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# Analyzing the Phenomenon of Financial and Administrative Corruption in the Iraqi Economy

Arshad Abdul Latif Turki [a], Hussein breesam Habeeb [b], Hussein Abdulhamza Salman [c]

[a] *Department of Banking and Financial Sciences, Imam ALkadhum College, Iraq - Wasit - Kut – 52001. E-mail: Arshad.latif@alkadhum-col.edu.iq*
[b] *Department of Banking and Financial Sciences, Imam ALkadhum College, Iraq - Wasit - Kut – 52001. E-mail: hussain.presm@alkadhum-col.edu.iq*
[c] *Department of Banking and Financial Sciences, Imam ALkadhum College, Iraq - Wasit - Kut – 52001. E-mail: hussein.abdalhamza@alkadhum-col.edu.iq*

## Abstract

The phenomenon of corruption in Iraq is not the result of the current period. It is dated back to more than three decades. The clearest ugly form of corruption is in 2003 as Iraq has occupied the highest ranks in financial and administrative corruption because of the occupation and the security conditions that accompanied it, the lack of independent authority, the destruction of the infrastructure, changing the policy of The economic situation, the large amount of money spent on the reconstruction of Iraq, the transparency of media of all kinds and means, which obtained freedom to view corruption files credibly sometimes to some extent, which contributed to the spreading and growing of the phenomenon of corruption. The Integrity Commission estimated the funds lost due to financial and administrative corruption in Iraq at approximately 320 billion dollars during the past 15 years. The Commission has received thousands of cases related to corruption. In the first quarter of 2017, the commission received (9832) cases of which (4443) cases were resolved. The research started from a question describing the research problem; "What are the implications of administrative and financial corruption in the environment of the Iraqi economy and what role is adopted by the economic and regulatory authorities in reducing this phenomenon?" due to the high degree of importance to the growing negative role played by administrative corruption in Economic performance. The present study assumes that:

"Administrative and financial corruption is one of the main factors that limit the process of economic development in Iraq and thus contributes to hinder projects and plans of development and investment". The present study aims at raising awareness of the seriousness of administrative and financial corruption and its various forms, identifying causes and motives of corruption, seeking to reduce the negative effects on the development of its economic, social, and administrative dimensions, and trying to develop effective solutions to address this phenomenon. The research answered the question and the assumption above.

The present study is divided into three main sections. Section one presents the theoretical framework. Section two discusses the role played by financial authorities in addressing financial and administrative corruption. Section three tackles the economic effects of financial and administrative corruption in the environment of the Iraqi economy and ways to address them. The present study has come up with many conclusions and recommendations:

Corruption thrives in the availability of a favorable and encouraging environment. Corruption continues to limit opportunities for growth and economic development. If corruption escalates by 1%, the economic growth rate will decline by 0.72%. The present study focuses on recommendations regarding the legislative, economic and social aspects that constitute a roadmap for thrusting this phenomenon.

**Keywords:** Corruption, Administration, Iraq.



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## Introduction

Financial and administrative corruption is not incidental in the environment of the Iraqi economy. Since the eighties of the last century, it clearly infiltrated society and authority in Iraq during the Iran-Iraq war. Corruption worsened during the 1990s due to Iraq's entry into Kuwait and the consequent international sanctions, including economic sanctions on Iraq. As a result of the deterioration in the living and economic conditions of the country, there has been a large gap in the distribution of income among the people, unemployment, low purchasing power of the dinar, and economic inflation that occurred because of the economic sanctions.

The phenomenon of corruption in Iraq is not the result of the current period. It is dated back to more than three decades. The clearest ugly form of corruption is in 2003 as Iraq has occupied the highest ranks in financial and administrative corruption because of the occupation and the security conditions that accompanied it.

He economic situation in the country and the large amount of money spent on the reconstruction of Iraq, the large amount of money spent on the reconstruction of Iraq, the transparency of media of all kinds and means, which obtained freedom to view corruption files credibly sometimes to some extent, which contributed to the spreading and growing of the phenomenon of corruption. The Integrity Commission estimated the funds wasted due to financial and administrative corruption in Iraq during the period (2005 - 2006) up to (7.5) billion dollars.

## The Research Problem

In the recent decades, the Iraqi economy has been affected by the phenomenon of corruption, which began to erode in all institutes of the state, therefore, it is unable to face such a phenomenon. The problem of the present study is how to build strong institutions through special strategies that balance the basic requirements of society and efficiency in money management to achieve the economic well-being of all society. The question arises here is "what are the repercussions of administrative and financial corruption in the environment of the Iraqi economy and what role do regulators adopt to reduce corruption?"

