

Financial and Administrative Corruption and Its Economic Effects (Iraq as a Case Study)

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The phenomenon of administrative corruption is one of the most dangerous phenomena facing countries, especially developing countries. It results in paralysis in the process of construction and economic development, including the destruction of the economy and a country's financial and administrative capacity. As a result, the state is unable to meet the challenges of reconstructing aging infrastructure. This type of corruption is the most dangerous as it destroys the development process. The depletion of resources and capabilities as well as imbalances in infrastructure underpin the development process. This leads to a threat to the sovereignty of the state due to its large debts. These are due to its inability to achieve sufficient outputs to bridge these debts. This phenomenon has received the attention of many researchers and interested people. Opinions have agreed on the necessity of establishing an institutional framework aimed at reducing the size of this phenomenon and combating it through serious and specific steps in various forms and manifestations. These involve all areas of life to accelerate the process of economic development.

Key words: *Financial, administrative corruption, economic effects, Iraq.*

Introduction

The phenomenon of corruption is an old phenomena, and it is not a result of modern circumstances. It is not linked to a specific time or place, but it has been around since ancient times. Iraq suffers from administrative and financial corruption. This is one of the most important problems that the country is currently facing, especially after 2003. This is due to reasons related to the weak rule of law and the absence of real censorship in government institutions. This has resulted in the emergence of negative economic effects that are exacerbated by the problems of inflation, unemployment and the size of external debt. They

are also exacerbated by social effects that represent a decrease in the level of education and health and an increase in poverty cases. Negative repercussions involve increases in crime, theft, and fraud rates. The research problem stems from the fact that Iraq suffers from a serious administrative and financial corruption problem that directly affects the national economy and reflects negatively on all joints of life in it. This research aims to provide a conceptual framework around the phenomena of administrative and financial corruption, to know the true causes of these phenomena, and to develop mechanisms and proposed solutions to reduce or eliminate them.

Research Hypothesis: Administrative corruption has many negative effects on the Iraqi economy. It contributes to the dispelling of Iraq's wealth and contributes to the growth of a corrupt class that controls the joints of the Iraqi economy.

Administrative Corruption: Concepts, Types, Manifestations, and Effects

The Concepts of Administrative and Financial Corruption

Corruption in language refers to spoilage and something that is out of moderation, the opposite of which is righteousness. Corruption involves spoilage, damage, turmoil, imbalance, and disadvantages. The definition of administrative corruption is as follows:

It is the use of institutionalised power to achieve private, subjective benefits. Corruption, according to this definition, is a deviation in the use of power vested in natural individuals. Two considerations within an institutional framework authorise the use of these powers for specific purposes and within certain limits. (Salim and Shaabi, 2010: 34)

According to the International Monetary Fund's report for 1996, administrative corruption is the misuse of public authority to obtain private benefits. This occurs when an official employee accepts, requests or extorts bribery. (Hassan and their roll, 2009: 234). As for the International Bank for Reconstruction and Development, corruption is defined as the exploitation of public employment for personal gain. Transparency International defines corruption as distorting political, legal, administrative, or economic authority (Al-Amri, 2008: 86).

Types of Administrative and Financial Corruption

Administrative and financial corruption can be classified accordingly:

A. By size (Muhammad, 2006: 62):

- Minor corruption (corruption of lower job grades):

This is corruption that is practiced by one individual without coordination with others, so we see it spread among junior employees who receive bribes from others. This corruption's burden falls on all members of society, as its victims are citizens who also have to bear additional costs to complete their transactions.

- Major corruption (corruption of higher job grades of employees):

This is what senior officials and employees do to obtain great material or social interests. It is the most important, comprehensive, and most dangerous task for the state to assign huge sums. Corruption is major when it is linked to national projects (such as infrastructure projects). In this case the burden of corruption falls on all members of society.

B. In terms of prevalence (Al-Bakri, 2010: 79 -86):

- International corruption: This is a type of corruption that has a wide global reach across the borders of countries and even continents within what is called globalisation. It opens borders and crossings between countries under the umbrella of a free economy.

- Local corruption: This spreads within a country among economic establishments and among small positions that connect them to major or global companies or entities outside their borders.

Manifestations of Administrative and Financial Corruption and its Causes

- Manifestations of administrative and financial corruption: (Muhammad, 2006: 65)

A. Administrative and financial corruption have many manifestations. These manifestations and forms include

- **Bribery:** This refers to a person obtaining a benefit that is mostly financial to pass or implement something other than legislation or the principles of their profession.

