The Reflection of Corrupted Government on Poverty: Iraq Case

Al-Sultan I.I¹, S. Jasni¹ and Wajdi Anwar Mardan²
1. Faculty of Veterinary Medicine, University Malaysia Kelantan, Locked Bag 36, Pengkalan Chepa, 16100 Kota Bharu, Kelantan, Malaysia.
2. Ex Minister Plenipotentiary, Ministry of foreign Affairs in Iraq.
imad@umk.edu.my

ISSN: 2231-8275

ABSTRACT
Corruption, best defined in relation to official government employees is the dishonesty or fraudulent conduct by those official civil servants empowered, typically involving bribery and non-legalized commission, the action of making citizens, morally deprived or the country of being so accrual of corrupt, acting to create environment or culture of corruption. Government policies can revert to be cruel on people than to be working on initiatives to eradicate poverty. The abuse of authority by violation of legally established barriers instead of override limitations to sustain development is the trend of corruption. Iraq, one of the most influential and important Arab state before the illegal invasion and occupation by the American and allied troops in 2003, was the first Arab country succeeded to eradicate poverty and in the Arab world in the eighties of the previous century. The practices and planning of all successive governments alleged by the occupier was to promote for reemerging of poverty on all levels. The paper discusses the ways and means for reducing poverty and stand against the insults, violation of law and constitutional contexts to overwhelm poverty in the society with attempt to find solutions to fight these violations and reduce poverty and corruption.

Keywords: Government, Civil servant, Corruption, Poverty, Policies

1. Introduction

Corruption is commonly defined as the misuse of public office for private gain or benefit. It encompasses unilateral abuses by government officials such as embezzlement and nepotism, as well as abuses linking public and private sectors such as bribery, extortion, influence peddling and fraud (Al-Sultan, 2013). Mauro (2002) looked at the relationship between corruption and the composition of government spending. The aforementioned author found evidence that corrupt governments may display predatory behaviour in deciding how to distribute government expenditures. Specifically, his data showed corruption negatively related to education and health expenditures. In reality corruption, by itself, does not produce poverty but has direct Impact on economic and governance factors that in turn produce poverty. Extreme poverty is a severe anomaly that can paralyze all societal segments and expose entire human groups to the most dehumanizing conditions. In poverty and hunger,
people will die from undernourishment, disease, dirty water and improper sanitation. It will not be easy for them to have proper education and all other aspects of their lives will be jeopardized (Al-Sultan, 2011). Unfortunately, many countries of the Arab world still face this dire threat but the utmost and worst condition is recognized in the last decade of Iraqi new era. The Iraqi Knowledge Network jointly established with the UN and Iraqi officials, found significant discrepancies by region over bribes paid to tax and land registry offices, with 29.3 percent of Baghdad citizens having reported paying bribes, versus only 3.7 percent in Kurdistan (Maxime, 2013a). Nepotism is a commonly reported practice, and the hiring of individuals based on sectarian, political, tribal, and family ties accounts for the thousands of unqualified employees throughout Iraq’s government (Maxime, 2013b). Political corruption at the state level plagued Iraq’s leadership and ability to govern effectively. Transparency International called state-sponsored corruption “massive and widespread,” and finds that “this systematic looting of state resources is directly connected with sectarian and political power struggles (Maxime, 2013c).” Corruption was also tied directly to civil violence. In 2006, Stuart Bowen, the Special Inspector General for Iraq Reconstruction, stated that insurgent attacks on Iraq’s oil pipeline were a significant challenge for Iraq. "There is a huge smuggling problem. It is the number one issue,” Bowen stated to the Guardian. Because oil pipelines have been destroyed, Iraqi oil cargoes transiting over insecure roads are subject to smuggling by thieves who then sell the oil on the black market (Julian Borger and David Pallister, 2006). Public perceptions of the government became more negative, with 77 percent of Iraqis polled for the Global Corruption Barometer saying that they perceived corruption as having increased from 2008-2011, while only four percent believed corruption has decreased (Maxime, 2013d). Corruption continues to be a problem for private industry, as well. The World Bank’s Enterprise survey found that 62 percent of companies indicated that corruption is a “major obstacle to doing business”, and that a bribe is requested for one-third (33.8 percent) of business transactions.

