

Influence of Corruption over Economic Growth in Macedonia

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Abstract: Today corruption as a phenomenon represents one of the serious threats to every country. It means that instead of law and its norms, individuals govern managed by selfish goals and interests. It is a form of the law within which dominates egotism and is accompanied by inciting (most often business) interests. It is a situation that socially and in practice negatively affects the total development of the country, slowing economic processes, aggravating the social security and undermining the notions and believes in the value of principles, especially the principles of legality, parity, equality and freedom. Corruption is established in a form of hidden and illegitimate redistribution, and abuse of power and authority.

Macedonia is a country that invests in the fight against corruption. Many regulations are adopted, but still the results are too small, which is shown in the survey in this paper.

Key words: corruption, economic development, abuse of power and authority.

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I. INTRODUCTION

One of the fundamental values of a democratic society is a respect for basic human and civil rights and freedom. Corruption represents a serious threat to democracy, justice and human rights, fairness and social justice as well as obstructs the economic development of the state. The survey on the presence of corruption in all domains of a country, as well as the opinion of the citizens about this issue is of an enormous significance for the economic development of each country.

Corruption is the abuse of entrusted power for private gain. All countries apply different forms, strategies and models to deal with the various forms of corruption, although radical is much deeper.

II. CORRUPTION

Corruption has negative impact over all societies in various forms and various degrees. Despite the negative impact that can have on households, certain types of corruption can also have grave consequences for the business sector and economic performance as well as can become an obstacle to private and foreign investment, trade and economic development. Also, private companies can be affected by the impact of crime during their further operations. This can range from extortion by organized crime groups, serious fraud and embezzlement of funds by managers up to vandalism and attacks by criminal competitors. Each has a potential to cause serious harm to business environment in which companies operate and to increase the costs of running a business. Corruption means the utilization of public resources to serve individual or private interests[1]. Corruption leads to major negative consequences in society and creates a system in which those with "deeper pockets" or well-connected are privileged. Although according to the law all citizens are equal, the presence of corruption, essentially denies the law. One of the indicators of a corporate corruption in society is the high level of distrust of citizens in public administration which can lead to the destabilization of society.

III. THE FIGHT AGAINST CORRUPTION IN MACEDONIA

Macedonia is a member of the group of states against corruption GRECO since 2000. The most important instruments for upgrading the legal framework for the fight against corruption are covered with the ratification of [6]:

- the Council of Europe Criminal Law Convention on Corruption (1999)
- the Convention on Civil rights against corruption primed to react (2002) and
- the Additional Protocol to the Convention on the Criminal Law on Corruption (2005).

In 2007, Macedonia ratified the Convention against Corruption.

The first special law in the legal framework of the domestic legislation that fights against Corruption was adopted in 2002. The adoption of the Law for the prevention against corruption contains a number of provisions to strengthen the measures for prevention and fight against corruption in public administration and elected/appointed officials. Law was supplemented several times in the period between 2004 and 2008, and a state commission for the prevention of Corruption (SCPC) was established in November 2002. Today, SCPC has the role of an independent body responsible for the implementation of the measures for prevention of corruption and conflict of interest [7].

The main legal amendments for an effective fight against corruption were introduced by the amendments to the Criminal Code in 2004 [4] and in 2009 [3].

The amendments to the Criminal Code adopted in 2009 led provisions related to the corruption closer to International standards on 22 March 2010 [7].

With the changes in the Law on Criminal Procedure, the role of the public Prosecutor is strengthened in pre-investigation procedure, and by the adoption of the new Law on Public Prosecution, it was formed Department for criminal work in the field of organized crime and corruption [9]. This department started functioning in 2004. The same has a jurisdiction to act for criminal offenses which the persecution takes over after the official duty performed by an organized group of at least three persons, and does activities for a specific period in order to realize the proceeds of property or to make more than one criminal act [9]. The Department is a competent to act over other criminal offenses for which a prison sentence is at least four years and over criminal work arising from the International conventions ratified by Macedonia [9].

Report on the progress of the EU for 2014 also shows that in 2004 more than 30 cases of corruption of high level was initiated and all of them were an object of a continuous tracking from the investigation phase, till the judicial determination [10]. The practical application of the existing legal framework also represents a challenge in the Republic of Macedonia. All countries in the region, including Macedonia, have a lack of comprehensive national strategies with little or not at all national specifics in order to reflect the national situation with regard to the manifestation and appearance of corruption.