- **Nepotism:** This refers to what organisations (parties, regions, or influential families) want through influence without entitlement.

- **Favouritism:** This refers to favouring one party over another without any right, as in awarding contracts, bids, or leasing and investment contracts.

- **Mediation:** This refers to any intervention by a person with a status (in a job or political organisation) in favour of those who are not eligible for appointment, assignment of contracts, occupation of office, etc.
- **Extortion & Forgery:** A service employee extorts for the purpose of obtaining money from people by using their job position with legal or administrative justifications. They may also hide the instructions applicable from the persons concerned. This happens in the tax departments, falsification of school certificates or counterfeiting money.
- **Embezzlement of Plundering Public Money:** This is done through the black market and smuggling. It involves using powers granted to a person, fraud, or exploitation of a job site to dispose of state funds secretly. It is done without the right or passage of goods through black-market outlets or the smuggling of oil wealth.
- **Money Laundering:** (Abboud, 2013: 18): Money laundering means the transfer of funds illegally obtained or evading legal obligations in the form of wealth retention to cover its source.

Causes of Administrative and Financial Corruption

There are many causes of corruption that vary among organisations, individuals, and countries. Three main groups of causes of corruption can be identified:

1. Individual Causes: These reasons are due to the nature of an individual's personality. This refers to the moral values that an individual carries. Individuals originally acquire these values from the society in which they live. They are received through customs and traditions. Greed and other mental illnesses are purely individual causes. Often individuals acquire these traits from the environment in which they live. This leads individuals to commit certain deviations. Some studies have proven a link between corruption crimes and some personal characteristics of perpetrators. These include gender, age, education level and the environment in which they live.

2. Organisational Reasons: An organisation may be a major cause of a widespread corruption phenomenon. An organisation's senior management may itself be one of the main reasons supporting the spread of corruption in the following ways:

A. It may draw and define strategies and policies that serve specific groups and personal purposes for some workers in the organisation or outside the organisation.

B. It may make decisions that do not support the sustainability and survival of the organisation.

C. The existence of a defect in laws and regulations may become supportive of corruption cases.

D. It may choose leadership elements that are not suitable for leadership work.

E. It may select employees and employ them outside the controls that qualify them for their responsibility (compared to the work assigned to them). This involves the element of favouritism for the sake of kinship or a common interest.

All of this will be reflected in a lack of wisdom in making decisions and drawing policies that do not support the basic goals of the organisation. Corruption will become part of the organisational culture and help the emergence of an organisational structure and informal communication systems that destroy a formal organisational structure. This contributes to the destruction of other tools important to the work of the organisation.

3. Environmental Factors: These factors lie in the opportunities created for individuals to practice administrative corruption. Environmental causes can be classified into three groups:

A. Economic reasons: Economic factors are considered some of the most important main reasons for the spread of the phenomenon of administrative corruption. Lacking individual incomes and low levels of livelihood may be insufficient due to the government's lack of interest in legislation on the structure of wages and salaries. A lack of justice may be present in the distribution of the output of gross nationalism. Achieving a balance between living necessities and wage levels is an important reason for increases in the tendency of some individuals to achieve additional incomes through illegal methods.

An individual may be forced to do this work to increase their income by engaging in aspects of administrative corruption to cover the cost of living. Additionally, inflation and high prices are other reasons that reflect on the income of individuals and increase the burden of living for individuals. Low wages and high levels of inflation may result from poor financial policies, low gross national product or be a result of state spending on unproductive sectors. It may also result from increased public spending at levels higher than normal or an incorrect state budget (giving unimportant sectors large allocations and vice versa). These are all reasons that will be reflected in individuals' livelihoods and will constitute the appropriate grounds for public and private sector employees to commit corruption.

B. Social Reasons: These reasons lie in the impact of social, moral and religious values in society. The extent to which individuals adhere to them influences their impact, as well as the ability to transfer them into an organisation. Drifting towards weak and fragile frameworks causes administrative corruption. This leads to preventing the spread of corruption cases. Some studies have indicated the impact of religion on administrative corruption, as societies where the influence of religion is clear are less inclined to corruption than other societies. It has also been found that women are less prone to corruption. This is due to men lying as a result of the social responsibility they bear for their family and other responsibilities.