## The Research Significance

Administrative corruption plays an increasingly negative role that delays economic performance, decreases performance rates and economic growth. This phenomenon threatens the general development objectives of countries. It disrupts programs, plans, and projects. It helps to aggravate economic crises in the midst of the challenges of globalization, openness of the world, and technological advances. Economic and social transformations are essential if the country is to meet these challenges and deal with them at all levels and activities through a society with an administration that is capable of dealing with the data of the stage. That administration should focus on respect for laws and systems they are the means through which it becomes possible to deal with all these challenges. Hence, the significance of the present study is that it identifies the manifestations of disrespecting laws and tries to show the limits.

## The Research Hypothesis

Administrative and financial corruption is one of the main factors that limit the process of economic development in Iraq. Thus, it contributes to the obstruction of development projects and investment plans.

## The Research Objectives

There are four main objectives:

1. Raising awareness of the seriousness of administrative and financial corruption and its various forms.
2. Identifying the causes and motives of this corruption.
3. Reducing negative impacts on economic, social, and administrative dimensions of development.
4. Trying to develop successful solutions to address this phenomenon as much as possible.

## The Research Methodology

In order to obtain results that support the sobriety of the research, the descriptive and analytical approach was adopted to give a more accurate view of the phenomenon of financial and administrative corruption; causes, motivations, effects, and ways to reduce.

## The Research Structure

To give a clear account of the topic, the present study has been divided into two sections. Section one presents the theoretical framework of financial and administrative corruption. Section two tackles the economic effects of financial and administrative corruption in the environment of the Iraqi economy and how to address them. Finally, a number of conclusions and recommendations are presented.

## The Research Limits

Spatial limits: The Environment of the Iraqi Economy.
Time limits: 2003-2018.

### Chapter One: The Theoretical Framework of Financial and Administrative Corruption

#### *First: The Concept and Types of Administrative and Financial Corruption*

There are many definitions clarifying the concept of financial and administrative corruption as there are different philosophies dealing with this topic and the different ideas, cultures, and attitudes of writers and theorists. (Caiden, 1977, p.37) defines administrative corruption as "illegal influence in public decisions". The International transparency organization defines Administrative Corruption as "every act that involves the misuse of public job for the self-interest of a person or his group".

#### *Types of Financial and Administrative Corruption*

Studies about the subject of corruption do not show a specific identity or political nature of corruption. It exists in countries with dictatorship regimes as it exists in democracies. But, theoretically, non-democratic regimes are more fertile grounds for corruption than democratic countries. There are several classifications of corruption as follows: (Mahmoud, 2011, p.93)

A. Corruption at the presidential level.
B. This type of corruption is at the top of the political pyramid, that is, the corruption of presidents and rulers by exploiting their powers for personal illegal gain.
C. Corruption at the institutional level.
   This is the corruption of some members of the legislative, judicial, and executive authorities. Perhaps, the most serious form of institutional corruption is the corruption of ministers, senior managers, and members of parliament.
D. Corruption at the administrative level.
   This type of corruption is the corruption of some employees in the middle and lower levels of the administrative pyramid.

Others classify corruption as follows:

A. Ethical Corruption: Deviations that occur in the behavior of the individual.
B. Political corruption: It is represented by the collusion of political parties and blocs to achieve their partisan interests at the expense of the public interest.
C. Judicial corruption: It is one of the most serious types of corruption because it leads to other types of corruption.
D. Administrative corruption: It is represented by administrative and functional deviations carried out by the employee during his/her work to achieve special interests in illegal ways.
E. Financial Corruption: It is a set of financial deviations and violation of laws and instructions governing the functioning of the administrative and financial work in the State and its institutions and violation of instructions issued by the regulatory agencies.
F. Environmental Corruption: This type of corruption is represented by increasing the proportion of pollutants in the air.

The need for oversight arises from the fact that objectives, plans, and policies are based on the performance of individuals who may perform them in different circumstances with different instruments at different times. It is likely that things in which the work is done are not similar; the emergence of deviations is possible. Some of these deviations can be dangerous. Other deviations are less serious. The degree of risk is actually determined by the degree of deviation from the established criteria (Al-Gamal, 1973, p.28)

***Second: Auditing; a Concept and Types***

***Auditing as a Concept***

Wasting public money and mismanagement is a major way of financial and administrative corruption. It is almost one of the most prevalent forms of corruption in the world. Iraq is one of the countries whose financial resources ravaged by financial and administrative corruption, which has hindered economic development opportunities. The reason for this is the weakness of the supervisory staffs. The administrative and technical weakness of internal auditors is one of the main reasons for the spread of financial and administrative corruption in both growing and developed countries (Fayhaa & Manhal, 2012, p.174).

