UNDERSTANDING CORRUPTION IN IRAQ

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For my mother and to the memory of my father
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Abstract

Thirteen years ago the US invaded Iraq and brought down the brutal dictatorship of Saddam Hussein. While Iraqis have many grievances with the new political elite, pervasive corruption has been a primary focus of public dissatisfaction. Corruption in Iraq is not a new phenomenon; however, since the 2003 US invasion, it has grown in magnitude and has become much more pronounced. The purpose of this thesis is to provide an understanding of corruption in Iraq by drawing on literatures from various academic fields. This work demonstrates that throughout modern Iraqi history the desire to maintain political power has encouraged the use of corrupt practices. Political regimes have been able to consolidate power by appropriating Iraq’s oil wealth to the detriment of state development. This work also highlights the need to broaden the current understanding of corruption in Iraq in order to effectively resolve the problem. Overall, this research can be used to understand why corruption has persisted overtime and how difficult it will be to overcome government corruption.
Introduction

Thirteen years ago the US invaded Iraq and brought down the brutal dictatorship of Saddam Hussein and nostalgia for the infamous tyrant grows every day. Voices across the spectrum of Iraq’s diverse society can be heard expressing the desire for the return of Saddam.\(^1\) It is remarkable to think that, for some Iraqis, living under an oppressive dictatorship is preferable to the current government. While Iraqis have many grievances with the new political elite, pervasive corruption has been a primary focus of public dissatisfaction. Since the overthrow of Saddam Hussein, Iraq’s public sector has consistently ranked among the most corrupt countries in the world, according to Transparency International’s Corruption Perceptions Index. The most recent Corruption Perception Index prepared for 2014 ranks Iraq 170 out of 175 countries.\(^2\)

In the years after the US invasion, Iraq’s political system radically transformed into a representative democracy. To ensure inclusivity, the US installed a power sharing arrangement to guarantee that all major segments of Iraqi society would have a stake in the political system. While inclusivity is


important in a society as diverse as Iraq, this political system has contributed to the rising levels of corruption in the country. This political arrangement has guaranteed that the central administrative power is distributed among Sunnis, Shias, and Kurds, but this has not meant that politicians have been working towards the interests of their respective communities. The power sharing system has led to the personalization of public offices and reinforced patterns of patronage, clientelism, and nepotism that have been historically prevalent throughout Iraqi history.

While corruption has been an ongoing issue in the modern Iraqi state, it has received little attention in academic literature. The purpose of this thesis is to provide a much needed understanding of corruption in Iraq. In order to accomplish this I raise three interrelated questions: What can explain the extent of corruption in Iraq? How has corruption affected development? And what role has the international community played in addressing corruption in Iraq, and how can these policies be improved? The following three chapters address these questions by drawing on literatures from various academic fields. The multidisciplinary nature of this work will provide a well-rounded understanding of corruption in Iraq.

The first chapter seeks to explain the extent of corruption in Iraq. It begins by offering a general theoretical framework of corruption. Examining Iraq through this framework reveals that the desire for power drives the political elite to use
corrupt patrimonial practices, including patronage, clientelism, and nepotism. While patrimonialism has been a regular feature of every governing regime in Iraq, the corruption that stems from these patrimonial practices seems to have grown in magnitude under the current political elite.

The second chapter of this work shifts to examine corruption’s impact on development. It specifically focuses on the corrupting influence of Iraq’s natural resource wealth. Throughout Iraqi history, oil rents have reinforced the corrupt practices of the political elite. Political survival has, in part, depended on the appropriation of Iraq’s oil wealth, which has been used to create and maintain loyal networks of support. This practice has diverted resources to unproductive activities and limited the ability of the government to address important development issues, including education, health, and poor infrastructure.

The last chapter examines the good governance initiatives that have been an important feature of the anti-corruption frameworks of international organizations. These initiatives have played a prominent role in international organizations’ strategy for combating corruption in Iraq. A number of initiatives have been used to increase transparency and accountability and improve anti-corruption institutions capabilities, yet they have not been effective at combating corruption. A more effective approach will require international organizations to
widen their views on how Iraq can overcome the significant barriers to the fight against corruption.

Overall, this work will demonstrate why corruption has persisted over time in Iraq. It will also demonstrate the difficulties Iraq will face in combating corruption given its historical persistence. This study will also point to a broader issue with Iraq’s current political system. The power sharing system installed by the US after the overthrow of Saddam is largely seen by Iraqis as the root cause of corruption in the country and this is demonstrated by ongoing protests and persistent calls for a new political system. Given rising public dissatisfaction, a more efficient political system that satisfies the needs of every community will be important for Iraq moving forward. This work concludes by examining the limitations of the study and the possibilities for future research.
Corruption in Modern Iraq

Corruption in Iraq is not a new phenomenon; however, since the 2003 US invasion, it has grown in magnitude and has become much more pronounced. One Iraqi aptly described corruption in Iraq like God – omnipresent, you cannot prove nor can you deny its existence.\(^3\) Corruption is a failure that keeps the government from functioning properly. Frustrations reached a peak in summer 2015 as thousands of Iraqis took to the streets to protest the endemic corruption that has undermined the government’s ability to provide basic services to the Iraqi people.\(^4\)

This chapter will attempt to identify the underlying reasons behind the extent of corruption in Iraq. To gain a better understanding of corruption, we must examine its historical root causes. In doing so, we find that patrimonial practices and neo-patrimonial governance models have been utilized throughout the history of the modern Iraqi state as a method to consolidate power. This form of governance has relied on clientelism, nepotism, and patronage to maintain personal networks of loyalty that have undoubtedly contributed to the level of corruption in the country.

Corruption in Iraq today can be seen as a continuation of old policies that are

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designed to establish and strengthen a system of patronage and favoritism ensuring loyalty and regime continuity.\(^5\)

**Theory of Corruption**

Patrimonialism is an idea that has been developed extensively by Max Weber. According to Weber, three types of legitimate authority exist: legal-rational, traditional, and charismatic.\(^6\) For the purposes of this work I am only concerned with the legal-rational and traditional types of authority. Legal-rational authority is a system grounded in law and bureaucratic administration, typically a characteristic of modern societies. Authority rests on the acceptance of the legality of rules and the right that people in elected positions of authority have to make these rules. The bureaucratic administration is hierarchical and positions of authority within the administration are based on merit rather than personal connections. Perhaps the most important characteristic is the requirement that “members of the administrative staff should be completely separated from ownership of the means of production or administration.”\(^7\) This public-private

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\(^7\) Ibid., 218-219
distinction will be important to the understanding why corruption occurs in modern states.

In contrast the traditional type of authority is derived from the idea of patriarchalism and is characteristic of pre-modern societies. Weber argued that societies relying on traditional forms of authority rooted it in the sanctity of traditional positions and in established customs (particularly rules of inheritance) rather than in modern bureaucratic structures. The ability of an authority figure to dominate not only comes from tradition, but also from the willingness of those around him since he does not possess the capabilities to enforce his rule otherwise. Patrimonialism evolved from the idea of patriarchalism. Weber wrote that, “Previously the master’s authority appeared as a pre-eminent group right, now it turns into his personal right, which he appropriates in the same way as he would any ordinary object of possession.” The state is appropriated by the ruler and his entourage and the personal networks that infiltrate the state apparatus allow him to control the state and extract resources to maintain his own networks. The economic means of the state, state administration, and military are

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8 Ibid., 232
all seized for personal use. Unlike the legal-rational state system, the line between public and private is blurred given that state resources are used as a means to exert power. Authority figures also typically exert control through kin ties, patron-client relationships, and personal allegiances. At the heart of patrimonial power is clientelism and patronage, but can often include tribalism and nepotism as mechanisms of economic and political control.

As countries modernized in the Weberian sense, adopting the qualities found in legal-rational bureaucracies, scholars wanted to understand how states could be modern, yet exhibit the patrimonial characteristics of pre-modern states. In the 1960s Guenther Roth put forward the notion that these new states could be understood through modern patrimonialism. A decade later, expanding on Roth’s work, Shmuel Eisenstadt coined the term neo-patrimonialism to offer an explanation of the governing models in newly modernized societies in the Middle East, Latin America, and South East Asia. Eisenstadt recognized that post-traditional nation states or neo-patrimonial regimes developed differently from the

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12 Médard, J.-F., Patrimonialism, neo-patrimonialism, 88.
nation state or revolutionary models of modernity.\textsuperscript{14} Neo-patrimonial societies can best be understood as “societies that have felt the impact of modern states and have been incorporated into the modern international system differentiating them from patrimonial societies.”\textsuperscript{15} Exchanges that once took place within traditional patrimonial practices are now conducted through and within the modern apparatus of the state.\textsuperscript{16} In neo-patrimonial states patrimonial practices hide behind the façade of the typical qualities of modern states. Despite these modern qualities, neo-patrimonial states utilize the same practices of kin ties, patron-client networks, and personal allegiances that one may observe in pre-modern societies. This distinction between patrimonial and neo-patrimonial allows us to avoid the errors of a-historicity, as traditional societies of the past are not comparable to modern societies today.\textsuperscript{17}

Corruption can generally be defined as “the abuse of public office for private gain.”\textsuperscript{18} This underlies the Weberian legal-rational distinction between

\begin{footnotesize}
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\item Médard, J.-F., Patrimonialism, neo-patrimonialism, 83.
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public and private spheres. Therefore, one way to understand how patrimonial practices can lead to corruption in modern state systems is by examining the differences between Weber’s authority types. Weber did not explicitly write about corruption in modern states; however, an understanding of corruption can be inferred by examining the differences between the characteristics of legal-rational and traditional states. ¹⁹ Modern state systems today are considered to be legal-rational since rule is impersonal, follows a legitimate legal code, and most importantly, public officials do not use state resources for their own personal gain. On the other hand, neo-patrimonial states do not necessarily make the same distinction between public and private given the personalization of public resources. It is important to note that values of traditional patrimonialism do not necessarily constitute corruption since this distinction would never arise. A patrimonial ruler does not see the personal use of public resources as corruption because he legitimately believes that he has a personal right to these resources. However, in terms of neo-patrimonialism it “becomes corruption when the distinction between what is private and what is public is recognized but not

respected.” \(^ {20}\) It is not possible for a neo-patrimonial state to brush aside the concept of corruption since it is built in the principles of a legal-rational state.

