

## **IMPACT OF CORRUPTION ON FOREIGN DIRECT INVESTMENT IN LEBANON**

Corruption may be defined as: “the abuse of entrusted authority for private gain”.

It is existed two approaches to the relationship between corruption and foreign direct investment (FDI): first proved that entrepreneurs are trying to avoid corruption but the second opinion theoretically suggests that corruption, as an aid agency, can sometimes be a catalyst for FDI inflows.

Political parties, public administration, parliament and the police are the most corrupt institutions in Lebanon.

Corruption is the biggest obstacle for foreign investors. In fact, corruption raises the costs of business (in some cases the investing company must pay bribes to different departments in order to obtain transactions) and reduces incentives for investment (even if investing companies pay a bribe, there is no certainty that they will receive the benefit they paid for them).

In countries where corruption becomes a part of culture in doing business like Lebanon: it is important to correct the assessment of the need for foreign investment in accordance with the general approaches to the assessment of investment projects efficiency and the level of corruption risk.

Risks are among the most important determinants of foreign investment decisions of companies which take into account the degree of uncertainty, such as financial and political instability, political crises, administrative corruption, insecurity and instability, etc., which negatively affect the investment climate in a country where investment is planned. All business transactions involve risks. However, when such transactions occur across international borders, they involve additional risks, called country risks. In Lebanon there is additional country risk – a corruption risk.

When calculating the total volume of attracted investment to the project it is necessary to take into account the markup for corruption risk. This markup can be based on international ranking of corruption.

Thus, corruption has a negative impact on foreign direct investment and quality of life, public policies should therefore aim to combat and reduce it. The fact that Lebanon is considered a highly corrupt country does not help to attract investors and makes the business environment uncertain and unstable. High levels of corruption also pose greater challenges to the government in gaining public support and trust.