Auditing has gone through many stages and evolved rapidly and significantly in its objectives and methods of practice in terms of the level of verification, inspection, and using the internal control system. Auditing is defined as a systematic documented and independent process to obtain evidence to determine the extent to which standards have been achieved. There was no system of internal control or an internal auditing system. The auditing objective evolved during the 1940s to make sure that the financial position is correct in addition to detecting errors after the emergence of control. As a result of the development of internal control, methods of work of the external auditor shifted to a test method based on samples and robustness of the internal control systems applied.

The objective of auditing has changed significantly. The main objective of external control is to obtain a neutral technical opinion about the extent to which the financial statements express the results of the economic unit and financial position in addition to other general auditing objectives: (Juma , 2011, p.112)

1. Monitoring plans, following up their implementation, identifying the objectives achieved, and studying the reasons that prevented the achievement of the specified objectives.
2. Evaluating the results of the works in relation to what was targeted.
3. Eliminating wasting through achieving maximum productive efficiency in all aspects of the activity.

***Auditing Types***

The writers and researchers in this field do not differ much in the division and tabulation of auditing. Researchers vary in dividing control and auditing into types due the different methods of practice and the circumstances of that practice. It is possible to summarize these types in light of the following headings into:

Scope; full auditing and partial auditing.

Degree of independence; internal and external auditing.

Degree of obligation; obligatory and optional auditing.

Type of auditors; internal auditor, external auditor, and government auditor.

Below is a brief account of some types of auditing:

1. In terms of scope: (Al-Rubaie & Mazin, 2014, pp.8-9)
   A. Full Auditing; An auditing that gives the auditor an unlimited framework for the work he/she performs. It does not imply examining every operation carried out within a certain accounting period, but it is subject to generally accepted standards or levels. The auditor must give a neutral technical opinion about financial reports as a whole.
   B. Partial Auditing; An auditing in which the auditor's work is limited to certain specific operations; the auditing involves placing restrictions on the scope or field in which the auditor operates. Who appoints the auditor shall determine the operations to be audited exclusively?
2. In terms of degree of independence.
   A. Internal Auditing; It is the auditing carried out by persons working in the economic unit in order to preserve the funds of the unit and its assets. This type gives the administration of the unit sufficient assurance of the proper functioning and protection of the funds of the unit. It helps the administration achieve its productive and administrative objectives. It encourages compliance with the administrative policies or control carried out by the executive authority on its subsidiary units. It is the self-control exercised within the economic unit in order to ensure conducting business as planned.
   B. External Auditing; It is performed by persons outside the institution who do not have any functional relationship or financial interest with the institution. This type is called neutral or independent auditing. The primary purpose of this type of auditing is to give an impartial technical opinion about the fairness of the budget presentation and the final statements of the results for the financial period concerned. In the case of a sound internal auditing system, it is indispensable to perform external auditing because of the lack of impartiality and independence in internal auditing. External auditing may be the control exercised through an independent institution outside the executive branch; legislative and judicial control.

3. In terms of degree of obligation;
   A. Non-obligatory auditing (optional); Auditing at the beginning was optional; auditing process is carried out without a binding provision for this. This type depends on the desire of the owners of the economic unit. This type of auditing suits private companies of all kinds.
   B. Obligatory auditing; auditing is performed by economic units in accordance with the prevailing law (Companies Law, Tax Laws, and Investment Law),.

The auditor is appointed by the highest authority in companies; the General Assembly (Muhammad & Imad, 2012, p.6). The executive government institutions are subject to the control of the Authority of the country, which is necessary to be linked to the supreme legislative authority and its control is binding on government institutions.

4. In terms of the person auditing.

Some writers divide auditors into three groups: (Al-Jabri, 2008, p.13)

   A. Independent auditors; External auditors or those assigned by the owners of the companies and their stakeholders to conduct auditing and express an opinion about the financial position of the company. This is done under contracts signed by them with these auditors for specific wages. They usually have full independence and their work is based on test audits.
   B. Internal Auditors; They are employees who work within the economic unit. They are appointed by the Department to ensure compliance with the plans set by the administration in order to achieve the objectives of the economic unit in addition to conducting the first-hand auditing work to avoid mistakes. These auditors do not usually have sufficient independence because of their association with the administration of the economic unit.
   C. Government Auditors; They are employees of the supervisory institution that is responsible for monitoring and auditing the work of the executive authority and expressing opinion about financial reports, financial statements, and financial position of the government economic unit. This process primarily depends on studying internal control systems adopted in the economic unit.