While patrimonial practices within a legal-rational or modern state system may lead to corruption, it is important to note that, in terms of Middle Eastern societies, these practices were not always deemed to be corrupt seeing as they previously served a function in society. Patrimonial practices should have disintegrated once modern nation states began to form in the region, however, these traditional practices continued on to infiltrate the framework of the modern nation state. These practices are considered unacceptable or corrupt in terms of Western notions of modernity within a legal-rational framework.

Many tribal qualities of Middle Eastern societies may lead to corruption when certain tribal practices are used within the modern state framework. Before the creation of modern states tribes provided structure to society. Tribes were seen as “a self-contained social organization based on lineage and imbued with autonomy, having social, economic, political, military and cultural functions.” \(^ {21}\) One of the practices used within tribal groups to maintain unity was \textit{wasta}. \textit{Wasta}

\(^ {20}\) Médard, J.-F., Patrimonialism, neo-patrimonialism, 89.
translates to “the middle” and was used as a means of mediation between clans within tribes and between other tribes.\textsuperscript{22} The \textit{wasta} evolved over time from a tool for mediation into an intercessory practice. “Intercessory \textit{wasta} is a process in which a broker uses structural power as a gatekeeper to provide access to resources unattainable to the other party.”\textsuperscript{23} The intercessory \textit{wasta} is the modern face of the traditional \textit{wasta} becoming the prominent way to seek benefits from the government.\textsuperscript{24} While \textit{wasta} served a legitimate mediating function in tribal societies, as it evolved in a modern setting this practice is viewed as corrupt since favoritism rather than merit exists at its core. In a modern society services and employment positions are not necessarily determined by merit, but by personal connections. For those that do not benefit from \textit{wasta} it can certainly be seen as a source of nepotism and cronyism because of the personal nature of the practice.

Further, the use of patron-client relationships has been entrenched in Middle Eastern societies for centuries, “particularly during the Ottoman period where intermediaries (a’yan) helped facilitate links between public (al-‘amma), or

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clients, and political patrons (al-khassa).” During the Ottoman period patron-client networks represented a stabilizing force in the absence of formal mechanisms and institutions that ensured government control over the population. It was not necessarily seen as corrupt, but served a purpose to bring order to the vast stretches of the Ottoman Empire. This practice was not limited to the Arab world under the Ottoman Empire, but could also be observed in Iran under the Safavid and Qajar dynasties. This traditional practice carried over into the modern state system where it is considered corrupt because state resources are used to maintain informal networks of political participation. While these are just a few of the patrimonial practices that have found their way into the modern state system, they illustrate that these practices once served legitimate functions that were not necessarily considered corrupt.

**Neo-patrimonialism in Iraq**

Patrimonial practices have been incorporated into governance since the inception of the modern Iraqi state. Charles Tripp identifies the resilience of patrimonialism as one of the dominant narratives of the state. The use of patron-
client networks throughout society have particularly played an important role in Iraq’s political history and has been a way of ensuring what Tripp calls narrative consistency. As Iraq grew rich from oil, it was easier to maintain corrupt patrimonial practices. Oil income reinforced these practices to ensure the majority of the Iraqi population was dependent on the minority at the center of power. The appropriation of state resources to reinforce patrimonial practices has continued to be a vital part of consolidating power among Iraq’s current political elite.

Patrimonial practices were introduced into the modern Iraqi state under King Faisal’s reign. It was important for King Faisal to build a support base among the Iraqi people seeing as he was considered an outsider and a puppet of the British administration. He was able to use various forms of patronage to co-opt important individuals, including tribal sheikhs, Kurdish chieftains, and Shia mujtahids, into the reward system of the Iraqi state. In doing so King Faisal set the precedent for those that would come after to utilize similar patrimonial practices to garner the support necessary to maintain power.

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29 Ibid.
30 Ibid., 51.
Attempts to gain full control of the state through patrimonial practices, such as clientelism and patronage, were not entirely effective, however, given the political volatility that persisted until 1968. This political instability and struggle for power in Iraq is demonstrated by numerous coups, most notably the 14 July Revolution in 1958 resulting in the overthrow of the Hashemite monarchy and the 17 July Revolution in 1968 that ushered in thirty five years of Ba’ath party rule. The Ba’ath regime was able to end this cycle of instability by creating an enduring neo-patrimonial state based on patrimonial practices, including patronage and clientelism. The Ba’ath regime used the same types of patrimonial practices used by previous regimes, however, they were able to utilize them in more effective ways.\textsuperscript{31}

The Ba’ath party understood its predecessor’s pitfalls and even their own after the bloodless coup that removed them from power in November 1963. Past events made them determined to avoid the same mistakes. In the words of Saddam: “We cannot allow some three or four officers riding on tanks to come and take power again.”\textsuperscript{32} Completely aware of the vicious cycle of coups, the engineers

\textsuperscript{31} While the focus of this work is on the use of corrupt patrimonial practices, the use of fear and violence was also important to the Ba’ath regime’s survival. The use of repressive tactics is outside the scope of this study; however, it should not be overlooked when determining how the Ba’ath regime was able to effectively consolidate power.

\textsuperscript{32} Jabar, Faleh. Sheikhs and Ideologues, 81.
of the 1968 coup created a lasting regime that differed from past forms of rule. The tribal background of the main figures of the 1968 coup was key to informing their views on how they would cling to power. Three of the five founding members of the Revolutionary Command Council (RCC), the governing body of the Ba’ath party, came from the Albu Nasir tribe in Tikrit. In their search for a way to remedy their past mistakes they found that they could exploit traditional tribal solidarity to create a loyal regime that would allow them to consolidate power. It was Khayr Allah Talfah, Saddam’s uncle, who suggested to President Ahmed Hassan al-Bakr that he needed to rely on family ties to cement his grip on power, arguing that the Ba’ath party’s past experiences proved that party loyalty would not be enough to do so. Though ‘Abd Al-Salam ‘Arif had also incorporated his relatives and kin to consolidate power after the 1963 coup, this time the Ba’athists perfected this tactic by incorporating tribe and clan more heavily within the regime’s structure. Ba’ath leaders integrated members of the Albu Nasir tribe into key positions of the institutions of state control, including the military and security services, knowing that they would adhere to the traditional tribal values of loyalty and honor. While

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Ba’athists used traditional tribal relationships to ensure solidarity and cohesion, the nature of the relationship transformed into a bureaucratic/clientele system due to newly incorporated service-money relations.\textsuperscript{37} If somehow tribal solidarity would not be enough to maintain loyalty, the provision of economic and political power would certainly be enough to buy their loyalty.

Under Saddam Hussein’s regime tribal and clan patronage would continue to be important as he developed additional solidarity networks. Saddam incorporated other Tikriti tribes and tribes of the Sunni triangle as second and third circles of protection.\textsuperscript{38} The loyalty of various Tikriti tribes were important for Saddam’s security and political dominance. Members of several Tikriti tribes filled sensitive positions within the armed forces, Republican Guard, and internal security. While Tikritis were prominent within the armed forces and internal security, they were less visible within the hierarchy of the Ba’ath party, especially the lower levels of the party. The regime allowed Shia members to dominate the lower and middle levels to give them a sense of participation in running the party, while key positions at the upper levels were dominated by Tikritis.\textsuperscript{39}

\textsuperscript{37} Jabar, Faleh. Sheikhs and Ideologues, 82.
\textsuperscript{38} Dawood, Hosham. “The 'State-ization' of the Tribe and the Tribalization of the State: The Case of Iraq.” In Tribes and Power: Nationalism and Ethnicity in the Middle East. (London: Saqi, 2003), 121.
\textsuperscript{39} Dodge and Simon, eds. Iraq at the Crossroads, 105.
In terms of the tribes from the Sunni triangle, their relationship under the Ba’ath and Saddam was a volatile one. These tribes experienced shifting policies, from marginalization to integration to eradication. After initial Ba’ath opposition to tribes, announcing rejection of tribalism as remnants of colonialism, Saddam found it politically convenient to manipulate the regime’s relationship with these tribes. During the 1980s, Saddam bought the loyalty of tribal elders and sheikhs by providing services, money, and goods in exchange for their help with recruiting men to fight the Iran-Iraq war. By the 1990s, the strategy of courting Sunni tribes created increasingly serious costs for the regime. Not only did intertribal conflict increase, as they received powerful artillery through the regime, but tribally-organized coups were attempted by Republican Guard officers from the Dulaymi, Ubyadi, and Jiburi tribes. As tribes grew to be a threat to Saddam, he cracked down on them to force subservience.