C. Political Reasons: These reasons are the most dangerous. These causes lead to partial loyalties that lead to the achievement of minority interests without the public interest. Administrative decisions are influenced by political affiliations. Therefore, this will constitute a conglomerate to achieve the interests of groups. The use or enactment of laws for the interests of these groups may be at the expense of other groups. This depends on the amount of power that these groups have. It is noted that administrative corruption increases whenever some of these political groups enjoy the power and freedom to make decisions. These groups will make all decisions needed to increase their authority and power at the expense of other groups and public interest.

Economic, Social and Political Effects of Corruption: (Salman, 2009: 192) (Al-Mumin and others, 1997: 70)

The phenomenon of corruption has overall effects on various economic, social and even political aspects. We summarise them as follows:

1. Distortion of economic structures as corruption stimulates the establishment of service projects with abundant and rapid profit. Corruption happens at the expense of productive projects that form the basis of economic development. This leads to the weakening of public infrastructure and services.
2. Corruption leads to low quality and low efficiency public utilities. Widespread corruption can lead to the awarding of contracts, especially public works contracts, to less efficient institutions (that pay bribes). This negatively affects the quality and efficiency of public services.
3. Corruption affects all economic activities, including the irregularity of rights and duties of citizens. This is so especially with regard to state revenues from fees and taxes whose levels are declining as a result of rampant bribery and financial corruption. This takes the form of financial evasion (trying to obtain tax exemptions other than what is legitimate). This is counter-productive for the state budget.
4. Redistribution of income benefits those who possess power and prestige. They benefit as a result of plundering of public money. Corruption contributes to reallocating wealth for the benefit of the most powerful (who monopolise power) and those who belong to them. Corruption also reduces the ability of the poor to earn. This is because they do not obtain their objective share of jobs and opportunities. It also increases the degree of distributive inequity of income for individuals. Employers benefit from opportunities involving unlawful profit at the expense of other members of society.
5. Corruption leads to a loss of confidence in the socio-political system and consequently a loss of a sense of citizenship and belonging. It also weakens citizens' confidence in the effectiveness of law and public order. The consequent formation is a system based on

- negative practices, individual benefits, and the spread of indifference and negativity among members of society.
6. Corruption increases conflict and disputes between different parties in the state apparatus in order to achieve private interests at the expense of the public interest. Corruption is also used as a means to buy political loyalty from those whose interests intersect with the interests of the perpetrators of corruption and their supporters who turn into actual partners. This results in the psychological alienation of large segments of society, which leads to indifference in all general issues of society.
 7. Corruption affects the stability of the investment environment and weakens the positive impact of investment incentives for local and foreign projects. This is because corruption increases the burdens incurred by businessmen as a result of paying bribes and commissions. These are added to costs, which reduces investment incentives.

Thus, corruption devours economic and social structures within society unless appropriate preventive and remedial policies stand in the way of it.

Means of Prevention of Administrative and Financial Corruption: (Al-Saqqal, 2011: 12-13)

In fact, the means of prevention and treatment are ineffective unless they are adopted by senior management through rational and wise decisions. The preventive aspect will have the biggest weight in eliminating the phenomenon of administrative corruption. The more effective this aspect, the greater the opportunities in making corruption minimal. The most important means of prevention exists in the role of wise management.

The phenomenon of corruption will gradually diminish, then fade and end. What happens is that this phenomenon has become an unparalleled scourge in the history of the Iraqi state. What has been called the phenomenon of corruption has become significant because it surpassed the severity of all neighbouring countries (even poor and backward countries). According to statistics for 2010, Iraq has the third most corruption in the world.

The Causes of the Current Administrative and Financial Corruption in Iraq

We also noted that administrative and financial corruption was not generated after the fall of the authoritarian regime in Iraq without many reasons. The most important of these are

1. Roots and accumulation of corruption in the state apparatus for decades during the previous regime. This was intensified by the economic sanctions imposed on Iraq for more than 12 years after the invasion of Kuwait, which led to the phenomenon of corruption being strikingly visible due to the low salaries of employees and a decrease in

individual incomes. The deterioration of the country's economy and the growth of this corruption existed before 9/4/2003.

2. The occupier worked from the first day of their occupation of Iraq to spread the culture of corruption by allowing the plundering of state property. They encouraged it through various mechanisms aimed at consolidating that culture in various aspects of life.
3. The acceleration of the changes in Iraq; the absence of legislative and supervisory authority; the exchange of formal, monthly authority (according to the principle of quotas); and the strings of the political and economic game remained in the hands of the occupant. This happened for an extended period. In addition, important ministries and departments were managed by American advisers with the assistance of senior officials in the previous system. They were assigned the task of direct management of those departments and ministries. There was a large number of them collecting what they could from public money by illegitimate methods to make sure that the change would affect them. This refers to management characterised by Arat. It literally does not indicate any disadvantage. This has led to the emergence of the phenomenon of corruption in Iraq in a widespread and frightening way.
4. The sums allocated for the reconstruction of Iraq were deliberately siphoned by American reconstruction teams in a way that generated a parasitic class that nurtured public money in favour of the mother of plunder. This led to capital pipeline generation and transformed the slogan of rebuilding Iraq into obstructing the ages of Iraq by spreading plunder. Robbery and theft were linked to political rings that made them immune from punishment. The slogan of this class became “let them plunder, let them pass” instead of the slogan of “let them work, let them pass”. This carried with it the dangers of the present we live in and the future that awaits us. Iraq’s looted funds are estimated at nearly 53 billion.
5. A weakness includes the internal control agencies in the state departments, especially those dealing with contracts for construction, imports and exports. Some of them were turned into tender or tents to protect spoilers.
6. Constitutional laws and legislations that have created numerous authorities and local governments in the governorates do not implement the decisions of the centre. This has deprived the right of the supreme authority to dismiss any official in the provincial council who proves their involvement in corruption.
7. Terrorist organisations resort to spreading corruption in the state’s circles as a link to terrorism and as a new weapon. They do so alongside their conventional weapons, with the assistance of neighbouring countries, and through organised programs for this purpose. The table below indicates the global and Arab ranking of Iraq in terms of the degree of administrative and financial corruption:

Table 1

Iraq's Placement in the Global and Arab Transparency Index from 2014-2018

| Iraq Arab Site | Total number | Iraq rank globally | Value of the corruption index | The year |
|----------------|--------------|--------------------|-------------------------------|----------|
| 16 | 178 | 170 | 16 | 2014 |
| 16 | 178 | 161 | 16 | 2015 |
| 16 | 179 | 166 | 17 | 2016 |
| 16 | 180 | 169 | 18 | 2017 |
| 16 | 180 | 168 | 18 | 2018 |

Source: Transparency International Report, Corruption Perceptions Index 2018, www.transparency.org/cpi

The above table shows that Iraq falls to the lowest list of corruption for the countries of the world within the indicators of Transparency International. Iraq's position for the year 2015 decreased from 161 and an indicative degree of 16 to 166 and 169 for 2017 and 2016 respectively, with the ranks of the index at 18 and 17. As for 2018, Iraq remained stable with a corruption index score of 18, globally ranked 168 out of 180 countries.

Conclusions

1. The policy of the occupation was behind the spread of this phenomenon as it is now. The occupation deliberately disrupted the national monitoring institutions in Iraq, which led to the spread of corruption that was not done by the Iraqis.
2. The political struggle for power in Iraq is another reason for the spread of corruption in the joints and institutions of the state.
3. Corruption and terrorism feed on one another. Iraq was plagued by corruption coming from abroad, which was helped by the disruption of the Iraqi social fabric as a result of the occupation policy. This involved the denunciation of national identity and the domination of sectarian identity.
4. The development of any strategy to combat corruption requires the current and subsequent governments to demonstrate sincerity and goodwill in a direction to combat this phenomenon in all possible ways at a balanced pace.

Recommendations

1. There should be an adoption of a special, national law to combat corruption, combat money laundering, and expedite the implementation of new laws on reducing corruption. The Integrity Commission and the Financial Supervision Bureau should eradicate it by securing public employment for citizens, completing public service law, and establishing the principle of transparency in the work of ministries.



2. The role of oversight should be activated by paying attention to evaluating job performance and assisting the administration in correcting its mistakes and achieving its goals to protect problems related to tampering and achieving personal benefit.
3. Attention should be given to consolidating the ethics of public office through developing religious faith among employees and instilling religious and ethical concepts in accordance with the tolerant Islamic Sharia.

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International Journal of Innovation, Creativity and Change. www.ijicc.net
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