
CORRUPTION - A DISTURBING FACTOR IN THE DEVELOPMENT AND ADMINISTRATION OF BUSINESS THROUGH PRISM OF ENERGY SOURCES

PhD. Student Jr. Alin Sergiu NIȚU
Valahia University of Targoviste, Contabilitate
office@aconaudit.ro

PhD. Student Ec. Marcel CONSTANTIN
Valahia University of Targoviste, Contabilitate
marcel.constantin@alinso.eu

Abstract: *In most countries, there is a great need for public administration reform in order to reduce the incidence of unproductive public spending that does not support sustainable economic growth. An efficient public administration must expect all workers to do full-time work and must pay them a reasonable salary. There are too many public institutions that reinforce the observation attributed to Pareto: in public institutions 20% of the workforce performs 80% of useful work. Government employment policies in recent decades, often justified by income distribution reasons, have produced large civil services with too many low-paid workers. The efficient and basic role of the public sector can be promoted by a small and well-paid public service, which is fully aware of its responsibilities and is penalized when it does not fulfill its function.*

Key Words: *corruption, sustainable development, balance, economy, energy, future*

JEL Classification: *H73, E63.*

Introduction

Contemporary society is characterized, more than ever, by these concepts that have practical applicability in the national and world economy, seemingly singular but with interdependent connections that can be a boost or a brake on the economy of the future: energy-sustainable development-corruption.

All three concepts have as a common feature, balance, because:

- sustainable development implies a socio-economic-ecological-natural balance;
- balanced use of classical and alternative energy sources;
- corruption occurs when the relationship between needs and possibilities is unbalanced.

Approaching these concepts must start from the hypothesis that the irrational satisfaction of current needs can compromise the satisfaction of the needs of our descendants and why not even recognize the existence of people on this earth, according to more or less alarmist theories.

Regarding corruption and the impact on the development and management of sustainable business, two main ideas can be extracted.

The first, which assumes that the phenomenon of corruption negatively affects sustainable economic development and the natural environment. In support of this hypothesis can be given as an example the uncontrolled deforestation of forested areas of Romania, which, in the pursuit of profit, have generated major economic and natural imbalances. In the deforested areas, natural cataclysms (landslides, floods, etc.) took place, which generated losses of human lives and material destruction, whose restoration costs far exceed the profits obtained. All these actions could not be done without the agreement of some governmental or institutional factors, tacit or not, which were based on some financial advantages with a corrupt substratum.

The second direction starts from the premise that the phenomenon of corruption can solve certain economic and social shortcomings in the case of at least democratically deficient governments. In underdeveloped countries, where poverty is the order of the day, institutionalized corruption can seemingly create jobs and profits without taking into account the prospect of the future. In this case, the above example can be eloquent, because there is a current that claims that intensive logging has a beneficial role on budget revenues.

The media reports daily on the struggle of companies interested in obtaining contracts for the construction of energy infrastructure and exploitation of natural energy resources, where an important role is played by the political factor. Corruption in this sensitive area is given by governmental factors, politically dominated, which through interventionist means intertwine with economic actors through the market mechanism, more or less free.

From the perspective of business risk management, corruption increases the costs and risks associated with the business, discourages investment, hinders economic growth, distorts prices, blocks economic development and corrupts government procurement processes.

According to a U.S. State Department study called "Fighting Corruption Globally – Business Risk Management," corruption increases the cost of a business by at least 20%. As a result, honest and efficient employees and citizens are discouraged. Corruption begins with petty acts and evolves to larger activities and increased tolerance of these practices, to the penalization of the honest and to the acceptance by society of a program of incentives with harmful effects.

Nowadays, businessmen often face difficult challenges, seemingly impossible to overcome in an attempt to ensure not only prosperity, but also the survival of their business. Eliminating corruption is almost, an impossible challenge. Although eradicating a practice that has affected civilisation since its inception seems impossible, the

level at which corruption affects people, reduces the credibility of institutions and blocks businesses, can be significantly reduced.