While family, clan, and tribal loyalty were important for Saddam’s consolidation of power, over time he incorporated nearly every community in Iraq.

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43 Charrad, Mounira. 2011. Central and Local Patrimonialism, 64.
into his network of patronage, including Shias and Kurds. Patronage was not exclusively limited to the Sunni Arab north-west, but large numbers of people from different communities were rewarded with positions of influence, special access to housing, and material resources in exchange for their loyalty. The network of clients also extended beyond those who joined the Ba’ath party to include even those outside of the party as long as they continued to support Saddam’s regime. Through an examination of an archive of government documents, Joseph Sassoon uncovers the different rewards system that co-opted a large portion of the Iraqi population. Sassoon highlights the hierarchical nature of the rewards system where different medals and badges corresponded with certain privileges. The more medals or badges a person had the higher the rewards, which included money, land, jobs, and pensions.

**Inherited Corruption**

Iraq, in its current state, represents a classic example of a neo-patrimonial regime. While some have claimed that its evolution from patrimonial to neo-patrimonial took place after the 2003 US invasion, it can be argued that it has

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always been neo-patrimonial given that patrimonial practices have been
incorporated into the modern Iraqi state system since its creation in order to
consolidate power. After the overthrow of Saddam, the new political elite
continued to use the same practices historically used to maintain power.
Nepotism, favoritism, patronage, and clientelism have persisted as tools to
consolidate power for virtually every political party operating in Iraq. While these
practices have been used by governments throughout Iraqi history, the extent of
corruption in Iraq today has reached unprecedented levels, leading some to claim
that corruption has worsened post-Saddam.\(^4\) However, this legacy of pervasive
corruption, though a recent creation, is largely seen to have been inherited by the
new regime in Iraq.\(^5\)

It is important to note, that while corruption was inherited by the new
regime, corruption under Saddam only intensified and became more pronounced
after the effects of two devastating wars and economic sanctions. Saddam did
appropriate state resources, which given the framework of corruption presented in
this chapter, still represents a corrupt act. However, perceptions of corruption
were low during the early years of the Ba’ath regime, which is attributed to


Saddam’s commitment to development and high living standards. The Ba’athist government was constantly involved in construction and infrastructure projects that provided employment and increased standards of living to justify its rule.\textsuperscript{50}

During this time, perceptions of corruption in Iraq were low since increased living standards worked to distract the public from the fact that Saddam was appropriating the state’s wealth. Also, under Saddam’s rule there were few instances of corruption in lower levels of government. Saddam’s regime “monopolized corruption and restricted access to wealth and power, thereby limiting opportunities for corruption.”\textsuperscript{51} The greatest deterrent from corruption, however, were Laws 8 and 52 which made receiving bribes or commissions punishable by death.\textsuperscript{52} Saddam made an example of two deputy ministers who were accused of taking bribes by publicizing their execution as a warning to those within and outside government.\textsuperscript{53}

Corruption in Iraq gradually became more pronounced after the state began to deteriorate from the effects of the Iran-Iraq war and more so after the Gulf war and burden of economic sanctions. Substantial effects on the Iraqi state

\textsuperscript{51} Ghanim, David. \textit{Iraq’s Dysfunctional Democracy}, 213.
\textsuperscript{53} Ibid.
were felt four days into the Iran-Iraq war as Iran attacked Iraq’s oil facilities forcing output to decline from 3.4 MBD in August 1980 to .140 MBD just two months later.\textsuperscript{54} Revenue declined from $26.1 billion in 1980 to $10.4 billion in 1981, reducing the contribution of oil sector to gross national product (GNP) from two-thirds in 1980 to only one-third in 1981.\textsuperscript{55} The destruction of the oil infrastructure reduced revenue from Iraq’s most important economic sector, forcing the government to adopt austerity programs and halt all development projects that were not related to the war. During this period, Iraq began to lose gains it had made in economic development in the previous decade. By the end of the war Iraq was $42 billion in debt to Arab and foreign countries, the Iraqi dinar was weak, and infrastructure was destroyed.\textsuperscript{56} Worst of all, oil prices were deteriorating from an average high of $32 per barrel in 1981 to an average of $12-$14 in 1988.\textsuperscript{57}

Desperate for a solution to Iraq’s economic crisis, Saddam Hussein made the decision to invade Kuwait on August 2, 1990, which led to further destruction of the Iraqi economy. The rationale behind annexing Kuwait was that Iraq’s oil reserves would double, oil production quotas would increase from 3.1 MBD to 4.6

\textsuperscript{55} Ibid.
\textsuperscript{57} Ibid., 242.
MBD, oil income would increase from $38 billion to $60 billion, debts would be paid off in five years, and most importantly Iraq would be able to increase spending on development projects and imports.\(^{58}\) However, this dream was cut short as the United Nations Security Council Resolution (UNSCR) 660 was passed on the day of the invasion condemning Iraq’s actions and four days later UNSCR 661 was passed imposing mandatory sanctions and embargo on Iraq. UNSCR 661 would cause Iraq to plunge into a deeper economic crisis as it was completely dependent on the world market for oil exports, consumer goods, raw materials, foreign exchange earnings, import of food, and technology.\(^{59}\) The embargo shut off ninety percent of imports and ninety-seven percent of exports, costing the economy an estimated $17 billion in the six month period before the January 1991 bombing of Iraq.\(^{60}\) The bombing of Iraq decimated not only military infrastructure, but civilian infrastructure, hospitals, transport and communication networks, industrial plants, oil facilities, and power stations.\(^{61}\) A special United Nations (UN) mission revealed that the conflict caused “...near-apocalyptic results upon the economic infrastructure of what had been, until January 1991, a rather high

\(^{58}\) Alnasrawi, Abbas. *The Economy of Iraq*, 118.

\(^{59}\) Ibid.

\(^{60}\) Ibid., 119.

\(^{61}\) Ibid.
urbanized and mechanized society. Now, most means of modern life support have been destroyed or rendered tenuous.”

The UN sanctions extended over a period of thirteen years greatly damaging Iraqi society and the Iraqi economy. Sanctions precipitated a drastic decline in living standards and public services evident in increased poverty, malnutrition, infant mortality, and starvation. All sectors of society were affected. GDP plummeted, inflation and unemployment increased, and the Iraqi dinar collapsed.

Corruption began to flourish in Iraq during this desperate period, as Ghanim explains:

Deteriorating living standards resulting in the decimation of the middle class gradually led to widespread corruption. This corruption was also motivated by a decline in the capacity of the state during the 1990s. During this time the regime itself became highly corrupt and turned into a mafia-style rule where the president, his family, and his relatives engaged in high profiteering from oil smuggling and a flourishing black market. As such, corruption became uncontrollable in light of an increasingly narrowing social base of the regime.

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64 Ghanim, David. Iraq’s Dysfunctional Democracy, 213.
Corruption took on a new form in 1996 when Iraq began to sell oil under the UN’s Oil for Food Programme. Iraq was allowed to sell enough oil to provide food and medicine that would alleviate the humanitarian crisis caused by the sanctions. The regime, however, exploited the program to pocket billions in kickbacks and surcharges at the expense of the Iraqi people. “Illicit Iraqi income from surcharges on oil sales and kickbacks on humanitarian purchases would represent between $268 million and $7.5 billion according to different estimates.”65 This income not only served to consolidate patronage networks domestically, but functioned as a reward system internationally through oil vouchers provided as gifts, commissions for services, or in payment for goods to foreign companies and influential individuals to lobby for an end to sanctions and normalization of relations with Iraq.66 The corruption associated with patronage, clientelism, and nepotism intensified during this period and would spill over into post-Saddam Iraq.

Post-conflict governing structures are often weak in terms of financial, fiscal, administrative and regulatory capacities which makes the state more prone to capture by privileged elites with access to power and resources.67 This was

65 Le Billon, Philippe. "Corruption, Reconstruction and Oil Governance in Iraq." (Third World Quarterly 26, no. 4-5 2005), 693.
66 Ibid.
precisely the case in Iraq after the 2003 US invasion. The culture of corruption intensified with the substantial influx of aid and reconstruction money, and state building resources, coupled with the easing of international sanctions, weak oversight, poor management, and disorganized government.\(^{68}\)

Once the authoritarian control of power and resources by the Ba’ath was gone, greed and power struggles of the new political elite emerged to make power grabs taking as much money and assets as possible to boost power.\(^{69}\) To make matters worse, a muhasasa or power-sharing system was imposed on Iraq by the US occupation. The power-sharing system is meant to prevent conflict between Iraq’s diverse societies by giving everyone a stake in the political system; however, the problem with this system is that each political group treats awarded ministries as personal fiefdoms, “using it to skim money and to award ministerial positions to party loyalists and important constituents.”\(^{70}\) The old corrupt practices of past regimes were never challenged, instead they have been incorporated in Iraq’s new political system.

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\(^{69}\) Ibid., 132.