***Third; The Role of Financial Control in Countering Financial and Administrative Corruption in Iraq***

Systematic financial and accounting control dates back to the period of political independence in (1921) when government departments were established to regulate the work of Iraq. It was necessary to have financial control over the funds of Iraq. Financial control and accounting evolved with the development of the state and the issuance of the Constitution of Iraq in 1927. The Auditing Bureau was established due to the Law No. (17) of 1927, which was later known as the Office of the Auditor General. However, the scope of its work at that time was limited to auditing certain institutions. Decree law was issued Financial Control No. (194) in 1980 and Law No. (6) of 1990, which are characterized by several features, including clarity of objectives and scope of work of the Bureau. They give the Bureau financial independence and exclude some powers, including investigation. The Bureau now operates due to the new law No. 31 of 2011, which meets the needs of the legislative authority to activate the supervisory work. Article 5 of this law states that "The Bureau is financially and administratively independent and has a legal personality.

The new Iraqi Constitution in Chapter IV states that (The Central Bank of Iraq and the Office of Financial Supervision, Information, Communications and Endowments Bureau are financially and administratively independent institutions. The law regulates the work of each institution.

**Anti-Corruption Models** (Four successful experiences in the fight against corruption,2018)

Studies conducted by the United Nations Development Program (UNDP) and the Organization for Economic Cooperation and Development (OECD) have confirmed that countries that have adopted successful experiments have not achieved good results in the fight against corruption, as these models do not suit the specificities of their political, economic, and judicial systems. Sometimes, it backfires to encourage the penetration of corruption, such as the fragmentation of efforts in the absence of any prioritization and complexity of the system adopted to combat corruption and lack of coordination between the various components and conflicting competencies.

The United Nations Convention against Corruption has developed a set of proposals in the field of prevention and control, which can be entrusted to an institution or multiple institutions leaving each country the option in determining the structure that it deems appropriate to form its oversight institutions. The Convention developed models of these experiences and institutions were classified into three categories:

1. Singapore Model ("Interdisciplinary Institutions"): These institutions are often independent and include areas of control and investigation similar to the Singaporean system.
2. The French model ((prevention institutions)): These institutions are usually within the executive branch. They are responsible for risk assessment, studies, following-up and coordinating anti-corruption policy such as the French model.

Adopting the first model should be based on the following data:

A. The level of widespread corruption.
B. The level of integrity and efficiency of existing institutions.
C. Appropriateness of the legal system of the country.
D. Level of readiness to provide the requirements for the construction of this type of equipment.

3. The American-British Model ((Quiet Acupuncture Unit)) (Mudhhir , 2018).

This model is based on the ideas of behavioral economics of the authors of the book (Freakonomics) in 2008 by demonstrating the importance of behavioral economics in the activation of government performance. They pointed out that the psychological and neurological deviations make people's choices contrary to their favorite interests. Thus, the theory aims to push individuals to adopt the best decisions. Based on these proposals, a special institution for tax and financial fraud monitoring was created in the Obama-Cameron office known as the Quiet Prick Unit. The aim of this unit is to urge community members to commit to paying late annual taxes. For someone who is late to pay the car installments is sent a message saying (pay or you will lose your car). This procedure resulted in an increase in the payment of double. When a picture of the car of the late person was put, payment increased to three times. It is the quite tingling procedure.

## Chapter Two: The Economic Effects of Financial and Administrative Corruption in the Environment of the Iraqi Economy and Ways to Counter Them

### *First; Economic Effects of Financial and Administrative Corruption in Iraq After 2003*

Financial and administrative corruption is one of the main obstacles that hinder economic development in both growing and developed countries. Efforts are still being made to reduce it at the international and regional levels. From the economic point of view, the increase of the individual's share of local product leads to a decrease in the corruption index. If corruption is considered as a commodity, the higher the income (price), the lower the demand for it is. At the state level, the increase in the country's wealth will provide the necessary resources to reduce the phenomenon of corruption. Studies show that the increase in the corruption index by (1%). Is negatively reflected on the growth; (0.72%) (Kawthar, 2007, p.1).