Business representatives are directly aware of the burden of corruption. Because of corruption, there are poor quality infrastructure and products that put safety at risk. Corruption undermines the credibility of civil and criminal courts and allows the actors of the economy, from dishonest bureaucrats to organised, violent criminal groups, or even terrorists, to gain influence.

Countries where corruption is considerable, have slower-growing economies and face serious criminal problems. Their citizens are disappointed with governments and the international reputation of countries is suffering. Corruption hinders innovation and decreases the competitiveness and efficiency of the business environment.

In order to be successful in the fight against corruption, it will require substantial measures at national and international level to ensure the progress that companies, countries and their citizens deserve and to which they are entitled. For these nations to fully prosper, they must not only fully enforce the standards on the fight against corruption and transparency, but also enable civil society to fulfil its important and proper role of ensuring the integrity of the authorities and increasing transparency, for the benefit of the citizens. Taking these measures will ensure not only the adoption of appropriate laws, but also their application and compliance by the police and the courts, and the fact that civil society will be allowed to publicly present those who do not adhere to these standards.

According to a recent study by Transparency International, corruption affects a high percentage of development projects financed from European funds in Eastern European countries, which significantly reduces the beneficial impact that these investments could have on the economy of those countries. Corruption affects all segments of society, which is why its eradication becomes a systemic problem. Thus, the societal forces will militate for the eradication of the causes that favor the corruption, which involves inventions in digitization, computerization, monitoring, identification of risk areas in the production of acts of corruption.

But it is not just governments that need to act. The most affected by corruption are the representatives of the companies and the population. They are the ones who use non-compliant products who pay bribes for basic services and who are not given justice when they request it. We therefore believe that civil society, which includes but is not limited to non-governmental organisations, has a key role to play. We believe that the representatives of the civil society must be observers at the level of the society, but also active participants in the anticorruption initiatives, as the efforts to limit corruption are intensified.

Along with serious monitoring of the application of these rules and standards, a robust capacity is needed to hold to account and prosecute the corrupt, and there is a need for illicitly obtained assets to be returned, to the greatest extent possible, to victims of corruption.

In order to eliminate corruption from the root, we need a two-fold approach: the authorities must prosecute the corrupt, from dignitaries to small officials, and civil society must function freely in order to change attitudes, from those of ordinary citizens to those of ordinary citizens to those of dignitaries.

Corruption is an extremely broad problem, and the benefits of reducing its negative effects are equally great. In order to eradicate corruption, convergent and joint actions of several institutions are impugned to remove, first of all, the causes and then to identify measures to punish those who produce corruption deeds.

Collective redress against corruption

The public sector, the business sector and representatives of civil society must work together to set standards of integrity and apply sanctions and incentives in order to achieve visible results in the fight against corruption. The question of whether there is a side of the private sector aimed at combating corruption cannot be answered categorically with 'yes' or 'no'. Despite strong moral issues and strong arguments about the long-term profitability of the fight against corruption, its existing framework in the private sector persists, to one degree or another, almost everywhere. An attitude of integrity in the private sector can only go viral by establishing sanctions and incentives. When the possibility of detection and application of dissuasive sanctions becomes imminent, companies will be determined to counter the phenomenon of corruption. Even for companies operating in environments free of daunting penalties and/or with little chance of being caught, an upright attitude can guarantee a sustainable profit in the long run. On the one hand, in the fight against corruption, incentives can be an alternative through tangible advantages, granted to companies of integrity and responsibility. Therefore, stakeholders in the public and private sectors, as well as civil society, can establish and apply sanctions and incentives to fight corruption both to companies, their representatives, and to associates, so that the fight against corruption becomes, more and more, a business decision of the day, while supporting the moral desire to do what is right.

Among the types of sanctions and incentives to fight corruption in business applied to different sectors we identify:

- Public Sector (government institutions, intergovernmental organisations, etc.): a government institution can impose a fine on a company caught bribing a public official.

- Private Sector (companies, investors, etc.): a large company may prefer a particular supplier due to its ethical code, anti-corruption attitude and exceptional compliance programs.

