

Perceptions of Economic Corruption: Causes and Addressing Mechanisms

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There is no doubt that the phenomenon of corruption in all its forms is immoral, and it transcends its extreme impact on society as a whole and casts a negative shadow on its moral and economic structure. Iraq has witnessed frequent and persistent waves of corruption in all its forms, most notably economic corruption, and since the 1980s. During the 1990s it was aggravated due to the difficult economic conditions during the period of economic sanctions imposed on Iraq. This phenomenon has become increasingly prevalent in the government sector because of the low staff pension and extortion, or the exploitation of resources available in government and public funds. This behaviour has been justified by the most vulnerable in the need for subsistence and exorbitant costs. This phenomenon has been clearly and openly increased after 2003, at the highest levels of the state due to insecurity, political and sectarian strife and weak capabilities of regulatory agencies. Despite its multiplicity and due to the weakness of the country and its association with partisan and factional interests, the regulatory and auditory bodies have not been able to carry out their duties towards economic corruption and to combat it. Corruption, which is a scourge that has greatly harmed the Iraqi economy, has been addressed, as it is the source of waste, the loss of economic and financial resources, the inefficient allocation of resources and, consequently, the disruption of development economic and loss of economic growth opportunities. By doing so, the research will carry an important role in addressing this economic phenomenon. With its serious effects on the economy, which must be combated and exploited resources optimized, the research has been built on the premise that the fight against economic corruption, both governmental and social, enhances and pushes the economy towards the exploitation of economic resources, leading to economic development. The research thus achieves its objective of examining the phenomenon, identifying its causes and developing appropriate solutions, with an extrapolation methodology through theoretical analysis of facts, figures and indicators of economic corruption in Iraq.

Key words: economic corruption, government sector, Iraq



Introduction

Economic corruption is an economic phenomenon that has a negative impact on any economy that is plagued by such scourge. It has many forms and has different causes, however, it can be said that weak censorship of a government and prevalence of bad social habits are among the most important reasons behind it. Thus it is difficult for the government to eliminate it completely, especially when it is associated with major mafia-related interests of senior politicians. Iraq has witnessed waves of economic corruption that have emerged remarkably in the last eightieth century and whose ravages degrees have intensified in the 1990s, including the impact of the economic sanctions imposed on Iraq, where the living standards of citizens have fallen very heavily forcing some vulnerable individuals to resort to corruption to cover their daily expenses. After 2003, corruption became a routine phenomenon practiced by the high-ranked members of government, its institutions and political parties. There were major causes of corruption based on power and party power, lack of the rule of law and weak roles exercised by regulators such as the Financial Supervisory Board or Integrity and offices of public inspectors. Despite the fact that successive governments have declared their fight against corruption, some of them have been a mere declaration and others have clashed with the power of corrupted politicians and their powers based on the power their parties and their association a strong chain of corrupted members who gloss over each other. The current government has tried to fight and eliminate corruption, however it will be a long time until this is achieve (Abdalla, et al.,2019; Chandan, and Arup,2019).

Research Problem

Economic corruption causes loss of economic resources and weakens the optimal financial allocation for these resources, a matter that has lead to the obstruction of economic development plans and loss of opportunities of economic growth.

Importance of Research

The significance of the research stems from its dealing with serious the negative economic phenomenon devastating the Iraq's economy. Therefore the state of all institutions should fight this phenomenon and eliminate it to achieve an ideal use of its resources.

Research Hypothesis

It is hypothesised that fighting economic corruption, on both the governmental and the societal level, would strengthen the economy and push it to optimise the exploitation of its economic resources, and thus lead to economic growth.



Aim of Research

The current research aims to exam the phenomenon of corruption, identifying its causes and developing appropriate solutions to eliminate them.

Research Methodology

The research is based on an inductive method as its scientific approach through using a theoretical analysis that is based on reviewing the economic corruption indicators in Iraq.

Research Structure

Studying the problem and its causes consists of the main target of research to verify the proposed hypothesis. The research is divided into three main sections:

First section: It addresses the cognitive and conceptual framework of economic corruption, tackles its causes, its most important indicators and the institutions that fight it.

Second section: It deals with the economic and social impacts of economic corruption.

Third section: It focuses on the causes of economic corruption in Iraq and its most important indicators and the combating mechanisms.

