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Abstract

This paper reviews the overwhelming statistical evidence that countries with high corruption levels have poorer economic performance. There are several channels through which corruption hinders economic development. They include reduced domestic investment, reduced foreign direct investment, overblown government expenditure, distorted composition of government expenditure away from education, health, and the maintenance of infrastructure, towards less efficient but more manipulatable public projects. A definition of corruption used by the World Bank and the IMF, among others, “the abuse of public office for private gains,” serves as a backdrop of the discussion. Whenever a public office is abused, a public function or objective is set aside and compromised. Only if a public function is unproductive could it be that policy goals were not harmed by corruption. Nevertheless, the proposition that bribery can grease the machinery of commerce is often heard, and hence deserves a careful look at the evidence. [4 pp.85-100 (Xu, 2016)]. This paper will mainly focus on various methodology of corruption measurement and anti-corruption policy Uzbekistan.

Introduction

“Corruption is like cancer, retarding economic development.1”

“Corruption can be like ‘grease,’ speeding up the wheels of commerce.2”



These statements about corruption are all read or heard from time to time, and it is probably feasible to find some anecdotes to support any or all of these possibly mutually inconsistent hypotheses. But there is a limit to what anecdotes can tell us.

This paper is organized in the following way. Section 1 discusses how cross-country difference in corruption may be measured. Section 2 reviews the evidence on economic consequences of corruption, with particular attention to recent empirical research, and with an attempt to interpret them in light of the Uzbekistan's experience. Section 3 will mainly focus on anti-corruption of this country.

Measuring Corruption

This paper focuses on corruption in the economic sphere involving government officials. Corruption here is defined as government officials abusing their power to extract/accept bribes from the private sector for personal benefit³. This is to be distinguished from political corruption (e.g., votebuying in an election, legal or illegal campaign contributions by the wealthy and other special interest groups to influence laws and regulations), and bribes among private sector parties. By the very nature of corruption (secrecy, illegality, variations across different economic activities), it is impossible to obtain precise information on the extent of corruption in a country, unlike, for instance, measuring inflation. This difficulty also precludes a precise grading of countries according to their relative degree of corruption. That said, one can still get useful information on the seriousness of corruption in a country by surveying experts or firms in that country. Like pornography, corruption is difficult to quantify, but you know it when you see it. There are several survey-based measures of "corruption perception" that are increasingly visible now. I will describe four of them, in part because they cover relatively wide sample of countries [4 pp.85-100] (Xu, 2016).

Global Competitiveness Report (GCR) Index Unlike the BI and ICRG indices, the GCR Index is based on a 1996 survey of firm managers, rather than experts or consultants. Sponsored by the World Economic Forum (WEF), a Europe-based consortium with a large membership of firms, and designed by the Harvard Institute for International Development (HIID), this survey asked the responding firms about various aspects of



“competitiveness” in the host countries where they invest. 2381 firms in 58 countries answered the question on corruption which asked the respondent to rate the level of corruption on a one-to-seven scale according to the extent of “irregular, additional payments connected with import and export permits, business licenses, exchange controls, tax assessments, police protection or loan applications.” The GCR corruption index for a particular country is the average of all respondents’ ratings for that country [4 pp.85-100] (Xu, 2016).

Transparency International (TI) Index Produced annually since 1995 by Transparency International, an international nongovernmental organization dedicated to fight corruption worldwide, the index is based on a weighted average of approximately ten surveys of varying coverage. It ranks countries on a one-to-ten scale. As a survey of surveys, the TI index has its advantages and disadvantages. If the measurement errors in different surveys are independent and identically distributed (iid), the averaging process used to produce the TI index may reduce the measurement error. But iid assumption may not hold. Moreover, since different surveys cover different subsets of countries, the averaging process may introduce new measurement errors when cross-country rankings are produced. One should also note that, as the TI indexes in different years are derived from potentially different set of surveys, they should not be used to measure changes in corruption level over time for a particular country (International Monetary Fund, 1996).

Economic consequences: Uzbekistan

In this section, we review some recent studies that systematically examine the consequences of corruption on the economic development. Wherever possible, I illustrate the results from these studies using example of Asian country namely, Uzbekistan.

From a distance, Uzbekistan's economy looks good. The country experienced sustained economic expansion over the last decade, with real growth rate averaging 8.3 % annually in the 2005-2012 period. Growth is expected to continue at around 7-7.5 % over the medium term, supported by government spending and investment¹⁶. Uzbekistan also has strong



development potential. The country is rich in natural resources (gold, copper, natural gas, oil and uranium) and has a strong agricultural base. Its size and population (as the most populous Central Asia nation), its large workforce and its position (the country shares a common border with all other former Central Asia republics) makes the country a natural regional leader in both political and economic terms. Despite this facts, Corruption is endemic in Uzbekistan and affects all aspects of the country's economic and public life. Uzbekistan ranked 170 of 176 countries in the 2013 'Corruption Index' report published by Transparency International²⁰. Most aspects of the economic life of the country are influenced by corruption or nepotism. A recent report the German Bank Bayern Landesbank concludes: 'it is to be assumed that a substantial portion of the foreign exchange flowing into the country via export earnings and foreign investment ends up in the foreign bank accounts of the leadership hierarchy (Bendini, 2013).