IV. CORRUPTION AND ECONOMIC GROWTH IN MACEDONIA

Serious and organized crime has seriously negative impact on the development of economy and society. Today, companies, governments and citizens face with the illegitimate dealers and criminals that affect their everyday work, have impact over the institutions, welfare and even the national security. Illegal trafficking and organized crime have significantly undermined economic growth and prosperity, and express personal corporative efficiency, because prevent the global legal market, sabotage the supply chain, lower the natural resources and put in danger the security of the market.

Also, profits from crime and illegitimate trade decrease the budget through the evasion of the tax obligations and the strengthening of criminal enterprises aqueous or related to the group of organized crime.

The Macedonian GDP [2] expanded 2 percent year-on-year in the three months to March of 2016, slowing from 3.9% increase in the previous period. Key growth drivers were final consumption expenditure (+3.6% against +4.8% in Q4), with government spending (up 4.2% from +9.7% in Q4) and household consumption (up 3.5% from +3.6% in Q4), while gross capital formation (-9.1% against +5.5% in Q4) shrank. Export rose at a faster 4.7% (+4.1% in Q4) while import increased at a slower 7.6% (+8.3% in Q4). GDP Annual Growth Rate in Macedonia averaged 3.27% from 2004 until 2016, reaching an all-time high of 8.20% in the second quarter of 2005 and a record low of -2.40% in the second quarter of 2009.

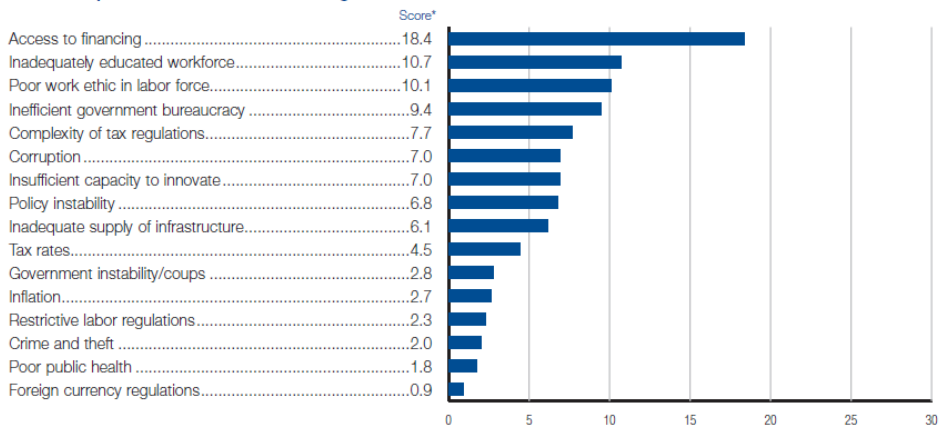
Figure 1: Macedonia GDP annual growth rate



Source: <http://www.tradingeconomics.com/macedonia/news>, visited at 15.08.2016

According to the Global Competitiveness Report 2015-2016, the most problematic factors for doing business in Macedonia are: access to financing, inadequately educated workforce, poor work ethic in labor force, inefficient government bureaucracy, complexity of tax regulations and on the sixth place is corruption (figure 2):

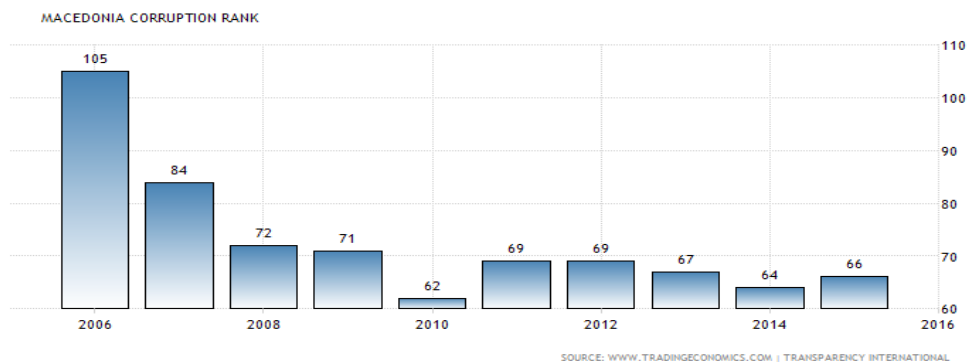
Figure 2: The most problematic factors for doing business in Macedonia
The most problematic factors for doing business



Source: Schwab K., World Economic Forum, The Global Competitiveness Report 2015-2016

According to the 2015 Corruption Perceptions Index reported by Transparency International, Macedonia is the 66th least corrupt nation out of 175 countries. Corruption rank in Macedonia averaged 78.43 from 1999 until 2015, reaching an all-time high of 106 in 2003 and a record low of 62 in 2010.