The Intellectual Framework of Economic Corruption and Its Most Important Indicators ***Definition of Economic Corruption***

Before embarking on the definition of economic corruption, a reference should be made to the phenomenon of administrative and financial corruption. Both lead to economic corruption as an inevitability. The researches and the studies that dealt with the subject of administrative and financial corruption combine as a set of practices that are contrary to the interests of society and to the detriment of the principle of equal treatment of the same community. These practices are mostly practiced by persons who have a special and detrimental benefit to society.

These practices include; abuse of public money, receiving bribery in return for providing illegal services in addition to unlawfulness and the unequal provision of services among members of society. Such irresponsible, anti-conduct, Sharia and law practices may occur under the law, but through loopholes and omissions. They react and intensify in the context of political chaos and in times of war, which Iraq has been suffering, making it more vulnerable to multiple types of corruption. Such practices would have a negative impact on the efficient use of resources and would be a source of economic corruption, resulting in a multiplicity of views on an agreed-upon basis, with the indications of its verification (Abdalla, et al.,2019).

On the legal side, corruption shows that the “competent official of the state exceeds the limits of his duties and therefore contravenes the laws and regulations in force for to achieve an illicit benefit for himself or for others such as the seizure of public property, or the private assets of the state as land, property or mechanisms”ⁱ. Considering these definitions of corruption, it can be said that economic corruption means a negative exploitation of the public function with the aim of making a material profit through bribery, commission, extortion, embezzlement, manipulation of government contracts, demand for government services, tax evasion or facilitation, money laundering or assistance.

Economic Reasons

It goes back to the non-distribution of wealth, market volatility, high levels of inflation, poor living conditions and low wages. All these make an employee disappointed and push him/her to search for illegal transactions to get other resources to improve their financial level. If it is accompanied by a lack of moral and value values, administrative and legal rigour, this situation is aggravated and prevails between the public service communities, especially in a country such as Iraq that has many interests that make it vulnerable to corruption (Arup,2019).

Non- Independence of Judiciary and Lack of Transparency and Accountability

Non-independence of the judiciary leads to a high level of corruption. It is noted that in most of the developed countries independence of the judiciary from the political system gives valid dimensions of good governance. That is the weakness and corruption of the judiciary encourages the elements of corruption to evade accountability. Lack of commitment by the executive body to implement judicial decisions or to interfere in a state of justice leads to a state of insecurity or avoidance of the judiciary. This is a situation that leads to the emergence of major corruption. Independence of the judiciary is an important principle that is derived from the existence of an independent and impartial judiciary that operates it in a fair way and has a deterrent power to exert it on the whole of society without discrimination and to promote justice among the members of society. The lack of transparency and accountability also plays an important role in the spread of corruption. It is often said that, where transparency and accountability are absent, corruption is valid and vice versa. Therefore, the absence of accountability and transparency is one of the main reasons for the emergence and perpetuation of corruption (Frans, and Geoffrey, 2017).

Social Causes

The social causes are population composition and family devotionⁱⁱ, which affect the spread of nepotism. It is prevalent in the third world societies, including Arab countries, because social



life is accepted and not consider as corruption, but the continuity of such pests are being helped to find legitimate justifications for them. The poor provision of public services to the community encourages citizens to compete for these services and to pay money to obtain them, thus encouraging the corrupted to engage in corruption in a manner that may evolve hindrance to access to public services from those who do not pay such levies.

Weak Oversight Role on Business

Corruption emerges due to weak oversight role and inability to practice it, and not adhering to the law as well as non-activation of the powers of the regulatory bodies over the work of the organ and to hold the offender accountable. Other reasons include the weak administrative responsibility or accountability for the acts entrusted to them and the severe deficiencies in the use of modern technological methods in control systems (Yeoh,2019).

Social and Economic Impacts of Economic Corruption

Economic Impacts

Impact on the Production Sector

Economic corruption plays a significant role in lowering levels of commodity production, as the association of decision makers with an external production sector, whether for political or financial reasons, prevents the domestic product to play its positive role. The absolute and uncontrolled economic opening-up procedures result in the entry of unnecessary goods and services into country that is produced according to the expanded production system and where the cost per unit of goods decreases to the lowest level. Moreover, governments of exporting countries provide a wide range of facilities to the exporters which further reduces the prices of these goods and services, thereby doubling their capacity to compete with the local product, thus forcing the local producer to withdraw from production and engage the unemployed (Moreno, and Gil-Manuel, 2019).

