



# ***ANTI-CORRUPTION STRATEGIES IN POST- CONFLICT IRAQ***

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# *Conflict and Corruption*





# ***What is Corruption?***

***Corruption: abuse of public power  
for private benefit.***

Bribery gets the most attention, but corruption can also include nepotism, official theft, fraud, certain patron-client relationships or extortion.

Note: generally the definition of corruption does ***NOT*** include abuse of private power e.g. insider trading



# ***Symbiotic Relationship Between Corruption and the Insurgency***

- Insurgency is good for corruption
  - Justifies bypassing procedures
  - Increases urgency of getting things done regardless of the cost
  - Provides excuse for corruption related losses
- Corruption is good for the insurgency
  - Terrorist groups finance their operations, in part, with proceeds from corruption
  - Organizations and ratlines that handle smuggled or stolen goods provide routes and safe houses for terrorists, IED makings, etc.
  - Corruption undermines confidence in GOI



## ***Direct Impact of Corruption on Coalition Counterinsurgency Efforts***

- Corruption of CF personnel
- Corruption of ISF personnel
- Diversion of US Funds
- Undermines US public support of coalition efforts in Iraq



# Why is Iraq Corrupt?

## Policy Issues

There are some causes of corruption that are matters of policy that can - in theory - be changed.

	<b>Applicable to Iraq?</b>	<b>References</b>
Weak legal sanctions	Yes	
Weak free press	Yes – 1979 to 2003 No – 2004 to now	Brunetti et al 2003
Lack of political competition	Yes – 1979 to 2005 ? – 2006 to now	Persson and Tabellini 2004
Lack of market competition	Yes – SOE dominance	Ades and di Tella 1999, Djankov et al 2002
Large scale subsidies	Yes	
Perverse pay policies	Yes	
Dominant natural resource	Yes – Oil is 2/3 of GDP	Ades and di Tella 1999 & Leite et al 1999



# *Successful Anti-Corruption Campaigns*

- Successful campaigns are rare (Hong Kong 1974).
- Eradication of corruption is impossible.
- ***Multi-pronged attack is necessary.***
  - IO campaign to change culture of corruption.
  - Reduce economic incentives for corruption.
  - Improve governance. (***Improved governance by itself fails!***)
  - Increase investigation, prosecution, conviction and punishment of corrupt officials
  - Participate in international anti-corruption efforts



# *Anti-Corruption Initiatives*

	GoI 2008 Initiatives	USG 2009 Initiatives
Change culture of corruption	15	3, 9, 12, 13, 17, 18, 19, 24
Reduce economic incentives for corruption		
Improve governance	1, 2, 4, 6, 8, 17, 18	1, 4, 6, 7, 22
Increase likelihood of punishment	5, 7, 9, 10, 11, 12, 13, 14	2, 5, 8, 10, 11, 14, 15, 16, 20, 21, 23, 25
Sign international anti-corruption agreements	3, 16	

Neither GoI nor USG current anti-corruption initiatives explicitly seek to reduce the economic incentives.





## *Tactics of Anti-Corruption*

- In the long-term, corruption and the insurgency reinforce each other...
- But in the short-term, anti-corruption efforts can strengthen the insurgency.
- Strong temptation to buy short-term success with long-term failure.



# BACKUP SLIDES



## *Indirect Effects of Corruption on Iraq*

- Reduces economic growth
- Worsens distribution of income
- Increases government inefficiency
- Worsens international balance
- Reduces confidence of Iraqi people in own government
- Reduces foreign loans and grants