Patronage, clientelism, and nepotism are still very much a way for the elite to maintain power. The use of patronage and clientelism are tactics utilized throughout Iraq’s political system. In a way it is worse than it was under Saddam, since resource distribution is not through an individual or party, but many parties. All political parties use their access to state resources to create vast webs of patron-client networks. Parties actually compete for positions in the most resource rich state institutions, seizing resources for themselves and their support base. The benefits, jobs, and security provided by political parties in the absence of a properly functioning Iraqi state has made the reliance on these kinds of patrimonial relationships even more important.

Prime Minister Nouri al-Maliki’s eight year rule best exemplifies the continued use of corrupt patrimonial practices post-Saddam. Buying public loyalty and consolidating power and resources was an important part of Maliki’s rule. Much like Saddam, Maliki built personal relationships within important institutions to consolidate power. As head of Iraq’s government, he was able to create strong influences on security institutions, armed forces, independent institutions, and Iraq’s judiciary given that he had more resources and more complex networks of
patronage at his disposal. During the 2010 parliamentary election, Maliki’s coalition lost to Ayad Allawi’s bloc, prompting Maliki to demand a recount alleging fraud. He used his connections with his sister-in-law, Hamdiya al-Hussaini, at the Independent High Electoral Commission, the body tasked with supervising elections, to push for a recount. Also, much like Saddam, Maliki used state resources to buy the loyalty of the Iraqi public. During the 2014 elections, video surfaced of a member of parliament from Maliki’s State of the Law Coalition telling a group of farmers that he was sent by then Prime Minister Maliki to give them plots of land in exchange for their votes for his coalition. Maliki also routinely hired unqualified family members for positions within the government. After Maliki’s reelection in 2010, he appointed his son, Ahmad al-Maliki, as head of the prime minister’s office and his sons-in-law played prominent roles in the intelligence services.

Within Iraq’s public sector nepotism is also a common practice. There are countless cases of parliament members hiring family for government positions. For example, former vice president Tariq al-Hashimi’s office was run by his daughter

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Rasha, who was assisted by his nephew and former speaker of parliament
Mahmoud al-Mashhadani’s office was run by his sons and was known for
promoting his wife’s political ambitions.74 Unqualified public sector employees are
routinely hired on the basis of sectarian, political, and family ties. This practice
began in 2003 with the US handover of Iraqi Ministries to the Iraqi Governing
Council. Council members chose relatives to become ministers, which they in turn
packed with party and personal affiliates.75 This practice repeats itself with every
election as the prime minister assigns ministries to different politicians. As a result,
ministries function as fiefdoms rather than true state institutions.76 Forged
university degrees are purchased my most of the hires, since they are unqualified
for government jobs. The Interior Ministry has admitted that some 9,000 forged
university degrees have been purchased by prominent civil servants.77 An
investigation by the Iraqi Integrity Commission and the Ministry of Justice also
found some 20,000 to 50,000 government employees obtained their positions

75 Herring and Rangwala. Iraq in Fragments, 129-130.
http://www.bti-project.org/reports/country-reports/omega/iraq
using forged degrees.\textsuperscript{78} Unqualified and inexperienced staff have hampered the efficiency of the government and its ability to provide basic services to the public.

While it may seem that corruption has become worse post-Saddam, it is difficult to prove with quantifiable evidence. This is due, in part, to the lack of data. For example, Transparency International’s Corruption Perceptions Index only provides scores for 2003-2014. Even if it did provide information for Saddam era corruption, the methodology used to measure perceptions of corruption will not allow for comparisons across time. The World Bank’s Worldwide Governance Indicators provide data for perceptions of corruption from 1996-2014 and while this data is comparable across years, the 1990s was the most corrupt period under the Ba’ath regime. Using this information would not provide an accurate comparison as it would overstate Ba’ath era corruption. It is also difficult to gauge the cost of corruption to determine which regime was more corrupt. There are no estimates for how much corruption has cost Iraq over the timespan of the Ba’ath regime. There are estimates for corruption during the period of economic sanctions, but they do not offer a clear picture as estimates vary from $268 million and $7.5 billion. In terms of the cost of corruption under the current political

regime, estimates range from $300 to $350 billion.\textsuperscript{79} While these estimates are important to understand the magnitude of corruption post-Saddam, without estimates of corruption under Ba’ath rule these numbers will not provide a helpful understanding of differences in corruption. Given the lack of quantifiable data, the best alternative to gauge the differences in corruption is through the anecdotal evidence provided above and throughout the remaining chapters.

The extent to which corruption has spiraled out of control can best be illustrated by an interview with Iraqi politician Misha’an al-Juburi. Juburi confessed that, from top to bottom, the entire Iraqi political class is corrupt, including himself.\textsuperscript{80} He admitted that members of the Commission of Integrity, one of the independent bodies tasked with fighting corruption, routinely agree to close corruption files in exchange for bribes and shamelessly admits to have taken millions of dollars in bribes to do the same. He also admitted that, “If a child goes to bed hungry or if an Iraqi dies due to lack of medicine, it is because of the politicians in the Green Zone.”\textsuperscript{81} Juburi also observed that if the public knew how extensive corruption was they would burn the Green Zone to the ground. Despite,

\textsuperscript{81} Ibid.
his admissions Juburi is unlikely to be held accountable because he is protected by parliamentary immunity. An absolute majority in parliament could vote to strip him of his immunity; however, this is unlikely. If Juburi is prosecuted he will inevitably release the corruption files he holds on other politicians, creating a domino effect that could take down Iraq’s entire political class. The fact that a politician can publicly admit that the entire political system is corrupt without fear of repercussions demonstrates the extent of corruption in Iraq today.

Conclusion

Throughout the modern history of Iraq, corrupt patrimonial practices, including patronage, clientelism, and nepotism have been used as methods to consolidate power. State resources have been routinely appropriated by governing regimes in Iraq in order to support these practices. These methods were used during King Faisal’s reign in the early years of the Iraqi state and are still utilized as methods to maintain power in Iraq today. However, the corruption that stems from these practices seems to have grown in magnitude under the post-Saddam political elite. This can be attributed, in part, to the chaos that ensued after the 2003 US invasion that made the state prone to state capture by the elites with access to power and resources. Political dynamics in Iraq also changed allowing for a larger political elite, which has led to competition for the state resources that
help maintain power. The resulting corruption in Iraq today can be seen as a continuation of the old corrupt practices of past regimes that are designed to ensure regime continuity.
Political Survival and the Resource Curse

Iraq is one of the least developed countries in the Middle East, despite having the world’s fifth largest oil reserves. The Human Development Index (HDI) can be used as an indicator to understand the extent of development. The HDI assesses development by incorporating proxies for three ends of development including, health, knowledge, and standard of living and is measured on a scale of 0 (low development) to 1 (high development). According to the 2015 HDI report, Iraq ranks 121 out of 188 countries with a score of .654. Regionally Iraq performs poorly, ranking 15 out of 19 Middle Eastern and North African (MENA) countries. Iraq falls behind a number of resource poor countries, including Lebanon (.769), Jordan (.748), and Egypt (.690). According to the regional ranking, oil and gas rich countries, including Qatar (.850), Saudi Arabia (.837), United Arab Emirates (.835), Bahrain (.824), Kuwait (.816), and Oman (.793) all rank at the top of the regional HDI. It may be reasonable to assume that the abundance of natural resources in these Gulf countries helped foster high rates of development. Given Iraq’s abundance of oil it

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82 While it is impossible to perfectly measure development, the HDI is useful because it moves beyond measures of economic wealth, which taken alone does not necessarily depict an accurate picture of development, since it is a means not an end in itself. It is anchored in the work of Amartya Sen’s “capabilities” approach to development.


84 These countries also rank fairly high globally, classified as very high human development or high human development countries.
seems that it should rank closer to the rest of the resource rich countries in MENA.

A number of factors can explain the extent of development, including political corruption. It is the goal of this chapter to understand how corruption has contributed to slow development in Iraq. Since the overthrow of Saddam Hussein in 2003, an estimated $350 billion of government funds have disappeared due to corruption, making it a considerable obstacle for development and growth in Iraq.85

One of the major corrupting influences in Iraq are oil rents. Throughout history Iraq’s oil wealth has reinforced the corrupt practice of patronage among its political class. This chapter focuses on the challenges to development posed by the resource curse, specifically through patronage. This corrupt practice has, in part, limited the ability of the government to address development issues, including poor infrastructure, education, and health. It is important to note, however, that many factors have contributed to the slowdown in development, including the consequences of three decades of war, economic sanctions, economic mismanagement, political conflict, and currently low oil prices and a war with the Islamic State. Each of these factors have been considerable obstacles to development and may explain why Iraq has developed slower than its oil-rich neighbors. While these factors are not the focus

of this chapter, it is important to recognize that corruption is not the sole problem that Iraq faces in terms of development.

**Self-interested vs. Strategic Elite**

Oil is the essence of the Iraqi economy. Around 60 percent of Iraq’s GDP is generated by oil and makes up around 90 percent of government revenues.\(^86\) While it makes intuitive sense to believe that having such a valuable resource would lead to higher economic growth and development, this is not necessarily the case for Iraq or developing countries in general. An abundance of natural resources can negatively influence development and economic growth.\(^87\) Since the 1980s, a large scholarly literature has suggested that an abundance of natural resources can actually lead to increases in the likelihood of negative economic, political, and social outcomes including poor economic performance, low levels of democracy, and civil war.\(^88\) In 1993 Richard Auty coined the term “resource curse” to describe the phenomenon in which resource rich countries do not benefit from favorable endowments and that they may actually perform worse than resource poor countries.