Impact on Economic Growth

The earlier reason, as well as the inefficiency of officials in the management of their institutions or ministries, prevents any development in the economic growth. Such officials do not seek to develop the economy through holding agreements with local companies as a local investment or companies and institutions of foreign investment to promote economic growth. This is largely reflected in the evolution of employment levels, income levels and the reduction of inequality in the distribution of incomes to reach the welfare of society in general. Therefore, the quality of public governance is a result of foreign direct investment, and bureaucratic corruption is a tax that leads to the non-promotion of foreign investment. A country in which

corruption prevails cannot benefit from the advantages of direct foreign investment, which brings new technology and modern management skills to the host country. The World Bank concluded that a 1% reduction in the corruption index would increase the attraction of foreign investment by 4% and this increase in the ratio of investments is reflected in the reduction of unemployment, raising income levels, reducing national tension and promoting stability. The decrease of 1% in the incidence of corruption leads to an increase in the rate of national capital employmentⁱⁱⁱ. In short, corruption is the first impediment to sustainable development or to poverty reduction and good government performance and does not affect the poor in a way directly through the poor reduction of public resources (especially those derived from external assistance) by corrupt local officials, but keeps countries poor and prevents them from moving away from being so. For these reasons, aid donors are increasingly focusing on corruption, its impact on the development and are aware of the need of devise assistance programmes for governments to eliminate corruption. On the contrary, corruption improves economic well-being and improves economic efficiency by overcoming the obstacles the different bureaucracy (Moreno, and Gil-Manuel,2019).

In some analyses, contrary to the traditional theory, there is a view that corruption can actually propel economic growth or at least not be sustained through the facilitation of domestic investment or high rent through tax treatment. Evidence of this is the South-East Asian experience, which has shown that the intensity of corruption does not necessarily mean an inverse relationship between corruption and economic growth. On the other hand, the recent comparative evidence based on cross-sectional studies mentions an inverse relationship between corruption and investment, which has negative effects on the economy and it can be said that most recent studies have demonstrated an inverse correlation between corruption and economic growth (Qian, et al.,2018).

Impact on Public Revenues of the State

It is also well known that public revenues of a state are more concentrated in public domain, tax revenues and customs, as well as fees and borrowing. When economic corruption spreads, there will be a significant imbalance in government revenues, which has an impact on being able to cover the public expenditures needed by the state to run its current and investment business. At the public level, the spread of economic corruption leads to the loss of large sums of money that are supposed to be earned from the income of the domain in favour of corrupt groups. For example in the field of crude oil sales the corrupted persons can mislead the auditory and regulatory authorities by falsifying the volume of sales or exports of oil, especially if the corrupted persons has mafias associations with political and partisan parties that support and encourage them to continue with a systematic looting, which leads to a significant decline in state revenues.



Economic corruption can also reduce the amount of tax revenue. When corruption prevails, it leads to push some people to submit tax returns that show an unreal tax declaration, contrary to the real tax return declaration.

On the other hand, it is a violation of the principle of vertical justice, which provides for different tax declaration for individuals with different capability to pay. Corruption is a violation of the principle of social justice, and the public burden is spread, and these practices and their widespread spread results include a false decline in the tax power of society as a whole. It also applies to tax revenues, which can be significantly reduced in the presence of economic corruption, the first of which is the falsification of information by persons who are subject to payment of the tariff or their agreement with the authorities to reduce their rates for cash outside the framework rule of law. Here, economic policy does not achieve its objectives with regard to economic growth, financing public expenditure, or financing social services, because the financial policy maker cannot put government revenues in exchange for government spending on the basis of the public revenues of the state (Moldogaziev, and John, 2017).

Impact on Government Expenditure

Prevalence of financial and administrative corruption in any country leads to poor allocation of economic resources and thus directs public expenditures according to aspects that perform more inclusive public services and economic benefit. On the one hand, the low volume of public revenues caused by corruption in the collection of such revenues leads to a decline in public spending. On the other hand, miss-planning and low levels of administrative efficiency lead to the directing of public expenditures around faulty economic activities, such as the appearance activities and excessive current expenditure and disregard for important economic activities and sectors, such as spending on the agricultural and industrial sector and to improve the level of remote areas. As a societal phenomenon, corruption weakens the government's income distribution because the benefits of corruption go to a certain social segment, distort the allocation of resources and increase the burden of public spending (Tang, and Eric, 2010).