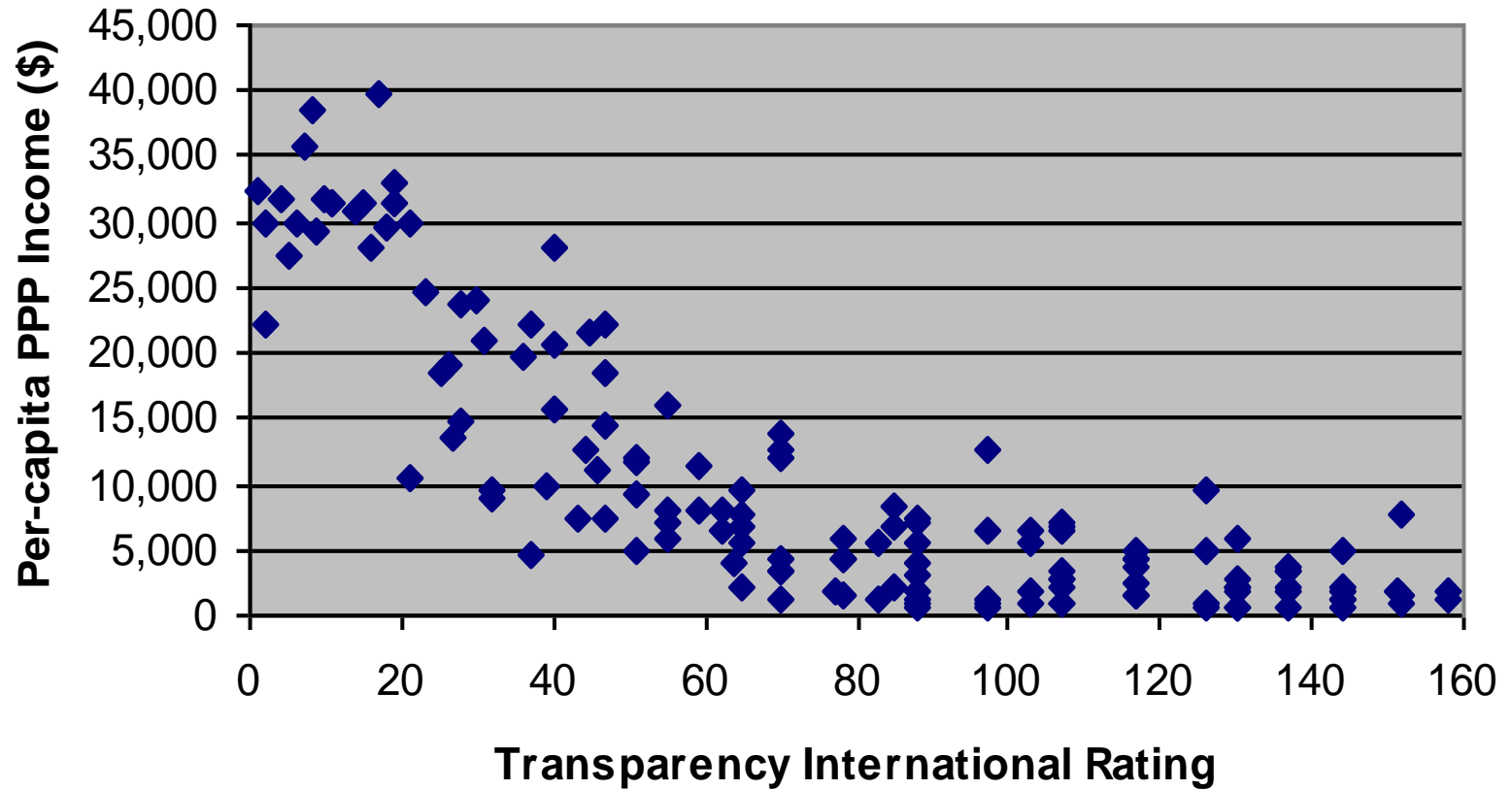
# *Why is Iraq Corrupt?*

## *Long-Term Factors*

There are demographic, historical or cultural causes of corruption that are either beyond capability of GoI to change or change very slowly.

	<b>Applicable to Iraq?</b>	<b>References</b>
Low levels of literacy	Yes although literacy high by ME standards	Glaeser et al 2004
Inhospitable climate	Yes	Acemoglu, Johnson and Robinson 2001
French or socialist legal system	Yes - Socialist	La Porta et al 1999 and Djankov et al 2002
Catholic or Muslim	Yes – 97% Muslim	Treisman 2000 and Landes 1998
Cousin marriage	Yes – 33% or more	Bobroff-Hajal 2006

## Relation of Perceived Corruption to Per-capita PPP Income





# Regulatory Hostility

Legend: Green – improvement Red – deterioration by more than 5 places	Iraq 2009 Rank (2007 Rank)	Middle East & North Africa
<b>EASE OF DOING BUSINESS</b>	<b>153 (141)</b>	<b>13 to 163</b>
1. Starting a business	<b>175 (164)</b>	13 to 177
2. Dealing w/ Licenses	<b>94 (104)</b>	14 to 157
3. Employing Workers	<b>59 (60)</b>	13 to 176
4. Registering property	<b>53 (40)</b>	1 to 160
5. Getting Credit	<b>167 (135)</b>	4 to 181
6. Protecting Investors	<b>119 (107)</b>	5 to 178
7. Paying Taxes	<b>53 (37)</b>	2 to 168
8. Trading Across Borders	<b>180 (175)</b>	5 to 180
9. Enforcing Contracts	<b>139 (150)</b>	35 to 176
10. Closing a Business	<b>183 (178)</b>	26 to 18