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\(^{87}\) It is important to note that the type of natural resource may impact the level of corruption. Isham et al. (2005) have demonstrated that “point source” resources (oil, mineral, and plantation crops) are more disadvantageous than “diffuse” resources (agricultural produce) because they generate higher rents that are more attractive to a political elite.

countries.\textsuperscript{89} Academic theories about the mechanisms of the resource curse can be distinguished in three phases: first, since the 1970s the rentier state theory put forth by political scientist argues that resource sectors and resource rents negatively impact the capacity of the state; second, during the 1980s and 1990s, the theory of Dutch disease was widely used to explain how other economic sectors important for growth are crowded out by the natural resource sector; third, since 2000, several political economy models have been created, in the spirit of the rentier state, exploring specific mechanisms that confirm that the process can be individually rational for actors.\textsuperscript{90} While the rentier state and Dutch disease theories are important to understand the impacts of natural resources, for the purposes of this work I will focus on how corrupt practices can lead to a resource curse.

Natural resources generate extraordinary rents that tend to be concentrated in the hands of the political elite. These resource rents are more easily appropriated by the elite, especially if transparency and monitoring mechanisms are weak. Since resource rents are more easily appropriated than any other source of wealth, power struggles are more prevalent in resource rich countries as “...potential challengers have a stronger incentive to seek to replace the existing government by coup d’états,


or other forms of forced change in leadership.” In light of possible power struggles, members of the political elite are faced with the decision to either use resource rents for self-enrichment or for economic growth and development. The decision may depend on whether those in power are a self-interested or strategic elite. The self-interested elite are more inclined to use resource rents to shore up political control. Patronage is one mechanism the political elite can use if the chances of losing power are high. A resource curse occurs when resource revenues are shifted away from productive activities into inefficient activities, like patronage, that would allow them to maintain power. This can be accomplished by buying votes or political support, increasing public sector employment and wages, or other valuable benefits to the public. The consequences of using patronage practices to stay in power is the inefficient allocation of public resources that reduce investments in developing human capital, the non-resource economy, and infrastructure.

While a combination of high resource rents and a desire to stay in power under a self-interested elite may result in a resource curse, under a strategic elite resource rents may be more of a blessing. A strategic elite will be more inclined to

92 Caselli, Francesco, and Tom Cunningham. Leader Behaviour and the Natural Resource Curse. 93 Ibid., 630.
use resource wealth to please the public in order to stay in power longer.\textsuperscript{94} This is possible if resource rents are invested in productive activities, including the social provisioning of education, health, and housing. In this instance, resource rents help justify the rule of the elite by increasing living standards. While resource rents function similarly to help the self-interested and strategic elites maintain power, the strategic elite’s approach provides a benefit to society.

\textbf{Patronage and Development in Iraq}

As the previous chapter demonstrated, Iraq has had a long history of using corrupt patrimonial practices to consolidate and maintain power, including patronage. Iraq’s oil wealth has been the primary way in which past and current regimes have been able to hold on to power. During the Ba’ath regime, however, oil seemed to be less of a curse than it is today. The nationalization of the oil industry in 1972 and increase in oil revenues led to an accumulation of great wealth under the Ba’ath regime. While Saddam did appropriate this wealth to create and maintain patronage networks, he made development a priority because higher living standards would justify Ba’ath party rule.\textsuperscript{95} A sizeable portion of oil revenue was

\textsuperscript{94} Ploeg, Frederick Van Der. "Natural Resources: Curse or Blessing?" \textit{(Journal of Economic Literature} 49, no. 2 2011), 382.

invested in subsidized public services into the 1980s. As a result, “public health, education, drinking water and sanitation system were maintained at fairly high levels of quality, often by expatriate technical personnel.”\textsuperscript{96} Iraq’s healthcare and education systems were actually considered to be one of the most advanced in the region functioning at first world standards. The healthcare system was fully subsidized, high quality, and expanded to cover the majority of the population without discrimination.\textsuperscript{97} More than 250 hospitals were established, with an extensive network of primary healthcare facilities leading to dramatic improvements in health. Infant mortality rates fell from 117 per live births in 1960 to approximately 40 by 1989 and life expectancy rose from 49 to 67 years.\textsuperscript{98} Similarly, Iraq’s education system was unique to the Middle East and was considered to be comparable to Western education. This was due, in part, to the ideology of the Ba’ath regime that emphasized the importance of education. The Ba’ath believed that through education individuals would awaken to the necessity of Arab unity.\textsuperscript{99} Between 1970 and 1984 Iraq’s education system achieved a number of accomplishments unique to the Arab world, including gross enrollment rates close to 100 percent, the lowest

\textsuperscript{97} Ibid., 21.
dropout rates in the Middle East and North Africa, and a decline in illiteracy to 10 percent among the 15-45 age group.\textsuperscript{100} The Iran-Iraq war, Gulf war, and economic sanctions, however, wiped out most of Iraq’s progress in economic growth and development. There is no way to know for sure if improvements in development would have continued to be a part of the Ba’ath’s strategy, but Iraq’s invasion of Kuwait is a good indication that it would have continued to be used as a method to stay in power. Iraq’s reasoning for the Kuwait invasion was, at least in part, to increase oil reserves, production and revenue to continue development projects.\textsuperscript{101} After the economic sanctions were imposed on Iraq, Ba’ath survival could no longer depend on pleasing the public through high standards of living, since resources were unavailable to do so. As the previous chapter illustrated, the Ba’ath regime exploited the UN Oil for Food Programme to pocket billions in kickbacks and surcharges, which supported domestic as well as international patronage networks to maintain power.\textsuperscript{102} During this desperate period, the regime shifted from a hybrid of self-interested and strategic to a solely self-interested regime to hold on to power.

\textsuperscript{100} Shanks, Kelsey. \textit{Education and Ethno-Politics Defending Identity in Iraq} (Florence: Taylor and Francis, 2015), 40
\textsuperscript{101} Alnasrawi, Abbas. \textit{The Economy of Iraq}, 118.
\textsuperscript{102} Le Billon, Philippe. “Corruption, Reconstruction and Oil Governance in Iraq.” \textit{(Third World Quarterly} 26, no. 4-5 2005), 693.
The post-Saddam political elite can be viewed as a self-interested elite. They have, for the most part, diverted oil rents away from development toward self-enrichment or to maintain networks of support to stay in power. High volumes of oil revenue and weak transparency and accountability mechanisms have increased patronage practices by the political elite. While the Ba’ath regime did use patronage as a way to maintain power, it seems the use of this practice by the post-Saddam political elite has had a greater negative impact. Historically the control of Iraq’s oil wealth was concentrated in the hands of a few within the political elite. After the fall of the Ba’ath regime political dynamics in Iraq changed allowing for a large number of political groups to compete for oil wealth to maintain political control. As a result of this larger political elite, more groups are competing for rents and consequently stretching Iraq’s oil wealth thin. In order to access government coffers, Iraq’s political elite have designed creative ways to appropriate oil wealth. Legally, their schemes to appropriate revenue include mass employment, increasing the number of government ministries, and regulating party financing. The political elite also appropriate resources through illegal means, including contract rigging, ghost employment and double dipping, and oil smuggling. It is important to note

103 Wahab, Bilal A. "Oil Federalism in Iraq: Resource Curse, Patronage Networks and Stability. Case Studies of Baghdad, Kurdistan and the Advent of ISIS." (PhD diss., George Mason University, 2015), 252.
104 Ibid.
that while patronage that directly gives money to individuals in exchange for support is a form of corruption, patronage that legally provides public sector jobs or increases wages is not necessarily considered corrupt. It does, however, become a form of corruption when, in exchange for support, unqualified individuals are given jobs on the basis of religious or ethnic affiliation. The prominent use of this form of patronage has caused Iraq’s public sector to become extremely bloated and inefficient. Instead of inefficiently allocating resources to create public sector jobs or directly paying for support, oil rents could be channeled towards development projects that would benefit society as a whole rather than just the patron and his client.