Social Consequences of Economic Corruption

Impact on Low Levels of Education

Low levels of education is a social impact of economic corruption, as corruption plays a significant role in low levels of education, including through the abandonment by the educational ministries of stringent standards in the competence test of a teacher or university professor. Favouritism, bribery and social relations accepts the teachings. Therefore staff are not well informed and socially competent; their entry in this area is reflected in the decline in the level of education. The use of some educational cadres for a range of methods to pressure



students to study in their training courses outside of education in official working hours, at a level quite different from the level of teaching in government schools, forcing parents to register their children with teachers even if they are forced to borrow and bear the burdens of indebtedness. The selection of administrators, university presidents and deans according to party affiliation makes those departments ready to execute orders dictated by the parties that had installed them in those departments, which was increasing the incidence of deterioration in the education sector (E., and Hector Solaz, 2017).

Impact on Health Sector

Health sector, like other sectors, is affected by the spread of the phenomenon of economic corruption, as it is well known that development aims to ensure that individuals receive adequate attention and health care. This indicator is considered to be one of the criteria to be taken into account when judging the progress and evolution of States. In Iraq, health services were provided to the majority of the population at nominal wages in government health institutions until Iraq became completely free of incurable diseases, which are a source of concern for many developed countries such as AIDS. However, this situation in the health field deteriorated with the beginning of 2003, along with the destruction of infrastructure, including health institutions. Financial and administrative corruption in the health sector is significant. The deterioration in the level of health services in government hospitals, which are almost free of medication, is being sold to community hospitals at double prices. High-quality medicines are also replaced by the lowest quality or adulterated, causing many deaths. Further 90% of medicines circulating in pharmacies are not examined and the Ministry has no role in importing or distributing it and it is often from cheap and low-quality destinations, which puts people's lives at risk^{iv}. Besides forgery and fraud in the health insurance system through the introduction of names of fictitious persons for the purpose of prescription and theft of medicines, cases of corruption have also increased to include civil society organisations receiving medical assistance and relief items through their sale and misappropriation of funds provided as health assistance (Vian, and Jillian, 2018)

Reality of Economic Corruption in Iraq and Its Indicators

Indicators of economic corruption in Iraq began to emerge clearly after 1991, especially after the imposition of severe economic sanctions against Iraq. Although corruption appeared during the 1980s, especially in the second half of this period, through emergence of black market and the parallel market for exchange rates as well as through nepotism and intercessions, it did not show a big indication of the prevalence of this phenomenon. However, in the 1990s it became an acceptable phenomenon, after being flatly rejected by the whole society. The main reason was the low levels of salary and wages of the civil servants. The wage amounted to approximately \$2.5 per month. Though the government is aware that it is not covering the

transportation expenses, it insists to keep it at these levels. This situation encouraged some employees of the public sector to follow illegal ways to get income to fulfil their daily needs. These methods include but not limited to extortion, theft, bargaining, cost manipulation, and sale of some raw materials in production, as well as manipulating government contracts, bids, tenders and use of public authority for personal purposes. (Looney, 2008).

However, this phenomenon prevailed dramatically after 2003 and the political parties that run the state began practicing corruption. Moreover, the country's budget shifted to fulfil the interests of those parties or the interests of official persons who make use of their governmental or political position or their association to a particular party or religious authority. As well as the expansion of ministries and public administrations with unjustified spending such as social benefits, hospitality, donations, theft, acquisition, possession of lands and exploiting the absence or weakness of regulatory and auditory bodies or possibly malicious circumvention of the law, the ministries have become a government donation. The governing authorities donate money to a particular party, so it reaches the highest level of wealth at the expense of the national and citizens' interest (Looney, 2008).

All the indicators of corruption in the Iraqi economy after 2003 constituted a great barrier to economic development, which was expected to rise rapidly after the suspension of economic sanctions, the opening of Iraq's economy to the outside world and the flow of oil to the world, accompanied by a large rise in the Iraqi oil prices, which reached more than \$120 a barrel. The most significant indicators of economic corruption in Iraq beyond 2003 can be inferred from the following:

1. The involvement of Iraqi government officials in heinous cases of corruption, which began with the theft and domination of state property such as houses and the dismantling and sale of institutional instruments in the billions of dollars (and that of the liberation of Iraq), as well as the exploitation of the Development and Reconstruction fund for Iraq as a source of corruption and non-profit Project. Studies indicate that the volume of waste exceeded \$16 billion until their dissolution in 2012 and so far international and local regulatory institutions have not been on the basis and size of spending.
2. Many state officials have been implicated by corruption in great government tenders and contracts, as well as by the acquisition and sale of large tracts of land for the benefit of these politicians and their parties.

