

ADMINISTRATIVE CORRUPTION AND POSSIBILITIES OF ECONOMIC REFORMS – THE CASE OF LYBIA

INTRODUCTION

Democratic systems are not exempt from administrative corruption, although they appear to a different degree than those that rule in dictatorial regimes. Therefore, solving the issue of administrative corruption and ways to fight it is one of the most important policies that support economic reforms, especially in today's world full of corruption. In addition, countries that want to reform their economy must go through transition phases in which institutional systems are broken, and a substantial political vacuum appears, all of which is an incentive for corruption, as is the case in Libya.

Administrative corruption is an international economic, social, and political phenomenon that has captured the attention of many officials in the public and private sectors due to the adverse effects of this phenomenon on economic growth and the increase in the poverty rate as a result of poor allocation of resources and direction towards unproductive investments to using various channels achieve illegitimate profit.

The most widespread forms of administrative corruption are bribes, kickbacks, and embezzlement. If we are talking about administrative corruption, it is necessary first to define the concept of corruption in general. The common understanding of corruption is that the corruption is the abuse of public influence for private profit. This concept places corruption only in the purview of public functions and has nothing to do with the private sector.

The United Nations Development Program (UNDP) defined the concept of corruption as the abuse of public power, position, or authority for personal benefit.

This compatibility between these two concepts, even with the concept of the World Bank, which described corruption

SUMMARY

Economic reform requires clarification of administrative corruption as a prerequisite for ensuring the success of the reform process. Countries that want to reform their economies will not do so as long as widespread corruption undermines standards of compliance with moral and legal rules and increases informal activities in all economic locations. This leads to limitations in the efficiency of the state in achieving the goal of economic reforms presented in the transition to a market economy.

Keywords: administrative corruption, economic reforms, state efficiency, transition

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as the abuse of public office for private benefit, made that only public officials and high officials in the state are involved in corruption. However, the reality is entirely different because corruption also appears in the private sector.

The aim of this work is to review the literature about the corruption in Libya and to determine main points of the corruption impact on the economic reforms in the country.

THE STATE OF CORRUPTION IN LIBYA

Corruption has always been an inherent characteristic of the state and society, especially in periods when the power and authority of the state are weak.

Corruption in its widespread form, as it currently exists in Libya, is not the result of current circumstances. Instead, they have helped Libya reach the bottom of the integrity scale and among the top countries in the world in terms of levels of administrative and financial corruption, according to reports by Transparency International. The reality of the situation indicates that the historical legacy of corruption extends even after the years of the establishment of the Libyan state, where the absence of national political and cultural awareness of the society is due to poverty, poor distribution of wealth, and the lack of a stable constitutional life. Corruption has always been an inherent characteristic of the state and society, especially in periods when the power and authority of the state are weak (7).

There is one type of group of society that arrogates to itself the right to take over state property after years of feeling deprivation and injustice, and this is a characteristic inherent in Libyan society which is based on a dual personality, always returning to the revival and encouragement of values and tribal ties, and the phenomenon nepotism, which can be considered one of the leading causes of corruption (5,46).

Corruption in all its forms had become a natural phenomenon that is considered a legitimate practice, especially when the state could not face economic problems after the imposition of an economic blockade (10,37) because corruption began to spread in all state departments and institutions (army, services, judicial).

In addition, the economic decisions made by the government at that time contributed to the spread of corruption, including adopting the principle of self-financing in many service institutions or controlling economic resources. What has happened in Libya since the complete collapse of state structures and institutions is a consequence of widespread corruption and bureaucracy at all levels, which has played

the most prominent role. The picture did not change after the new revolution in 2011. On the contrary, the practice of corruption intensified as a natural result of what was previously mentioned, in addition to other reasons, the most important of which are (3):

- (1) Political and security vacuum and the spread of terrorism.
- (2) Duality of power between foreign and Libyan administrations.
- (3) Loss of community trust in many cadres who came from abroad and took over management because they did not have complete knowledge of how to manage and control a country like Libya and the adoption of the principle of party favoritism in the distribution of positions and jobs, not taking into account the principle of efficiency (11).
- (4) Impossibility of effective restoration of security and supervisory institutions.
- (5) A feeling insecure about the future in light of the conflict between political systems has led officials to work to secure their future by looting as much public money as possible.

The Commission for Public Integrity has announced the emergence of approximately 1,500 criminal acts of administrative corruption that have been referred to the judiciary, with the involvement of several ministers and senior officials in Libya, the most prominent of which is the waste of nearly a billion dollars of funds allocated to the Ministry of Defense in fictitious contracts for the procurement of weapons and equipment (8).

Administrative corruption represents a tremendous challenge for countries that want to reform their economy.

THE CONTROVERSY BETWEEN ECONOMIC REFORM AND ADMINISTRATIVE CORRUPTION

Administrative corruption represents a tremendous challenge for countries that want to reform their economy due to the absence of vision, overlapping issues, and sometimes duplicating views. In contrast, the transition phase required by the reform process oscillates in the economic system between central planning and the market economy, so corruption in that phase intensifies.

Because it is not possible, when adopting a market economy, to use the same tools and mechanisms that were used in central planning, where there are many gaps and holes through which corruption infiltrates. This situation will

allow officials in state institutions to engage in many corrupt practices, especially those related to allocating resources and supervising the formulation of political, financial, and economical implementation.