The actions of the self-interested Iraqi political elite can, at least in part, explain Iraq’s slow development after the fall of the Ba’ath regime. Oil rents are routinely diverted away from growth-producing activities towards activities that shore up political control. This has led to the neglect of much needed development in the aftermath of wars and crippling economic sanctions. Since development has largely been neglected by the self-interested elite, a number of problems that plagued the country in the decades prior to the overthrow of Saddam continue to this day, including the provision of public goods and Iraq’s crumbling infrastructure.
Electricity shortages have been a constant concern for Iraqis post-Saddam. Officials have claimed that $37 billion has been used to address power production in the country, yet the majority of Iraqis only get electricity for just five hours a day.\textsuperscript{105} Iraqis largely rely on private generators to meet electricity needs and consider the necessity of generators to be the ultimate mark of corruption in the energy sector given the government’s failure to provide power.\textsuperscript{106} Electricity shortages not only impact the Iraqi public, but also cost the Iraqi economy an estimated $40 billion a year by hampering industrial development.\textsuperscript{107} One factor that can explain the lack of improvements in electricity infrastructure is corruption in the Ministry of Electricity. In one case the Minister of Electricity, Raad Shalal, was forced to resign after he was accused of embezzling billions by signing contracts with a Canadian shell company and a German firm that had declared bankruptcy.\textsuperscript{108} In another case, officials arranged major contracts with General Electric and Siemens to construct large-scale generation plants that would be powered by natural gas,

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\textsuperscript{107} D.B. "Not Yet Switched On, in Any Way’’
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even though Iraq did not have the gas necessary to fuel them, demonstrating the overall incompetence of those ministry officials.\textsuperscript{109}

Iraq’s water infrastructure is also largely neglected. For example, Iraq’s largest dam in Mosul has been neglected for years despite weak structural flaws. It is currently at risk of a catastrophic collapse that would send waves tens of feet tall. According to the US embassy in Iraq, “The approximately 500,000 to 1.47 million Iraqis residing along the Tigris River in areas at highest risk from the projected flood wave probably would not survive its impact unless they evacuated the flood zone. A majority of Baghdad’s 6 million residents also probably would be adversely affected—experiencing dislocation, increased health hazards, limited to no mobility, and losses of homes, buildings, and services”\textsuperscript{110} Only now, in the face of catastrophe has the Iraqi government approved a contract to repair and maintain the dam.\textsuperscript{111}

Iraqi’s drainage and sewer systems have also been largely neglected leading to deadly outcomes. In December 2012, Baghdad saw more than double the usual amount of rain, putting pressure on old and inadequate drainage systems. The

\textsuperscript{109} Al-Ali, Zaid. \textit{The Struggle for Iraq’s Future}, 176.
resulting floods caused buildings to collapse, killing several people. Officials blamed broken sewer pipes and the lack of funding to update the infrastructure.\textsuperscript{112} Similarly in 2015, outdated drainage systems were blamed for the death of fifty eight people by electrocution.\textsuperscript{113} Outdated drainage and water systems have led to poor sanitation and contaminated water. These outdated systems were blamed for the recent cholera outbreak in Iraq that spread through fifteen of eighteen governorates.\textsuperscript{114}

The overall state of healthcare in Iraq has not significantly improved post-Saddam. Health ministry workers routinely steal drugs from hospitals to sell on the black market, millions of dollars meant for clinics and hospitals have gone missing, and millions more have been wasted on government contracts to buy expired medicines.\textsuperscript{115} The lack of decent public healthcare has caused many to turn to private clinics and in some cases the government will pay for Iraqis to travel abroad.

\textsuperscript{112} Ibid, 178.
to seek medical treatment rather than invest in improving the healthcare system.\textsuperscript{116}

Also, billions have disappeared on projects that have yet to be completed. In one case the Health ministry allocated an estimated 40 billion Iraqi dinars in 2013 to four projects that in 2015 still had completion rates of 0 percent.\textsuperscript{117}

Conclusion

It is evident from the previous examples that corruption, at least in part, has contributed to Iraq’s slow development. This is demonstrated by the inefficient allocation of resource rents by a largely self-interested political elite. Resource rents are routinely appropriated to ensure the regime’s political survival. The desire to maintain power has caused the current political elite to shift resource rents from productive activities to unproductive activities, specifically patronage. Shifting resource rents to support the practice of patronage has led to poor development outcomes in post-Saddam Iraq. Living conditions in Iraq have not considerably improved since the overthrow of Saddam, despite substantial increases in oil revenue. While these living conditions were normal under Saddam, Iraqis reasonably expected better living standards after economic sanctions were


lifted. However, Iraq’s HDI, remains low relative to its oil-rich neighbors. Twenty-three percent of Iraqis live below the national poverty line and unemployment is around eighteen percent.\textsuperscript{118} People are dying from inadequate medical care and preventable diseases. These are all circumstances one would expect from developing countries that lack wealth, not a country that earns billions of dollars in oil revenue a month. Expectations for better living standards have been thwarted, at least in part, by a self-interested political elite.

Combating Corruption in Iraq

Underdevelopment and poor living standards have become characteristic of Iraq; however, in the past Iraq has demonstrated that it was capable of harnessing its oil wealth for development purposes, a strong indication that it is possible for Iraq to overcome the resource curse. Iraq was once one of the most prosperous and advanced countries in the Arab world during the 1970s and early 1980s. During this period, the Iraqi economy experienced a high growth rate of approximately 8.3 percent making it the second largest economy in the Arab world, after Saudi Arabia, and the third largest economy in the Middle East.\(^{119}\) This was possible, in part, to the development efforts in the 1950s that laid the groundwork for future development initiatives.\(^{120}\) Initial efforts to raise the standard of living were made through projects in the fields of water storage, flood control, irrigation, drainage, industry, mining, and communications.\(^{121}\) Iraq was able to take on these initiatives due to increases in oil revenue, specifically during the oil price revolution of 1952. During this time, Iraq’s production increased from .091 million barrel per day (MBD) in 1949 to .697 MBD in 1955, increasing revenue from 31 million to 74

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million Iraqi dinars, prompting the government to pursue a policy of channeling oil revenue for development purposes.\textsuperscript{122} Oil revenue would continue to play a substantial role in Iraq’s economic development, especially following the nationalization of the oil industry in 1972 and the oil price increase in 1973. The oil revenues that came with the price increase became an important part of cementing Ba’ath party rule. The party believed that raising living standards would pave the way for “further Ba’athification of the country by proving that the regime would deliver prosperity.”\textsuperscript{123} The 1970s marked the beginning of a period of unprecedented economic growth and high living standards in Iraqi history. “Using oil revenues, the government ploughed large amounts of money into providing free health care and education, expanding the country’s infrastructure, organizing large construction projects, and investing in industry and the military.”\textsuperscript{124} Development, however, was short-lived and would deteriorate as Iraq entangled itself in two devastating wars.

Since Iraq has had a history, although brief, of demonstrating the capability of using its oil wealth productively, it is reasonable to believe that it may be able to overcome the corrupting influences associated with the resource curse. A number

\textsuperscript{122} Alnasrawi, Abbas. \textit{The Economy of Iraq}, 80.
\textsuperscript{124} Ibid., 238.
of approaches have been suggested, including instituting good governance initiatives based on accountability and transparency. Since the government controls oil revenue, an established set of rules and procedures should guarantee accountability and transparency of revenues through the system, which will allow the public to hold officials accountable for policies that lead to shared benefits of resources. These types of initiatives have been promoted as an important feature of anti-corruption frameworks by international organizations in developing countries, including Iraq.

**Good Governance Initiatives**

Academics and policy makers agree that political corruption is a major problem for many developing economies. International organizations have attempted to assist these states in addressing corruption problems. Since developing countries seem to be caught in a vicious cycle of corruption, international organizations can put pressure on governments to commit to the necessary reforms needed to remedy this problem.\(^{125}\) Good governance has become a prominent feature of international organizations’ anti-corruption initiatives to support growth in developing countries.

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The good governance approach was adopted into mainstream development agendas of international organizations in the 1990s. The quality of governance was identified as key to ensuring better development performance after economic liberalization and structural adjustment policies in the decade prior led to poor results. The failure of economic liberalization and structural adjustments initiatives were blamed on poor quality governance, including weak governmental structures, administrative incompetence, corruption, lack of accountability and openness in policy making, and an absence of the rule of law. Since then, curbing corruption through improvements in governance quality has played a central role in initiatives to foster growth in developing countries by bilateral aid agencies, development banks, and prominent international organizations like the World Bank, International Monetary Fund (IMF), and the United Nations Development Programme (UNDP).

While these organizations agree that good governance is key to combating corruption, their ideas of what constitutes good governance vary slightly with the mission of the organization. The IMF stresses the importance of rule of law and efficiency and accountability of the public sector. Through policy advice and technical assistance, the IMF focuses on improving the management of

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public resources and supporting the development and maintenance of transparent
and stable economic regulatory environments to eliminate opportunities for
corruption. The UNDP has identified eight major characteristics of good
governance that “assures corruption is minimized, the views of minorities are
taken into account and that the voices of the most vulnerable in society are heard
in decision-making.” These characteristics describe good governance as
participatory, transparent, responsive, consensus oriented, equitable and inclusive,
effective and efficient, accountable, and follows the rule of law. World Bank
standards emphasize that “Good governance is epitomized by predictable, open,
and enlightened policymaking (that is, transparent processes); a bureaucracy
imbued with a professional ethos; an executive arm of government accountable for
its actions; and a strong civil society participating in public affairs; and all behaving
under the rule of law.” It identifies three mechanisms through which governance
can be improved, including effective rules and restraints, greater competitive
pressure, and increased citizen voice and partnership. These definitions share

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128 “What is Good Governance?” United Nations Economic and Social Commission for Asia and the
129 Ibid.
131 Chhibber, Ajay, Simon Commander, Alison Evans, Harald Fuhr, Cheikh Kane, Chad Leechor, Brian
important similarities; however, each organization concentrates on aspects that
relate to its mission as an institution. The IMF focuses on improving economic
environments, the UNDP emphasizes sustainable human development, and the
World Bank focuses on economic and social resources for development. While
these are just a few of the various definitions of what determines the quality of
governance, the underlying theme of most definitions “emphasize the importance
of a capable state, accountable to its citizens and operating under the rule of
law.”