Figure 3: Macedonia corruption rank



Source: <http://www.tradingeconomics.com/macedonia/news>, visited at 15.08.2016

Macedonia scored 42 points out of 100 on the 2015 Corruption Perceptions Index reported by Transparency International. Corruption Index in Macedonia averaged 35.57 points from 1999 until 2015, reaching an all-time high of 45 points in 2014 and a record low of 23 points in 2003.

Figure 4: Corruption index in Macedonia



Source: <http://www.tradingeconomics.com/macedonia/news>, visited at 15.08.2016

V. EXPLORING OPINION OF CITIZENS OF THE REPUBLIC OF MACEDONIA ON CORRUPTION IN THE PERIOD 2013-2015

The Faculty of security as a higher educational and scientific - research institution set up its own scientific research team and conducted a three-year research on topic “OPINION OF CITIZENS OF THE REPUBLIC OF MACEDONIA ON CORRUPTION in the period 2013-2015”.

The aim of the research is the perception of the citizens' opinion of corruption, primarily on the manner of reporting about it, the knowledge of what corruption is, perceptions of corruption and the manner (models) to deal with it. Also, the research team considered that this phenomenon is particularly important to be considered the views of expert public. The research results are as follows:

Table 1: In my opinion corruption means:

	<i>f</i>	<i>%</i>
giving bribery	42	4.0
taking bribery	91	8.7
abuse of authority	106	10.2
illegal mediation	43	4.1
something else	3	0.3
giving and taking bribery	218	15.0
giving and taking bribery, abuse	141	13.6
giving and taking bribery, abuse, mediation	227	21.8
other	168	16.0
total	1041	100

Mojanoski C., Sazdovska M., Nikolovski M., Krstevska K., “Opinion of citizens of the Republic of Macedonia on corruption in the period 2013-2015”, Research survey, 2015

The majority of surveyed respondents said that receiving and giving bribes are the most common forms of corruption.

Table 2: In my opinion corruption means:

	2013	2014	2015	2013	2014	2015
	<i>F</i>	<i>f</i>	<i>f</i>	<i>%</i>	<i>%</i>	<i>%</i>
giving bribery	66	52	42	5.47	5.11	4.03
taking bribery	156	105	91	12.92	10.32	8.74
abuse of authority	165	111	106	13.67	10.91	10.18
illegal mediation	65	53	43	5.39	5.21	4.13
something else	4	11	3	0.33	1.08	0.29
giving and taking bribery	220	174	220	18.23	17.11	21.13
giving bribery and abuse of authority	8	4	10	0.66	0.39	0.96
giving bribery and illegal mediation	2	14	6	0.17	1.38	0.58
taking bribery and abuse of authority	53	40	66	4.39	3.93	6.34
taking bribery and illegal mediation	6	6	8	0.50	0.59	0.77
abuse of authority and illegal mediation	17	26	21	1.41	2.56	2.02
illegal mediation and something else	1	/	1	0.08	0.00	0.10
giving and taking bribery and abuse of authority	166	142	141	13.75	13.96	13.54
giving and taking bribery and illegal mediation	34	32	27	2.82	3.15	2.59
giving and taking bribery and	1	6	1	0.08	0.59	0.10

something else						
giving bribery, abuse of authority and illegal mediation	3	3	6	0.25	0.29	0.58
taking bribery, abuse of authority and illegal mediation	13	13	21	1.08	1.28	2.02
All together	227	225	228	18.81	22.12	21.90
Total	1207	1017	1041	100.00	100.00	100.00

Mojanoski C., Sazdovska M., Nikolovski M., Krstevska K., "Opinion of citizens of the Republic of Macedonia on corruption in the period 2013-2015", Research survey, 2015

The results suggest that in the perceptions of the citizens of Macedonia dominates awareness and conviction that all offered forms are corruption, but while giving and receiving bribes is the most common form of corruption, followed by the triad giving, bribe taking and abuse of power with 13.7%. When it is added that 13.6% believe that corruption is the abuse of power, and then it is safe to say that according to the respondents in the country at the beginning of 2013 dominated the awareness that the abuse of authority is the biggest source of corruption and corrupt behavior. This tendency was experienced in 2014 and 2015. Namely, when proportions of giving and receiving bribes are viewed together, it could be concluded that 36.62% of respondents had such an attitude in 2013, 32.54% in 2014 and 33.9% in 2015. This is followed by answers related to abuse of authority and illegal mediation. The proportions indicate that this was by implied 20.47% of respondents in 2013, 18.68% in 2014 and 16.33% in 2015.

