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ANALYSIS OF THE IMPACT OF CORRUPTION ON ECONOMIC ACTIVITY

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ABSTRACT

The study aimed to learn about the impact of corruption on economic activity: a study of the situation of a group of Arab countries (Jordan, Saudi Arabia, Tunisia, Egypt, Morocco, Sudan), using cross-sectional chronology (Panel Data) during the period (2013-2019). The study found a negative and statistically moral impact of corruption on economic growth in the Arab countries under consideration. and this result is attributable to the fact that corruption leads to uncertain practices that render mechanisms for improving efficiency ineffective, which is consistent with economic theory This result can also be explained by the fact that one aspect of corruption is the directing of public debt towards investment in less productive enterprises, resulting in the failure of such enterprises.

Keywords: corruption, corruption indicators, public debt, budget deficit

Introduction

Corruption is a worrying phenomenon worldwide due to its negative effects on the economic, social and political levels. The World Bank defines corruption as the abuse of public office to achieve private gains. Transparency International also defines corruption as the abuse of entrusted authority to achieve private gains in the public and private sectors and civil society, and covers both material and non-material gains. Corruption is not a local phenomenon, but rather a global phenomenon that varies in severity from one country to another, and developing countries are considered the most affected by corruption.

Fighting corruption not only improves productivity in public administration, but also increases the value of collected revenues and reduces the value of spending. Therefore, fighting and reducing corruption encourages the private sector to expand investment and the return of migrant capital, thus moving the wheel of economic growth and development, and increasing the possibility of paying off the public debt of governments, which constitutes a burden on them.

Studies have confirmed the impact of corruption on economic activity on the three variables (economic growth, public debt, and budget deficit), as corruption in Arab countries, including Jordan, where corruption is widespread, is expected to collapse economically and increase its debt. Hence, this study came to shed light on these opinions and reach a convergence of viewpoints on the issue of economic growth, public debt, and budget deficit affected by corruption as an integral relationship between them.

The importance of the study is highlighted by the fact that it addresses a topic related to a phenomenon that most countries in the world suffer from, which is corruption in its financial and administrative forms and its impact on economic performance and achieving development represented by the following variables (economic growth, public debt, general budget). This study is also considered one of the few studies, according to the researcher's knowledge, that examines the impact of corruption on economic performance in a group of Arab countries.

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Accordingly, we will divide this research into two requirements, the first of which is devoted to studying corruption perception indicators, while the second requirement will address an analysis of the Corruption Perceptions Index (CPI) in the Arab countries under study

First requirement

Corruption Perceptions Indicators

Corruption is defined as the deviation and destruction of morals and integrity in business and public functions. The phenomenon of corruption is due to greed, love of money, desires, and inequality in rights and available resources. The economies of countries are greatly affected by corruption due to its effects on all political, social, and moral levels. It is a negative phenomenon that is growing dangerously, especially in Arab countries, and exposes many projects and plans to threats and disturbances in their development projects, which generates dissatisfaction among citizens, which is a basic condition for achieving economic and political stability (Al-Jawarin, 2016, p. 63). The corruption perceptions index in Arab countries and around the world has been noticeably increasing in light of the little or almost non-existent progress witnessed by countries. More than two-thirds of countries scored less than 50 points on the index. Therefore, many countries, such as Syria, Libya, Yemen, and Iraq, face challenges and difficulties, as instability, terrorism, war, and conflict have led to a decline in the level of transparency, and wars have added ambiguity to the implementation of tasks and work, which makes them ambiguous and not subject to oversight of operations or how It is accomplished in various sectors (Munir, 2021, p. 96).

One of the features of the phenomenon of corruption in Arab countries is the flow of huge amounts of money in election campaigns that allow influential and wealthy people to assume sensitive political positions in the state at the expense of the most qualified people to assume these positions, and thus not to do the work to the fullest (Majdi, 2019, p. 123).

The problem of corruption is considered one of the problems that has a major impact on the economies of countries due to the lack of commitment to policies, instructions and systems, and that there is a defect in the oversight bodies to reduce corruption, bribery, nepotism, extortion, favoritism, the absence of integrity and transparency, the squandering of public money, the exploitation of public office, and theft of public money and property, as corruption monopolizes power and increases the cycle of poverty and hunger, and that confronting corruption is considered a goal of sustainable economic development and directing central strategic plans towards an effective economy (Al-Jamal, 2014, 236).

The Arab world suffers from a failure in management and backwardness in the regulatory systems, regulations, legislation and laws that Arab countries follow with those who practice corruption. The corrupt have begun to include bribery in the cost of production and thus increase prices, and not just increase prices. Corruption affects the distribution of resources and rights to those who do not deserve them, in light of the absence of oversight, poor performance and a major economic decline. A strong parliament must be imposed that represents the people and their interests and stops the phenomenon of corruption (Al-Jamal, 2014, p. 254).

Transparency International measures corruption rates in the form of reports it issues annually. It is a leading international organization concerned with working to combat corruption. The organization monitors the rates of corruption prevalent in all countries of the world, including the Middle East, in its various political, social and economic forms. It compares these countries to each other in terms of the prevalence of corruption. This indicator is called the Corruption Perceptions Index. The Corruption Perceptions Index is used in more than 180 countries according to the levels affecting corruption in the public sector. The index value ranges between (0-100). The closer the index value is to zero, the more

corruption and less integrity there is. On the other hand, if the index value approaches 100, this indicates less corruption and greater transparency. The report issued in 2020 indicates that more than two-thirds of countries scored less than 50 on the Corruption Perceptions Index, with an average of 43 points, and that many countries still fail to address the problem of corruption in the required manner. There are other organizations concerned with monitoring corruption rates, including Transparency International's Global Corruption Barometer and the Payers Survey. Bribery for Transparency International, the Institutional Survey Scale, and the Governance and Corruption Diagnostic Scale (Roben, p1682020)

The Corruption Perceptions Index (CPI) is an annual index issued and published by Transparency International. The index ranks countries around the world according to the degree of their perception of corruption among employees and politicians and according to their levels of perception of corruption in the public sector. This index is based on taking at least three available sources in order to evaluate each country individually through this index (CPI), and among these sources is collecting data, measuring it, and evaluating its approach. This index is based on referendums for each Arab country, as these referendums differ from one country to another in evaluating the phenomenon of corruption in it. Every year, some of these sources are updated, and for this reason they are dropped and excluded from the work of the index, and new reliable sources are adopted to evaluate the phenomenon of corruption and reduce it (Bashir, 2006, p. 89). The effects of corruption in developing and poor countries are not only economic, but also social, as it undermines moral values, indifference, extremism, fanaticism and negativity among members of society, neglect of job performance standards, decline in interest in public performance, spread of immoral behavior, spread of poverty and increase in the number of marginalized groups (Al-Khawaja, 2012, p. 79). The phenomenon of corruption in the Arab region takes different forms and patterns through two main phenomena (Al-Aqra, 2013, p. 265): 1. Corruption of the political system (absence of democracy and violation of individual rights). 2. Corruption in the public management of resources (financial corruption, spread of bribery, theft and poverty).

Second requirement

Analysis of the Corruption Perceptions Index (CPI) in the Arab countries under study

Looking at Figure No. (1) and (2) and Table No. (1) of the Transparency International data for the Corruption Perceptions Index (CPI) for the Arab countries under study for the period (2013-2019) issued by the organization annually, it is clear that there was no high fluctuation on average during the study period, as the index values ranged between (35-38). As Figure No. (2) shows, Saudi Arabia ranked first in the Corruption Perceptions Index during the period (2013-2019) with an average of (49.1) points, which indicates that the Kingdom of Saudi Arabia is the least corrupt country among the countries in the study sample, and in second place is Jordan with an average of (48.5) points, while Sudan ranked last with an average of (13.1) points, which indicates that Sudan is the most corrupt country among the countries in the study sample.

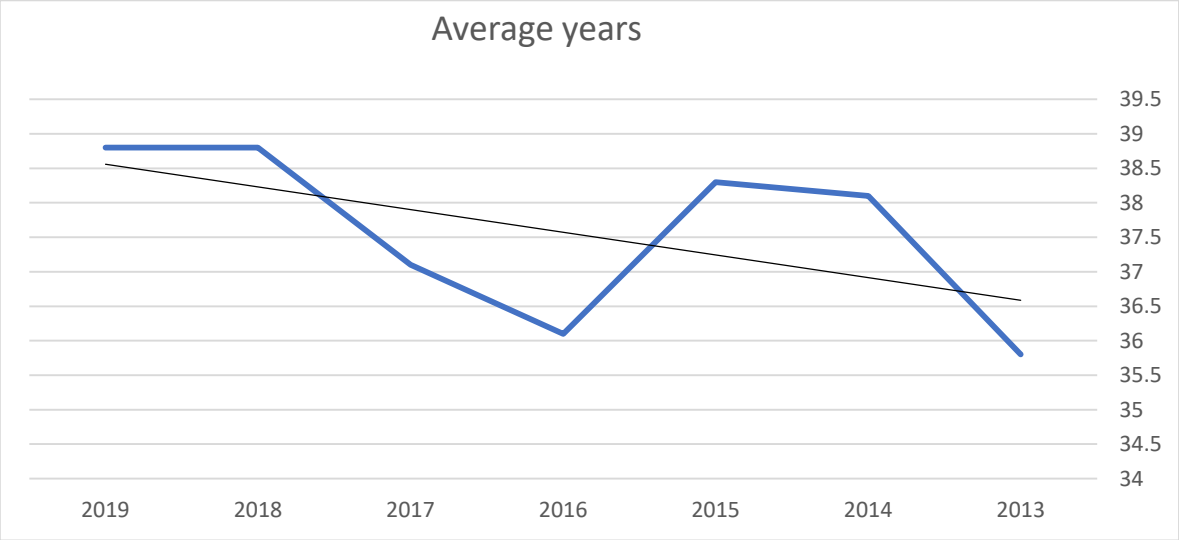
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Table No. (1)

Year	Jordan	Saudi Arabia	Tunisia	Morocco	Egypt	Sudan	Average
2013	45	46	41	37	32	14	35.8
2014	49	49	40	39	37	15	38.1
2015	53	52	38	36	36	15	38.3
2016	48	46	41	37	34	11	36.1
2017	48	49	42	40	32	12	37.1
2018	49	49	43	43	35	13	38.6
2019	48	53	43	41	36	12	38.8
Average	48.5	49.1	41.1	39	34.6	13.1	37.5

Corruption Perceptions Index for Arab Countries for the Period (2013-2019)

Figure No. (2)

