

# ПОЛІТИЧНІ НАУКИ

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## RESEARCH THE CURRENT STATE OF THE PROBLEM OF CORRUPTION IN UKRAINE

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The article examined the current situation with the problem of corruption in Ukraine. Was explored the issue of lobbying situation in the economic sector of the state. Were researched the problems of shadow banking and money laundering in Ukraine. Particular attention was given to the world rankings, which are related to issues of corruption in the world. Also was characterized the reforming of the state in the issue of fighting against corruption.

**Keywords:** corruption, lobbying, shadow banking, money laundering, anti-corruption reform, bank, offshore.

**Formulation of the problem.** According to the documents of cooperation between Ukraine and the EU, one of the problems that must be solved by Ukraine – is the fight against the corruption. Everybody knows that nowadays Ukraine has pro-European policy inside the country. Ukraine tries to reform all spheres of the state life: policy, economy, government wants to get free visa regime with EU. That is why Ukraine has hard work with the EU, the International Monetary Fund, the World Bank and other structures. Therefore, problems of corruption in the political sphere, lobbying interests in the economic sector, shadow banking activities and the issue of money laundering are actual nowadays.

**Analysis of recent research and publications.** A large number of scientists, jurists, historians nowadays try to solve the problem of corruption in Ukraine. Currently, to overcome this social phenomenon in Ukraine are using the heritage and papers of foreign and domestic scientists: M. Miller, M. Paldan, S. Rose-Ackerman, D. Asemohlu, W. Miller, G. Broadmen, R. Vishnu, Alexander Baranovsky, A. Bova, T. Koshechkin.

**The purpose of the article.** The basis for the purpose of this article is to analyze the current state of corruption in Ukraine, its structure and the ways to overcome the problem according to the current reforming of the country.

**The main material of the research.** The law of Ukraine of course has a definition of the corruption. Corruption – is using by a person given him official power or associated possibilities to obtain undue advantage or the adoption of such benefits or acceptance of a promise / offer of such benefit for himself or others or under the promise / offer or provide undue advantage to the person or its request to other natural or legal person to persuade that person to the unlawful use of authority granted or related opportunities [1]. This definition means that if you use your opportunities to get some benefits in illegal way – it is a corruption.

Certainly, the Parliament of Ukraine adopted many laws to regulate problems of corruption in country. It is about:

- «The Anti-corruption Strategy»;
- «The Prevention of Corruption»;
- «The National Anti-Corruption Bureau of Ukraine»;
- «The cleaning the government», which provides mechanisms of lustration of the officials of state and local authorities.

These laws were developed and introduced into practice after receiving the recommendations of the European Commission «For Democracy through Law» (Venice Commission); recommendations from the GRECO; anti-corruption recommendations of the Action Plan to liberalize visa regime with the EU; offers programs of SIGMA. Most of these recommendations are based on key international anti-corruption instruments, most of which Ukraine ratified.

Another area of anti-corruption reforms is the creation an independent department that will do operational activities and pre-trial investigation in criminal offenses of corruption. Anti-Corruption Bureau – is investigating law enforcement agency with a mandate for investigative actions and operational-search activities. Similar structures exist in the USA, Poland, France, Singapore, Israel and India.

International anti-corruption organizations describe current situation in Ukraine by the next way. Transparency International says:

Today, our country's CPI (corruption perception Index) is 27 points of possible 100 points; it is only 1 point more than last year. In the world ranking Ukraine takes the 130th place out of possible 168 positions [2]. In 2015, our country was at the 142 place (Figure 1.1).

It is necessary to underline that in 2015 the level of corruption in Ukraine has increased in the provision of public services to entrepreneurs and the annual tax deductions. According to this indicator, Ukraine received only 3 points by a scale of World Economic Forum Executive Opinion Survey.

About the Global Competitiveness Index. Ukraine worsened its position in the Global Competitiveness Index, and takes place 79 against 76 a year earlier (Figure 1.2).

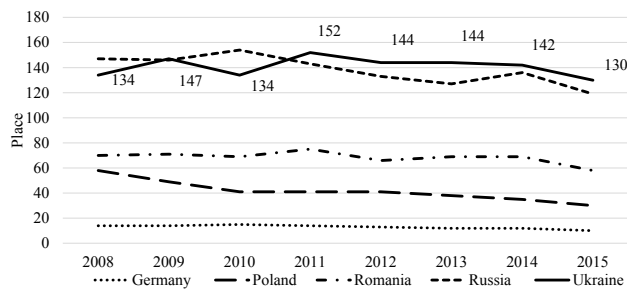


Fig. 1.1. Corruption Perception Index by Countries

This small increasing can be explained by the next Ukrainian changes: increasing of public condemnation of corrupt officials, the establishment of anti-corruption department and the appearance of movement denouncers of corruption. However, the main problems for the index is the delay in the actual punishment of corrupt officials, the increase of corruption in the relationship between business and government.

