

# An Exploration of the Key Factors of Corruption and Its Relationship with Poverty in Iraq after the US Occupation (An Analytical Study of Literature)

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**Abstract:** Iraq is rich in natural resources and like many countries in the Gulf region its most important natural resource is oil. The Iraqi Oil Ministry's estimate of the country's oil reserves is about 143 billion barrels. As such, Iraq's rich oil reserves is the key to its future prosperity and it can also make it Iraq into one of the main players that can contribute to the stability and security of the global oil market. As it is, Iraq is already the fifth largest exporter of oil with sufficient resources and plans to quickly boost its oil and natural gas production.

However, the poverty rate is on the rise in many of the governorates in Iraq and it is reckoned that the most significant reason for the high poverty rate is corruption. Many billions of dollars that rightfully should belong to the people of Iraq have been "stolen" by politicians and their supporters through the use of contracts and fake bills. The most corrupt ministries are the ministries of defense, interior, health, finance, and education. Corruption is also prevalent in the offices of the three presidencies, namely, the Presidents of the Republic, Parliament, and Cabinet.

**Keywords:** Corruption, Sectarian quota system, Poverty, Analytical approach, Iraq.

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## 1. INTRODUCTION

Financial and administrative corruption are the two main factors that have increased the poverty rate in Iraq. The corruption has also distorted Iraqi society and divided Iraqis into two categories. The first category is where the rich belongs to and this group of people have many special rights and advantages. The second category is where the majority of Iraqis belong to and these people are poor and are deprived of their basic rights.

Corruption has played a significant part in the destruction of the Iraqi economy as corruption has resulted in wastage of funds and this in turn has caused the loss of relevant opportunities to reduce inadequacy and unemployment. As such, the poor state of the Iraqi economy at that time is generally characterized by a high unemployment rate and this in turn led to negative social consequences like increased crime rates caused by the people's need for money to buy essentials like food, drinks, medicines, etc. (Al-Rubaie, 2008 a, para. 2).

## 2. LITERATURE REVIEW

### 2.1 The concept of corruption:

The term corruption refers to every instance whereby the principle of ethics and impartiality is not complied with. In general, the concept of corruption here is in reference to the institutions and its systemic components that do not carry out its functions according to its original intentions or its performance are not properly carried out resulting causing loss or damage to the system's original purpose.

The scourge of corruption has grown rapidly in the administrative, political and socio-economic systems. It is one of the factors that can impair economic growth and development, and bring about higher poverty rate especially in developing countries. As such, many studies have been carried out to examine the corruption levels in natural resource-based economies including the oil-rich nations. But, corruption is already known to be a widespread phenomenon that affects all societies to a different degree and at different chronological periods (Kolstad, Fritz, & O'Neil, 2008, P. 2).

Corruption is also the abuse, by the incumbent, of public office or power entrusted to him for his personal gain. When tackling the issue of corruption, it is beneficial to differentiate the various forms of corruption, such as political or bureaucratic corruption. It is also important to have a clear understanding of how corruption is related to other terms such as rent-seeking. The essence of the concept of corruption involves moral and ethical principles and they may be turned into a variety of legal provisions. The abuse of entrusted power is a problem that has received worldwide recognition.

The way corruption, as a term, is used today, there is no one specific definition that describes it properly, but there are different trends which are consistent with the fact that it is related to the abuse of public power or public office for personal gain.

In general, corruption occurs when an employee accepts or extorts a bribe from a contractor in order to facilitate the contractor's success in a public tender exercise. Corruption also occurs without having to resort to bribery and is done through the abuse of public office such as the appointment of relatives or supporters to the nepotism and cronyism, or theft of state funds. Corruption is a phenomenon that occurs naturally in all capitalist societies but the level of corruption is different in each society as it is related to how developed the respective state institutions are. In the Third World countries, generally the level of corruption in the state institutions are very high and it is accompanied by low levels of social welfare due to the degrees of backwardness of society and rising unemployment rates.