Economic reform has created a fertile environment for many corrupt practices for many reasons, one of which may be the failure to design the program or the period of reforms or their limitations, which raises the debate on economic reforms and administrative corruption (12).

INSTITUTIONAL CORRUPTION UNDERMINES THE SUCCESS OF ECONOMIC REFORM PROGRAMS

The low efficiency of the work of institutions responsible for correcting economic policies and supervisory and regulatory bodies due to administrative corruption in these institutions contributes to the undermining of economic reform programs, which causes the inability to ensure a healthy legal, administrative, and economic environment capable of activating the efficient use of economic resources and improving investment rates in a way which supports the operational efficiency of market mechanisms.

Corruption hinders the flow of foreign direct investment, wastes many opportunities to benefit from the liberalization process, and undermines competitiveness. Corruption also works to deviate the results from the desired goal of the public sector restructuring process, which is to increase the production rate, improve the efficiency of production factors, remove all distortions and expose projects to a competitive environment (9).

The spread of corruption in a country dramatically hinders the chances of the success of the reform program and the realization of benefits from the policy of transition to a market economy because of the weakness in the efficiency of the institutions dealing with the reform. If we look at foreign direct investment and what it brings with it in terms of technology and management skills, and compared to other forms of capital flows, we see that high corruption in the host country is a factor that slows down these direct flows, such as the equivalent of imposing an additional investment tax of 20%. It is also an essential element in raising the level of risk compared to countries without corruption (1).

The following question arises: How does corruption affect the patterns of capital flows in a way that exposes the host country to a state of instability? The financial and currency crises that have affected many developing countries,

especially those in East Asia and Latin America, have shown a correlation between the degree of domestic corruption and the patterns of capital inflows. In countries with a high level of corruption, the relative importance of foreign direct investment flows from total capital flows declines. In contrast, the opposite occurs in countries enjoying a low level of corruption, where the relative importance of indirect investment flows (portfolio and loans) from total capital flows declines compared to the increase in direct investment flows.

The negative impact of corruption on direct investment flows on a number of reasons, the most important of which are (2):

1. A political and economic structure that lacks clarity of vision does not allow foreign investors to draw a picture of the future of their projects.
2. The prevalence of crony capitalism will undermine the desire of foreign investors to invest in countries that enjoy a high level of corruption.
3. The structure of the international financial system that makes the possibility of saving international creditors (loans and portfolio investments) resulting from the financial crisis more likely than saving direct investments because the level of corruption in the host countries of these flows is not taken into account in cases of compensation or rescue from the financial crisis.

The above three factors in countries with severe corruption will disrupt the scientific logic of the theory of “regulating the importance of international capital flows” for investment host countries because of the degree to which foreign direct investment is affected by corrupt practices of local officials and bureaucracy is more than the effects of other patterns of investment flows (4).

Direct investment depends on the heavy use of relationships, starting with the registration, establishment, and operation of the project, which exposes foreign investors to corrupt practices and thus has costs that sometimes exceed those of other types because it puts them in a weaker negotiating position than with banks in terms of loans and portfolio of investors. Because negotiation cases are becoming more and more intense, especially when starting business projects in exchange for not putting up obstacles, which leads them to resort to paying bribes and extortion by local officials (6)

CONCLUSION

Corruption has become the prevailing way of life in Libya. The reason for this is repeated civil wars, economic crises, and a state of distrust in the government's ability to solve problems and provide what is best for society for many years.

Along with the course of transformations in the political and economic process that Libya witnessed, and the new reality imposed after 2011, efforts must be focused on the fight against corruption because the reform process would be incomplete without it. Countries in the transformation process, as happened with Libya, are strengthened by corruption because motives and opportunities for deviation are available, and the reason is security, political and legal vacuum.

Therefore, the need to build a political and economic system without corruption will represent the most critical challenges facing the reform process. In the beginning, we must understand that fighting and eliminating corruption in Libya will not be easy and will face significant internal and external challenges, which first require the availability of genuine political will and concerted local and international efforts.

It is necessary to work on laying the correct and scientific foundations in the field of the fight against corruption to ensure the success of the transformation process that Libya is witnessing because the conviction of economists is increasing that economic reforms cannot be achieved if corruption is not curbed and work to achieve the principles of equal opportunities and transparency.

Without it, public money will continue to bleed, and society will need to deal with the social effects of economic reform and burden relief. In addition, many economic decisions can be made in favor of the influential, which will increase the state of class disparity and the flight of capital acquired because of corruption.

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ADMINISTRATIVNA KORUPCIJA I MOGUĆNOSTI EKONOMSKE REFORME – SLUČAJ LIBIJE

REZIME

Proces ekonomske reforme zahteva rasvetljavanje pitanja administrativne korupcije kao preduslova za osiguranje uspeha reformskog procesa. Zemlje koje žele da reformišu svoju ekonomiju neće to učiniti sve dok postoji rasprostranjena korupcija koja podriva standarde poštovanja moralnih i pravnih pravila i dovodi do povećanja neformalnih aktivnosti na svim ekonomskim lokacijama. To dovodi do ograničenja efikasnosti države u postizanju cilja ekonomskih reformi predstavljenih u tranziciji ka tržišnoj ekonomiji.

Ključne reči: administrativna korupcija, ekonomske reforme, efikasnost države, tranzicija