The effects of financial and administrative corruption are also negatively reflected on the country's competitiveness with the regional and international environment (Arab Future Magazine , 2007, p.93), especially in the investment aspect for domestic and foreign entrepreneurs. Thus, the country becomes a repelling factor for investment (Transparency International Report, 2014).

Corruption is inherent when it has a fertile environment that drives it. According to Transparency International reports, after 2003, Iraq has become the field of the largest corruption operations at the international level, especially under the coalition authority headed by the civilian governor (Paul Bremer). He is accused of losing nearly $ 9 billion of Iraqi oil money, in addition to the file of the reconstruction of Iraq of the total $ 20 billion of which the Iraqi government received only $ 95 million with reservation on the number of UN bodies operating in Iraq. They were as many as 22 bodies whose budget and finance are not known. The majority of them are a burden on the Iraqi economy. Other reports indicate that corruption in reconstruction operations amounted to 4 billion dollars in 2007, which constitutes (10%) of the gross domestic product (GDP) (Transparency International Corruption Perceptions Report, 2017).

John Hammer, head of the Center for International Strategic Studies in Washington states that "There is a massive looting aimed at stripping anything that is believed to be of value inside Iraq to be moved abroad. It is a systematic plunder of the country's resources". According to photographs taken of a number of military and industrial sites in Iraq, the images showed a systematic looting. According to (Jack Bout) Director of the Office of Investigation in the nuclear file in Iraq, IAEA; more than 10 buildings and complexes have disappeared completely from the pictures taken (Muhammad, 2004).

Iraq also ranked 170th according to Transparency International's Corruption Perceptions Report in 2014, competing with Sudan, Somalia, and Afghanistan (Al-Asheqir , 2014) According to the 2017 report, Iraq ranked 169 $^{th}$ out of 180 countries, showing the obstacles that corruption poses to economic development (Public Integrity Commission, 2007).

### *Financial and Administrative Corruption in Iraq*

The phenomenon of financial and administrative corruption is inherent in the environment of the Iraqi economy for more than three decades (Allawi , 2005, p.1). It has been steadily consulted in the nineties because of the blundering policy the former regime resulted in international isolation for 13 years. This has resulted in international sanctions against Iraq. Iraq still bears financial repercussions of compensation. As a result of the deterioration of the living and economic conditions of the country, which resulted in a large gap in the distribution of income among the people.

To shed light on corruption in Iraq after 2003, it is necessary to mention the global concept of corruption; "The misuse of public authority (public office) to achieve special benefits such as embezzlement, bribery, exploitation of the job, commission, money laundering, fraud, lack of transparency in spending public money .....". The culture created by the occupier since the first day of occupation of Iraq, by allowing Iraq to loot state property in general except the Ministry of Oil and the Department of Gold and Foreign Currency in the Central Bank, had a clear role in spreading the culture off stealing that prevailed after the US occupation of Iraq. The weakness of internal oversight institutions and the dismantling of their structures after the conflict between the powers of the federal executive authority and the powers granted to the provincial councils has had the greatest impact on the increasing phenomenon of corruption. The United Nations has given the occupation forces the right to export Iraqi oil by establishing a fund called the Iraq Reconstruction Fund, in which the US occupation army and Paul Bremer personally played an important role in this corruption. The CPA administration has been accused of corruption and misuse of resources. About $ 8.8 billion had been handed over to the ministries of the governments of the post-occupation. Spending these moneys was not documented. A total of 57 cases were investigated, including: 15 thefts, 19 bribery cases, and 6 cases of equipment fraud. Thus, billions of dollars have been wasted, production and service capabilities have been sabotaged, and the reconstruction process has been hindered (Bartlomieg , 2003, p.7).

The Integrity Commission estimated the funds lost due to financial and administrative corruption in Iraq during the period (2005 - 2006) up to (7.5) billion dollars, distributed according to the share of each Ministry or department as shown in the following table:

**Table 1: Wasted Money because of Financial and Administrative Corruption in Iraq from 2005-2006**

| Item | Ministry | Wasted money | Percentage of corruption |
|---|---|---|---|
| 1 | Defense | 4 billion dollars | 53,33 |
| 2 | Electricity | 1 billion dollars | 13,33 |
| 3 | Oil | 510 million dollars | 7,16 |
| 4 | Transportation | 210 million dollars | 2,95 |
| Anterior | 200 million dollars | 2,81 | |
| 6 | Trade | 150 million dollars | 2,11 |
| 7 | Finance and central bank | 150 million dollars | 2,11 |
| 8 | Housing and reconstruction | 120 million dollars | 1,69 |
| 9 | Telecommunications | 70 million dollars | 0,98 |
| 10 | Baghdad mayoralty | 55 million dollars | 0,77 |
| 11 | Sports and youth | 50 million dollars | 0,70 |
| 12 | Higher education | 50 million dollars | 0,70 |
| 13 | Health | 50 million dollars | 0,70 |
| 14 | Justice | 40 million dollars | 0,56 |
| 15 | Agriculture | 30 million dollars | 0,42 |
| 16 | Water resources | 30 million dollars | 0,42 |
| 17 | Industry and minerals | 20 million dollars | 0,28 |
| 18 | Elections commission | 10 million dollars | 0,14 |
| 19 | Tourism | 10 million dollars | 0,14 |
| 20 | Education | 5 million dollars | 0,07 |
| 21 | Labor | 5 million dollars | 0,07 |

Source: Issam & Muhammad, 2010, p.2

The table shows that the Ministry of Defense has the highest percentage of wasted money. as the former Minister of Finance (Ali Abdul Amir Allawi) states that one billion dollars allocated to the Ministry of Defense were embezzled from the budget. In 2005, nearly $ 500 million allocated to fight terrorism were detected (Christopher, 2011, 23-24).

## Second: The Role of Financial and Administrative Corruption in Imbalance in the Environment of the Iraqi Economy

### *Structural Imbalances*

Following the path of state administration for 15 years, it is possible to notice that the state has not been able to get out of the constraints of corruption in the previous era. The continuation of the rentier approach is a form of corruption. The state that transfers to marketing economy and a capitalist approach must adopt policies to diversify its economic sectors. This is reversed in the case of the Iraqi economy. Instead of making the oil sector one of the main sectors of growth integrated with the productive sectors as it is the driving force towards economic growth, it is noticed that

there is an excessive dependence on the oil renteir resource as a (fragile growth locomotive) as it is a commodity controlled by global oil markets usually causes external shocks when accompanied by openness to the outside world, especially, after 2003; (open door policy) (Christina, 2011, pp.10-13) and reconstruction fee (5%) puts the burden on the productive structure and makes the country a consumer market and a privilege for the regional neighbors as well as the exit of foreign currency to cover uncontrolled import expenses (Johnny , 2011, pp.2-3).

Iraq's conditions: war, international isolation, occupation, security, and oil shocks enabled the corrupted to misuse the fortune of the country. Thus, efforts of development were not successful. In case of conflict between economic development and security and political stability, security and political stability is given the priority as it is a condition of sustainable economic development. That led to accumulating structural imbalances in the Iraqi economy (Adnan et.al., 2011, p.68).

***Structural Imbalance in the Productive Sectors***

The Iraqi economy is described as an economy of a long-term shock starting from the eighties (militarization of the economy) through the invasion of Kuwait and international isolation for (13) years. After the occupation of Iraq, the decisions of the civilian ruler Paul Bremer during the period from May 2003 to June 2004 included significant legislative changes; (100) official orders. Part of those orders was later amended. The nucleus for the sustainability of imbalance and corruption, especially in the main sectors (agriculture and industry) as they did not follow the principle of gradual shock (ibid. P. 69). One of the main reasons is to develop (the oil sector), but at the expense of other sectors. The Ministry of Oil focused through "licensing rounds" to make the main objective of raising oil production by 2016 to (11_12) million barrels per day (JAI, 2007, p.15). Thus, the productive structure of the Iraqi economy was weakened as a result of the inability of the productive sectors to keep pace with the growth in the oil sector. The rate of economic exposure in Iraq after 2003 is 119%.

***External Indebtedness***

Wars and international economic isolation burdened the Iraqi economy. Debts of the Iraqi- Iranian war is 86 billion dollars in 1989 (Adeeb, 2009, p.32). The external indebtedness because of the invasion of Kuwait and international sanctions is 125 billion dollars (Al-Tamimi, 2018); 33 billion dollars are for the members of Paris club, more than 60 billion dollars are compensations for Kuwait and Saudi Arabia, and the remaining 32 billion dollars are private debts for non- governmental institutions and companies (Adnan, p.90). Whereas, in light of the latest terrorist, security, and oil events, the indebtedness is 132 billion dollars.