**Corruption and Popular Protests**

Corruption became another key factor in popular protests and riots against the government, along with poor living conditions. Corruption grew steadily worse as the past impact of the US role advising the Iraq government faded. According to International Monitor in Fund (IMF) and World Bank reporting issued at the end of 2012, “an estimated of $65 billion in illicit funds had left Iraq (about twice its 2005 GDP, or 56% of its 2011 GDP) between 2001 and 2010, suggesting massive fraud, corruption, tax evasion and money laundering.” In 2013 Special Interest Group on Information Retrieval (SIGIR) reported that an internal assessment by Iraq’s Board of Supreme Audit estimates “up to $40 billion the flows of funds that could be leaving the country annually – through money laundering schemes that use the Central Bank’s activities - because of corruption” (Maxime, 2013e). Iraq News reported that “one-sixth of the Iraq’s GDP creamed off”, ranking it as the 11th worst country in the world in terms of “money flowing out via crime, corruption and tax evasion over the past ten years, according to Global Financial Integrity (GFI) (John Lee, 2012).” Transparency International’s Anti-Corruption Resource Centre reported in May 2013 that the influx of spending related to
aid and reconstruction money, and state building resources, coupled with the easing of international sanctions, weak oversight, poor management, and disorganized government created an environment ripe for corruption. Corruption and oil smuggling as “the nation’s second insurgency”, a plight that costs Iraq upwards of $4 billion annually (Julian Borger, 2006). In early 2014, transparency International’s web page rated Iraq as ranking 171st in the world in its corruption perceptions index: One of the worst nations in the world (Transparency International, 2013). It summarized Iraq’s status as follows (Report of Transparency International, 2014): The September 2013 SIGIR report explored the Government of Iraq (GOI) Commission of Integrity (COI) study on corruption and integrity in the Iraqi public sector. That study which was on, “Corruption and Integrity Challenges in the Public Sector of Iraq: An Evidence-based Study,” (Report of Special Inspector General for Iraq, 2013), Reconstruction showed the following:

1. Slightly more than half the people surveyed believed corruption was on the rise, while one third perceived it to be decreasing (Fig.1).

Fig. 1: Public opinion about corruption in Iraq due to governance after pullout of occupier troops at 2001.

| Do you think each of the following is better, about the same, or worse as a result of American military forces withdrawing at the end of 2011? |
|---------------------------------|-----------|-----------|-----------|
| % Better | % About the same | % Worse |
| Security | 42% | 38% | 19% |
| Freedom from foreign influence | 30% | 38% | 30% |
| Political stability | 20% | 41% | 37% |
| Corruption | 11% | 41% | 46% |
| Jobs and unemployment | 9% | 34% | 55% |

Based on surveys conducted Oct. 8-22, 2012

2. Almost 12% of Iraqis who had contact with a public official during the preceding year said that they paid a bribe.

3. On average, citizens who paid bribes did so almost four times during the year.

4. The prevalence of reported bribery was highest amongst citizens dealing with police, land registry, and tax and revenue officers.

5. In absolute terms, bribes reportedly were most frequently paid to nurses in public health facilities, public utilities officers, and police officers.

6. Citizens reported that almost two-thirds of bribes paid are requested by the civil servant involved either by an explicit request (41%) or in an indirect and implicit way (23%), 14% of the bribes are requested by a third party, and 19% are initiated by the citizen.
7. Almost 60% of civil servants said they had been offered bribes.

8. 35% of civil servants were hired without undergoing a formal selection process.