Principal-Agent vs. Collective Action Models

While studies have found links between the quality of governance and
development, good governance initiatives have been largely ineffective at
combating corruption. Over the past thirty years, fewer than ten countries have
been identified as success stories and countries that have achieved good
governance were not among those that received the most international aid to

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target corruption. There have been many criticisms of the good governance approach, but for the purpose of this work I will focus on what critics have argued to be a mischaracterization of the corruption problem. Good governance policies are grounded in the understanding of corruption as a principal-agent problem, therefore the initiatives to solve corruption are modeled around the implications of the principal-agent model. Given the failure of these initiatives, critics have argued that the collective action model has more to contribute to the understanding of corruption. While some critics argue that the collective action model may be better for conceptualizing corruption and therefore provide more effective strategies to solve corruption problems, others argue that both models are valuable for understanding corruption.

The principal-agent theory of corruption has become influential in corruption literature in the fields of political science and economics and has consequently informed the views of policy makers. This theory was popularized by the work of economists Susan Rose-Ackerman (1978) and Robert Klitgaard (1988) and is still widely used in research to understand corruption’s impact on economic

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136 While critics have argued that policies have failed due to a mischaracterization of the corruption problem, it may be more appropriate to describe this as an incomplete characterization of the problem. As will be evident below, the collective action problem builds on the principal-agent model to highlight the collective nature of corruption.
growth. Its dominance in research is evident in Ugar and Dasgupta’s (2011) review of the corruption and economic growth literature. They find that all 115 studies included in their analysis “adhered to an explicitly-stated principal-agent approach to corruption, or their account was closely related to that approach.” As the leading theory, it has shaped the perception of corruption’s impact on development and has largely informed policy of international organizations.

A principal-agent problem arises when the principal (society) entrusts authority to an agent (public officials or political actors) to act on its behalf. Ideally agents are supposed to act in the best interest of the principal; however, this may not always be the case. The principal-agent model makes two assumptions: that the principal and agent have diverging interests and that the agent has more information than the principal resulting in information asymmetry between the two actors. Conflicts of interest may arise in this relationship, especially if the principal’s interests are costly to the agent, which may make the agent act in his own self-interest rather than the principal’s. Information asymmetry enables corrupt behavior because it is difficult for the principal to know if the agent is

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acting in the principal’s best interest and it makes monitoring the agent’s behavior a challenge for the principal. In order to remedy corruption within the framework of this model, the agent's incentives need to change; “…principals need to incrementally increase the negative pay-off for cheating and corruption (including the risk of being caught) to a point where the fear of being caught is higher than the greed that leads agents to engage in corruption.”

The implications from the principal-agent model have become the basis of international organizations’ current approach to anti-corruption reform. International organizations have sought to solve corruption through good governance initiatives that allow the principal to monitor the agent more effectively and change the level of discretion the agent has when making decisions. A wide range of formal mechanisms and institutions have been used, including monitoring mechanisms, increased transparency, checks and balances, democratic election mechanisms, free press, the establishment of independent anti-corruption agencies, wage increases for public officials, the strengthening of civil society, and independent court systems. While these mechanisms and institutions are beneficial for developing countries to have in place, they have been ineffective at

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combating corruption. Critics of the principal-agent model blame policy failures on a mischaracterization of the problem.\textsuperscript{142}

Given the failure of the principal-agent model and good governance initiatives to solve corruption, academics have argued that corruption should instead be viewed as a collective action problem.\textsuperscript{143} It is important to note that the collective action model does not necessarily question the effectiveness of monitoring and punishment mechanisms, but questions the assumption that every society has a group of principled actors that are willing to enforce anti-corruption initiatives.\textsuperscript{144}

The collective action model gives more insight into the agent’s motivation on whether or not to engage in corrupt behavior. A collective action problem arises when, “even if it is in the best interest of all individuals in a group (or across groups) to act collectively towards a common goal, group members choose not to do so; instead, group members find it in their individual interest to not contribute at all or to limit their contributions, ensuring that the collective benefit is not realized.

\textsuperscript{142} Ibid., 3.
\textsuperscript{144} Persson, Anna, Bo Rothstein, and Jan Teorell. The failure of anti-corruption policies, 5.
to its fullest potential.” The underlying assumption in the collective action model is that agents are maximizers of their own self-interest. Therefore, in terms of corruption, individuals are better off acting against the group to engage in corrupt behavior and will choose to do so because there is incentive to defect no matter what everyone else chooses to do. Perceptions of other group members’ behavior also matter when individuals decide on whether or not to participate in corrupt activities. Persson et al. (2013) summarize the argument:

In particular, the rewards of corruption—and hence the strategy any rational actor is most likely to opt for—should according to this set of theories be expected to depend critically on how many other individuals in the same society that are expected to be corrupt. Insofar as corrupt behavior is the expected behavior, everyone should be expected to act corruptly, including both the group of actors to whom the principal-agent framework refers to as “agents” and the group of actors referred to as “principals.”

Therefore, changing the corruption status quo requires concerted action by many, since decisions to engage in corruption is in part a consequence of how one observes the corrupt behavior of others. Actors may understand that there are gains to erasing corruption, but since they cannot trust that others will refrain from

146 Persson, Anna, Bo Rothstein, and Jan Teorell. The failure of anti-corruption policies, 5.
147 Persson, Anna, Bo Rothstein, and Jan Teorell. “Why anticorruption reforms fail—systemic corruption as a collective action problem. (Governance 26 no.3 2013), 456-457.
corrupt practices, they have no incentive to refrain from corrupt practices themselves. Therefore, rather than just changing incentives it is important to change agents’ beliefs about what all the other agents are likely to do in when it comes to corrupt practices.\textsuperscript{149} This will require a more revolutionary change than what is suggested by the principal-agent model. Persson et al. (2010) find three conceptual pairs that would accomplish this revolutionary change, including shifting from particularistic to universalistic political culture, limited access orders to open access orders, and partiality to impartiality in the exercise of government power.\textsuperscript{150} Similarly Rothstein (2011) supports the idea of a revolutionary approach or what he calls the “indirect big bang approach.” Directly targeting corruption is not likely to “lead to change if it is not accompanied by an ‘indirect’ strategy in which many, if not most, other public institutions are changed from adhering to particularistic practices to universalism and impartiality.\textsuperscript{151} While there is a general consensus that institutional change is necessary, there has been surprisingly little focus on how this revolutionary change is to be accomplished.

While some have argued definitively for either the principal-agent model or the collective action model, others have concluded that both models are valuable

\textsuperscript{149} Rothstein, Bo. Anti-corruption: The Indirect ‘Big Bang’ Approach, 246.
\textsuperscript{150} Persson, Anna, Bo Rothstein, and Jan Teorell. The failure of anti-corruption policies, 20.
\textsuperscript{151} Rothstein, Bo. Anti-corruption: The Indirect ‘Big Bang’ Approach, 246.
for understanding corrupt behavior. These models “are not necessarily competing but are usefully complementary” as they emphasize different dynamics of the persistence of corruption.\footnote{Marquette, Heather and Caryn Peiffer. Corruption and collective action, 11.} The principal-agent model’s approach to corruption is important because it highlights the rational choices that individuals make, while the collective action model provides additional insight useful for understanding an individual’s decision to participate in corrupt behavior within a group or society. Collectively they demonstrate that corruption persists not only because it is difficult to monitor and prosecute, but also because, when corruption is systemically pervasive, individuals lack the incentive to combat corruption.\footnote{Ibid.}

**Overcoming Corruption in Iraq**

Since the fall of the Ba’ath regime in 2003, international organizations, most notably the UNDP, have played an important role in guiding good governance initiatives. Iraq’s first significant step to combat corruption came in 2007 when it adopted the United Nations’ Convention against Corruption and with the support of the UNDP, developed its first comprehensive National Anti-Corruption Strategy for 2010-2014.\footnote{Agator, Maxime. “Iraq: Overview of Corruption and Anti-corruption.” *Anti-Corruption Resource Center.* (2013), 5.} This strategy is comprised of 200 action items designed to guide
Iraq’s anti-corruption institutions to prevent, deter, and counteract corruption. In addition to improving anti-corruption institution capabilities, the UNDP also assists Iraq through anti-corruption programs designed to increase transparency and accountability and works to empower civil society organizations by building their capacity to monitor and hold the government accountable for corruption. The IMF, through Stand-By Arrangements, has also provided technical assistance and aid to improve Iraq’s public financial management system by improving transparency and accountability of the mobilization of public resources.\(^{155}\) Iraq has also received assistance from non-profit organizations, like the Iraq Foundation, to “promote good governance, improve provincial government accountability and transparency, increase capacity of Iraq’s anti-corruption institutions at the provincial level, and strengthen civil society organizations’ capacity to conduct oversight activities.”\(^{156}\)

While these good governance initiatives are important for increasing transparency and accountability within the government, in Iraq’s case, they do not seem to be effective at combating corruption. Therefore, there is merit in examining corruption in Iraq through the lens of collective action given continued


difficulty with corruption, despite anti-corruption laws, strategies, and assistance from international organizations. As illustrated previously, these good governance initiatives are grounded in the idea that corruption can be challenged by allowing society to monitor political officials more effectively and by changing the level of discretion those officials have when making decisions. A more effective approach to combat corruption would also seek to understand a public official’s motivation and incentive within the context of society, since a decision to engage in corruption will depend on how that official views corruption in society. Once we have a grasp on motivations and how individuals understand corruption within society then we may be able to tailor initiatives that enable successful collective action against corruption in Iraq.