Corruption has its mechanisms and its effects and complications that affect the fabric of societies and behaviors of individuals and method of functioning of the economy and reshaping (values) system and there are two main mechanisms of corruption mechanisms: The devastating consequences of corruption affects all the components of society and it has wasted money, wealth, time and energy. It has also impeded the completion of jobs and services thereby sabotaging and corrupting the system by causing further delays not only in economic and financial development, but also in the political, social and cultural fields, including the institutions and public services that has dealings with the daily lives of the people. Corruption has its own effects and complications that affects the fabric of society, behavior of individuals, functions of the economy and reshapes the value system. There are two main mechanisms of corruption and they are:

1. The payment of bribes or commissions directly to government employees and officials to facilitate deal-making with business enterprises and foreign companies; and
2. To lay their hands on public money and to place immediate family members and supporters in senior positions in government institutions without taking into consideration their qualifications and suitability for the position.

This type of corruption is referred to as petty corruption and it is very different from grand corruption that is associated with major transactions like international contracts and the arms trade and the latter type of corruption happens at the political and bureaucratic level. Usually only senior bureaucrats are able to commit grand corruption to enrich themselves because they also occupy very senior positions in a political party.

By now, it can be seen that there are many definitions of the concept of corruption, but still the general framework of corruption is the abuse of power or public office is harnessed to meet the interests and for the benefits of an individual or a particular group of people (Waeli, 2005, P. 2).

### 3. A STUDY OF THE FACTORS THAT CAUSE CORRUPTION

In Iraq, the causes of corruption can be divided into three main factors and they are: sectarian; violence and insecurity; and socio-economic. It has been said that corruption in Iraq is stronger than the law because there is political chaos and no legal controls, and the corrupt officials enjoy protection and are safe from deterrent sanctions or penalty. There is an extensive literature on corruption, (causes and roots, socio-economic and demographic dimensions). The three factors in the sequence.

Figure (1) provides a brief overview of the factors affecting corruption and the corruption lead to poverty

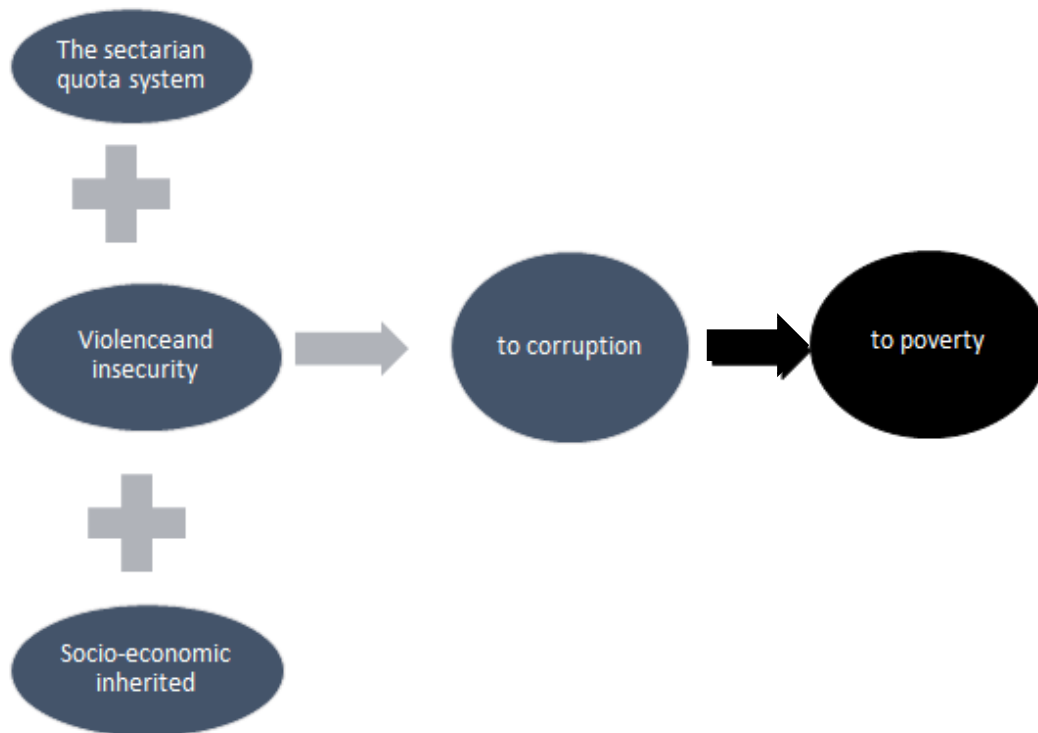


Figure 1: Model Demonstrates the factor of corruption to corruption and poverty.

#### 3.1 The sectarian quota system:

After the removal of the totalitarian regime in Iraq due to the US occupation in 2003, both the political and religious parties started to spread sectarian ideologies amongst the Iraqi citizenry. This was in accord with the will of the US occupation authority which embraced political extremism in order to establish a new authority that is based on sectarianism and use it as a flexible tool to fragment Iraqi society and to sow hatred and instability (Hasan Al-Qarawee, 2013, p. 3).

Al-kaabi (2013, para. 2) in his analytical article “An initial overview of administrative and financial corruption in Iraq” highlighted that the sectarian political system in Iraq played a big role in the spread of financial and administrative corruption. Parliament is weak because its members belong to political blocs whose interest are different and far from that of the country. There are implied agreements that they will not punish corrupt officials from their parties and this has spread corruption dramatically among the politicians. This writer shares the view of Al-Kaabi that corruption in Iraq is caused by the ruling political elite of the country. It can be seen that the weakness of the government and Parliament is caused by the sectarian quotas and this in turn has become the contributing factor in the spread of financial and administrative corruption because the Parliamentary blocs provide protection to those in executive positions and other senior special positions.

Musa (2013, p. 11) in his book “The story of corruption” shows that the political regime that was set up in Iraq post-2003 is the most important cause of corruption. The political regime in Iraq is dependent upon the sectarian quota system and as

such no single political party can form a majority government. Therefore, all the political parties need to come to an agreement in order to form a new government and such agreements are reached according to the quota system resulting in all political parties having a say in the new government. In the aforesaid situation, the political parties are focused on what portfolio in government it should fight for in order to obtain more benefits, or in other words public funds, for party and its leaders and supporters. Faraj opines that the political parties were inconsistent because they were trying to hold back the performance of rival parties instead of helping each other. In other words, the parties' efforts were geared towards demolition or destruction instead of construction.

In the same context, in an analytical study undertaken by Cordesman & Khazai, they noted that mismanagement and the absence of the rule of law in Iraq are two of the main factors that have caused the spread of political corruption and corruption in public finances especially in the oil and gas sector. In April 2013, Transparency International opined that "it seems that this systematic looting of the resources of the state is directly linked with the conflict on sectarian and political power" (Cordesman & Khazai, 2014, p. 11).

From the discussion above, it is apparent that the main cause of corruption in Iraq is due to the sectarian issue, which was adopted and adapted to form the new Iraqi political system. The new political system with its sectarian quota has in turn caused corruption to spread widely in Iraq, especially in the political community.

### 3.2 Violence and insecurity as factors that have contributed to corruption in Iraq:

In the critical study of Frank R. Gunter (2010, p. 2), in his article "Corruption in Iraq: Conflict, Costs and Causes" condemns Iraq saying that corruption has permeated every corner of Iraqi society. The Transparency International report of 2008 said that Iraq is recognized as among the most corrupt country on earth as it is tied with Myanmar at the second to last place. In fact, corruption in Iraq exists in places as high as the federal ministries in Baghdad to as low as every small-town police stations and food distribution centers.

In their study of the political and economic performance in post-Saddam Iraq, Nore & Ghani (2009, p.103), in their article "Insurgency, Political Stability and Economic Performance in Post-Saddam Iraq: An Evaluation", confirmed that, by 2003, after the many wars Iraq got itself into, followed by many years of international economic blockade and the economic independence enjoyed by the province of Kurdistan, the economy of Iraq was totally fragmented and its economy was almost totally in ruins. The study concluded that the wars together with the economic blockade caused the economy of Iraq to collapse and directly weakened all the sectors of the Iraqi economy. In addition to the above, almost all the Iraqi infrastructures were badly damaged by the armed conflicts and all related repair and maintenance operations were halted as Iraq ran out of foreign reserves.

All these factors significantly exacerbated the poverty situation among the Iraqi citizens. Unfortunately, Nore and Ghani left out Iraq's military spending in their study even though it is a well-known fact that the said spending together with the wars against terrorism and the Iraqi civil war has resulted in huge wastage of resources. All the aforesaid factors, taken together, has impoverished Iraqi society and has led to the spread of corruption and caused more suffering to the Iraqi people.

In the analysis of Dawisha (2009, p. 245) in his book titled *A Political History from Independence to Occupation* pointed out the wrong decisions of the U.S. in Iraq and its influence on unemployment, violence and poverty. Ambassador L. Paul Bremer, the head of the Coalition Provisional Authority (CPA), issued the decree of "de-Ba'athification" within one week of his arrival in Baghdad. Overnight, more than 30,000 Iraqi workers, teachers and doctors employed by the Iraqi government were dismissed from their jobs. The CPA also demobilized thousands of Iraqi army officers without paying them any compensation and they too joined the ranks of the unemployed. Dawisha concludes that the CPA should have been wiser to begin wide-range investigations to identify human rights violators and active pro-Saddam military officers and Ba'ath Party members before discharging them without any reimbursements. This writer agrees with Dawisha's analysis that is based on actual facts caused by the Bremer's wrong decision which has led to an increase in Iraq's poverty rate. In addition to that, it was also one the reasons that have made the former army officers to join the armed groups and this in turn has led to the destabilization of security and stability. A weakened Iraq, coupled with its weak control over the institutions have led to the proliferation of armed groups in most of the Iraqi governorates and they have taken control over most of the financial and administrative policies including the drafting of investment contracts and tenders that are in

accord with their interests. It has led to further neglect of the interests of the Iraqi people as well as increased poverty amongst them caused by the corrupt practices of the armed groups.

In his analytical study on terrorism, Fakhri (2014, p. 239) in his article “Terrorism and its effects on human development in Iraq” contends that Iraq is one of the very few countries in the world to have experienced a major wave of violence and terrorism and it has destabilized Iraq’s security and stability especially after the U.S. occupation of Iraq has ended. Armed militias have spread across the country and car bombs explodes in the streets of Iraqi towns killing and maiming innocent Iraqi civilians, while the political parties jostle for their own interests, oblivious of the non-existence of protection for the Iraqi people. The U.S. occupation has produced serious political, economic and social changes and has resulted in no or lack of development to commensurate with its resources and the basic needs of the Iraqi people. Al-Zubaidi and Fakhri concluded that terrorism has adversely affected the human development indicators in Iraq through its direct effects on human security including the threat to life, and indirect effects such as the people’s inability to get access to healthcare and education, and to earn money.

In the same context, Kojar (2009, para. 4) in his article “The effects of terrorism on the economy” argues that terrorism poses the most danger and problems to the Iraqi people. The danger directly affects the people and society as its negative effects includes poverty, famine and destroys the national economy. These can be seen in the destruction of infrastructure carried out by terrorists, threats to the tourism industry, minimal or low foreign investments, higher military spending, loss of human resources caused by bombings and the growing number of displaced Iraqi citizens. He concludes that the key ingredients for the economic development of Iraq are security and stability of the country. because without security, no development can happen, and if there is no development the state will not have strong foundations. It can be said that there is a close relationship between security and prosperity. Therefore, if there is no security there will be poverty because without a secure environment the people cannot fight against poverty and destitution.

An important point to note here is that almost all the recent economic growth of Iraq is attributable to the higher oil production and high oil prices. The overdependence on oil revenues and lack of economic diversification continue to be a significant problem of the Iraqi economy. The increased violence and sabotage of oil pipelines and infrastructure frightens away potential investors as the security and operating costs for doing business inside Iraq will be significantly higher (Cordesman & Khazai, 2014, p. 2).

However, the currently available literature does not pay much attention to how the lack of security can affect poverty in Iraq. Through this investigation, this researcher hopes to prescribe the steps and policies that can be adopted so as to create a secure economic environment that can alleviate poverty in Iraq.

### **3.3 The socio-economic factors that were inherited from previous policies:**

Al-Qassab (2007) said that from the 1980s to 2003 the major portion of the Iraqi government’s resources were allocated to military spending and as such during the aforesaid period the Iraqi economy was fundamentally a war economy. He also said that during Saddam’s regime, young men, upon the completion of military service, entering the job market at the age of 29 were faced with the prospects of receiving monthly wages of \$5 to \$20 as government servants or \$20 to \$50 as private sector employees. Young female workers were in less favorable positions, although the wages they can get were similar, but they had fewer employment opportunities. It is reckoned that during the period of 1990 – 2003, a typical family in Iraq will need not less than \$100 for them to survive.

Iraq is one of the countries that have undergone tremendous suffering for a long period of time caused by the wastage of public funds. Large portions of the country’s wealth have been lost away resulting in social backwardness prevailing in all aspects of Iraqi life and this was especially so during Saddam’s regime. The 1990s was the peak period when financial resources were squandered at the whims of the political elites as even projects that were evidently not economically viable were also implemented.

Hassan (2014, p. 208), in his article “Iraq and the U.S. occupation: A study on the future of the Iraqi economy” shows that the confusion in the economic policies during Saddam’s regime caused the paralysis of the Iraqi economy and distorted its features and this can be seen in the standard of living and the level of poverty of the Iraqi people. He argues that in that period the economy of Iraq was moving away from the market economy and the state, through the public sector, was the leader of the economy and also controlled the financial and economic policy of the country. The government subsidized

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many types of commodities to provide support and raise the standard of living of its citizens. However, such policies cost the state huge sums of money and this was made worse during the period when Iraq had to undergo the economic blockade. During the same period, Saddam's regime implemented the privatization policies and sought the support of the private sector to take over and manage the manufacturing concerns, and it would subsequently be converted to joint venture companies so as to minimize the burden of the state. At that point in time, Iraq was besieged by many crises which include the economic sanction and the crisis with the UN and the U.S.-led coalition of countries with regards to Iraq's possession of weapons of mass destruction. It is believed that the inspection committees that visited Iraq during the 1990s paved the way for the war with the U.S. and its occupation of Iraq in 2003. This study revealed that the Iraqi economy, during Saddam's regime, was unstable because of the many wars that Iraq was involved in which distorted its economic program.

In his comparative study of the factors that have obstructed the success of the privatization programs initiated by Saddam's regime as well as the governments after it, Hassin (2005, p. 54) in his article "The future of the Iraqi labor market in the light of the call for privatization" pointed out that the most significant factors during the said period were the government's control of the banking and financial sector, the private sector was not confident of the procedures adopted by the government, the import of raw materials were control by certain industrial enterprises, shortage of foreign currency revenue and allocations to the private sector and no large investment companies. During the post-Saddam regime and the U.S. occupation of Iraq, the important factors were the slowdown in the economic growth, a high rate of employment, poor distribution of wealth, sky-rocketing inflation and mismanagement. Taking cognizance of the aforementioned factors will help the next government to design policies that are needed to convert the current economy into a market economy, modernize the banking system in Iraq and allow it to play a major role in investing and lending so as to encourage investment in public sector projects, allow the banking sector to be independent of the state's monetary policy and place all the financial institutions under the guidance of the Central Bank of Iraq.

Abbas & Sabah Nuri Abbas (2008, p. 2), in their article "Administrative and financial corruption in Iraq, its manifestations, causes and the treatment" pointed out that nowadays corruption is pervasive and entrenched at all levels and all types of economic systems. The widespread corruption and its access to the highest level of society has created a growing awareness of the need to fight it by focusing and then showing its economic and social costs and to also illustrate its role in impeding economic growth. The aforesaid actions will send a strong message to society and strengthen the trends of anti-corruption and result in the discovery of new ways and methods of dealing with the plague in every corner on earth.

After the change of the political system and the entrenchment of the occupation forces in Iraq on April 9, 2003, the corruption amongst the administrative staff of the previous regime spread to most of the newly established state institutions. Hence, the analysis of the phenomenon of administrative and financial corruption in Iraq would involve analyzing it from a historical perspective because state corruption in Iraq is not a new phenomenon, but has been present in successive past regimes and if fact was rooted in the community infrastructure since the founding of modern Iraq.

The Director of the Committee of Integrity (COI) in the south said that corruption in Iraq started in the 1920s, became worse after the 1968 revolution and reached its peak during the period when Iraq was placed under the economic blockade. The Iraqis were happy to usher in the new political system in 2003 when free elections were held and the people were promised freedom and democracy, in contrast to the injustice and wastages of public funds of the previous regimes. However, disappointment ruled the day when the new government was formed for it was corrupt and not able to manage the country and this was caused by the sharing of power and ministerial portfolios according to the sectarian quota system. This led to Iraq being ranked 129<sup>th</sup> in the Global Corruption Index (Mohammad, 2007, p. 2).

Corruption is an endemic problem and wealth is a poorly distributed a small percentage of Iraqis get most of the nation's oil wealth. The CIA estimates that "Iraq's largely state-run economy is dominated by the oil sector, which provides more than 90% of government revenue and 80% of foreign exchange earnings." At the end of 2013, Transparency International's Corruption Perception Index ranks Iraq 171 out of 177 countries surveyed. Only Libya, South Sudan, Sudan, Afghanistan, North Korea, and Somalia rank worse than Iraq in terms of corruption.

Transparency International (TI) was of the opinion that "corruption at the highest levels of the state...is the most worrying sign of the country's corruption trends." In its overview of corruption in Iraq that was released by TI's Anti-Corruption

Resource Centre (ACRC) in April of 2013, it pointed to the fact 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” (Cordesman & Khazai, 2014, p 14).

#### **4. THE RELATIONSHIP OF CORRUPTION TO POVERTY**

In the developing countries, corruption and poverty are closely linked. The developing countries, in their struggle to grow the economy and develop the political and administrative systems have to face the phenomenon of corruption, especially in the public sector, which can worsen poverty. It is known to many, that countries suffering from poverty are also the breeding ground of government corruption because of the inequality of income, which will lead to social inequality caused by the large income gap (Kapunda & Moffat, 2012, p. 84).

Corruption may be divided into 2 levels, upper level and lower level. and the former refers to political corruption whilst the latter refers to administrative corruption.

Political corruption erodes the state’s sovereignty, weakens the government and results in poor governance. As a result, the political system is compromised and security is weak and the country may suffer from serious consequences.

On the other hand, administrative corruption involves bribery and favoritism with the objective of securing some special privileges. This type of corruption has a significant impact on society as citizens cannot obtain services or basic needs if they do not pay bribes. Corruption in whatever form is linked to poverty and where there is corruption there is poverty and vice versa. Corruption is also the cause that leads to the failure to achieve social justice.

Corruption contributes to insecurity and threatens the stability of society. It is considered as a lesion threatens countries and peoples. When corruption is on a large scale, it will lead the country to a failed with an increase in the poverty rate (Paul Hoffman, 2012, p. 2) It came Hoffman’s description of corruption comes appropriate, as an enemy to those who wish to conduct economic reform. The impact of corruption be great when combined both types of corruption (political corruption and administrative corruption). Indeed, this study is useful, However, the reality suggests that the effects of political corruption are much influential than administrative corruption. Besides, the good governance can eliminate administrative corruption, while corruption when it is at the political level, it will be a safety factor and Assistant to the spread of the phenomenon of corruption in all fields, which will lead to the results and possibly disastrous collapse of the country.

Corruption may perhaps be equated to that of a disease as it weakens and chip away at the development process and cause an increase in poverty. It also negatively affects the government’s ability to provide essential services to its citizens as well as its ability to meet the needs of the poor thus driving them to seek for bribes in order to meet their basic needs. Thus, this researcher agrees with the opinion that corruption is the enemy of reform. However, from the various opinions that have been expressed on the nexus between corruption and poverty, there is no doubt that corruption is one of the biggest causes of poverty (Viisimaa, 2008, p. 2).

In another study by (Cordesman, & Khazai, 2014, p. 132), they referred to a declaration made by the Office of the Inspector General in 2013 that every year a number of losses suffered by the government due to tax evasion and smuggling amounted to \$40 billion annually. Iraq was then also classified as one of the worst countries for corruption and tax evasion in the world and was ranked 11th among the countries in the world with widespread corruption. This writer agrees with Cordesman & Khazai that corruption is a factor that threatens Iraq’s future political and economic stability, and security because of the total amount of Iraqi money that has been laundered is huge. As such corruption has become one of the biggest challenges faced by the Iraqi government after the U.S. occupation 2003.

In a comparative study the relationship between poverty and corruption Chetwynd, & Spector (2003, p. 7) established that there is a direct relationship between corruption and poverty. Corruption, by itself, does not produce poverty. Rather, corruption has direct consequences on economic and governance factors, intermediaries that in turn produce poverty. Thus, the relationship examined by researchers is an indirect one. However, I would suggest that this article has certain weaknesses, particularly because corruption and poverty are closely linked and linked to each other, as poverty breeds

corruption due to the need of money. On the other hand, corruption breeds poverty due to the wasted money and lost opportunities.

The following figure number (2) shows the type of relationship between corruption and poverty



Figure (2)

This shape describes the relationship between corruption and poverty. It shows that the two of them, effect of each other.

In his study of the causes of corruption and its effects of the pervasiveness of poverty in Iraq, Maxime Agator (2013, p.1) in his article “Iraq: An overview of corruption and anti-corruption” pointed out that after the ouster of Saddam in 2003, there is now more awareness of the enormous challenges caused by corruption.

Large scale embezzlement schemes through procurement contracts, trickery, money-laundering, smuggling of oil and rampant bribery in the bureaucracy have caused Iraq to drop to the bottom of the Corruption Perception Index and this has fueled political violence, impeded state-building and the provision of effective services. Agator also said that in spite of the expansion of anti-corruption initiatives and framework of the country since 2005, the government has still not been able to build a strong and comprehensive integrity system. He concludes that it was the political interference in anti-corruption institutions, the politicization of corruption issues, weak legal provisions, and civil societies, lack of resources and insecurities that have limited the government’s ability to contain the scourge of corruption. This points to the fact that honesty is a badly needed ingredient to help Iraq manage its growing and massive oil revenue, and it will be the biggest challenge of the country over the next few years. This critical analysis of the current situation in Iraq comes at the appropriate time because the weak civil society organizations have not been able to effectively play its role. It can help in the detection of corruption and in addition to that Iraq also needs to revolutionize its administrative and legal system in order for it to be effective in combating corruption.

According to the Special Inspector General for Iraq Reconstruction (SIGIR, 2013), mentioned that the corruption is not limited to Iraqis, as American reconstruction initiatives also face significant oversight issues. In its final report, SIGIR estimates that 40% of the assessed reconstruction projects have major deficiencies, including overcharging by subcontractors, unaccounted expenditures, waste, and fraud. SIGIR states that a broad consensus exists on widespread corruption in Iraq and that it constitutes a threat to state-building efforts. Corruption has even been called “the Nation’s second insurgency” by Prime Minister Al-Maliki in 2006. Consequently, the country has consistently performed poorly in the past decade in most global corruption indicators.

In his study on the economic and social effects of corruption in Iraq, Hassan M. A. S (2008, p. 2), argues that corruption is one of the most significant problems that has plagued Iraq after the change of the political system in 2003. In the case of Iraq, corruption promoted inflation because of the structural imbalances and inefficient administrative leaders in the government ministries and institutions, which in turn led to economic crises in the transport, communications, and electricity sectors. The aforementioned crises are seen in the higher prices of goods and services, which have led to the



prevalence of poverty. For example, a citizen who needs 100 dinars to buy a certain commodity in 1993 would in 2007 need 242 dinars to buy the same commodity. What this means is that there is a loss in the real value of money and it has reflected negatively on the income inequality between citizens and the basic requirements of living. Hassan and Salah added that corruption also had a significant role in the promotion of unemployment, low levels of education and health, and a high level of external debt.

Gunardi (2008, p. 12) in his book, titled *Corruption and governance around the world. An empirical investigation* says that corruption affects all strata of society and likens it to cancer and as it "eats into the cultural, political and economic fabric of society, and destroys the functioning of the vital organs." The World Bank (WB) has described corruption as "the single greatest obstacle to economic and social development. It undermines development by distorting the rule of law and weakening the institutional foundation."

However, studies on the effects of administrative and financial corruption have found clear and actual justification on the reasons behind the spread of poverty in Iraq after the U.S. occupation in 2003 and it is a combination of the close relationship between the different types of corruption and the increasing poverty rate in Iraq.

## 5. CONCLUSION

Through the analyses and discussions of the past studies in this paper, it can be concluded that corruption in Iraq has deep roots and is also caused by historical, cultural and environmental reasons. The successive incompetent and corrupted governments have controlled the country's resources and destination according to its own "special wishes" and it has led to the emergence of new cultures in the Iraqi community and they had no confidence in the governments. It has led the country to get involved in wars, causing it to waste its wealth and enter a spiral of debt, which then led to an increase in the poverty gap and the Iraqis continue to suffer from the consequences to this day.

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