Use of publicity corruption methods, through dominance of major equipment contracts, change of specifications, prices and processing destinations, so that the required materials are equip in the worst quality, unlike the request made for this purpose. Proof of this is the detection system for explosives, ration card items, weapons, spare parts and medicines, some of which are fake,



such as the purchase of worn-out clothing to the Iraqi Council of Representatives. As well as training contracts for civil and military institutions, according to the US Ministry of Foreign Affairs, in its statements, it has no data on the expenditure mechanism of about \$1.2 billion. In addition to the fictitious training costs of civil state institutions that are conducted periodically in states that do not possess the minimum experience that Iraq possesses in the fields for which training has been allocated. So it is just for the purposes of hiking and spending and earning money from the forbidden.

International reports have mentioned a number of cases of corruption, largely and impressively where the United States inspector General of the Iraq Reconstruction programme issued a report on the date of 30 May 2005 accusing the civilian administrator of Iraq, Mr. Paul Bremer wasted \$9 billion US, giving the Iraqi funds without making sure how to spend it. The cases of waste and corruption were later discovered, for example, that one ministry paid payroll for the 8206 guards, whereas the actual number was only 602. The report also covered arms deals (\$1.4 billion US), which as paid from the Iraqi government's account, mainly from US assistance to Iraq. In addition, there are 110 cases of irregularities in the absence of supporting documentation for expenses and the type of services provided through the mare not specified (Militaru, and Methaq, 2018).

The report attributed the corruption to the fact that the drainage operations are mostly not real, and the administration is inefficient and corrupt. “The report of the United Nations International Council for Consultation and Monitoring (UNAT) indicated that there were outright thefts totalling US \$812 million and fake security contracts and major irregularities and contract fraud because the financial management systems in Iraqi institutions are prevalent. A climate of negligence and inaccuracy”. “Also the daily Iraqi oil smuggling, according to the report of the US government's accounting office in 2007, is estimated at \$10 million US”. What has been presented is a sample of the economic corruption cases. But it is sufficient to explain the opportunities lost for Iraq's reconstruction and growth rates, to weaken its capacity to build its economy and infrastructure and to lose opportunities for progress due to the corruption that has hit all aspects of the Iraqi state.

4. Iraq's exposure to the crime of sabotage of infrastructure, looting of Iraqi antiquities and destruction of what cannot be transported has dismantled many productive institutions, factories and transported to neighbouring countries, as the Atomic Energy Agency report indicates that 10 industrial and military complexes were dismantled^v and transferred completely out of Iraq.

5. The Iraqi government spent \$32.7 billion to build electricity production projects to increase the production capacity of (3000MW) in 2003 to (7000 MW). In 2013, the construction of an electrical station produces (1000 MW) is fully cost-based \$800 million and as the energy only

Rose (4000 MW), if the total cost is \$3.2 billion, the difference here is a waste and a corruption of \$29 billion.

6. All oversight institutions operating in Iraq agree that there is difficulty in determining the level of economic corruption in Iraq, as there is no government ministry or institution free from financial corruption. The least corruption is the misappropriation of public resources (allocation of misplaced resource), the most wasted public money allocated in the public budgets with a fictitious or negligible economic value, and the looting of funds for the reconstruction of provinces and governorates. There is no clearer stance by the Iraqi Commissioner for Integrity, who said at his press conference on 15 June 2007 that the result of corruption in Iraq was estimated at \$5 billion for the period from June 2004 until January 2007.

The war that Iraq has entered into in an unstable state, have been a heavy burden on all resources and they are consumed by many of them financially and human capital, and distort manufacturing, with the militarisation of society and the destruction of infrastructure. The most serious is the trend towards borrowing to cover the deficit in public expenditure after 2014 and the purchase of weapons and equipment in the long term^{vi}. Data that is difficult to estimate from the waste of resources are brain drain, waste of financial resources, loss of economic development opportunities and hence the initiation of development benefits from the starting line, which requires enormous resources to complete it^{vii}. The World Transparency Organization (TTI) has gone on to assess Iraq's position on the scale of corruption to the fact that Iraq has fallen at low levels, see table 1:

Table 1: Indicator of corruption perceptions of selected countries and location of Iraq

<i>Year</i>	<i>Rank</i>	<i>Denmark</i>	<i>United Kingdom</i>	<i>Iraq</i>	<i>Yemen</i>
2010	Degree on the ladder of transparency (*)	93	76	15	22
	World rank of total out 178 State	1	20	175	146
2011	Degree on the ladder of transparency	94	78	18	21
	World rank of total out 178 State	2	16	175	164
2012	Degree on the ladder of transparency	90	74	18	23
	World rank of total out 178 State	1	17	169	156

2013	Degree on the ladder of transparency	91	76	16	18
	World rank of total out 178 State	1	14	171	167
2014	Degree on the ladder of transparency	92	78	16	19
	World rank of total out 178 State	1	14	170	161
2015	Degree on the ladder of transparency	94	80	16	19
	World rank of total out 178 State	1	11	161	157

(*) The perceived corruption is 100 degrees, top to be more transparent, and the lowest for of be the most corrupt country, this Percept consists of 10 indicators, each of which has 10 degrees.