9. More than 66% of the civil servants reportedly did not feel comfortable reporting instances of corruption.

10. Less than 7% of civil servants said that they had ever attended integrity and anticorruption training. The Kurdish news outlet, AK news, reported on March 7, 2011, that, “The Parliamentary Integrity Commission revealed on Sunday the most corrupt government ministries, indicating that they are currently investigating the cases and that more details will follow. Bahaa al-Aaraji, the chairman of the committee told AK News that the most corrupt ministries are those of health, trade, defence, sports and youth, as well as the Secretariat of Baghdad. ‘All legal proceedings will be taken against the ministers and director generals and others who are implicated in corruption in these ministries, even if the officials are currently abroad (Report, Integrity Commission, 2011). Rahim Hassan al-Uqailee (Judge Rahim al-Akili; al-Ugeily), the head of Iraq’s Integrity Commission was forced to leave office in September 2011, and did so while openly criticizing official interference in his inquiries, and saying he has no political support for his anti-corruption efforts (Industry, trade and Security, 2011a).

**Corruption in the Security Services**

1. US and other outside military observers noted by mid-2011 that the ongoing US withdrawal had triggered a process of corruption throughout much of the Iraqi military and police with appointments and promotions being openly sold, or awarded on the basis of nepotism, ethnic and sectarian ties, and political influence. The affected all ranks, and helped led to a sharp decline in the quality and role of NCOs and junior officers. They also noted an almost immediate growth in the level of corruption and influence peddling in contract awards by the Ministry of Defence and Ministry of Interior. The head of Iraq’s national SWAT team, Brigadier General Numan Dakhil was “caught during a sting operation in which he was filmed taking a $50,000 bribe from a contractor (Industry, trade and Security, 2011b). These problems were made worse by the political clashes that led the Prime Minister Nuri Al-Maliki to appoint many commanders on a temporary basis to bypass parliamentary review and confirmation, and the entire command chain by having members of the Prime Minister’s office issue direct orders by cell phone. They also report that the Prime Minister’s office made use of “loyal” sectarian units in the National Police, intelligence services, counter-terrorism forces, and Army to bypass the overall command chain and help secure the Prime Minister’s position. While there were still islands of integrity and competence within the Iraq security structure, the problems in the security services grew even worse after the withdrawal of the last US combat forces at the end of 2011 and become highly sectarian behaviour against certain nation group which drive fear and violence (Fig.2). In some cases, bases and facilities transferred to Iraqi forces have been partially looted, and in other cases the money that should have gone to operations and maintenance has never come or been stolen. This has
compounded serious transition problems that come out of a past Iraq military culture that paid far too little attention to maintenance, repair, and sustainability.

Fig. 2: Sectarian group of Iraqi citizen’s opinions after segregation policy by the government and reflection on corruption.

<table>
<thead>
<tr>
<th></th>
<th>Sunni % Worse (n=127)</th>
<th>Shia % Worse (n=334)</th>
<th>Difference (pts.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption</td>
<td>69%</td>
<td>39%</td>
<td>-30</td>
</tr>
<tr>
<td>Jobs and unemployment</td>
<td>73%</td>
<td>60%</td>
<td>-13</td>
</tr>
<tr>
<td>Freedom from foreign influence</td>
<td>39%</td>
<td>27%</td>
<td>-12</td>
</tr>
<tr>
<td>Security</td>
<td>25%</td>
<td>15%</td>
<td>-10</td>
</tr>
<tr>
<td>Political stability</td>
<td>43%</td>
<td>40%</td>
<td>-3</td>
</tr>
</tbody>
</table>

Based on surveys conducted Oct. 8-22, 2012
Excluding Kurdish administered provinces of Arbil, Dohuk, and Suleimaniya.