Before international organizations can suggest any anti-corruption initiatives it is important that they understand the barriers that Iraq’s political elite face in acting collectively to fight corruption. The lack of political will is one of the greatest barriers facing Iraq’s ability to combat corruption. The involvement of the government is crucial to the success of any reforms as they hold the power to make changes happen. The Iraqi political elite may not want to join anti-corruption coalitions due to their proximity to the corruption scandals and because they benefit from the corrupt system. The lack of incentives and benefits to join a
collective coalition represents an additional barrier. As of today, incentives for joining a coalition to combat corruption would not compensate them as much as the ability to appropriate state resources. The most important incentive is the benefit from reducing corruption levels. This would allow for state resources to be channeled to improve overall well-being instead of unproductive activities.

However, this may not be enough to convince the political elite if their focus is to enrich themselves rather than the nation. Perhaps the toughest barrier that the political elite need to overcome is their dominant use of patron-client relationships. The previous chapters highlighted how important patronage has been throughout Iraq’s history for political survival. An effort to rid Iraq’s political system of the kind of patronage that has been historically important to maintaining power will receive great pushback from nearly the entire political elite.

While these barriers represent great challenges to Iraq’s anti-corruption effort, as of late there have been some promising developments with regards to increasing political will and challenging political patronage. Public demonstrations have taken place every Friday since the summer of 2015 against government corruption. The protests were initially sparked by electricity shortages in extreme heat, but evolved into calls for reforming the corrupt political system. Prime Minister Haidar al-Abadi tried to address the corruption by putting forth an
ambitious seven point plan designed to dismantle Baghdad’s top-heavy government.\textsuperscript{157} The plan included the elimination of a number of government posts, reduction in special benefits, and the disregard of sectarian quotas for senior positions. There were no promising developments as Abadi failed to issue practical instructions for implementation and reform opponents have subverted reform efforts.\textsuperscript{158}

As protests began to fizzle out, prominent Shia cleric, Muqtada al-Sadr entered the fray demanding the government address corruption in a serious manner. In late March, Sadr was able to mobilize his followers to sit-in outside the walls of Baghdad’s Green Zone to press the government for real anti-corruption reforms. Sadr directly challenged Iraq’s power-sharing system and called on Abadi to replace cabinet ministers with non-party technocrats to tackle the political patronage that has fostered corruption.\textsuperscript{159} Non-party technocrats would get around the ethno-sectarian quota system dominant in Iraqi politics that has led to an inefficient and corrupt government. The mounting pressure seemed to have

worked as Prime Minister Abadi nominated a technocratic cabinet of which most have academic credentials and experience working in senior executive positions, managing, or administrating.\textsuperscript{160} The political elite, however, pushed back on the reform efforts as it would take away their hold on lucrative government ministries.

On April 12, 2016 Abadi presented parliament with a second list of candidates with similar pushback on both the establishment and reformist sides since the list is a compromise of independent technocrats and party appointees. Parliament sessions have descended into chaos over the proposed cabinet and has led to calls for Iraq’s top political leadership to step down, including Prime Minister Abadi. On May 1, 2016, after parliament failed to pass Abadi’s second list of candidates, Sadr held a news conference where he essentially called for a major uprising of the Iraqi people. Shortly afterward protestors breached the heavily fortified Green Zone and stormed the parliament while security forces stood back and watched. Protestors only briefly occupied parliament, but it demonstrates the power that Sadr has among his followers. It also demonstrates that the Iraqi people have reached their breaking point. While the current political system is inclusive of Iraq’s major ethnic and religious groups, the benefits of this system

seem to end with the political elite. It is impossible to predict what this unprecedented development will lead to, but it seems that the current political system is no longer viable in the eyes of the Iraqi people.

While the process of government reform has been slow and chaotic, it is a step in the right direction. There seems to be a reformist group within the government that genuinely wants to see change and their cause has become stronger after the Green Zone protests. If they can show that they are truly committed to ending corruption within the political system, this may signal to the rest of the political elite that the corrupt practices they have relied heavily upon to maintain power will no longer be acceptable. As illustrated above, in addition to changing incentives, it is also important to change public official’s beliefs about what others are likely to do when it comes to corrupt practices. Currently, the political elite know that almost everyone in the political system acts corruptly because corrupt behavior is expected behavior. If the current events can change these beliefs there may be hope for meaningful change. It is doubtful that corruption will completely cease, but it will at least no longer be seen as standard operating procedure. In addition to changing individual’s beliefs, there are a number of ways to overcome the barriers to the fight against corruption. Given that the current approach to corruption reform has been incredibly
confrontational, a non-confrontational approach may be more appropriate. When the political elite’s commitment to anti-corruption reform is limited, a direct confrontation may be counter-productive and undermine dialogue and real change. A non-confrontational approach may be more productive at engaging a previously uninterested elite. The reformist element within government can also convince the rest of the political elite through diverse and convincing incentives, including purposive incentives and the prestige of being a part of the movement that eliminated corruption.

Conclusion

It is not immediately clear what the solution is to Iraq’s corruption problem. It is clear, however, that good governance initiatives developed by international organizations are not enough to combat corruption. These initiatives assume that the public officials responsible for monitoring and oversight are willing to hold corrupt officials accountable, but if officials view corruption as the expected behavior in society then it is unlikely that these initiatives will be effective. In order to properly combat corruption, international organizations need to widen their views on how Iraq can overcome the barriers to acting collectively fight

161 Chene, Marie and Ben Wheatland. *Barriers to Collective Action Against Corruption*, 5.
corruption. International organizations’ efforts need to adjust to incorporate initiatives that create cooperation among the political elite to prevent and fight corruption. The success of any anti-corruption initiative will depend on the willingness of the political elite to refrain from corrupt practices. Since anti-corruption initiatives require the involvement of the government, a lack of political will, will undermine the effectiveness of any anti-corruption approach.
Conclusion

This work has focused on understanding the extent of corruption in Iraq. It has demonstrated that the need to maintain political power has driven corruption throughout modern Iraqi history. Political regimes have been able to consolidate power by appropriating Iraq’s oil wealth to the detriment of state development. It also highlights the need to broaden the current understanding of corruption in Iraq in order to effectively resolve the problem. This work concludes at a critical moment in Iraqi history. The corrupt practices relied heavily upon by the Iraqi political elite are being directly challenged for the first time in history. Only time will tell if current efforts will result in meaningful change. In the meantime, this research can be used to understand why corruption has persisted overtime and how difficult it will be to overcome government corruption.

This study has mainly focused on the differences between corruption of the Ba’ath regime and the political elite post-Saddam. While it is clear that corruption has increased under the current political elite, it is important to note that these differences can be attributed to the different political systems of each governing regime. The authoritarian nature of the Ba’ath regime meant that it could prevent corrupt practices through fear and violence. Also, since power was concentrated in the hands of the Ba’ath party, they solely decided how state resources would be
distributed, whether it be for development projects or to create patronage networks. On the other hand, the new political arrangement in Iraq has led to the distribution of power among three major communities all vying for their fair share of state resources. The lack of a strong central authority has made it more difficult to address corrupt practices, like patronage and nepotism. These practices could also be overlooked because they are important to maintaining power for the major groups in the power sharing arrangement. This study of corruption in Iraq has pointed to a broader issue, which is determining what political system is appropriate for Iraq’s fragmented society. How can we create a strong central authority that meets the needs of Iraq’s entire society, whether Shia, Sunni, or Kurd, without one group marginalizing the others? This may be key to ending power struggles and the corrupt practices that are used to consolidate power. In light of the unprecedented Green Zone protests, a more efficient political system is vital for Iraq moving forward.

The research behind this thesis is limited by a few factors. First, there is very little prior research on the topic of corruption in Iraq. The lack of prior research meant that I could not build upon an existing theoretical framework, which required that I establish my own framework for understanding corruption in Iraq. Second, this research relies heavily on anecdotal data since corruption data is
limited. The lack of data limits the ability to gauge the impact of corruption and prove empirically that corruption has become worse post-Saddam. The secretive nature of corruption also restricts the ability to truly understand the extent of corruption. While we may know that corruption exists, we cannot be completely certain of its magnitude. It is difficult to obtain direct measures of corruption because individuals do not typically volunteer information on their illegal activities, since it can be costly to them. This is a problem that is common in most corruption research. These limitations should not discount this research as it has provided a general understanding of the extent of corruption in Iraq and offers a starting point for future research.

Given the lack of research on corruption in Iraq, this work can act as a stepping stone for future studies. This work has examined government corruption more broadly than it would have if more research were available on Iraq. Future research could be more specific and focus on the extent of corruption in Iraq’s most lucrative ministries, including the oil, healthcare, and defense ministries. Potential research can also examine the benefits that corruption can provide. The absence of a properly functioning state may make the corrupt practices discussed throughout this research a necessary part of providing benefits and security to society. Future research may also examine whether it is appropriate or realistic to
impose Western notions of corruption on Iraq given its distinct political institutions and traditions. While these patrimonial practices are considered corrupt from a Western perspective, Iraqi society may not consider these practices to be completely illegitimate. Since little attention has been given to this research topic, there is clearly a large scope for future studies.
Bibliography


