discouraged for the profitable activities in that period and that place.

2. Corruption drops the concurrence that in the economic teaching is largely accepted as a generator of the economic performance.

3. Corruption discourages enterprises that rely on the underlying analysis and is based on accumulation of knowledge. As long as people with abilities to penetrate into the system using the indirect method of “buying skills”, then entrepreneurs who intend to build activities fully supported by modern methods, competitive and transparent are discouraged.

4. Corruption causes the de legitimization of state’s institutions and entrepreneurs and stakeholders turn more and more to “parallel institutions” or those considered as “afternoon institutions” that compete directly state institutions.

Statistical analysis of data on the perception of corruption and economic growth is accomplished by treating them “pooled cross-sectional”. This means that for countries and years that are missing any relevant data is missing were excluded from the sample. For example, if we do not dispose date on Albania’s economic growth for 2013, this year is excluded from the sample even if we possess data on corruption perception.

It is postulated that the relationship between the economic growth and the perception of corruption is in the following form:

$(Y = b + b_1X + e)$ When: Y = economic growth in percentage, b = cross cutting of X with Y, b_1 = marginal effect of

¹² Source of data: data.worldbank.org/en/country

the impact of perceptions of corruption on economic growth, X = perception of corruption in points and, e = error (ore what is known as residuals).

From the analysis of data obtained few have the following equation: $Y = 11.82 - 3.7 X + e$

Two expected essential conclusions derive from the measuring of the above equation.

First, the dependence between the economic growth (Y) and the perception of corruption (X) is negative (oblique). This means that the growth of the perception of corruption negatively affects the economic growth. The measure of this impact is estimated to be of a considerable size (-3.7).

This means that the increasing of the perception of corruption by one point, lowers the economic growth by 3.7 points. This conclusion is crucial and justifies any effort or sacrifice that countries should do to reduce corruption in their economies.

Jan-Peter Olters¹³, in his article «The informal economy in Albania, a hindrance for the economic development» in schematic form represents the connection that exist between the formal and the informal economy and bribery as part of the informal economy (Fig. 4)

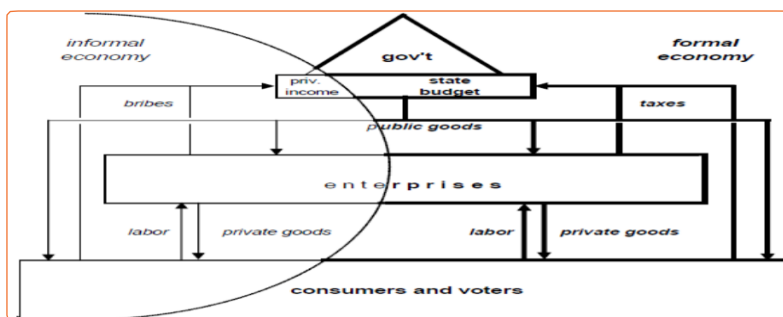


Fig.4: Bribery as a part of informal economy

¹³ Jan-Peter Olters, Albanian`s Informal Economy: An Impediment to Economic Development?, <https://www.google.com/#q=Albania%E2%80%99s+Informal+Economy%3A++An+mpediment+to+Economic+Development%3F+>, fq.5, date 12/02.2014

Following the above we can come to several conclusions:

1. Corruption directly affects the informal economy and that there is a positive correlation between them, the greater the corruption, so great is the informal economy.

2. The growth of the informal economy reduces income from taxes and as a consequence reduces the state revenue to the state budget which contributes to the reduction of the public services and public benefits.

3. Corruption is part of the informal economy.

This vicious circle of the influence of corruption in informal economy and, through the reduction of the formal economy, explains the negative impact of corruption on governance.

CONCLUSIONS

Corruption or the perception that there is corruption increases the transaction costs. This makes it possible to reduce the profits and to discourage the entrepreneurs for the profitable activities for that period of time or for that place. Corruption reduces the competitiveness of the economic doctrine which is widely accepted as a generator of economic growth performance. Corruption discourages enterprises that rely on analysis and that have in their core the accumulation of knowledge. As long as people with abilities to penetrate into the system by using indirect methods of “buying skills”, then the entrepreneurs who intend to build their activity based entirely on modern, competitive and transparent methods, are discouraged. Corruption causes the delegitimation of the country’s institutions and the entrepreneurs and stakeholders to turn towards the “parallel institutions” that compete directly the state. The perception of corruption increase is an opinion that man creates for the others, not only because it knows it or that he can measure the real corruption by himself, from its real situation at a given moment starting from a thought that I don’t possess, the other who possesses must be corrupted. In

this process, media play an important role also because very often corruption is present in media and dubious capital remain behind them. Very often media in former communist countries remain behind politics and political groups who concurrence directly state contracts for infrastructure building or other aspects connected to state that compromises their independence.

Repressive policies for minimizing corruption, as long as they do not interfere with the analysis of the causes of economic and social policy as well as for the social education, are not efficient to win against this destructive phenomenon for democracy and society in general, remaining a challenge for a long time.

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