**Corruption and the Iraqi Economy**

Political turmoil and failure to incorporate politically marginalized segments of Iraq’s population into its political and economic structure continued to contribute to Iraq’s dismal global corruption. Transparency International’s 2013 Corruption Perception Index ranked Iraq 171st out of 177 countries surveyed. Only Libya, South Sudan, Sudan, Afghanistan, North Korea, and Somalia rank worse than Iraq in terms of corruption (Corruption Perceptions Index, 2013). This affects the entire economy as well as Iraqi governance. Acute problems with corruption, “grey” and “black” economies, and crony capitalism are made worse by the lack of progress in governance and effective business laws and regulation and criminal justice. Many Iraqis are forced to use any opportunity they can to profiteer off of the “system” to survive or because they have no reason to be confident that their jobs or positions will continue or that a merit-based career is even possible. Iraq faces bureaucratic corruption in many areas of its public sector, including food distribution and delivery of social services. 56% of Iraqi citizens reported having had paid a bribe to the Police, Customs, Judiciary, or another government institution (Maxime, 2013f). In April 2013, Transparency International wrote that, “Corruption at the highest levels of the state is the most worrying sign of the country’s corruption trends,”. “It seems that this systematic looting of state resources is directly connected with sectarian and political power struggles (Maxime, 201l). Much of this corruption can be attributed to the massive influx of development money and reconstruction aids that poured into the country after the 2003 invasions; however the problems have persisted long after US troops withdrew at the end of 2011. Due to the massive amounts of resources at stake, corruption in the oil and gas sectors has been the most damaging to Iraq’s political stability, and contributes to hostilities and violence between competing factions. An overview of corruption in Iraq released by Transparency International’s Anti-Corruption Resource Centre (ACRC) in April 2013 revealed that, “Massive embezzlement, procurement scams, money laundering, oil smuggling and widespread bureaucratic bribery have led the country to the bottom of international
corruption rankings, fuelled political violence and hampered effective state building and service delivery (Maxime, 2013h). Although Iraq has purportedly expanded its anti-corruption measures over the past several years, corruption and mismanagement continued to plague Iraqi society. It attributes Iraq’s crippling corruption to “political interference in anti-corruption bodies and politicization of corruption issues, weak civil society, insecurity, lack of resources and incomplete legal provisions.” According to the UN, 20% of Iraqis remain unemployed, and 23% of Iraqis live in “absolute poverty” (Maxime, 2013i). The inability of government to provide even basic services for all of its citizens over a year after US troops left Iraq, has left Iraq without an occupying power to blame, destroyed public confidence in the government, and contributed to overall instability. Corruption also interacts with Iraq’s overdependence on petroleum revenues (Fig. 3).

Fig. 3: Budget 2013, government expenditure and investment share 2009-2013.

Iraq revised its estimate of proven oil reserves from 115 billion barrels in 2011 to 141 billion barrels as of January 1, 2013, according to the Oil and Gas Journal (US Energy Information Agency, 2013a). The US Energy Information Agency estimates that Iraq has the fifth largest oil reserves in the world, and is the eight largest producer (US Energy Information Agency, 2013b). This gave the Iraqi government some $94.02 billion in oil export revenues in 2012 and an estimated $89.22 billion in 2013 (Report on Iraq Oil exports, revenues dip in 2013, 2014). These revenues are a key source of money for both corruption and political influence (Fig. 4).

Fig. 4: The Iraqi Oil Price and receipts estimate 2004-2012.
Why the corruption in Iraq is so bad?