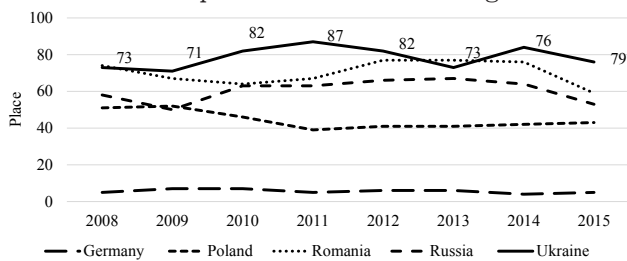


Fig. 1.2. Global Competitiveness Index by Countries

The drafters of the rating assessed a wide range of factors (about 100 items), including the development of infrastructure, currency and stock market, the work of government, the judicial system, economic activity, education level, employment rate of the population and the crime situation [3].

The total development of Ukraine ball on a seven-point scale is 4 points compared with 4.1 points a year earlier. At the same time, the greatest mark get the education sector – 6.1 points of a 7-point scale, the lowest – 3.1 points – macroeconomic stability and the development of state institutions. According to the rating, the nearest neighbors of Ukraine became Guatemala (78th), Tajikistan (80 place) and Greece (81 seats).

In addition, Ukraine has risen to four positions in the annual ranking of ease of doing business by the World Bank's Doing Business, finished at the 83 place (Figure 1.3). At the same time, the World Bank experts pointed out the key reform, which helped to increase in the rating, is the simplification of business registration [4].

At the same time, the problems for business in Ukraine remain: connecting to the power grid, conducting cross-border trade, obtaining building permits and bankruptcy proceedings.

Almost every Ukrainian can meet the corruption in everyday life – in the clinic, at school, at university, in court, at police station, at state institution etc...

Ukrainian residents have to resort to corrupt practices even for the realization of the legitimate rights. Nearly 60% of Ukrainians are aware of when somebody paid bribes for making legal decisions and 47% of Ukrainian residents are aware of cases of bribes for making an illegal decision [5].

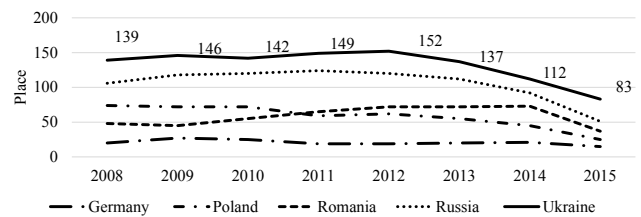


Fig. 1.3. Doing Business index by Countries

In addition, on the Figure 1.4 we see that the corruption in educational sector is one of lowest, but the situation in judicial system and government is terrible, and Global Competitiveness Index said the same.

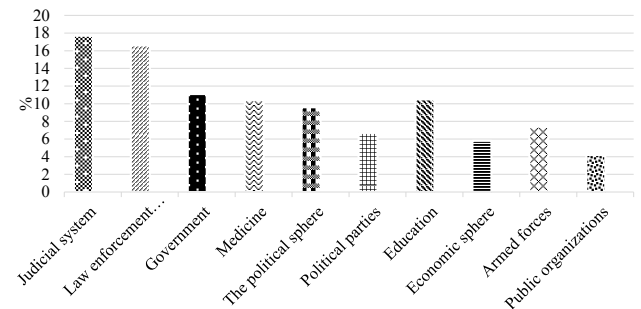


Fig. 1.4. The most corrupt sectors of economy in Ukraine

Another problem that must be solved by Ukraine is the issue of lobbying in the state. The ability to lobby in Ukraine is regulated by lot of laws. These laws are about the:

- «Charity and charitable organizations»;
- «Public Associations»;
- «Civil service»;
- «Access to Public Information»;
- «Prevention of Corruption»;

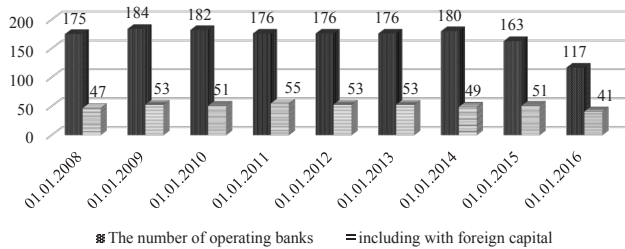
The main objects of lobbying in Ukraine are:

- President of Ukraine;
- The Parliament of Ukraine;
- The Cabinet of Ministers of Ukraine;
- The National Bank of Ukraine;
- Local public authorities;
- Members of local authorities.

According to the official statistics, it's possible to calculate that the assets of millionaires in Ukrainian parliament is – 5.97 billion dollars, it's nearly 10,44% of Ukrainian GDP [6]. It must be emphasized that this fact is – an open lobbying in the Ukrainian parliament.

In addition, we have describe the situation with offshore countries. Ukraine officially in law recognizes more than 30 offshore countries. At the same time, these countries are the main foreign investors in Ukraine. After Cyprus imposed new taxes in Ukraine was suddenly appeared a new investor – Belize. Senior management of the state is well aware that these costs are the costs of the Ukrainian people, which were removed from Ukraine and now as foreign investment comes into the state. These schemes are working not only in Ukraine but also in the countries of the former Soviet Union.

Of course, in Ukraine the issue of shadow banking is actual nowadays. About 60 retired players and a deep devaluation – this was the result of the banking system in 2014-2015 years (Figure 1.5).



**Fig. 1.5. Amount of banks in Ukrainian banking system in 2008-2016**

The worst trend in recent months was in the development of shadow currency market – at small operations of people, and at the level of the banking system as a whole. This is the result of administrative action. In fact, the banking system now serves legal and illegal currency markets.

For the first time in the history of the young Ukrainian financial system, The National Bank of Ukraine began to speak openly against the banks as active links in the shadow economy. They began to close the banks, in particular, because of their participation in the shady schemes. However, active war of the National Bank of Ukraine led to dividing financial market and the company switched to settlements in the «black» dollars. As noted the situation with offshore zones and their problems, this situation is the same in the banking system. The share of the capital of Cypriot companies in the authorized capital of banks in Ukraine is 6.35%. It's one of biggest shares at all [7].

Let's look on the other side of shadow banking, the responsibility for this activity. The State Financial Monitoring Service of Ukraine in 2015 produced 686 cases that were sent to [8]:

- General prosecutor's office – 52 referrals;
- fiscal service – 75 referrals;
- police – 108 referrals;
- National Security Service – 128 referrals;

In these materials the amount of financial transactions that might be related with:

- Legalizing profits is 2,7 billion USD;
- The commission of another crime specified by the Criminal Code of Ukraine, is 0,79 billion. USD.

However, in the end of all investigations in Ukraine we can see another situation:

- Seized property (USD) – 0,11 million;
- Installed amount of authorized funds and assets (USD) – 0,4 million.

**References:**

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6. Forbes magazine. Official web site: <http://www.forbes.com/forbes/welcome/>
7. The National Bank of Ukraine. Official web site: <http://www.bank.gov.ua>
8. The State Financial Monitoring Service of Ukraine. Official web site: <http://www.sdfm.gov.ua>

The number of criminal offenses, pre-trial investigation that was carried out during the reporting period – 58:

- in financial and credit sector – 7;
- directly in banks – 4.

Also it's necessary to describe main schemes of laundering money through banks, which are all known in Ukraine. These schemes and all losses of the using these schemes for Ukrainian investors, citizens and businesses we can see at table 1.1.

Table 1.1

**Main schemes of the money laundering through banks**

Schemes	Losses of Ukrainian economy, citizens, investors
The withdrawal of funds through the placement of their correspondent accounts with foreign banks.	580 million USD
Removal of property from the pledge	500 million USD
Scheme with assignment of the rights requirements on loans	450 million USD
Misuse of credit funds	220 million USD
Alienation of the bank's assets at a lower price	200 million USD

About the first scheme, it should be recalled that the storage requirement currencies of the countries of the first level (dollar and euro) on correspondent accounts in the banks establish the National Bank of Ukraine. However, during bankruptcy of Ukrainian banks, funds placed on correspondent accounts in the EU, were debited off under various pretexts.

Alienation of the bank's assets at a lower price. Because of this, several banks were closed by The National Bank of Ukraine.

**Conclusions and suggestions.** That is why, to change the corruption situation in Ukraine, the government have to realize next steps:

1. Establish just one single national anti-corruption agency;
2. Ensuring an effective judicial system;
3. Providing irrevocable punishment for officials who have committed corruption crime;
4. Implementation of Law on transparency in business activities;
5. Restrictions on the conclusions unsubstantiated capital to offshore zones.

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## ДОСЛІДЖЕННЯ СУЧАСНОГО СТАНУ ПРОБЛЕМИ КОРУПЦІЇ В УКРАЇНІ

### Анотація

У статті були досліджені питання сьогоденного стану проблеми корупції в Україні. Проаналізовано ситуацію із лобювання інтересів в економічному секторі держави. Розглянуті проблеми тіньового банкінгу та відмивання коштів в Україні. Особливу увагу було приділено світовим рейтингам, що пов'язані із питаннями корупції в світі. Охарактеризовано реформування держави в питанні боротьби з корупцією.

**Ключові слова:** корупція, лобізм, тіньовий банкінг, відмивання коштів, антикорупційна реформа, банк, офшори.

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## ИССЛЕДОВАНИЕ СОВРЕМЕННОГО СОСТОЯНИЯ ПРОБЛЕМЫ КОРРУПЦИИ В УКРАИНЕ

### Аннотация

В статье были исследованы вопросы сегодняшнего состояния проблемы коррупции в Украине. Проанализирована ситуация с лоббированием интересов в экономическом секторе государства. Рассмотрены проблемы теневого банкинга и отмывания средств в Украине. Особое внимание было уделено мировым рейтингам, которые связанные с вопросами коррупции в мире. Охарактеризовано реформирования государства в вопросе борьбы с коррупцией.

**Ключевые слова:** коррупция, лоббизм, теневой банкинг, отмывание средств, антикоррупционная реформа, банк, офшоры.