Source: corruption perceptions index 2015 .full table and rankings .transparency international in: 12 April 2016

The table shows that Iraq is witnessing large-scale corruption and that since 2003 it is at the tail of the list of world countries in the World Transparency Organization indices, where stating this organisation in several reports and events “through its president, Peter Aiken, and in particular in the report of the Organization (2005-2006) that most of the money spent in sales and purchases are not related to the reconstruction processes in Iraq”^{viii}. The 2011 report from the same organisation also noted that Iraq ranked 175 out of 183 states in the perception of financial and administrative corruption indicators. Iraq has not been able to raise its rank below the low status, noting table 2:

Table 2: Indicators of corruption in Iraq by transparency indicators for the period (2003-2013)

Years	Total number of countries	Rank of Iraq	Degree of corruption index for Iraq *
2003	130	113	2.2
2004	146	129	2.1
2005	194	170	2.2
2006	163	160	1.9
2007	180	178	1.5
2008	180	178	1.3
2009	180	178	1.5

2010	183	175	1.5
2011	183	175	1.8
2012	183	169	1.8
2013	185	174	1.9

* *Getting (10) points, means being free of corruption and the decline toward zero-degree increase corruption indices in this country.*

Source:

- Transparency International, Kuwait Transparency association, 2012, p. 6,
- International Corruption Report 2011, available on the following link www.egycfi.org.eg,
- Transparency International Report 2012, 2013 available on the following link www.iraqicp.com

As long as there is difficulty in estimating the value of corruption, it is linked to several issues in marking it, this include:

- Determination of the value of the general budgets approved by Iraq and its allocation for investment in those budgets
- Identifying the number of projects which have been hindered, although their financial allocations have been released long time ago
- Taking into account the results of studies shows an estimation of market for financial corruption.

The index of corruption perceptions of the Arab country indicates that Iraq has occupied its penultimate place and can be observed through table 3:

Table 3: Index of corruption perceptions of the Arab States and location of Iraq under this index for the year 2007

<i>Country</i>	<i>World Rank</i>	<i>Arabic Rank</i>	<i>Number of points according to the corruption Perception index</i>
Qatar	22	1	6
United Arab Emirates	34	2	5,7
Bahrain	46	3	5
Oman	53	4	4,7
Jordan	53	5	4,7
Kuwait	60	6	4,3
Tunis	61	7	2,4
Morocco	72	8	3,5
Saudi Arabia	79	9	3,4

Algeria	99	10	3
Lebanon	99	11	3
Egypt	105	12	2,9
Mauritania	123	13	2,6
Libya	131	14	2,5
Yemen	131	15	2,5
Syria	138	16	2,4
Sudan	174	17	1,8
Iraq	178	18	1,5
Somalia	179	19	1,4

Source: Transparency international global corruption report 2007, corruption in judicial systems.

Iraq spent an estimated value of budgets of \$592 billion during 2004-2013. Most of the spending was allocated to following sections: operational budgets takes about 40% of the general budget, defence and security budget takes about 20% of the general budget an estimated of \$120 billion. The total investment in the public budget was about 25, 5% as average for the same period, which is about \$150 billion. This is about government investment, while domestic and foreign investment is a profit-oriented investment rather than investment in vital projects and infrastructures.

As for projects that have been implemented, they are over 8000 projects, with an estimated total expenditure of \$1 billion, out of a total of 9000 strategic projects that have been assigned and contracted, that is, not exceeding 10% at its best. The method of burden-sharing with the companies was adopted, with the government bearing about 30% of the value of the contract or project, which indicates that \$80 billion has been stolen, which does not include government procurement amounts from global market, such as weapons, military equipment and explosive detectors, in which corruption reaches 40-90% of contract value. Their non-implementation suggests that they have been the subject of corruption at several stages of contracting so that their implementation has become economically ineffective, or that they have been a basis for corruption and have not been completed^{ix}. While the Ministry of Electricity wasted \$7 billion, it could have been invested in electrical energy insurance but it had purchased invalid generators and could not be used for that large amount, and the minister was the chief official in the selection of the generators. As a result of corruption, insecurity and political chaos, Iraq has lost all international support through grants and credit facilities, which have reached nearly \$33 billion, the American grant alone has been more than \$18 distributed across all economic sectors (Christopher J., and Rachel, 2019).

Such huge extent of corruption is added to the state's money smuggled abroad, whether from the former regime or what was stolen after the invasion of Iraq in 09 April 2003, which have

never been recovered and the location of this money is still unknown, who looted it, who worked to retrieve it and how much that money is. What are the state and regulatory bodies for the purpose of detection and retrieval? All of this money is a lost opportunity for the Iraqi economy to support its development, and the theft of these funds is a major economic crime that must be prosecuted, taken up and punished with maximum penalties. The most important indicator is the estimation of growth in gross domestic product (GDP) by excluding oil, and here it is noted that Iraq has suffered a deflation in growth since 2013, of about 3.9% and the reason is that the productive sectors' contribution to domestic output is very low, and the decline in oil prices has contributed to the market. The global deflation in the growth of the Iraqi economy has been unable to achieve crude growth rates other than selling oil on the world market. Waste due to corruption remains very large within ministries, through inflated costs for the achievement of small contracts, and inflated costs for purchases and small services requested by these ministries, and in an academic study published in 2012. Some general indicators were monitored for cases of financial corruption in state ministries, for the year 2010 estimated at about \$7.5 billion, can be showed through table 4:

Table 4: Funds wasted in Iraqi ministries and the percentage of corruption in them

NO	Ministry	Amount of wasted money	Percentage of corruption
1	Ministry of Defence	\$4Billion	53.33 %
2	Ministry of Electricity	\$1Billion	13.33 %
3	Ministry of Oil	\$510 million	7.16 %
4	Ministry of Transport	\$210 million	2.95 %
5	Ministry of Interior	\$200 million	2.81 %
6	Ministry of Commerce	\$150 million	2.11 %
7	Ministry of Finance and Central Bank	\$150 million	2.11 %
8	Ministry of Construction and housing	\$120 million	1.69 %
9	Ministry of Communications	\$70 million	98 %
10	Baghdad municipality	\$55 million	77 %
11	Ministry of Sports and Youth	\$50 million	70 %
12	Ministry of Higher Education and scientific research	\$50 million	70 %
13	Ministry of Health	\$50 million	70%
14	Ministry of Justice	\$40 million	56%
15	Ministry of Agriculture	\$30 million	42 %
16	Ministry of Water Resources	\$30 million	42 %
17	Ministry of Industry and Minerals	\$20 million	28 %
18	High Electoral Commission	\$10 million	14 %
19	Tourism Authority	\$10 million	14 %



20	Ministry of Education	\$5 million	7 %
21	Ministry of Labour and Social Affairs	\$5 million	7 %

Source: From the work of the researchers based on the report of the public Integrity authority of 2011.

The Iraqi government has adopted ambitious development programmes reflected in the government development plans adopted for the Principality 2005-2007, 2007-2010, 2014-2010, 2013-2017. However, the government is not the only player in the Iraqi issue. There is the political system that dictates that projects to be referred to provinces and territories for implementation. There are terrorism and violence, which require enormous resources to control it, and there is corruption that swallows up most of the state's resources. This has prompted the government to establish institutions to detect and respond to corruption, and the government has three specialised regulators to prosecute all types of corruption, namely, the Financial Supervision Bureau, the Integrity Authority and the inspector general's offices. However, this multiplicity of control devices, the differing powers and expertise of their staff and the multiplicity of laws each have placed oversight work in the problematic reports and different views between those organs and the way in which they are coordinated in a complementary manner and are not separate and intersecting in what they do. The Legislative Regulatory Authority (Parliament) operates separately from these organs, despite the fact that they are linked to the legislative branch (the Office of Financial Supervision/integrity).

In addition, the loss of funds due to these multiple regulatory bodies, the creation of senior positions and posts, management, fixed assets and salaries added to that party and sectarian conflict for the division of senior positions and functional of those devices and trying to control those bodies and especially the Integrity Commission and the offices of the inspector general of ministries for use them against their political opponents making these devices may contain employees who are not competent, experienced and professional enough. However they were forced to use them as a means of conflict between only more than a way to eliminate and fight corruption, or to cover some of the irregularities belonging to these parties. This has made these devices inconsistent with the Federal Financial Supervisory Board, which was established by Law No. 17 of 1927 on behalf of the Public Audit service. The Integrity Commission was established by Order No. 55 of the Coalition Provisional Authority (CPA) of 2004, as well as the public office formed by Order No. 57 of 2004 issued by the same party (Christopher J., and Rachel, 2019).