The simple answer that, First Iraqis were suffered severely under the United Nations sanctions (1990-2003) which destroyed Iraqi society. Second the American occupation and establishing a puppet sectarian government that destroyed the Iraqi state after 2003”. The events of March and April 2003 aggravated these conditions. When post-invasion looting ended, just two of the 170 Rafidan Bank branches remained open for business, the Central Bank vault had been largely cleaned out, and most of Iraq’s 190-odd state-owned enterprises, the heart of the country’s non-oil industrial sector that provided employment and income for 12% of Iraq’s workforce, had shut down. Iraq’s economy was on its knees. Patronage based on party, family or sector determines who gets a job. There are many winners as well as losers and all depends on Iraqi oil exports going up and prices staying high. “I only once saw panic in the cabinet,” says an ex-minister, “and that was when there was a sharp drop in the price of oil.” There are other reasons why director generals in ministries do nothing. Kassim, a senior engineer in the Electricity Ministry, says “director generals get their jobs through political connections. They control the big projects, but they have no experience to plan for the future so they do nothing to avoid being fired.” He is derisive about official promises to end the electricity shortage, saying this will not happen for 20 or 30 years “because they are putting too much of the emphasis on electricity production and not enough on transmission and distribution”. There is more to Iraqi corruption than the stealing of oil revenues by a criminalised caste of politicians, parties and officials. Critics of Nouri al-Maliki, Prime Minister since 2006, say his method of political control is to allocate contracts to supporters, wavering friends or opponents whom he wants to win over. But that is not the end of the matter. Beneficiaries of this largesse “are threatened with investigation and exposure if they step out of line”, says one Iraqi observer. Even those who have not been awarded contracts know that they are vulnerable to being targeted by anti-corruption bodies. “Maliki uses files
against his enemies like Edgar Hoover,” the observer says. The system cannot be reformed by the government because it would be striking at the very mechanism by which it rules. State institutions for combating corruption have been systematically defanged, marginalised or intimidated. Five years ago, a senior US embassy official testified before Congress that “Mr Maliki” had issued “secret orders” preventing cases being referred to the courts by the Integrity Commission (an independent government commission tasked with tackling and preventing corruption) “if the cases involve former or current high-ranking Iraqi government officials, including the Prime minister. The secret order is, literally, a license to steal.”

Corruption complicates and poisons the daily life of Iraqis, especially those who cannot afford to pay. But the frequent demand for bribes does not in itself cripple the state or the economy. The highly autonomous Kurdistan Regional Government is deemed extremely corrupt, but its economy is booming and its economic management is praised as a model for the country. More damaging for Iraq is the wholesale theft of public funds. Despite tens of billions of dollars being spent, there is a continuing shortage of electricity and other fundamental life necessities. Few Iraqis regret the fall of Saddam, but many recall that, after the devastating US air strikes on the infrastructure in 1991, power stations were patched up quickly using only Iraqi resources. Statistics released by the World Bank on February 2014 (Fig. 5).

Fig. 5: Oil revenues on monthly basis and receipts versus budget projection in the years 2010-2011.

The World Bank figures show that 28% of Iraqi families live below the poverty line. In the event that the country may face any kind of crisis, this rate could increase by 70% in coming years. This is currently happening because of the spike in violent acts and tense political situation and government ill management. Based on the World Bank’s figures, this would mean that out of Iraq’s 34.7 million citizens, more than 9.5 million individuals are living below the poverty line. This phenomena happened in a country oil revenue’s exceeded
700 billion US dollars in period less than 10 years (2004-2012). The corruption is unbelievable,” says Ghassan al-Atiyyah, a political scientist and activist. “You can’t get a job in the army or the government unless you pay; you can’t even get out of prison unless you pay. Maybe a judge sets you free but you must pay for the paperwork, otherwise you stay there. Even if you are free you may be captured by some officer who paid $10,000 to $50,000 for his job and needs to get the money back.” In an Iraqi version of Catch-22 everything is for sale. One former prison detainee says he had to pay his guards $100 for a single shower. Racketeering is the norm: one entrepreneur built his house on top of a buried oil pipeline, drilled into it and siphoned off quantities of fuel. Furthermore, youth must be made aware of corruption and be trained in its elimination through country-specific anti-corruption projects and should have access to anti-corruption commissions.

