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# Armenia's Corrupt Elite Hampers Economic Development: Report

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A report published today by an international think tank finds that the negative impact of corruption on Armenia's economy is "substantial" and major companies are involved in that process.

The Washington-based think tank Policy Forum Armenia (PFA) announced the publication of its State of the Nation Report on "Corruption in Armenia". Note, Karo Yeghnukyan, a member of the Pre-Parliament civic initiative, is also a member of PFA's Board of Directors.

According to a press release issued by the think tank, the report's main finding is that corruption's negative impact on Armenia's economy is substantial. For example, the report, in the section on corruption faced by companies, finds that "with an estimated cost to large companies of approximately five percent of sales per year-the highest among the comparator countries-corruption in Armenia erodes productivity and competitiveness of firms."

Furthermore, "On the policy side, the report makes a compelling case that the design and implementation of public policy in Armenia often serve the interest of the entrenched corrupt elite and not the country or its citizens.

"PFA's Executive Board member, Dr. Zaven Kalayjian, noted: 'By its nature, corruption is very difficult to detect, which is why the choice of methods and areas of study was made carefully to maximize the value added of the report. The team employed both quantitative techniques and case studies to help effectively gauge the extent of corruption and bribery taking place in various segments of the economy and public life in Armenia, from the judiciary and military to money laundering and petty crime. The most striking finding was that corruption in Armenia is highly concentrated and puts in place insurmountable barriers for economic development and progress in the country.'

"The overarching message of the report is that 'an effective handling of challenges facing Armenia should begin by forming a legitimate authority to oversee the new policy course on behalf of the people.

This can be achieved only by a political power with incentives and capacity to spearhead a systemic change. At the moment, the feedback mechanism between power and people is broken in Armenia. This makes the country's ruling regime immune to any pressures from the electorate to perform better and fundamentally changes the incentives of individuals at the top of the ruling pyramid.'

"Daron Acemoglu, Professor of Economics at the Massachusetts Institute of Technology and the author of a recent bestseller *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* noted: 'Some say that Armenia is doomed to fail economically because of its geography or location in the world. But like so many other countries around the world and throughout history, its failure is due to corruption, unscrupulous politicians and weak institutions. It's not lack of opportunities but squandered opportunities that are at the root of Armenia's ills, and it can make progress only by confronting this fact and holding accountable those

responsible for the failures. This wonderful report is a first step'," reads the press release.

<http://www.epress.am/en/2013/10/21/armenia%E2%80%99s-corrupt-elite-hampers-economic-development-report.html>

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