Regarding these dates, the considerable difference in the control experience and expertise between these organs and even the Office of Financial supervision, despite the name it possesses, appears to have lost much of his experience in previous years and the legal texts since the promulgation of Law No. 6 of 1990 until the Act No. 31 of 2011 has not returned or done its judicial and investigative powers, which were provided for in the previous laws of the

Court (No. 42 of 1968) and Law No. 194 of 1980. The office has been stripped of them under Law No. 6 of 1990 and the subsequent Act No. 31 of 2011. Instead of creating an integrity Commission, in addition to giving the internal auditor in the State institutions a greater role, strengthening his or her role and legally protecting him instead from the creation of the General Inspectorate, which has increased the burden of the state, which bears many of the expenses under these critical circumstances.

Moreover, the State departments under their control bear a lot of burdens and effort to deal with the various reports of these organs, which are often similar to the annual financial supervisory board, which increases the confusion of auditors and makes them reluctant to perform duties behold, or stop the creative domains to expect more accountability from these devices. They are also still not in control of the procedures for their scrutiny of the Kurdistan region, which prevents them from knowing and having access to everything that is going on in the territory's institutions, which makes them far from being accountable and subjected to a corruption, particularly in the matter of oil and tax revenues and the fact that State and security personnel are underpaid. The multiplicity of regulatory institutions and their different responsibilities is not in the interest of regulatory action, as it will prolong procedures, opinions and interpretations as well as the magnitude of their respective external influences. It would be more useful to unify that regulatory system into a single, broad-based body with all the experience of accounting, administrative, investigative and judicial decision-making in order to make decisive decisions against corruption as soon as possible and with less effort and cost.

Despite the performance of these regulators, corruption is still spreading and its indicators are rising, which gives a serious impression of Iraq, especially since the index of international organisations has placed Iraq in the late echelons of the international arrangement of corruption, which is based on multiple indicators that government political desires cannot change or influence them. It marks a decrease in the capacity of the Iraqi government to manage the financial corruption dossier, which is due to several challenges that make the ability to manage this thorny file impossible. Many measures have been taken to address corruption in the adoption of certain laws and to support national anti-corruption bodies in the institutions of the state. However, Iraq deals with multiple corruptions, which is contrary to political action and interacts with violence and terrorism, and is superior to the government's ability to influence, defend and protect. Finally, these regulatory bodies have not yet been able to reduce the rampant corruption in the Iraqi state, which has cost it considerable resources. Therefore, it is not the only remedy for corruption, but a radical and tangible reform that begins with the entrenchment of the national ethos between the people and the State in all its institutions, and the rule of law. The rejection of sectarian quota, the citizens' sense of security, safety and protection from political mafia and all armed formations outside the framework of the State and the law.



Conclusions

1. Economic corruption is a phenomenon inherent to most economies, particularly in developing economies, which has had a significant impact on economic performance, through wasteful and poorly allocated economic resources in a way that hinders economic development.
2. The types and forms of economic corruption vary according to the diversity of its causes and therefore the methods of dealing with it vary according to the nature, type and strength of corruption and the ability of the government to assert its authority to deal with such corruption.
3. Weak oversight and judicial role and tolerance of spoilers, as well as condoning them, cause widespread corruption, the multiplicity of such devices and the lack adequate coordination among them was one reason for the lack of radical treatment of corruption, especially since some of them were subject to political and partisan influences.
4. The widespread abuse of corruption, of course, reduces public treasury revenues and deprives them of the resources that the state needs to sustain and develop public services.
5. Corruption in the implementation of projects and contracting makes it possible for the implementers of these projects to manipulate the specifications, adversely reflecting the technical quality of the projects as well as their high costs.
6. Corruption affects distributive justice of income and wealth in favour of the most powerful in society (and those who monopolise power) or are close to it. This leads to increased stratified differentials in income and wealth, including negative impacts on social fabric and political stability.
7. Corruption in Iraq is the single biggest factor that is detrimental to the credibility of the Government and has become a threat to national security. While the government is working to attract foreign direct investment to the country and rebuild infrastructure, foreign investors have to pay the money to facilitate the required services, which are supposed to be part of the work of the regular government administration, and that's what drives a lot of them. To refrain from investing in Iraq, and hence, administrative and financial corruption would hinder the development process and hinder the country's efforts to enter the world business community as a player on an equal footing with others.



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