The results indicate that the knowledge of corruption differentiates between respondents and that it is necessary to provide education and training of citizens in the content and essence of corruption and its forms of manifestation.

Table 3: Have you ever been in (or a have personal experience of) a situation when you have been at risk of corruption?

	2013	2014	2015	2013	2014	2015
	<i>f</i>	<i>f</i>	<i>F</i>	%	%	%
(1) Yes	357	269	252	29.50	26.45	24.21
(2) No	674	599	652	55.70	58.90	62.63
(3) I do not want to answer	179	149	137	14.79	14.65	13.16
Total	1210	1017	1041	100.00	100.00	100.00

Mojanoski C., Sazdovska M., Nikolovski M., Krstevska K., "Opinion of citizens of the Republic of Macedonia on corruption in the period 2013-2015", Research survey, 2015

Table 3 shows that 29.50% of respondents in 2013 had experienced bribe. In 2014 and 2015 the percentage of respondents who answered positively decreased, 26.45% in 2014 and 24.21% in 2015. The most elementary analysis shows that in the last two years, it is fewer the number of those who explicitly recognized that they were in a position to give bribes. The reasons for these can be numerous.

Table 4: Ranking of occupations, functions, institutions that were taking and giving bribery in 2015

	<i>Other</i>	<i>Different services</i>	<i>Sponsorship</i>	<i>Money on account</i>	<i>Money in cash</i>
1	Custom officer	Doctor	Public servant	University professor	Policeman
2	High school teacher	High school teacher	School principal	Judge	Doctor
3	Inspector	Policeman	Inspector	Public servant	Custom officer
4	Politician	Mediator	University professor	High school teacher	Mediator
5	Doctor	Public servant	High school teacher	Politician	Public servant
6	University professor	Inspector	Mediator	School principal	Judge
7	School principal	School principal	Doctor	Doctor	University professor

8	Policeman	Politician	Custom officer	Custom officer	Politician
9	Public servant	University professor	Accuser	Accuser	Inspector
10	Mediator	Judge	Judge	Inspector	Accuser
11	Other	Other	Policeman	Mediator	Public servant
12	Accuser	Accuser	Politician	Policeman	High school teacher
13	Judge	Custom officer	Other	Other	Other
14	Public servant	Public servant	Public servant	Public servant	School principal

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By looking at the Table 4, it can be seen that 75.81% of public servants are bribed, followed with 67.57% of the police, 57.34% of judges, 53.66% of mediators and 52.59% of doctors. It can be concluded that "cash" as a form of bribe is the most common form of corruption.

Based on the fact that Macedonia has opted for a market economy and private ownership as the dominant form of ownership, there is also a group of questions that are related to situations in which the private sector is mostly exposed to corruption. The question of "In your opinion, in which of the following situations PRIVATE SECTOR (private enterpriser) is mostly exposed to the risk of corruption?" was responded to in the questionnaire.

Table 5: Rank of situations of exposure to corruption in the private sector

1. In the administrative procedure in situations of meeting the legal requirements for engaging in an activity for which it is established	3.21
2. In situations of repayment to the state, and the resultant activity (payment of taxes, fees, etc.)	3.71
3. In situations of providing a competitive advantage in doing the activities	3.58
4. Situations in obtaining tenders	4.46
5. In situations of attracting customer(s) in carrying out the activity	3.59
6. In situations when applying double standards in doing activities in relation to family and friends	3.35

Mojanoski C., Sazdovska M., Nikolovski M., Krstevska K., "Opinion of citizens of the Republic of Macedonia on corruption in the period 2013-2015", Research survey, 2015

Respondents suggest that the private sector is mostly exposed to corruption in situations of awarding tenders. At the scale of 1 to 6, the situation of winning tenders as an opportunity for corruption is assessed with 4.46. It was followed by the situation of settling of obligations to the state and the resultant activity (payment of taxes, fees, etc.) with an average of 3.71. The situations of acquiring customers when performing an activity were assessed with 3.59, and the situations to provide competitive advantage for doing activities was evaluated with an average of 3.58. It was followed by situations when applying double standards in doing activities in relation to family and friends with an average of 3.35. The lowest average of 3.21 was assessed the administrative procedure in situations of meeting the legal requirements for engaging in the activity for which it is established.

VI. CONCLUSION

Corruption is present in our society and on several levels. The citizens recognize the phenomena of giving and receiving bribe, abuse of power and other famous works punishable as corrupt actions that have serious consequences for the democratic development of the country as a whole, as well as an impact on the economic system of the country. The coming period requires the alignment of activities aimed at raising public awareness on reporting corruption and creating conditions for it in an easy and anonymous way.

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