The impact of failed governance: This history shows all too clearly that the terrorism, extremism, and insurgency did not emerge a one-sided vacuum. All were empowered by the failures of politics, leaders, governments, and their opposition. They were shaped by failures in governance and by the depth of the inequities and division within the state. Iraq’s political leaders not only faced the challenges imposed by Iraq’s past, they failed the Iraqi people by creating a polarized struggle for power. The end result is a government with deep divisions and by a current power structure centered on Shi’ite factions, a Prime Minister who has concentrated power in the face of constant challenges, and the way the government and security forces operate.

World Bank governance ranking: The failures in governance that affect the Iraqi security forces, the Iraqi economy, and the problems create by Iraq’s over-dependence on petroleum revenues. Iraq’s most serious immediate problems in governance, however, grow out of its sectarian divisions and the government’s misuse of the justice system, corruption, and the use of power to serve sectarian and ethnic interests. The World Bank provides a comparative ranking of the quality of governance using a wide range of different international sources, and six major categories of governance, (Fig. 6) shows that Iraq had improved in all categories in 2012 since the days of Saddam Hussein, but still ranked dismally low on a scale of 100, and that some areas were in decline since the 2012 election. Moreover, the violence and stability ranking preceded the major increase in violence that took place in 2013 and continued into 2014.

Fig.6: Monthly oil price and exports versus budget projection 2010-2011.
Conclusion remarks:

**Iraq as its own economic enemy:** Iraq’s current efforts can only fund the first steps toward recovery and development, and much depends on providing far more on security and political stability, more effective planning and management of funds, and efforts to reduce the massive level of corruption that now permeates the Iraqi economy. Moreover, Iraq’s macroeconomic data are only impressive when no one questions how honestly and effectively the money is spent, or deals with the massive levels of corruption, influence peddling, and crony capitalism, all of which mean that much of the money does little to help the Iraqi people or produce any progress towards development.

**Corruption and the economy:** The impact of corruption on governance has massive impacts on Iraq’s economy as well. The USA Anti-Corruption Resource Centre, a Norwegian corruption research institute, notes “a broad consensus that corruption is widespread in Iraq and that it constitutes a threat to state building efforts.” The report goes on to note that Transparency International gave Iraq a score of 18 out of a possible 100, and ranked it 169th out of 175 total countries in terms of the prevalence of corruption. Such high levels of corruption place a major burden on the economy and will generally prevent growth Iraq (Maxime, 2013f). In the petroleum sector and elsewhere from having a positive impact upon the country’s overall development. Iraq’s economic, poverty and conflict future will be largely determined by the GoI’s ability to govern the economy in the transparent and better use of oil revenues and establishment of wealth redistribution mechanisms. Exacerbating the problem is that despite the large influx of oil revenues, the GOI has made little progress in rebuilding and maintaining the critical infrastructure needed to support a competitive private sector. Electricity is supplied at a level that meets only 50 percent of consumer demand, transportation networks are in a state of disrepair, water supply and sanitation infrastructure are dilapidated, and other critical public services such as the provision of education and health services are inadequate to meet the needs of a growing population and modern
economy. For Iraq to succeed in building a vibrant and modern economy that is more broadly-based and that over time will be led by a competitive private sector, the GOI will have to institute major reforms, and invest in physical infrastructure and human capital. The president of the UN Security Council showed a similar realism. He issued a statement on January 10, 2014 that addressed the need for changes in the behaviour of the Malikie government and Iraqi security forces as much as it stressed the need to deal with vital issues in equality, economy and security. Overall, a corrupted governance system has led to poverty to Iraq in many ways. The poverty In Iraq is not associated with “an economic tsunami” alone, but to the entire governance ecosystem of Iraq. The war that occurred and ruined the one of most admired and rich country in the world will take years and years to recover. This is in part due to the effect of war on poverty including the right of every citizen of Iraq to acquire the best education in the world to bring back Iraq to its glorious and prosperous achievements (see Beyond Educide) (Dirk Adriaensens et al. 2012). Therefore it is deem important that every global citizen of the world should give the highest hatred to war and war crimes and the love for world peace be the most important agenda for world poverty eradication.

References:


