

All throughout 2020, Assafir Al-Arabi conducted a study on corruption as one of the pillars of power, just as important as repression, impoverishment, and despair.

For such an exercise, we chose Algeria and Iraq as case studies, and hope to extend our research to include other countries.

This work will appear in the Assafir Al-Arabi Books in three languages: Arabic, French, and English, and their online versions.

Corruption and Predation in Exercising Power

The Case of Algeria and Iraq

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Assafir Al-Arabi Books

N° 1

2020

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This project by Recoupelements / Assafir Al-Arabi was carried out with the support of The Ford Foundation.

CONTENTS

Corruption and Predation in Exercising Power The Case of Algeria and Iraq

09 **General Framework**

- 10 **Corruption and Predation in Exercising Power**
Nahla CHAHAL

17 **Chapter 1: Algeria**

- 19 **Corruption as a Configuration of Power in Algeria**
Daho DJERBAL
- 63 **The Case of Corruption in Algeria**
Rachid SIDI BOUMEDINE

99 **Chapter 2: Iraq**

- 101 **A System of Governance Perpetuating a Plundering Regime**
Muhsen AHMAD ALI
Abdulrahman AL-MASHADANI
With the participation of Omar AL-JAFFAL

This publication is also available in Arabic and French

General Framework

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Corruption and Predation in Exercising Power

Preamble

The following studies seek to examine corruption in Algeria and Iraq. They do not tackle its manifestation as bribes or looted public funds, but rather as a major governance mechanism, an essential part of its structure and operations.

Corruption is no self-treatable symptom; it cannot cure itself nor can its tailored arrangements; rather, it is channelled to empower a ruler(s), to sustain and perpetuate their power and hegemony. It could be more effective than oppression; takes on various shapes and forms; attacks society by taming it into submission, talks people out of pursuing change, and impoverishes them. Corruption infests everything and partners with many people to various extents. Alternately, it asks for their complicity, or their acceptance thereof, at the very least, to simplify their lives. It remunerates certain social strata in particular, which happen to be fused with the ruling powers, for matching ideological considerations at times, and tribal-sectarian affiliations at others.

Numerous studies tackle corruption as a question indicative of imprudent governance, lack of transparency, collapsed mechanisms of oversight and accountability, or faded rule of law. The question of corruption has been widely contextualised in theory and through international standards outlined by organisations like the World Bank, the International Monetary Fund, and Transparency International. Those focused on nepotism, theft, and lining influential people's pockets; they proposed measures to protect whistle blowers, enhanced access to information, made way for civil society, and instilled social accountability; all of which have contributed to the creation of an extensive useful database.

But to focus on those alone would be limiting, as they capture neither dynamics nor functions of corruption. Certainly, all such aspects of corruption must be interconnected somehow, given meaning and rendered a real "configuration". The studies presented here precisely seek to examine such hypothesis and identify the circumstances that make corruption flourish.

There is, of course, a direct relationship between rampant corruption and failed national liberation, or its defeat (for getting rid of older colonialism is no complete realisation of that end). Massive privatisations also accompanied such failure and opened up new doors for corruption.

Furthermore, real decision-making mechanisms may be seen hiding

behind decision-making formalities, whether in ministerial cabinets or parliamentary buildings. Interchangeably, it hides behind decrees. Namely, corrupt practices take legal cover.

In his paper on Algeria, "Corruption as a Configuration of Power," Daho Djerbal¹ argues that corruption is deemed institutionalised not only when widespread, but also when organised on the basis of socio-economic clientelist networks entrenched within the State apparatus, then disseminated into society through alternating intermediaries. It emerged fiercest, he says, when the State monopolised economy – in both capitalist and socialist paradigms.

Corruption is a configuration of economic rent which began as a system of economic and political regulation, whereby relations between State and its institutions, enterprises and their partners, civil society and its organisations, are all subject, by hook or crook, to rent-seeking logic instated to allocate all national resources (human, natural, financial, technical, and organisational), develop them, and distribute their generated revenues. Corruption thus became a "rite of passage" to accessing numerous public services.

As for decrees, Djerbal considers them as means for elected assemblies and democratically appointed authorities to avoid discussing major topics at hand. Those are tools invented to ensure wider reproduction of this system of new profits, to render the executive branch as sole party in charge of economic evaluation, and to arbitrage between conflicted interests for the sake of increasing revenues and systematise their redistribution. He also considers corruption and democracy as interlinked. As such, the emergence of "pragmatic practices" assumed by the authorities rely on a system of "remunerations, gift exchange, the fragmentation of spheres, places, and actors who determine what is legal and illegal, moral and immoral, legitimate and illegitimate..."

To illustrate his reflections, he gives a number of real-life examples from Algeria and analyses exposed "scandals", the logic behind their trials, and the verdicts reached against their protagonists.

In investigating corruption in Algeria, Rachid Sidi Boumedine² wonders

¹ Daho Djerbal is a historian. He teaches contemporary history at the University of Algiers. Besides his extensive research on economic and social history, he studies the relationship between history and memory. He has been the director of *Naqd* publication, a review of social studies and critique, since 1993.

² Rachid Sidi Boumedine is both scientist and sociologist. He published a number of books and articles throughout his career as academic and consultant in both Algeria and abroad.

about what could be defined as corruption. He notes that one culturally distinguishes between corruption and bribes, commonly called “tchippa” or “qahwa,” that is, money ordinary citizens pay to buy access to services (mundane, occasionally) or any other goods, though already granted by virtue of law.

One feature of a clientelist system is embodied in excessive authorised violations, starting from the highest ranks of the hierarchy, which simultaneously places the lower ranks at the mercy of executive circles, who could, in turn, punish the former for violation of the written law, if there need be.

Boumedine also notes how rentier networks function “internally”, like a clan (a family, village, affiliated community). As such, familiar arrangements of gift-exchange and mutual donations -characterised by their binding and impactful nature- create a favoured system of rights and obligations in society. Such principles consolidate a clientelist system by creating, nourishing, and sustaining reciprocal obligations among its members. He also claims that the system in Algeria has become neo-patrimonial.

This configuration of looting and corruption thus draws upon social acceptance for sustenance. As such, at least in part, it is not considered as theft carried out at the expense of the larger public.

Such ideological design –which legitimises looting, whereby the latter is an act directed against an anonymous, undefined, long-hated state after all– thus becomes a gateway to a new social paradigm. He illustrates the question through describing those recurring handouts to the “poor”, or housing opportunities delivered in accordance with ever-contested lists – fashioned along surreptitious criteria. These operations further plunge their beneficiaries into that recognised mire of a clearly unjust system. It is a system that benefits whoever knows their way around maintaining good relations with network agents, ensuring access to those lists.

In their cowritten article reviewed by writer Omar al-Jaffal,³ researchers Mohsin Ahmad Ali⁴ and Abdulrahman Al-Mashadani⁵ consider how the

³ Omar Al-Jaffal is a poet and writer. He recently worked on a project that analysed Basra’s local government in Iraq, as part of a “conflict resolution studies program” at the London School of Economics and Political Science (LSE). He received the Mostafa Hussein Prize for young journalists in 2017.

⁴ Muhsin Ahmad Ali is a professor of political economy at the University of Basra.

⁵ Abdulrahman Al-Mashadani is a Senior lecturer at Al Iraqiya University, specialised in international economic relations.

2003 US occupation of Iraq–which toppled the political regime, dismantled the foundations of the state, reformulating them in accordance with US visions and under the administration of the “American civil governor of Iraq”, Paul Bremer– resulted in the transformation of corruption from a manageable and resistible phenomenon into a system protected by laws and legislations. It was thus turned into a daily practice protected by force of weapons, media, platforms, and religious fatwas.

The writers see the destruction of the public sector in the monopolisation of secure jobs by the ruling power and its parties. Those jobs are thus used as a card to purchase voter power in parliamentary elections, whereby parties promise their supporters and clans jobs in return for their electoral vote. Subsequently, the number of government employees would reach 4.5 million, as opposed to 880 thousand employees in 2003. The two researchers claim that corruption developed and transformed into an “acceptable” social phenomenon after 2003, accompanied by a political shift towards a market economy led by political parties that landed with the occupier and/or emerged after 2003. Those parties have sectarian and racist agendas. Those parties ratified regulations and laws that furthered their interests, such as the “Jihad military service” – for people who had established organisations of armed resistance against Saddam Hussein’s regime and for “political prisoners”. As such, we do not stand before one type of corruption only (which manifests in bribery, among other illegal activity), but also before corruption protected by a legal framework that includes a larger range of different economic activities, subsequently rendering the country’s riches into material up for grabs to those in power and control, inside and outside Iraq. Between 2003 and 2018, financial crimes hit unprecedented records while financial waste surpassed \$350 billion. The two researchers also affirm a close connection between intensified and aggravated corruption and external factors that instigate and encourage it. Many cases of corruption are thus entwined with external objectives abroad. Their article tackles manifestations of corruption throughout Iraq and its sectors, as well as those tools used by the ruling power to perpetuate its rule and those it uses to appease society.

Overall, research on corruption faces various challenges, some of which are obstructive indeed. Those include lack of published data, prohibited access to documents, lack of documentation in the first place, mistrust in researchers, and the potential harm that threatens the latter should their research be published. Additionally, research faces challenges that pertain to researchers themselves, from sticking to one familiar methodology they are prone to reproduce, to the scarcity of institutions capable of embracing and supporting them, or lack thereof,

to competing over whatever little is available, all the way to declining intellectual standards and knowledge in general, and so on.

Ultimately, the endeavour we undertake here goes with an unexhausted obsession with searching and trying. It questions the way existing powers rule our countries. Along with the contributing researchers, Assafir Al-Arabi thus hopes to have tackled some of the aspects that could answer such a fundamental question.

Chapter
01

Algeria

Corruption as a Configuration of Power in Algeria

Daho DJERBAL

Daho Djerbal is a historian. He teaches contemporary history at the University of Algiers 2. Besides his extensive research on economic and social history, he studies the relationship between history and memory. He has been the director of *Naqal* publication, a review of social studies and critique, since 1993.

Translated from French by **Yasmine HAJ**

Pages 22 - 26

A few methodological preconditions regarding the link between corruption and political power.

Pages 27 - 32

Historical background of the emergence of corruption as a system of power. The case of Algeria in the years 1980-1990

Pages 33 - 35

Oligarchies as new forms of social regulation

Pages 36 - 45

The 2000s: hidden interests take hold of the State apparatus

Pages 46 - 57

On the executive branch stripping legislative and judiciary branches of their power

Pages 58 - 60

Conclusions



The alliance between the State-class and the oligarchy has been structured into a system opening the way to generalized corruption. This system is neither limited, then, to the existence of petroleum rent nor to that of a rentier State mainly living off oil taxes. Rather, it would eventually manifest as a draconian system of economic and political regulation and social exclusion.

1 A few methodological preconditions regarding the link between corruption and political power

Many authors concur that corruption knows neither political nor ideological bounds; it only varies in expression and conception within time and space. Still, what seems to be the issue here lies within the moment of becoming of a system of political power born from what may have appeared as a dysfunction or an occasional deviation from the economic and legal State apparatus.

Corruption is deemed institutionalised not only when widespread, but also when organised on the basis of a socio-economic clientelist networks entrenched within the State apparatus, disseminated into society through (more or less) clandestine intermediaries.

However, to raise such an issue would suppose, in theory as in practice, intertwining levels of analysis (economic, social, and political). As such, we must clarify why, in certain countries, particularly those that have put in place a state-monopoly economy, whether capitalist or socialist, such phenomenon of pervasive corruption could be perceived as an instrument of power.

In many countries that, for particular historical reasons, have opted for a state-monopoly economy, the nationalisation of ground and underground resources has given rise to the emergence of economic rent. In the particular case of Algeria, the 1960s nationalisations should have rendered petroleum sources into a means of financing the development of the national economy. With time, that which was nationalised as part of the spirit of the struggle for national liberation, for reclaiming sovereignty, and for the common good, transformed into privatised appropriation of national resources by the State.¹

As a result of the needs of the newly liberated society from colonial domination, the feebleness of this nascent State and its officials, along with the inherited inefficient infrastructure, the public offering of subsidised goods and services, such as housing, electricity, and water, faced relatively excessive demand and, consequently, shortage in the public offering within vital or essential domains.

¹ *The public domain, according to the 1989 Constitution, is imprescriptible, inalienable, and unattachable. Its collective usage by the general public submits, with a few exceptions, to the principles of liberty, equality, and free access. Its privative usage by the users, to the contrary, requires an administrative pre-authorization. The private domain of the State and of local communities is comprised of all moveable and immovable assets in their exclusive ownership and which do not fall under the public domain.*

Following the nationalisation of property, movable and immovable, having belonged to the colonial European minority that had left the country, these “vacant properties” were appended to the national domain. Articles 17 and 18 of the 1989 Constitution would turn them into State and local (departments and towns authorities) movable and immovable property, while private State property and private local government property would comprise “all assets, movable and immovable, in their exclusive ownership and non-classified as public domain”. It is here, in this legal sleight of hand, that public property transformed into private State and local government property.

It is here, in this legal sleight of hand, that public property transformed into private State and local government property. Having become a state-monopoly, this large immovable property would constitute the primary reserve and primary niche from which the nomenclatura and its clients scoop. the forms of production based on rent-seeking are characterised by the emergence and development of a “State-class” and an oligarchy that functions by social exclusion.

mises for residential purposes and their outbuildings, all buildings and land, have become State property, departmental property, or a town property, and were to be, as a rule, allocated to public utilities and administrative bodies. Having become a state-monopoly, this large immovable property would constitute the primary reserve and primary niche from which the nomenclatura and its clients scoop. However, the imbalance between the supply and demand of goods and services in this domain would bring about a phenomenon of economic rent and, subsequently, one of the first hotbeds of institutional corruption.

The state-controlled economy of issuing authorisations and permits would pave the way to rent-seeking activities that would especially affect strategic economic sectors, such as businesses, or the transportation of energy resources, international commerce, building trades, public procurement, housing, etc.

Furthermore, many specialised studies have shown that the forms of production based on rent-seeking are characterised by the emergence and development of a “State-class” and an oligarchy that functions by social exclusion. The emergence of an exclusive capital-holding elite and the underemployment of the working force constitute the first structural condition for a corrupt and predatory system. The majority of the population being in fact excluded from accessing economic surplus,

corruption develops by dissemination (top-down and bottom-up) into a strategy of rent access or protection.

The monopolising State centralises and redistributes the economic surplus and, at the same time, provides the administrative structure (departments, towns) and arms of State (State apparatuses) that open up access to rents. In absolute terms, two different forms of appropriation could emerge. When accessing surplus through the positions within the State and its apparatuses, the elite is defined as a State-class; and when in accessing surplus through economic power, the elite is defined as an oligarchy. In both cases, controlling the economic surplus takes place through controlling factors of production (capital, real-estate, and immovable property) on the one hand, and through labour on the other (cheap labour and access to employment). In theory, the existence of an oligarchy presumes protecting its riches by itself, without necessarily using the State. Still in theory, and contrary to State-classes, oligarchies are more exclusive and independent of systemic clientelist inclusion of the subaltern class. And yet, for their own reproduction as a dominating class, oligarchies are to count on the political stability of the incumbent government. As such, the State-class needs, as does the oligarchy, social stability in order to reproduce their system of hegemony built on illegal rent-seeking. It is around this issue that the alliance between the State-class and the oligarchy will be formed.

The elite is defined as a State-class; and when in accessing surplus through economic power, the elite is defined as an oligarchy. the State-class needs, as does the oligarchy, social stability in order to reproduce their system of hegemony built on illegal rent-seeking. It is around this issue that the alliance between the State-class and the oligarchy will be formed.

The consequences of such a reality would surpass the pure economic sphere in order to integrate the political as an instrument of power and control over the established economic and social order. For some southern countries, and particularly for Algeria, this alliance between the State-class and the oligarchies has manifested as a veritable system, paving the way for widespread corruption. This is no longer limited to the existence of petroleum rent, nor to a rentier State that mainly lives off oil taxes. Rather, it would end up emerging as a draconian system of political and economic and social exclusion.

In fact, relations between the State and its institutions, companies and their partners, and civil society and its organisations are all subject

to, by hook or crook, to the logic of rentier regulation in the allocation of all of national resources (human, natural, financial, technical, and organisational), as well as in their development and distribution of generated revenues.

In general, the issue at hand is that of supply and demand of a corruption facilitated by holding positions and power, often discretionary, which also profits from the inefficiency of the monitoring system and accountability. It even appears, in certain cases, that corruption becomes a rite of passage – a quasi-social norm – for accessing many public services. Corruption is likely to affect public policy objectives, particularly in terms of health, the struggle against poverty, real-estate and housing, human resource management, and oversight of the elite.

It is, after all, one of the aspects that stands out in various studies by specialists in political economy. One may note therein the three-way interplay between corruption, monopoly rent and the creation of clientelist networks. In former socialist countries as well as in post-colonial societies, what we could call “the transition” of one regime into another (of a state-monopoly into a neoliberal system of economic and social deregulation) is accompanied by a collapse of the state, giving rise to an economic and political crisis whereby boundaries between the public and private, civil and military, national and international, individual and community cannot be easily traced.

Here, it should be noted once more that economic rent favours social closure.² The latter shows the manner in which material resources can be transformed into symbolic resources (prestige, for instance), for political and social loyalty must be bred in order to enable seizure of those rents.

As accessing rents is also based on symbolic categories and social distinction, with social closure, rents are rendered into symbolic resources associated with group membership. This depends on the particularities of class alliances. Under the hegemony of rent, class antagonism (between capital and labour) is often mixed with clientelism and patronage.

In fact, clientelism is a reciprocal confirmation of moral ties between the elite and the subaltern classes, considered critical factors for social stability. Simultaneously, clientelism is a survival strategy that the subaltern class employs in the absence of other opportunities or

² The notion of social closure refers to the process of outsider marginalisation, exclusion, non-membership, isolation, and alienation, and, in the end, the construction of “we-groups” or intra-groups (Elwert and Wimmer).

prohibition thereof by the more powerful.

Within this context, only changes to the surplus structure could challenge the maintained social fabric and established order. In a state of change or economic crisis, probable exacerbation of the conflict is to be expected. At the subaltern level, drops in revenues and a protracted precarity render survival strategies as even more pressing. At the level of the elite, the struggle for accessing economic rent intensifies by maintaining the social role of the elite (of the State class) and by cumulative exclusion of the subaltern classes.

In both tendencies, the ambivalence of the question of rent stands out. While its presence should, in theory, stabilise social structures, in times of crisis,³ changes within the hegemonic position in the economy, and, subsequently, within the surplus structure, lead the parties involved to redefine their objectives and renegotiate their leeway vis-à-vis their rivals. The economic transformations therefore affect the trading conditions amidst the State-class itself as well as between itself and the subaltern class. In the wake of such a situation, the struggle for rent intensifies on all levels and challenges all established forms of its appropriation.

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Ultimately, these two tendencies boost the employment of corruption for the sake of maintaining or challenging modes of rent appropriation.

We thus enter into a historical phase of transforming the ruling class or transforming the political regime without transforming the system itself.

³ Generally provoked by external factors, such as sharp drops in the prices of raw material in stock markets.

2 Historical background of the emergence of corruption as a system of power. The case of Algeria in the years 1980-1990

Having evoked the theoretical and methodological elements that underlie the phenomenon of corruption, we must now show how, in a short historical term, corruption was able to materialise as an instrument of power.

The turning point of the years 1980-1990 and the tipping into the sphere of widespread commodity exchange

With the four-year plans and throughout the entire period of 1970-1980, one may witness within Algerian society a massive revitalisation of the professional world. As for the labour sector, a new population replaced the old one (inherited from the 1960s), but its social weight was rather characterised by fast growth than by self-awareness. The heritage of the older sector (worker culture, the politicisation and struggle against exploitation and foreign control) was not passed down to the new generation. The young “urbanised” workers are thus much more accommodating of the new model of Western urban consumerism. At large, to them, work represents neither a passed-down culture nor a way to receive salaries.

In fact, the modes of social development increasingly elude the sphere of production (and labour), getting closer and closer vis-à-vis state-controlled spheres or political decision-making units (status rent or differential rent). The perceived salary is less based on production itself than on the redistribution of one part of the state-controlled petroleum rent. Salary thus becomes a reward rather than the price paid for a work well done.

Deindustrialisation, denationalisation, and ideological disinvestment

First of all, it is of extreme importance to understand the upheavals prompted by the reversal of the economic tendency within petroleum markets that took place throughout 1985-1986. The State financial reserves have been exhausted, thereby affecting the entire country. Furthermore, the banks lacked the funds needed to ensure replicating even the simplest conditions for national production. Industrial facilities

could no longer be renewed, public and private companies slowed down their activity and their profitable investments dropped. Cuts in manpower within local and regional companies, followed by those within national companies would hit not only waged employment but also profitable, but not sufficiently rentable, trades.

The social situation became explosive, starting with the rise in worker protests.⁴ However, by October 1988 and the years that followed, we witness the end of the social movement more or less connected to the labour force. Defeated by the alliance between State powers and international financial institutions (the World Bank, the IMF), the social movement subsequently surpasses factory frameworks and the capital-work relations, taking hold of the streets.

The extremely serious social and political crisis that Algeria lived through in the late 1980s pushed the country, for the duration of one decade, into a virtual civil war with the creation of underground armed Islamist groups. A counter-State thus took shape and threatened the established order throughout villages and the countryside.

Despite all that, the process of privatisation and commercialisation of the economy, initiated in the middle of the 1980s, continued relentlessly and became widespread. Between 1992 and 1997, around 200,000 people lost their jobs in the public sector.⁵ In 1988, the government put more than 200 public companies up for sale within the housing sector, services sector, electronics sector, and construction materials sector with a loss estimated at 180,000 jobs.

Underground economy, new actors, new practices

With the demographic factors (the post-independence baby-boom), a second major phenomenon came to characterise Algeria in the years 1980-1990. Since the mid 1980s, under the cover of structural changes carried out by donor financial institutions, areas of enrichment appeared within what is generally called “underground economy”. A small number of private operators affiliated with the barons of the State-class in-the-making begin to spin the fabric of large-scale product distribution acquired from European markets first, then from the Gulf states, and even from as far as South Asia and the Far East. Such a phenomenon

⁴ According to certain estimations, work stoppages in the years 1988 and 1989 reached an unprecedented number (see Saïd Chikhi's work on the social movement).

⁵ For the most part, these jobs were held by fathers, heads of households.

was perceived and studied at the time by Pierre Bergel and Brahim Benlakhlef, who highlighted the following:

Determined in 1991, the end of the Algerian state monopoly on external trade ended up promoting private import. Their activity, which emerged during the civil war of the 1990s, began to develop in the 2000s. These either descended from trader families or were self-made men; they knew how to grab those opportunities that the reinstated peace as well as the increased consumer solvency provided. They got rich in less than ten years, sometimes accumulating real fortunes. Besides major cities, where their activity is less present, the latter enjoyed a special kind of visibility in the smaller towns, particularly those that put up a specialised commercial supply.

In the North-East of Algeria, we have chosen the cities of Aïn Fakroum, el Eulma, Aïn M'lila, and Tadjenanet. These four cities (fig. 1) share an experience of meaningful demographic and commercial growth in the past two decades. With its transformed scope, such commercial prosperity also transformed in nature. Importers specialised in the provision of certain types of merchandise, and they travelled regularly to the Arabo-Persian Gulf countries, the Middle East, or Asia to stock up on their supplies. As such, these small towns, barely urbanised, became fast connected to the global economy.⁶

The liberalisation of trade, starting with the 1980s and especially the 1990s, had several effects, such as the proliferation of small importers, many of whom had a background in “trabendo” (underground economy, smuggling goods), so much so that towards the end of 1995, 702 private operators joined 158 public firms of import with commodities worth \$3.9 billion. Later, in 1997, 24,000 private operators became involved in foreign trade.⁷

Following the spread of such commodity economy, new circuits of capital and basic or luxury products circulation extended into cross-border as well as cross-regional spaces. Trafficking routes began to appear in certain *wilayas* from within “the East, West, and South Sahara as well), where they mushroomed from towns that have literally come out

⁶ Pierre Bergel and Brahim Benlakhlef, *The Nouveaux Riches of Algerian Imports: agents of social and urban transformation? (AïnFakroun, AïnM'lila, El Eulma, Tadjenanet)*. *Urban Research Review*: 108, October 2013. <https://journals.openedition.org/mediterranee/5337?lang=fr&gathStatIcon=true#quotation> [in French].

⁷ Bradford L. Dillman, *State and Private Sector in Algeria: the Politics of Rent-seeking and Failed Development*. Westview Press: March 2000. <https://www.amazon.fr/State-Private-Sector-Algeria-Rent-seeking/dp/0813337577>

of nowhere, growing with underground economy, illegal money transfer business, and smuggling networks in all possible and imaginable shapes and forms. New airlines operated by Gulf companies began to gain ground in passenger and merchandise transportation (sometimes under the cover of *Hajj* or *Umrah*). Saudi, Emirati, and Qatari private banks came to financially support such transnational trade as well as invest in real-estate (through transferring and exchanging large sums of undeclared profits in housing estates and other luxury spaces in the luxury-hotel industry).

Academic research emphasised the process of regionalisation through economic exchanges. As such, Armelle Choplin and Lila Vignal note the following:

[...] those new economic influxes [that] are akin to forms of regional integration, and which are not necessarily the result of politics led by institutional actors, but rather the result of concrete practices of social actors, such as property developers, independent entrepreneurs or multinational firms. [...] commercial transnational routes, like those open between Algeria, Dubai, and China, paved by traders that instigate “discrete globalisation” [Pliez, Belguidoum, 2012] or even more so those that build new exchange networks between Turkey, Syria, Jordan, and Iraq [Roussel, 2014]; and finally, they are the result of allocated aid for Arab development, that double-edged tool, vital for Arab countries development just as it is significant in terms of its political influence, as is the case of the United Arab Emirates, for example [Al-Mezaini, 2011]. Henceforth, one may estimate that the DFI [Direct Foreign Investment] of Gulf countries is gradually replacing development aid, acting as a tool for economic diplomacy as well as for the regional rapprochement between ruling elites.⁸

In parallel with the emergence of a fluctuating and indifferent mass base, appears a category of merchant-entrepreneurs, small or big, unrecognised yet as fully-fledged social actors, “relegated to the infamy of illicit gains”, all the while waiting for a political representation of their own that would facilitate their integration into an “administered” society, which, in turn, is evolving towards a larger form of commercialisation and liberalisation.

It is thus clear that thanks to denationalisation and the accelerated privatisation of foreign trade, such spread of national, regional, and

⁸ Armelle Choplin, Lila Vignal, *Arab Investments from the Gulf to the Maghreb and to the Middle East, Vehicles for Regional Integration?*

international networks of circulation of capital and merchandise could not have developed without the cover and protection of those at the upper ranks of State, who, in turn, receive their share under the guise of shell companies of trade or transportation.

At the same time, misery spreads all throughout the country. New fortunes arise and an increasingly growing population lives off those activities developed for the informal sector.

The emergence of small trades, sometimes in similar setups as microenterprises, evaded many a time all regulations or tax audits, while depending still on clandestine networks embedded within State apparatuses.

Now, as Hartmut Elsenhans⁹ has shown, in cases of marginality, the overabundance of workforce found at an average level of qualification excludes individual workers from getting a job [...].

Such workers could, however, offer their intangible services, such as political support, veneration, and so on, to interested parties. An attitude as such would be appreciated by those who control the surplus, as their capacity to exercise control over society relies on a hierarchical structure independent of the market, usually called Politics.

Rivalry within such structures is not limited to material resources, for political influence is equally capable of enabling the drainage any additional resources.

Wealth and power are interdependent. A local “seignior” will prefer workforce that grows his prestige or political means to a labour force less devoted to his cause. The former becomes “interesting” for other local “seigniors” due to his control over intangible resources; that is, a partner suitable for coalitions, which renders senior levels of the same hierarchical structures accessible to him. [...]

At the top of social hierarchy, respecting these connections by accepting bigger revenues – in exchange for the work done – than required for its simple biological reproduction not only guards off any possible shortage of workforce, but also reinforces political stability through a slight reduction of available surplus

⁹ Hartmut Elsenhans, “Economy of Rent and Rent-Seeking Culture”, *NAQD 36: March-April 2018* [in French].

for conspicuous consumption. Therefore, the two components of a system characterised by marginality would choose, on a microeconomic and microsocial level, strategies that feed into the stability of such a system.¹⁰

Thus, in parallel with the emergence of a fluctuating and indifferent mass base, appears a category of merchant-entrepreneurs, small or big, unrecognised yet as fully-fledged social actors, “relegated to the infamy of illicit gains”, all the while waiting for a political representation of their own that would facilitate their integration into an “administered” society, which, in turn, is evolving towards a larger form of commercialisation and liberalisation.

For some time, spheres of commodity exchange along with informal spheres absorbed the relative overpopulation created by structural adjustment. It then became the axis around which youth vacillated as a mass base for Islamic socialism.

¹⁰ See below, p. 13 and after, and also the section devoted to clientelism and local strategies of the adaptation of society's lower classes in Rachid Sidi Boumedine's article in this same chapter on corruption in Algeria.

3 Oligarchies as new forms of social regulation

The formation of oligarchies through the transfer and conversion of state-controlled rent

In the abovementioned, we discussed the emergence and development of off-grid and informal spheres. This phenomenon, which was studied by economists, is kicked off by the reversal of the economic situation of the 1980s. The crisis of foreign revenues results in a deficit in foreign exchange earnings, wherefore the reduction of imports, local currency devaluation, and the exclusion of the poorest social groups from accessing housing and imported products, among which are essential goods. As such, these groups could but seek supplementary revenues through parallel or informal activities.

However, while waiting for this movement to be carried out by the margins, other groups would establish parallel circuits of manufacture, import, and distribution of products suffering short supply. Benefiting from market liberalisation and the de-monopolisation of foreign trade were interest groups, whose connections with central power and the upper ranks of the military cannot be ruled out, who created virtual monopolies within very lucrative fields (medication, the food industry, electronics, currency exchange business, real estate development, etc.), accruing enormous fortunes as a result.

A number of patrons and cadres quit their posts in the army, administration, and public firms in order to join the private business sector. Such was the case of VORTIC, who hired the commercial director of the National Public Company of Manufacturing and Installation of Electrical and Electronic Facilities (SONELEC) and of SONACAT. That same year, ASTEIN (a large computer manufacturing and service company) partnered with the director of ENERI (a national enterprise for designing and building energy infrastructures); together, they launched the Maghreb IT Company for the production of more than 10,000 computers per year. The company purchased significant areas of land in the industrial zone of Rouiba-Reghia upon which it would establish its workshops. Likewise, some public enterprises cadres managed to create their “own” businesses. Personal connections they maintained with the cadres who kept their position in the public sector or in the military helped them resolve the many issues they had to face such as receiving funds and subsidies, provision of land (industrial real estate), facilities, and of civil engineering, development of plans, and

other services that require significant resources or are subject to state authorisation.

The most revealing example is that of Group PROFILOR, run by Issad Rebrab. Having been manager of the public steel company SIDER, and director of the National Company of Industrial Gas, Rebrab forms his own group through stock acquisition of four metallurgical and metal companies (PROFILOR, SACM, METALSIDER, and SOCOMED). Having taken over the niche market of metallurgical production and positioning himself within the domain of Building and Public Works, the group run by the manufacturer embarks on the food industry. He has thus ensured, since the late 1990s, a virtual monopoly of producing and marketing refined oils and fat. He had planned to materialise, in the following five years, and in accordance with Unilever, fifteen industrial projects. He also intended to construct a port through which he would export his products as well as acquire maritime transport units (a fleet of ten ships with a capacity of 5,000 to 60,000 tonnes). It is worth noting here that Rebrab directly controlled one of the major newspapers of the country, *Liberté*.

Such fortunes could not have been accrued, in the shadow of various insurgent fluctuating mass uprisings, but for the movement and transfer of massive sums of public funds. Thus, in 1989, 4 billion Algerian dinars were allocated in foreign currency for the import of industrial raw materials, 1.8 billion in capital goods, and 1 billion in construction material.¹¹

Ties to foreign capital

From 1988, the Foreign Bank of Algeria and the Algerian Popular Credit financed companies in the production of electronic gear and radiators, brickyards, housing, and so on, with several hundreds of millions of Algerian dinars. Most of these companies were subsequently solicited as subcontractors of public enterprises. As such, while ensuring the former access to public funds, the State and its public institutions were rendered the principal market for those companies. It is nonetheless important to note that in the mid 1990s (namely, at the height of terrorist tumult), partnership deals were signed with companies in possession of mixed capital, a joint venture between these private businesses and foreign companies.

¹¹ Numbers quoted here are in Algerian dinars.

In 1993, Coca-Cola begins selling its products under the cover of the New Algerian Cannery – (NCA) Fruitai, created by the Othmani Group.¹² It prepares for more than \$70 million worth of bottling equipment, then, later, two new units worth \$50 million. In 1997, its rival, Pepsi-Cola, signs a \$50 million contract with Djilali Mehri (billionaire of Oued Souf and a Hamas-Movement-of-Society-for-Peace party candidate for the 1997 parliamentary elections) to bottle its product.¹³

The combination of such phenomenon of transfer and conversion of state-controlled rent, coupled by ties to foreign capital, announces a new-born society built on new social actors that seized the State apparatuses or from which it stripped away a number of its prerogatives.

The same phenomenon takes shape in all divisions of oil-related activity, engineering companies, and the pharmaceutical industry. In the latter, in 1992, the Algerian Pharmaceutical Laboratory run by Mustapha Aït Adjejou controlled alone 21.5% of the market of medical products import (\$550 million). In 1995, it sold, through 200 retailers, 300-million-French-francs worth of imported products. Similarly, in 1997, Biopharm invests with Rhône Poulenc 300 million French francs in order to cover 30% of the demand for medicine.

The combination of such phenomenon of transfer and conversion of state-controlled rent, coupled by ties to foreign capital, announces a new-born society built on new social actors that seized the State apparatuses or from which it stripped away a number of its prerogatives. As such, these new actors try to lean on, or use, their political parties for the protection of their own major interests.

¹² Born March 3rd, 1957 in Tunis, Slim Othmani is the Chairman of the Board of NCA-Rouiba, specialised in the domain of juices and fruit drinks. A computer engineer, specialised in networks, he finished his graduate studies at the Faculty of Sciences of Tunis and the Mediterranean School of Business of Tunis. He has Algerian, Tunisian, and Canadian citizenship. Before returning to settle in Algeria in 1991, he invests in a Canadian start-up, Alis Technologies in Montreal, where he served as regional sales director to North Africa. He then served as chief operating officer in the Fruitai-Coca-Cola company. In 1999, he joins NCA-Rouiba, a firm founded by his father and grandfather, specialised in juices and fruit drinks. There, he serves as a director general until 2010, then as chairperson. In 2003, he founds the Circle of Firm-Related Action and Reflection (CARE), which he has presided since 2012. He was the founder and president of the Association of Algerian Beverage Producers (APAB), as well as the founder and president of Injaz El Djazaïr, an association devoted to promoting entrepreneurship in Algeria. He is also a founding member of the Algerian Institute of Governance, Hawkama El Djazaïr and a founding member of the Maghreb Economic Forum (MEF) based in Tunisia. Source: https://fr.wikipedia.org/wiki/Slim_Othmani [in French].

¹³ See https://fr.wikipedia.org/wiki/Djilali_Mehri [in French], also https://en.wikipedia.org/wiki/Djilali_Mehri [in English].

4 The 2000s: hidden interests take hold of the State apparatus

Thus, silent struggles broke out in order to maintain exclusivity over a line of production or rent exploitation, all while establishing clientelist networks, extending into society and even into the State apparatuses. In order to control one line of rent creation and transfer, each network of clients would have every interest to place one of its own within these decision-making hubs, whereby laws are legislated, permits issued, rights given, or even where oversight is carried out or sanctions imposed. Hence, *modi vivendi* among networks would inevitably develop, whereby fragile alliances are built in order to appropriate various niche markets or to protect their shared positions.

As such, politics of denationalisation and deregulation would multiply, and, above all, privatise state-monopolies while facilitating, through transferring and converting public funds, the formation of new predatory oligarchies.

We therefore find ourselves in a situation whereby proximity to spheres of decision-making, the State predominance over the production and distribution of goods and services, would create real revenues, a virtually unlimited source of wealth. Hence the systematic attempts to “seize the State”. As such, politics of denationalisation and deregulation would multiply, and, above all, privatise state-monopolies while facilitating, through transferring and converting public funds, the formation of new predatory oligarchies.

Curtailing the force of law through misinterpretations, successive decrees and other orders, alongside widespread fiscal and legal dodging, facilitated by mechanisms of exception, enabled the country’s newly wealthy to maintain or increase their profits. Surely, then, they would have no interest in demanding the bolstering of institutions or the establishment of a rule of law.

As such, some strategic sectors would be clearly in demand, sought after for enabling a primitive accumulation of capital at a virtually unprecedented and unmatched rate throughout history. These new actors would evolve in a world free of legal, not to say moral, restrictions. Such was the case of Russian oligarchies in the petroleum sector. Such was also the case of the oligarchies that emerged in Algeria during the civil war that the country virtually lived through in the 1990s.

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The Khalifa Affair

In what has been commonly called the Khalifa Affair¹⁴ in 1990s and early 2000s Algeria, the scandal was not the aftermath of previous embezzlement headed towards money-laundering, but rather the very last episode of corruption rendered-a-configuration-of-governance. Articles published in the national press may give an idea of the economic and financial weight of this new business class. An example, as we shall see in the following, is Group Khalifa, which owned the first private bank in the country in terms of significant branch and subsidiary networks, and owned a laboratory specialised in medicine manufacturing (KRG Pharma); as well as the second largest airline company in the country following Air Algérie and controlling almost 40% of airline traffic. It intended to build a private airport worth \$400 million and to acquire over the period of three years Airbus aircrafts and ATR 72-500 worth \$3.4 billion. The “golden boy”, in mass-purchasing the decision which, in violation of prudential regulations, enabled the deposit of Khalifa Bank’s institutional savings for the sake of financing, semi-exclusively, the incredibly rapid expansion of his own group, has not only offered gifts to big depositors (officials in public institutions in this case), but also bought a political cover that enabled him to privately use these funds.

It is important to dwell on this affair as emblematic of those which followed all throughout the 2000s, and all the way until the fall of Abdelaziz Bouteflika, former president of Algeria, in 2019.

Journalist Yasmine Saïd published in March 2013 a long article that retraced the dazzling rise of this businessman. In the early 2000s,

“Rafik Khalifa set up a private bank under Algerian law. Less than a year later, the Algerian airline market opens up to private companies. The

¹⁴ A prominent family whose Laroussi Khalifa, one of its members, became Minister of Industrialisation and Energy within the 1962-1963 Algerian government, then ambassador to the United Kingdom from 1964 till 1965. From 1965 till 1967, he serves as President and CEO of Air Algérie.

pharmacist launches Khalifa Airways in competition with Air Algérie.¹⁵ By the end of 2001, the company would own 30 aircrafts¹⁶ and transport 800,000 passengers. This new company also opened an aviation school. In Algeria, Rafik created Khalifa Location (KRC), a car rental agency.¹⁷ Group Khalifa also becomes very involved in the world of sports. Thanks to his bank, Rafik Khalifa could propose partnerships with local football clubs and sponsor the Marseille Olympics. In 2002, the young entrepreneur launches a private television channel broadcasting from Paris – Khalifa TV. To operate it, he shamelessly debauches journalists and national media [...] To launch his channel, he organises a huge party in a luxurious villa in Cannes, where he invites international showbiz stars. More excessive parties ensued, sometimes by paying celebrities in order to ensure their presence. Rafik Khalifa thus became a golden boy to whom the government turned to mediate introductions with foreign governments.”¹⁸

Among the public funds that facilitated Group Khalifa’s access to capital and liquidity in order to finance his business, besides the loans received from state-controlled banks, one could also mention the social security funds and Mutual Funds of the Police, of the General Union of Algerian Workers (UGTA), the Algerian Agency for Housing Development (AADL), the Office of Real Estate Development and Management (OPGI), also of the National Social Insurance Fund (CNAS), the National Social Security Fund of the Self-Employed (CASNOS), and of the National Retirement Fund (CNR). In short, public funds and deposits that drew on the revenues of salaried workers, civil servants, and retailers.

Such organised theft did not stop, however, at the widespread corruption of state officials and public institutions.

In November 2002, Khalifa Bank reveals a deficit of 3.27 billion dinars. A clear sign of bankruptcy.

“The different investigations and audits carried out during the trial revealed a real rooted mafioso system which cost public companies and national institutions a loss of 200 billion dinars [...] When creating his

¹⁵ Until then, it maintained monopoly over commercial aviation. [researcher’s note].

¹⁶ Most of which are brand new ATRs and Airbus planes, which begs the question around funding loans, assurances and guarantees obtained from the Algerian state and the French state. [researcher’s note].

¹⁷ One of the many subsidiaries of Group Khalifa. See <https://algeria-watch.org/?p=59031> [in French]. [researcher’s note].

¹⁸ Yasmine Saïd: <https://algeria-watch.org/?p=11338> [in French].

bank, Rafik Khalifa sent his emissaries to dance around public companies in order to convince them to deposit their money with Khalifa Bank. His promise was an 8 to 15% interest rate in return for the deposited sums, when other banks would only offer 3 to 10%.¹⁹ In exchange for their agreement, the senior executives of public institutions received nice gifts, such as free flights with Khalifa Airlines or passes to access Sidi Fredj’s thalassotherapy complex.²⁰ The famous aviation academy of the airline company took but the children of all those officials who signed partnership deals with Group Khalifa. Similarly, several officials could benefit from loans, readily available in cash, which they never repaid in full. Bank Khalifa’s accounts were systematically manipulated so as never to stir any doubts [...]”

During trial in court,

“Prison sentences from 2 to 5 years were issued as punishment for the different intermediaries and public institutions officials who had invested in Khalifa. The Minister of Finance at the time [...] the president of the UGTA [...] and the MSP party leader²¹ [...] were all brought in as witnesses, though, without disturbing them. They should not have been disturbed in the first place even this once.”

Other large-scale scandals of corruption and theft were main daily news throughout the 2000s and 2010s, all brought into light of day through trials that accompanied and followed the fall of President A. Bouteflika.²²

According to Algerian media, Algerian security services and justice system are currently investigating more than 50 scandals of corruption implicating previous ministers and State officials. Such a number exceeds the capacities of the Algerian system of justice, with its limited workforce of judges and special investigators (*El Khabar*). According to the same newspaper, “confirmed or suspected affairs of corruption linked to a large number of sectors exceeds the Algerian judiciary’s capabilities as a result of the large number of cases under investigation, as the general prosecution is under the duty of investigating all affairs of

¹⁹ It is worth mentioning here the absence of oversight and sanctions imposed by the governmental financial authorities for these financial law infringements and violation of rules that govern the sector. [researcher’s note].

²⁰ As well as unlimited credit cards guaranteed by Khalifa Bank. [researcher’s note].

²¹ The Movement of Society for Peace (MSP or Hamas, in Arabic; *Harakat Moudjtamaa As-Silm*). [researcher’s note].

²² These are the BRC affairs, Snonatrach 1, 2, and 3, Autoroutes Est-Ouest, among others.

corruption which came to transpire”.

The Oulmi Affair

Among the most recent affairs to date, we shall take up the one whose colossal dimensions and whose assets at stake shocked public opinion.

In an article published in *Le Soir d'Algérie*,²³ journalist Abla Cherif details the major scandal of Mourad Oulmi's Affair.

“The evidence collected within the framework of investigations leading to his indictment do not seem to truly surprise the authors of this research. Mourad Oulmi figured as one of the untouchables. For a long time, he knew how to dodge the nets of justice thanks to a great deal of clout he enjoyed within the country as well as within some foreign state officials' circles [...] A representative of four prestigious²⁴ automobile brands [...] his travels would have seemed normal, even necessary, had they not hit a record number that even the investigators had a hard time explaining. We are thus left to judge for ourselves: 157 trips taken between February 2017 and March 2019. Added to those are 18 entries and exits from and into the national territory effected aboard a private jet rented for 600,000 Algerian dinars an hour. His most frequent travels took place in France, his family's official place of residence and, naturally, his, as he also has French citizenship.

[...] Serious suspicions hover around him but also around his brothers and associates [...] Sources close to the file [under investigation] confirm that the pursued investigation has been updated with the existence of civil real-estate companies based in France, a country in which he has also been found as owner of a number of unbelievable real-estate properties: five houses in Neuilly-sur-Seine, luxury buildings in Saint-Tropez, another one in Paris, as well as a house located in Seine-Saint-Denis. The declared number of sums wired for the purchase of these assets amounts up to 24 million euros... Well before being targeted by the investigation, Mourad Oulmi had attracted attention in buying in 2006 the luxury house of Nicolas Sarkozy in Neuilly-sur-Seine for a price of 1,993 million euros. [...] The investigation targeting his brother Kheider reveals, too, unbelievable evidence. A junior partner in the Skoda Automobile Assembly Plant ran by Mourad Oulmi, he turns out

²³ *Le Soir d'Algérie*, May 2nd, 2020.

²⁴ SOVAC ALGERIE SPA has been the official sales representative of Volkswagen in Algeria since 1999, as well as the brands Audi, Seat, and Skoda. [researcher's note].

to be the owner of three luxury houses in France: two in Monaco and one by the Côte-d'Azur. The wired amount for the acquisition of these assets surpasses 2.5 million euros. In 2014, he proceeds to buy a fourth house, this time in Paris, for a sum of 1,270 million euros [...]

The multitude of his foreign assets is considered by the Algerian system of justice as the fruit of money-laundering and illegal money transfer carried out from within the national territory. A second element raised the suspicions of many Algerian institutions between 2010 and 2019. Irregularities were detected in the different banks where Mourad Oulmi multiplied loans, under the pretext of his activity in the automobile industry. These debts accumulated and reached an amount of 46 billion Algerian dinars. In 2013, he attempts to get a new loan from the Popular Algerian Credit (CPA). Implacable, the director at the time refused. Three years later, the situation changed. The CPA had a new general director who granted permission for the requested loans. It is said that he is such friends with Oulmi to the point where he accepts to intercede with BADR (the Algerian Bank for Rural Development) on his behalf to help him obtain his needed loans.

Corrupt public officials and members of government, unjustified advantages enjoyed in public procurement, stolen goods and other acts of corruption unravel the failure of all financial and political oversight bodies. The disintegration of the financial and banking systems walked hand in hand with the intervention of upper ranks of military and government towards the collapse of the State.

Between 2014 and 2016, the amount of these loans reached 12 billion dinars.

Well-informed sources indicate that Mourad Oulmi favoured, however, working with private banks as part of the activities of SOVAC. Such a practice was aimed at obtaining loans in a faster and easier manner than that provided by state-owned banks. One wonders today about the destination the obtained loans were headed for. [...] Business was his only tie to the country, his family being established in France, as well as his real-estate property. What else might we need to understand what happened? [...]

Oulmi possessed a well-filled address book which enabled his quick introduction into circles of Algerian leaders. His automobile assembly project is tainted with irregularities, yet he is accepted by the competent

institutions with disconcerting ease. Notable advantages are thus granted to him. He thus managed to purchase an enormous land in Relizane upon which to build a factory whose value is set to 58 billion Algerian dinars. Mourad Oulmi wires 40.8 billion Algerian dinars and gets the land. He is also given equally vast advantages, to be revealed during the trial set to take place on the upcoming May 11th. [...] We finally learn that some of the losses Mourad Oulmi caused amount to one and a half billion euros, not to mention the long list of advantages he enjoyed with the National Agency for Development and Investments (ANDI) and with the National Council of Investment (CNI) as well as with the CKD and SKD Exports.²⁵ “This file shades the industry business and contains solid evidence to indict him” and his co-defendants. Those include the former head of government Ahmed Ouyahia, two former Ministers of Industry Youcef Yousfi and Abdeslam Bouchouareb. The last two were prosecuted for granting undue advantages by signing illegal contracts, misusing their position, the act considered as voluntary, for conflict of interests, accepting bribes in exchange for granted advantages, and squandering public money.”

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The Tonic Packaging Affair

In February 2007, another affair breaks out, just as emblematic as its predecessors. In the daily newspaper *Le Matin*,²⁶ an article by Mustapha F. partially unveiled the hidden aspects of what seemed to be a settling

²⁵ The SKD/CKD is a preferential tax benefits scheme granted with the import of a product dismantled and composed of sub-assemblies (SKD) or a completely dismantled product (CKD). [researcher's note].

²⁶ <http://benchicou.unblog.fr/2007/05/22/affaire-tonic-emballage-le-plan-contre-le-general-lamari-dejoue/> [in French].

of scores between “ruling clans”, in which General Lamari²⁷ is said to be implicated.

However, before tackling the judicial aspect of this affair, in order to understand the military’s involvement in business and the extent of harm done to the Public Treasury, a few words should perhaps be said about the industrial complex that goes by the name of “Tonic Packaging”.

In an article published in the daily national newspaper *El Watan*²⁸, journalist M’Hamed H. gives us a few elements to explain the significance of this paper-making complex that extends over an area of 45 hectares and which was considered at the time Africa’s biggest.

“At a time when several struggling firms had shut down, the Tonic complex was already involved in investments in the paper-making and packaging sector in order to ensure its independence from abroad and guarantee its own expansion. [...] In 2004, this paper-making and packaging giant, which prepared to be part of the circle of influence, achieves a turnover of 17 billion dinars. In 2005, Tonic plans to invade foreign markets selling goods for an amount of 36 million euros. [...] National consumption of packaging paper rises to 600,000 tonnes per year, while the national production of paper barely exceeds 50,000 tonnes per year. [...] The project manager of the company Tonic has shared with us details of the current investment and which would finish by the end of 2005. As such, the matter concerns a papermaking factory (from cotton) and a corrugated-cardboard factory. The production capacity of paper-tissue (tissue papers, tablecloths, toilet paper, machine glazed paper) reached 25,000 tonnes per year, while corrugated-cardboard production rose to 145,000 tonnes per year.

The latest investment. Prior to starting up these two factories, the firm Tonic had already installed a desalination unit of seawater next to the one already operating in Bou Ismail, with a daily production of 5000 m³ a day. Water would be transported to the factory across a 3 km network. The American group, Ionics, would be charged with completing this project, while the Dutch company based in South Africa, Bio-Water, would take care of the investment related to water quality and in accordance with

²⁷ In January 1992, General Lamari, with a group of military officers of the upper ranks compel President Chadli Bendjedji to resign and cancel the first free parliamentary elections in the country. In 1993, he is named Chief of Staff of the People’s National Army and heads the army during the virtual civil war with a death toll of 100,000-200,000 deaths. Following the re-election of Abdelaziz Bouteflika as President in April 2004, General Lamari is side-lined. In August 2004, he was removed for “health reasons” from his position as Chief of Staff by President Bouteflika and is replaced by General Ahmed Gaid Salah, commander of the ground forces.

²⁸ <https://www.elwatan.com/archives/actualites/tonic-emballage-3-19-07-2005> [in French].

international standards. A wastewater treatment plant with a capacity of 2000 m³ a day would also be set up. [...] The other facility, also found on site, is related to energy production. The project is a steam-operated gas power plant, with a capacity of 35 megawatts. [...] And, finally, the latest planned investment comprises the establishment of an incineration unit. This investment programme enables Tonic to become self-sufficient – to produce the raw material needed for its paper production and thus no longer rely on imports. [...]

However, in order to carry out such massive investments, the founder of this project, General Lamari, has clearly benefited from the generosity of the national financial and banking systems. BADR loaned him an enormous sum of 65 billion dinars to launch this industrial project. When the wind turned for the powerful general and his company had to pay off accumulated debts to BADR, no more exemptions or favours could be granted.

It is within the details of Tonic Packaging's assets liquidation that appear the exorbitant extent at which the financial and banking system of oversight granted favours to the powerful general.

“Surely, no one could deny that the mega loan BADR granted during CEO Bouyacoub's management was a “miscalculated risk”. [...] Out of the 11 billion dinars that Tonic paid back, a large part comes from sequestered properties managed by BADR on acquisitions of “off-balance-sheet credit risk”.²⁹ Purchases accumulated by the Djerrar brothers during their bulimic phases of ostentatious expenditure are: fancy buildings on the capital's heights, luxury showrooms in central Algiers, a collection of cars worth 50,000 euros apiece, new franchised brands, not to mention assets acquired abroad which could not be sequestered.”

To render corruption into an instrument of power, power had to be seized; institutions made and unmade; some appointed, relocated, and dismissed into premature retirement or, in many a case, punctilious officials – who refused to grant exemptions or violate laws and regulations – taken to court.

Upon reading about these cases, and a dozen others prepared for judgement by the courts of the new regime, after A. Bouteflika withdrew his candidature and his dismissal, at a time where popular movement

²⁹ Off-balance-sheet lending activities. When reviewing off-balance-sheet lending activities, examiners should apply the same general examination techniques they use when evaluating a direct loan portfolio.

(*Hirak*) coincided with a new blow handed by the military forces, the interwoven levels previously discussed in the introduction are even further unravelled.

The aftermath is terrible, however. On the political level, a certain number of ministers that control the government, as well as sovereignty ministers had set up a clientelist system that widely spread within political parties, among cultural elites, within security, the judiciary, the banks, the media, the military, the economy, the unions, associations and universities, sports, and diplomacy, and even among a number of officials and administrative institutions.

To render corruption into an instrument of power, power had to be seized; institutions made and unmade; some appointed, relocated, and dismissed into premature retirement or, in many a case, punctilious officials – who refused to grant exemptions or violate laws and regulations – taken to court.

5 On the executive branch stripping legislative and judiciary branches of their power

We have shown in the aforementioned how the oligarchy's approach towards seizing state revenues relies on proximity to power and access to political decision-making. This means, above all, that the oligarchies are capable of protecting their wealth, acquired thanks to political decisions to their favour, especially through laws adopted by elected assemblies, but also through presidential ordinances and executive ministerial decrees.

For the record, it is important to point out how the representation of society by elected assemblies and in particular by the Popular National Assembly was slowly hollowed out and rendered meaningless as a source of sovereign power, prior to gradually festering with corruption.

On the legislative power submitting to the executive

To begin with, it should be noted that in 1962, independent Algeria "provisionally" extended the laws and structures inherited from the colonial period, just as was the case with other state authorities.

During the last stage of French presence in Algeria, by virtue of the law of September 20, 1947, the laws and decrees related to constitutional liberties, civil status regulations, linked to the rights of so-called related services, treaties passed with foreign powers, the military establishment, the electoral system, the status of local assemblies, the administrative establishment and the judicial establishment (art. 9 to 12 of the Status of Algeria) become fully applied. By virtue of this "generously bestowed" status by colonial powers, Algeria is endowed with its own legal status, whereby French law does not necessarily apply. An Algerian Assembly is founded and given the management of Algeria's interests, in accordance with the (French) governor general.

The status proclaims equality as effective immediately between all French citizens, called on to enjoy all democratic liberties, all political, economic, and social rights related to the status of citizens of the French Union, as guaranteed in the preamble of the Constitution of the French Republic, as well as access to all public offices. During the process, the special regime (*l'Indigénat* – the Native Code) was abolished and the right to vote granted to "women of Muslim background".

The only problem, however, is that this status imposed certain limitations upon exercising citizenship. It appears, above all, in the modes of elected representation. Discrimination endured between French citizens (the European Algerians and the small number of Muslim Algerians who had accepted the Ordonnance of March 4, 1944, granting them a status of French citizenship) who constituted the first electoral college, and a majority of Muslim voters who, in their capacity as "Muslim French non-citizens,"³⁰ constituted the 2nd electoral college. As such, the Algerian Assembly was made up of two colleges, each comprising 60 representatives, but with absolute precedence given to the European minority.