***Imbalance in the Financial Structure***

The financial allocations that followed 2003 were likely to be directed towards efficient “investment spending”. Considering the budgets for the period (2004-2018), it is found that the value of revenues during this period is 873 billion dollars according to a member of the Finance Committee in the Iraqi parliament Majida Tamimi; 863 billion dollars were spent. She adds that spending may happen outside the general budget and it is not addressed in the general budget, especially with regard to loans (Christopher , 2011, pp.28-29). Spending took another form that is characterized by corruption after 2003 (Doing Business ,2017). Whereas, a sustainable development approach requires investment spending in order to attract surplus financial resources and workforce outputs to curb growing unemployment pressure and underemployment (40%) and give a leadership role. According to the World Bank's Doing Business Index (Al-Janabi & Al-Khateeb, 2015), which shows the percentage of the private sector contribution to economic activities, Iraq ranked 168 out of 190 countries in 2017. This confirms the weakness of the private sector contribution in the Iraqi economy after 2003. Despite the trend towards the "economy of marketing" (Nabeel, 2018) , corruption has made it almost impossible to utilize explosive budgets by relying on the traditional budget structure on the grounds that public expenditures are classified administratively, that is, public expenditures are distributed to departments and ministries whose budgets are included in the public budget in the form of annual appropriations or allocations.

These annual amounts, which are allocated to each administrative unit in a qualitative form, are classified according to the purpose of the expenditure, which is called expenditure items or expenditure items, and they are often similar. This is what the Iraqi budgets are after 2003. Modern budgets, including programs and performance, classify Budgets of administrative units into jobs and tasks, major programs and other sub-programs, linked to the financial statements. Whereas, balancing performance provides the administration with accurate measurement methods such as unit cost, measurement of work and performance rates. Thus, it reduces waste in financial allocations and reduce s Opportunities for Corruption (Federal Budget Law of the Republic of Iraq for the Fiscal Year of 2018, 2018).

With regard to the 2018 budget, the only difference is the share of the Kurdistan region on the basis of population and reducing it from 17% to 12.67% (Ibid , 2017).

In fact, the region's exports are not (250.000) (Majed, 2012, p.356) barrels per day. The production of the region is about (700.000) barrels per day and its internal consumption is about (150.000) barrels per day. It supposedly exports not Less than (450.000) barrels per day. A real reform in the calculation of internal consumption and sales as part of the budget should be done. The Federal Ministry of Oil and the Ministry of Natural Resources in the region should sell crude oil for internal consumption at international prices with a certain discount based on the law of investment in oil refineries. The amounts should be saved in the account of the Ministry of Finance. Prices of petroleum products should be liberalized to get rid of corruption and looting between the production of the well and sales of stations. The internal consumption is about (150,000) barrels per day in the region and (600,000) barrels per day in the other parts of Iraq. The value of this production at today's prices Equals to more than (35) million dollars a day. There is a lot of corruption and mismanagement.

***Imbalance in Institutional Arrangements***

Economic policy is chaotic and its effects vanish quickly unless there is a guide or a compass that constantly adjusts its steps. This compass is efficient institutions that guarantee the implementation of (orders and reforms). Public and private institutions suffer from many problems and corruption that constitute the real turning point in the Iraqi economy to harmonize macroeconomic policies. In particular, the full independence of the central bank from the dominance of the financial authority is complemented with the existence of a sophisticated stock market, control of public debt, and minimization of financial and administrative corruption. According to the reports of global transparency organization, Iraq ranked (169) out of (180) countries in 2017, which indicates that there are obstacles hindering growth in the Iraqi economy (Federal Budget Law of the Republic of Iraq for the Fiscal Year of 2018, 2018). In light of what has been stated earlier, it is possible to summarize several key points resulting from the phenomenon of financial and administrative corruption in the environment of the Iraqi economy as follows:

1. Economic inflation. It is caused by the phenomenon of fiscal easing as a result of the lifting of sanctions, the focus on the oil sector (Mahmoud, 2015), chaotic expansion of expenditures of a non-economic nature, and "fiscal domination". The number of employees in the government is approximately (7) millions; (4) million employees and (3) million retirees which increases the operational budget at the expense of the investment budget and hinders the course of development in Iraq.
   The two biggest mistakes In the Iraqi budget over the past years are the expansion of the public workforce, the non-economic employment that follows the (general option theory) approach to satisfy the electorate according to purely political considerations, and the oil service contracts through the supposed (four) rounds at a cost of (2) dollars per barrel extracted over 30 years. It should be noted that despite the war conditions, Iraq was able to export (3.5) million barrels, whereas, service contracts do not reach the level of (3.5) million barrels. These two mistakes are the constraints on both sides of the budget; spending which increases and revenue which decreases. This puts burden on monetary policy (Muhammad , p.6).
2. Decrease in the confidence of international institutions granting loans, international aid, and economic and technical consultancy. This results from lack of faith in the potential of the government and its agencies to manage loans and grants efficiently and productively (Mahmoud, 2004, p.35).
3. Structural imbalances and distortions in the structure of the economy. This hinders the process of economic development. For example, the continuing deficit in the public budget, the weak investment climate attracting foreign capital and investment opportunities accumulates poverty, unemployment and reduces the opportunities for economic growth (Nabil, 2018).

