

# CORRUPTION AS A GLOBAL PHENOMENON & ARMENIA

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Power Point presentation by Hagop Angaladian, Honorary Consul of Malawi 1988-2007

At the Public Roundtable Discussion: Policy Directions in Post Election Armenia, Montréal, 20 June 2008

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## **Policy Directions in Post Election Armenia A Public Roundtable Discussion**

### **CORRUPTION AS A GLOBAL PHENOMENON AND ARMENIA**

(A powerpoint presentation)

Montreal, June 20, 2008

Hagop Angaladian

What is Corruption?

It is the misuse of the public office for private gain

Corruption deters development

Level and Pattern of Corruption in Transition Countries

1. State Capture: actions of individuals, groups or firms in the public or private sector to influence the formation of laws, regulations, decrees and other government policies to their own advantage as a result of the illicit and non-transparent provision of private benefits to public officials.
2. Administrative Corruption: is the intentional imposition of distortions in the prescribed implementation of existing laws, rules and regulations to provide advantages to either state or non-state actors such as a result of illicit and non-transparent provision of private gains to public officials.

Types of Administrative Corruption

1. Kickback Brokers
2. Bribery - Kickbacks
3. Front Companies
4. Bid Rigging
5. Official-Owned Enterprises

The Anatomy of Corruption in Armenia

Structure of Budget

2008 (FX 305)

Revenues AMD 759 B (~ US \$ 2.5 B)

Expenditures AMD 837 B (~ US \$ 2.75 B)

Deficit AMD 78 B (~ US \$ 250 M)

of which:

~ 6.6 % personnel costs

~ 1.9 % interest

~ 4.1 % subventions

~ 20 % transfers

~ 66 % procurement of goods, works and services

#### Analysis

- According to the Country Procurement Assessment Report of the World Bank, 80% of all procurement is conducted through either single source/direct contracting or restrictive tendering process;
  - International best practice (based on OECD/DAC records) has proven that under such circumstances, there is a 25 – 35% loss of funds due to corruption.

#### Examples

In 1997 the construction of a new school was ~ US \$ 175,000 equivalent;

Should cost ~ US \$ 350 – 400,000 in 2007; Costs ~ US \$ 850,000.

The delivery of a textbook to Mozambique in 2007 costs ~ US \$ 2.

The delivery of a textbook to Armenia in 2007 costs ~ US \$ 5.

#### Analysis

- 2002
  - Procurement level: AMD 55.1 B - US \$ 96.1 M
  - Single Source procurement, AMD 40.4 B - 73.33% - US \$ 70.5 M
  - Opportunity loss: ~ 25 - 30% = AMD 12 B – US \$ 21 M
- 2004
  - Procurement level: AMD 139.2 B - US \$ 261.2 M
  - Single Source procurement: AMD 78.1 B – 81.7 % - US \$ 146.5 M
  - Opportunity loss: ~ 25 - 30% = AMD 24 B – US \$ 44 M
- 2007
  - Procurement level: AMD 333 B - US \$ 913 M
  - Single Source procurement: AMD 250 B – 75 % (estimated) - US \$ 680 M
  - Opportunity loss: ~ 25 - 30% = AMD 62.5 B – US \$ 170 M

#### How can you help?

- Get active in your Organization
- Demand financial Public Financial Statement;
- Impose expenditure regulations;
- Participate in internal audit;
- Impose Transparency;
- Demand Accountability;
- Sanctions