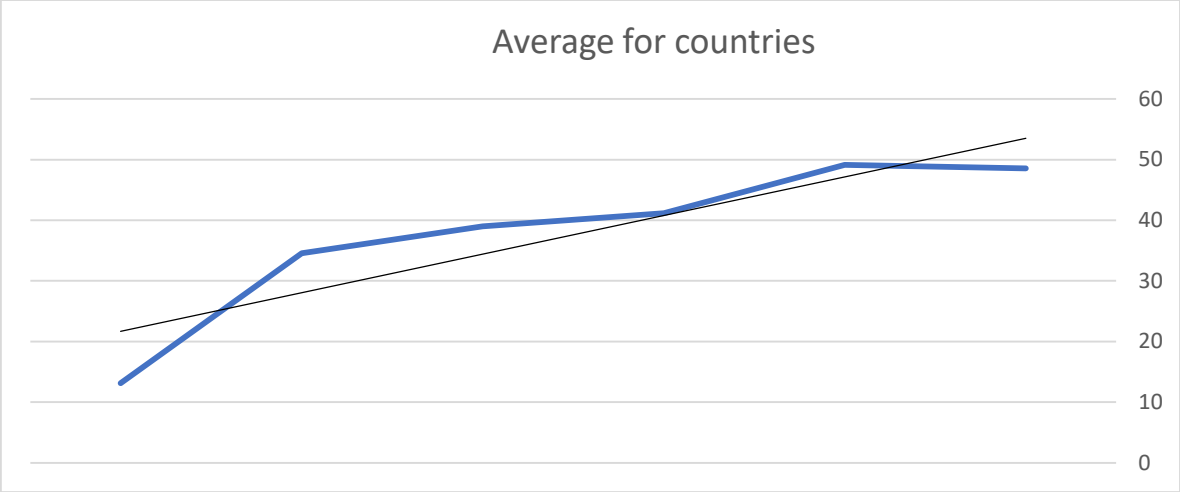


Corruption Perceptions Index for Arab Countries for the Period (2013-2019)

Corruption Perceptions Index for Arab Countries

Sudan	Egypt	Morocco	Tunisia	Saudi Arabia	Jordan

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Analysis of the GDP of the Arab countries under study:

It is noted from Figure (3) and (4) and Table No. (2) which shows the GDP in the Arab countries under study that the average GDP for the years was taking an upward trend as the average GDP reached (993565) million DOM in 2013 and continued to increase until the end of the period in 2019 where the average reached (4702555.8) million DOM. It is also noted that the growth on average in 2019 reached 185.4%. This increase in the average is attributed to the increase in the GDP in Egypt in the first place, as it reached (1266720) million DOM in 2018 and rose to (6595459) million DOM in 2019. There was also a significant increase in the rest of the countries except for Jordan and Tunisia, which witnessed little growth. Figure (4) indicates that the average GDP rate in Jordan amounted to (27744.7) million DOM during the study period (2013-2019), while the average GDP in Saudi Arabia was (2860858.2) million DOM, and this average was the highest average in the study sample community. As for the average in Tunisia, it amounted to (90579.6) million DOM, while in Egypt the average GDP amounted to (4203158.6) million DOM, and finally the average in Sudan amounted to (1508352) million DOM.

Table No. (2)

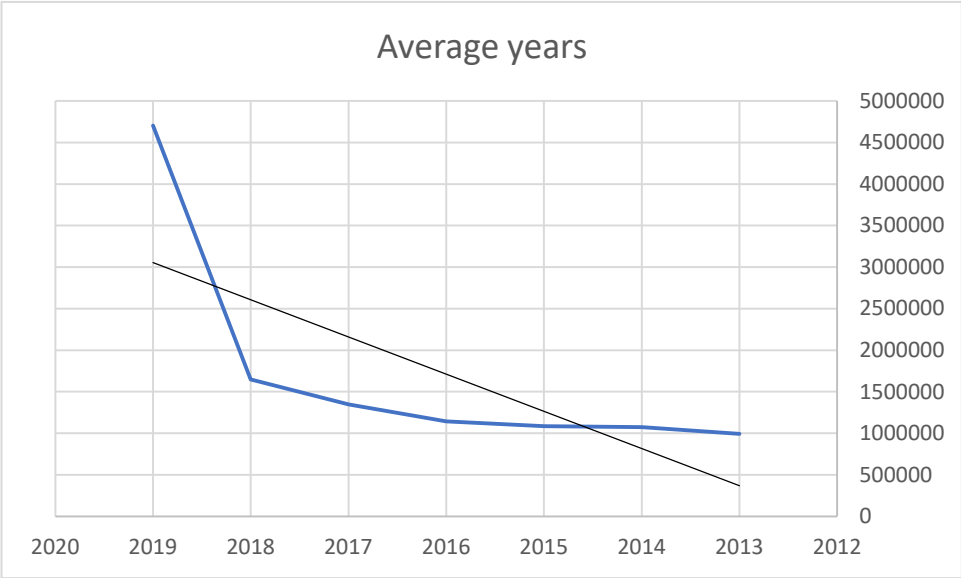
Year	Jordan	Saudi Arabia	Tunisia	Morocco	Egypt	Sudan	Average
2013	23876	2799930	75144	897923	1860400	304117	993565
2014	25596	2836310	80866	925376	2130000	447998	1074357.7
2015	26925	2453510	84689	987950	2443900	505761	1083789.2
2016	27830	2418510	89792	1013560	2709400	605409	1144083.5
2017	28903	2582200	96325	1063300	3470000	833000	1345621.3
2018	29984	2934310	105597	1112200	4437400	1266720	1647701.8
2019	31099	4001238	101644	5114885	12371010	6595459	4702555.8
Average	27744.7	2860858.3	90579.6	1587884.9	4203158.6	1508352	149897.6

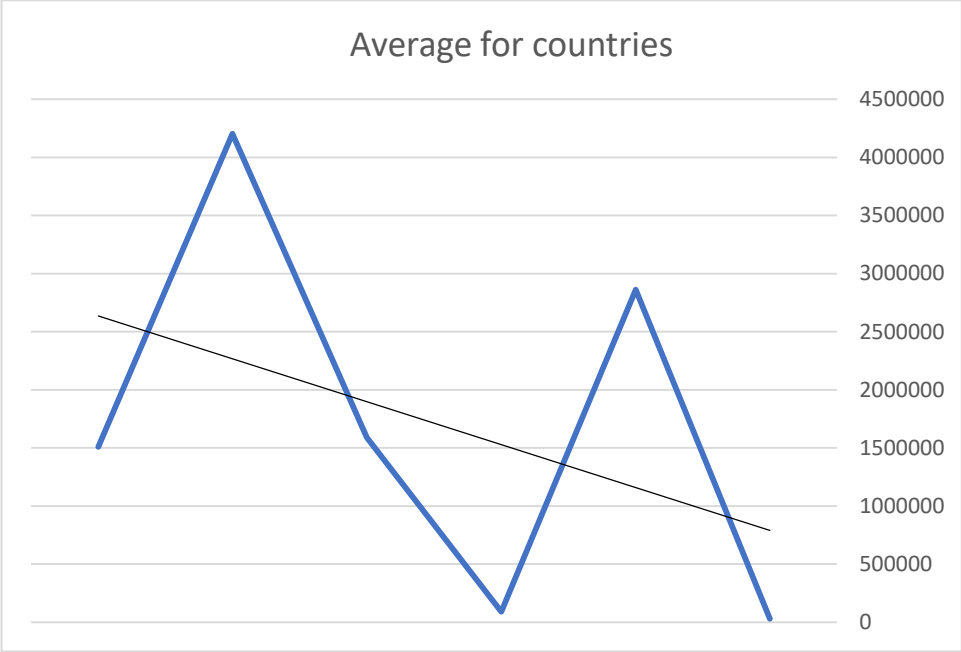
Source: Arab Monetary Fund

DOM: The Arab Monetary Fund unified the currencies of all countries based on certain indicators to become the unified currency DOM (Domain token).

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Analysis of GDP in Arab Countries (2013-2019) (DOM-AR)





Sudan Egypt Morocco Tunisia Saudi Arabia Jordan

Analysis of the total public debt of the Arab countries under study:

It is clear from Figure No. (5) and (6) and Table No. (3) that the average public debt in the Arab world for the countries under study increased during the study period, as the average reached (89144.3) million DOM for the year 2013, and the public debt in this year was the lowest value and continued to rise until 2019 to reach its highest value (219102.5) million DOM. It is also clear that the average public debt of Egypt was the highest average for the countries under study, as it reached (332041.7) million DOM, while the lowest average was for Jordan, which reached an average of (35964) million DOM.

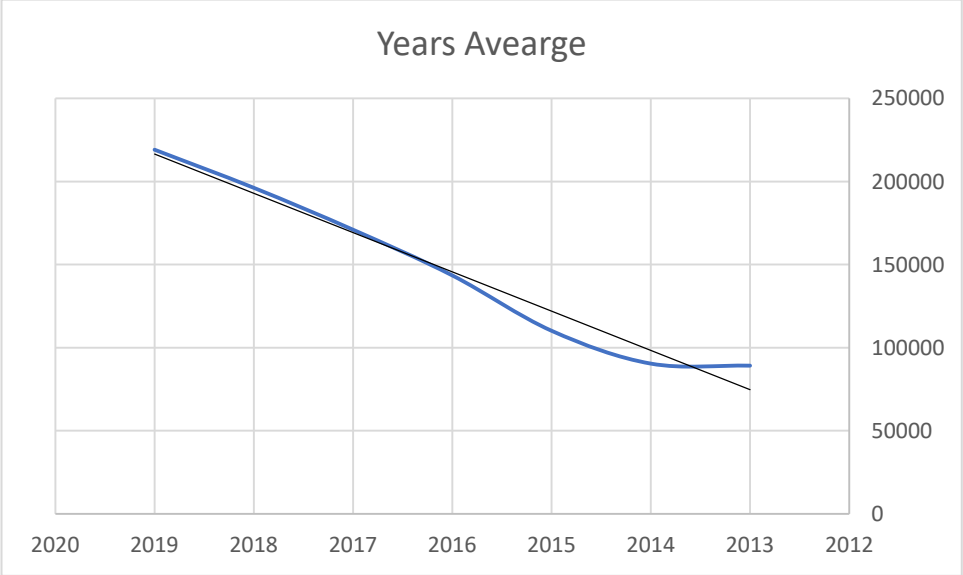
Figure No. (6) indicates that the average public debt in Jordan reached (35964) million DOM, coinciding with an increase in the corruption index, as the lower the public debt, the lower the percentage of corruption, while the average public debt in Sudan reached (55996.9) million DOM.

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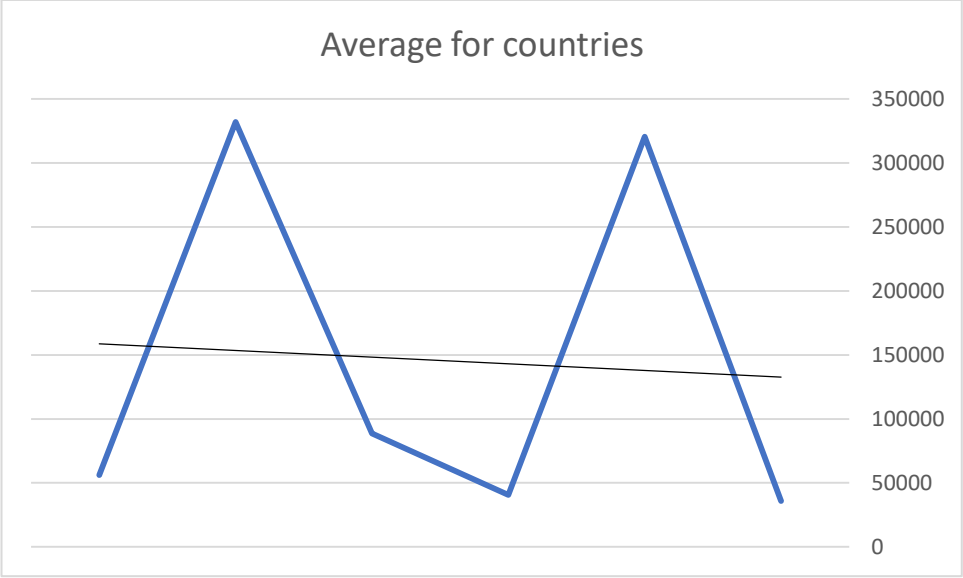
Table No. (3)

Analysis of the total public debt of Arab countries (2013-2019) (million DOM)

Year	Jordan	Saudi Arabia	Tunisia	Morocco	Egypt	Sudan	Average
2013	29146	60118	35442	83553	282228	44379	89144.3
2014	31932	44260	38634	86594	297183	43677	90380
2015	35069	142260	38450	80370	311327	53384	110143.3
2016	36782	316580	38574	85683	326689	56352	143443.3
2017	36530	443253	42063	91443	351847	60567	170950.5
2018	39903	559980	47406	95304	366986	67447	196171
2019	42386	677925	43341	96759	388032	66172	219102.5
Average	35964	320625.1	40558.6	88529.4	332041.7	55996.9	145619.2



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Analysis of the general budget of the Arab countries under study

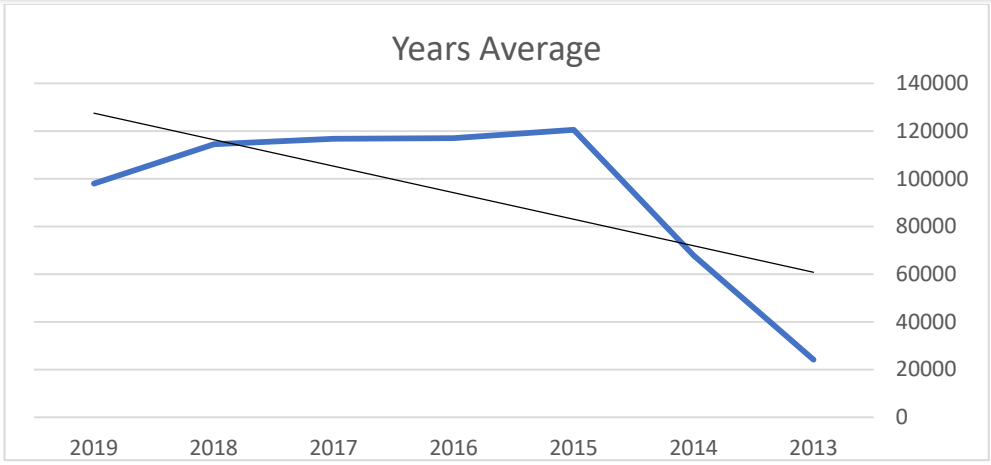
It is clear from Table No. (4) and Figures (7) and (8) that the general budget deficit in the Arab countries under study at the beginning of the period took an upward trend, as the average deficit reached (-24176) million DOM in 2013 and rose in 2015 to (-120568) million DOM, due to the increase in the deficit in the general budget in Saudi Arabia, which reached (-388599) in 2015, and then the deficit began to decline until the end of the period, in which the average deficit reached (-98038) million DOM for the year 2019. This decrease is attributed to the increase in the deficit in Saudi Arabia from the stability of negative growth in the rest of the countries under study. Figure No. (8) indicates that the average general budget deficit rate for Jordan was (-890) million DOM, as the lower the general budget deficit rate, the lower the corruption rate, while Egypt recorded an average general budget deficit of (-337812) million DOM, as the higher the general budget deficit rate, the lower the corruption rate.

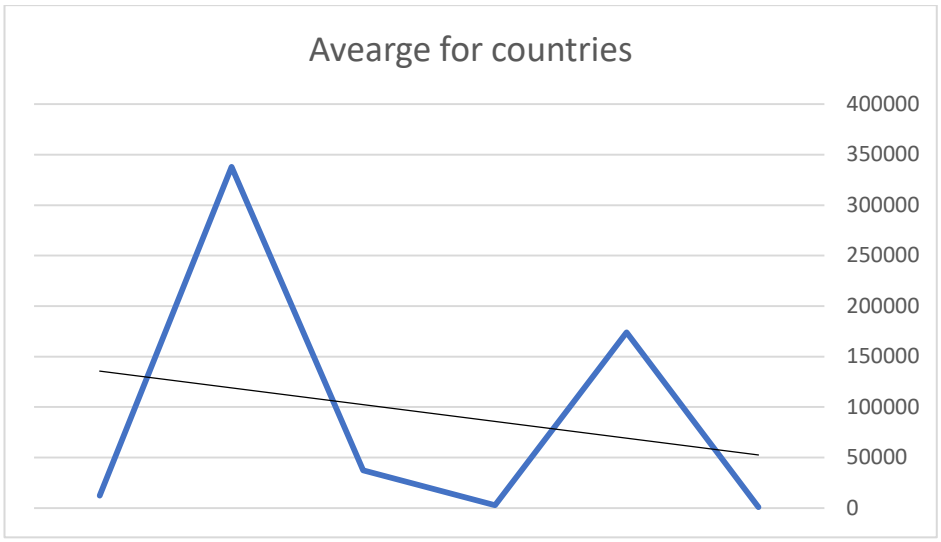
Table No. (4)

General budget deficit in Arab countries (2013-2019) (million DOM)

Year	Jordan	Saudi Arabia	Tunisia	Morocco	Egypt	Sudan	Average
2013	-1307	-157797	-3390	-52039	-239719	-6400	-24176
2014	-584	-100463	-1353	-45735	-255440	-3997	-67928
2015	-926	-388599	-1867	-46241	-279431	-6346	-120568
2016	-879	-311065	-1699	-38745	-339350	-10879	-117102
2017	-748	-266621	-3115	-37974	-379590	-12842	-116815
2018	-728	-173858	-3986	-38144	-432571	-37848	-114522
2019	-1058	-135000	-4512	-1707	-428586	-7370	-98038
Average	-890	-173973	-2846	-37226	-337812	-12240	-94164

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Arab countries' attempts to confront and eliminate the phenomenon of corruption

Corruption has a major impact on the economic development index through the failure to attract investments and investors to the country and the outflow of local capital abroad. The lack of a free competitive environment for business contributes to the flight of capital, the failure to attract foreign capital, and weakens the employment process, thus expanding the phenomenon of unemployment, poverty and homelessness. Corruption also affects the political system due to its negative repercussions on the extent to which countries enjoy democracy, respect for citizens, and the provision of justice and equality to all members of society in a fair manner, equal opportunities and freedom of the media. To combat corruption, there are several mechanisms, including holding all corrupt individuals accountable before the regulatory authority, and achieving equality, transparency and integrity (Al-Jawarin, 2016). The governments of Arab countries have attempted to combat the phenomenon of corruption through several things, including signing the United Nations Convention on the Duties that the Government is supposed to perform, establishing the "Arab Parliamentarians Against Corruption" organization in 2004, and establishing the Arab Anti-Corruption Organization in 2005 on corruption and good governance. Arab countries signed an anti-corruption agreement in 2010 that aims to prevent the phenomenon of corruption and encourage civil society and individuals to combat such a phenomenon (Daqdaq, 2016). Arab countries have encouraged the activation of economic aspects by limiting the role of the state and limiting its spending to public goods and services, and with the necessity of investing locally and regionally. A number of Arab countries have

also established an independent administrative and financial body to monitor the phenomenon of corruption in all its forms by monitoring the parties involved in corruption operations so that these procedures are in parallel with achieving political and economic freedoms for individuals in Arab society (Hijazi, 2014).

Results and Recommendations

After we finished preparing this research, we tried to clarify the indicators of corruption perceptions and analyze the impact of corruption perceptions in the Arab countries under study, and we reached a set of results and recommendations as follows:

First: Results

Through what was reached in the previous chapter, the results came as follows:

1. There is a negative and statistically significant impact of corruption on economic growth in the Arab countries under study, and this result is attributed to the fact that corruption leads to practices characterized by uncertainty that make efficiency improvement mechanisms ineffective, and this result is consistent with economic theory, and this result can also be interpreted that one of the aspects of corruption is directing public debt towards investment in less productive projects, which leads to the failure of these projects.

2. There is a joint integration between the variables of the model, meaning that there is a long-term relationship between the study variables.

3. There are some variables that stabilized at the level, and some variables stabilized after taking their first difference.

Second: Recommendations

1. Conduct more studies that focus on studying the impact of corruption on economic growth and development, and that these studies select variables that work to study the impact of corruption on aspects that affect economic and social growth and development.

2. Intensify control procedures on official departments to combat the phenomenon of corruption and combat tax evasion and avoidance

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