## Conclusions

1. Administrative and financial corruption is an inherent and old global phenomenon that is not confined to Iraq. Weak government administration beside security and political instability lead to spread corruption.
2. 2. Financial and administrative corruption limits opportunities growth and economic development. Studies show that increasing corruption index by (1%) is negatively reflected on economic growth as it decreases by (0.72%).
3. Economically, the increase in the average of the individual’s share of gross domestic product (GDP) leads to a decrease in the index of corruption, which reflects the inverse relationship.
4. Corruption arises when there is a fertile environment. According to Transparency International organization, Iraq after 2003 is at the top of the largest corruption operations at the international level, especially during the coalition authority headed by the civilian governor (Paul Bremer).
5. Following the path of state administration for 15 years, it is noticed that it has not been able to get rid of the constraints of corruption. Continuing the rentier approach is one form of corruption. A country that transfers

to market economy and adopts a capitalist approach must adopt policies to diversify its sectors. This matter is reversed in the Iraqi economy. Instead of making the oil sector one of the main resources of growth integrated with the productive sectors towards economic growth, it is found that excessive dependence on the oil resource rent is a (fragile growth locomotive).

6. Modern budgets, including programs and performance budgets are concerned with classifying budgets of administrative units into jobs, tasks, major programs, and other sub-programs linked with the financial statements. Thus, this type of budgets reduces the waste of financial allocations and reduces chances of corruption.

## Recommendations

For real treatments and solutions to reduce the phenomenon of financial and administrative corruption in the environment of the Iraqi economy, below are some recommendations based on socio-economic legislative aspects:

**First: Legislatively**

1. There is a need for an independent judiciary authority responsible for adopting laws and deterrent penalties against those found guilty of corruption. That authority strictly applies the provisions of the law against transgressors.
2. Activating the supervisory role by mobilizing policies that contribute to the reduction of corruption as a phenomenon that destroys the Iraqi economy.
3. Since corruption is a global phenomenon, it is necessary to take advantage of the legislative and legal aspects of countries that have been able to reduce the power of corruption and then work to apply these legislations locally.
4. Developing the administrative and technical staff working in the Integrity Commission and providing it with the required expertise to perform the tasks assigned to them efficiently and firmly.
5. Utilizing information technology and modern techniques in monitoring at the level of local institutions to reduce the phenomenon of financial and administrative corruption.

**Second: Economically**

1. Reconsidering the salary scale of state employees in the public and private sectors to be suitable for living a decent life away from bribery and corruption, and to reduce the competition between the public and private sectors to attract qualified public sector employees to the private sector through attractive offers.
2. Focusing on research and development through allocating financial support for feasibility studies and evaluation of projects in order to obtain practical results that reduce the phenomenon of financial and administrative corruption.
3. Rehabilitating and developing administrative and technical capabilities in all areas to make the right person in the right place regardless of belonging, but in accordance with efficiency, integrity, and productivity in the work.
4. Developing the negotiating and diplomatic side with the donor countries in order to speed up the fulfillment of their promises and commitments in the reconstruction and economic welfare of the country.
5. Allowing supervisory institutions and giving them more possibilities and powers to support their performance in reducing corruption and waste in public funds.
6. Adopting the serial approach in establishing economic projects according to what is practiced globally by focusing on strengthening and qualifying the central structures and investing them as they are the basis and pillar of all future projects of the country.
7. Approving financial and accounting statements to document and review financial operations in all financial institutions.

**Third: Socially**

1. It must be emphasized that the real treatment of corruption stems from the self because the self-reform is the first step to address the obstacles that society suffers in the priorities of the phenomenon of corruption.
2. Promoting a culture of integrity and anti-corruption in practice by focusing on influential figures in the community from all disciplines.
3. Focusing on developing and stimulating the role of civil society organizations in spreading and educating the society on the culture of integrity and reducing financial and administrative corruption.

4. Paying attention to the young generation by forming cultural associations to fight corruption by holding seminars and cultural conferences aiming at sensitizing the young generation on their future responsibilities, especially, fighting corruption.

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