- Civil Society (civil society organizations, business associations, media, etc.): civil society organizations can make public certain cases of corruption, thus affecting the reputation of corrupt companies.

There are three main categories of anti-corruption sanctions and incentives:

- Legal sanctions and incentives are a series of financial and non-financial measures implemented mainly through legal provisions.

- Trade sanctions and incentives are a series of measures implemented mainly in business relationships.

- Sanctions and reputational incentives are a series of measures implemented in particular through the publication of the companies' anti-corruption report.

It should be borne in mind that the selection of sanctions and incentives applied depends not only on the stakeholders, but also on the local context, depending on which the type and scope of the measures used by the stakeholders are determined. In both areas of strong governance and weak governance, public sector stakeholders have enormous potential to motivate the fight against corruption either by applying sanctions and incentives or by facilitating the application of measures by the private sector and civil society. Equally, stakeholders in the private sector are a key factor in forming an upright business environment by applying sanctions to those who do not comply with integrity standards and applying incentives to those who comply with them, as well as facilitating the application of measures by civil society or the public sector. On the other hand, the stakeholders in civil society themselves have a special role to play in determining the fight against corruption, not only through sanctions and incentives targeting the reputation of companies / companies, but more precisely by promoting and monitoring the application of sanctions and legal and commercial incentives by the public and private sector.

The first step in determining the fight against corruption in business is to clearly state what is expected of companies and their representatives. An integrity standard, to which companies and their representatives adhere, serves as an objective criterion for evaluating business performance. This standard of integrity can become a legal standard (in the public sector), can become a code of conduct for business partners (in the private sector), can take the form of a recommendation of good practice (in civil society) or it can take various other forms agreed by the three sectors. An anti-corruption approach that uses only sanctions is insufficient, which is why stakeholders should apply a complementary approach that raises not only the financial, social and psychological costs of corruption, but also the benefits of those who remain/become integral. Similarly to the sanctions approach, it is important to increase not only the financial benefits, but also the social and psychological benefits when applying incentives.

Financial benefits include all the financial rewards that the representative of a company expects to obtain for compliance/ alignment with integrity standards.

Most of the financial benefits from external stakeholders affect the company as a whole, for example, the status of being a preferred supplier. Social benefits usually arise from the recognition and praise of colleagues, friends, partners or other public organizations.

Unlike most financial benefits, external stakeholders can usually apply directly the social benefits due to company representatives. On the other hand, psychological benefits occur when a person continuously reaches his own standards of ethical behavior (e.g.: a positive self-image, due to the refusal to receive / offer any facilitation payment).

Conclusions

In the economy there are few reasons for the state to be directly involved in production activities. If, through privatization, the state can reduce the bill of public sector salaries and the subsidies that it often pays to public enterprises, and improves the efficiency of the economy, then privatization is a good policy. When the interest rates on public sector debt are high and some debts can be repaid with the proceeds from privatisation, then from a fiscal point of view, privatisation is an excellent policy. Privatisation, accompanied by the opening up of the market, which in many sectors introduces competition, being accompanied by rules that prevent monopolies, will usually increase the efficiency of the economy. Over time, privatization will also reduce corruption, although the process can lead to a situation where corruption becomes a major problem.

But the decisive role of the state, in the current context, is to ensure the principles of efficient and effective governance and to ensure full support for the eradication of the corporation in the context of a shortage of resources and an acute shortage of labor force that would meet the needs of sustainable development of the global society.

References

1. Armando Castro, Nelson Phillips and Shaz Ansari, Corporate Corruption: A Review and an Agenda for Future Research, 10 Aug 2020 <https://doi.org/10.5465/annals.2018.0156>
2. Chang-Qing Songa, Chun-PingChang, Qiang Gongc, Economic growth, corruption, and financial development: Global evidence, <https://doi.org/10.1016/j.econmod.2020.02.022>
3. <https://www.transparency.org.ro/ro/tiropage/centrul-pentru-integritate-business>
4. <https://cyberleninka.ru/article/n/types-forms-of-corruption-causes-and-consequences>