Anti-corruption policy

Uzbekistan undertook a number of key reforms in the area of anti-corruption policies. The adopted Law "On Anti-Corruption" established the legal framework for the activities in this area and mechanisms for the implementation of anti-corruption measures. Its implementation was supported by national and departmental action plans, which were updated and published on a regular basis. Statements made at the highest level of the country pledging commitment to fight corruption had a positive effect improving openness and transparency of government and local public authorities and facilitating dialogue with representatives of the non-governmental sector. While the report welcomes these reforms, it notes that it is time to systematise the anticorruption policy, making it strategic in nature, identifying priorities and clearly defining the expected impact on the level of corruption in the country. Uzbekistan is currently in the process of developing its new anti-corruption policy document, it is therefore encouraged to undertake a thorough review of the situation, having analysed corruption risks and the effect of the earlier measures. It is also important to have such documents regularly reviewed and updated in view of the changing situation, objectives and requirements. Such an approach should be applied both in developing and implementing action plans at the departmental and national level. The system of monitoring



should be further improved through involvement of the representatives of the civil society, academia, international partners, members of the business community and general public. The report notes a growing interest in anti-corruption studies in Uzbekistan. A number of surveys have been carried out at the national level and across different sectors with the publication of their results. However, it is important that such surveys be more actively applied in the development of anti-corruption policies and their impact assessment (Bakunchyk, 2016).

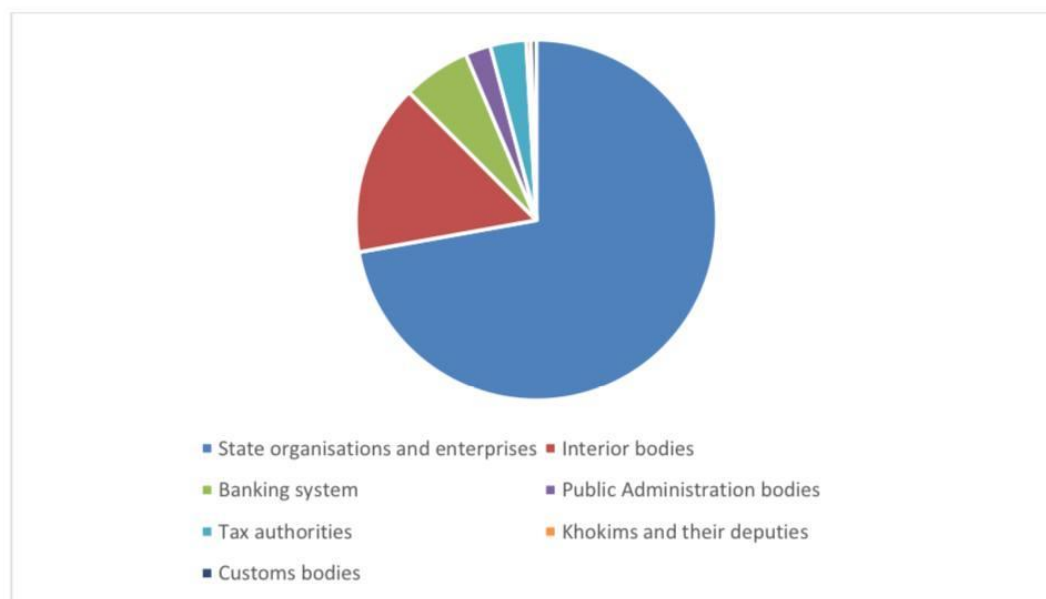
Key anti-corruption reforms and corruption trends

Over the past three years Uzbekistan has undertaken a number of key anti-corruption reforms. The Law “On Combating Corruption” was adopted, which for the first time defined a clear legal framework for activities in this area. The Law also defines the mechanisms of implementation of anti-corruption measures, including the system of bodies responsible for these tasks. Implementation of the Law was supported by the national and departmental action plans, which were updated on a regular basis. In general, the legal framework has been significantly improved and a number of key laws have been adopted to ensure transparency and accountability of public authorities. The adopted laws on public and parliamentary control strengthened and formalized the role of these institutions in the processes of control over the implementation of anti-corruption policy. Reforms have been carried out in the field of public procurement; radical reform of administrative procedures, including licensing, permissive, registration and other procedures related to the provision of public services. Public awareness in the sphere of anti-corruption is also rising and the level of requirements and expectations from the state on the part of society will be increasing along with it. Representatives of the NGO sector and international community stressed that the activities of state bodies have undoubtedly become more open to the public, even a minor public servants’ misconduct is widely publicized in the media and various groups in social networks. The President’s public offices established in provinces and Tashkent city, as well as in every district and city, and the President’s Virtual office also demonstrated a significant result. [1 p. ...] (Bakunchyk, 2016).



On the basis of the provided statistics, it can be concluded that the revealed corruption offences indicate that the state's most corrupt spheres are state-owned enterprises and institutions (possibly including the sphere of education and medical services), internal affairs agencies and banks. Consequently, most of these areas coincide with those defined by the citizens.

Figure 1. Officials prosecuted for corruption offences in 2017 in Uzbekistan (breakdown by authorities)



Source: Data provided by the Government of Uzbekistan in response to the questionnaire.

Источник диаграммы

Finally, corruption offences were recorded mainly at the local level. Thus, according to the statistical data for the period 2015-2017 of the total number of persons prosecuted, 91% are officials holding specific senior positions in districts-cities, 8% are employees of public bodies in provinces and less than 1% are officials of the national level. According to the authorities of the Republic of Uzbekistan, this demonstrates a successful work of the Republican Interagency Commission on prevention and combating corruption, but also indicates the lack of results of anti-corruption measures on the local level. It should be noted that many of the reforms described above have just started, and if they are carried on and properly implemented, tangible results will be achieved by Uzbekistan only in the long term. Moreover, due to the greater openness of the public bodies activities and the greater



availability of information both on the identified corruption schemes and on the actions of the state to suppress this situation, the perception of the level of corruption in the country can rise. Therefore, new trends in national surveys and international indices will be more clearly visible only over time. Uzbekistan's performance in the international rankings is gradually improving, although both the government and the citizens are expecting a faster impact of reforms on international ratings [1 p. pp.76-82] (Bakunchyk, 2016).

Conclusions

Reference:

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