Deprived of political power and subject to the oversight of the governor general of the French government, ruled by a minority imposed upon them by force, the Algerian Assembly was thus stripped of all forms of sovereignty.

A non-sovereign Algerian Assembly and an electoral body comprised of representatives acting on behalf of a foreign minority ruling the country and ensuring the complicity of another minority comprised of collaborators. Thus unfolds colonial heritage.

However, in 1962, with the hard-won independence and the restoration of Algerian sovereignty, a fundamental question arises. Who, in the newly independent Algerian state and in the Algerian constituency, should figure as the key reference for this national sovereignty finally restored?

Ever since the first days of independence, and within the September 1962 Constituent Assembly itself, arose the question of separation of powers. In the following, Hocine Aït Ahmed³¹ raised in his intervention the preliminary question of principle:

"Today, we are tasked with a mission to appoint the first government of the Democratic and Popular Republic. Evidently, the authority of this government should be clearly defined and it should exercise its power under the oversight of this Assembly, guardian of national sovereignty. However, I noticed that, during brother Ben Bella's declaration, the mechanism of reciprocity that should govern the authority of the

³⁰ As formulated within Algerian voter cards during the 1947 elections.

³¹ Member of a revolutionary group of freedom-fighters who founded the National Liberation Front/National Liberation Army and launched an armed struggle in November 1954; Deputy Head of the Provisional Government of the Algerian Republic and a representative in the Constituent Assembly of September 1962.

Assembly and the government was not invoked. My only wish is that, in the future, we could find the time needed to specify, in law and in practice, the tools required for establishing a dynamic balance between the popular sovereignty embodied in the Assembly and the executive branch”.

In this debate initiated within the Constituent Assembly, looms the nature of the problematic that would torment constitutional lawyers solicited by the governments that had followed, since 1962 and until this day, to formalise, within a set of constitutional reforms and legal dismantling, the executive power’s takeover of the citizens’ sovereign authority.

Dismantling the legislative branch, elected assemblies lose credibility

The 1989 Constitution³² was adopted following an unprecedented regime crisis. It paves the way for a multi-party system and seems to prioritise, for the first time, the expression of popular sovereignty. However, as El Hadi Chalabi noted:

“The National Liberation Front was not deprived of its authority over State apparatuses; neither did the Constitution prioritise a real pluralist expression despite the appearance of a multi-party system, whose nature is highly questioned. The Constitution has functioned until now through an Assembly far-removed from the qualities required for national sovereignty, insofar as it remains the headquarters of a “partisan” sovereignty. In hiding behind constitutional provisions, the State apparatuses tweak their interventions and detachment according to the interests of power. These are forewarning signs of structural disintegration, rendering the practice and affirmation of public liberties as illusory. Henceforth, we come across a known scenario that resorts to the “state of siege” (*état de siège*), rendering the army “the shield of democracy and liberties”, having also been the shield of “revolution and socialism”. This helps pinpoint the source of authority and its real guardians. Despite official declarations and legal tricks, the military maintains its role of decisive “regulation”.”³³

According to this constitution, the Assembly approves or refuses

³² The second since the one adopted by the Constituent Assembly of 1962 [researcher’s note].

³³ El Hadi Chalabi, “The Constitution of February 23rd between dictatorship and democracy,” *Naqad Review*, 1. Algiers: November 1991-January 1992.

government agendas, yet, the president of the Republic, and, as such, the dual representation of universal elections and the executive branch, is not bound by the Assembly’s commitments, which is supposed to be the embodiment of national sovereignty. Still, the National Assembly as well as the presidency of the Republic could become the true expression of national sovereignty if they were not the result of electoral fraud built on a system of rigged voter-ballots. Therefore, the Assembly, should it “legislate and enact laws,”³⁴ does so, not in a sovereign manner, but under the constant pressure of the executive branch.³⁵ Need we add here the fact that it is the government, not the political parties, that presents most bills to the parliament?

Executive branch control over the judiciary, or paving the way for widespread corruption

The organisation of justice in Algeria is based on a hierarchical configuration, also inherited from France: The Court of Justice, the Court of Appeals, the Supreme Court, and the Council of State. At the Court level sit three people: most important of whom is the Judge, who presides over the Court of Justice; the Prosecutor, representative of society; and the Court Clerk, the memory and witness of the Court. Opposite those are two litigating parties both of which could be represented or not represented by a lawyer. The judge adjudicates on civil, commercial, social, domestic, and real-estate related disputes; in criminal courts, he adjudicates on correctional, criminal, or simple police-related cases. He passes a judgement having taken into consideration the demands of conflicted parties. The judgement must be justified. When the judge is perfectly aware of legal procedures and enjoys a high level of competence, his judgement would be irrefutable in form. Should he be corrupt, however, he would make sure that he provided grounds the defendant’s lawyers would find difficult to challenge. He could therefore acquit a defendant or convince a plaintiff that he had no right to seek justice. To the contrary, were he to lack competence, the judgement he passes could be undermined in form as in content, thereby enabling future contestation and appeals submitted by lawyers, should those be honest and competent.

In criminal matters, the prosecutor, represented by the public prosecution, the plaintiff, must justify any claimed punishment. If the judge does

³⁴ Art. 91, parag. 2.

³⁵ El Hadi Chalabi, *ibid*.

not agree with his indictment, or if the plaintiff is not satisfied with the judgement, he may submit an appeal at the Court of Appeals. The Court of Appeals is organised like the Court of Justice, except that collegiality exists on this level. That is, not one judge, but three; a president and two advisers. Before this Court, the concerned parties present their reason for appeal and attempt to deconstruct, with supporting counter arguments, the judgement passed by the Court of Justice. The Court of Appeals then passes a ruling. If one of the parties is not satisfied with the judgement of the Court of Appeals, they may submit another appeal to the Supreme Court. The latter, considers the reasons for referral, but does not go into detail; it does not go into facts. The Supreme Court is a judge of laws; it controls but the implementation of the law. Here, too, the judges' competence could arrange to completely justify their judgement in form by drawing on jurisprudence. Still, Supreme Court rulings have often been contradicted by other rulings by the same Court, especially in real-estate matters.

When sensitive political questions are raised or when personas of the upper political or military hierarchy are concerned, political leadership interventions and the corruption of the magistrate play a very significant role. It has happened before that a judgement passed by the Council of State in daytime is repealed by a judge of the same Council

Here, we are still in the domain of what is called Judiciary Courts, which govern common law.

In administrative matters, though, the litigations related to disagreements between citizens and the administration, to committed acts, or to political decisions made by the authorities in contravention of the law³⁶ are under the jurisdiction of the administrative tribunal. It seats a president and two advisors. The tribunal passes judgements subject to appeal before the Council of State. The latter, contrary to the Supreme Court, is a judge of facts and laws.

When sensitive political questions are raised or when personas of the upper political or military hierarchy are concerned, political leadership interventions and the corruption of the magistrate play a very significant role. It has happened before that a judgement passed by the Council of State in daytime is repealed by a judge of the same Council even before

³⁶ Political cases that are related to opposition parties, nationalisation, or denationalisation, expropriation undertaken in the public interest and the transfer of inalienable, unseizable, and imperceptible public property to private persons, and so on.

the next morning. This is what is called “night-time justice”³⁷ in Algeria.

Flagrant cases of executive intervention in judicial affairs

In the Tonic Packaging affair tackled below, the journalist in charge of covering the trial is surprised to find out that the CEO of BADR, the financial institution that suffered the damage of non-payment of loans granted to the offender, was the last to learn that the boss of the Tonic company had been arrested and sent to prison.

The online daily, *Le Matin*³⁸ recounts that:

“He was not consulted about the character of the judicial sequester, and choosing Mr. Daoudi for this position, previous CEO of the BDL, is an additional manner of keeping BADR away from a file in which it risks to suffer the biggest damage resulting from his actions [...] The CEO of the private paper manufacturing company, Abdelghani Djerrar, incarcerated in Serkadji Prison for about three weeks, was released yesterday [Monday the 21st of May] by midday! His release was, in effect, just as mysterious and sudden as was his incarceration on the past May 3rd: it was the indictment division close to the Court of Algiers that decided his release, after assembling the evening after and studying the appeal submitted by the defendant's lawyer, Mr. Zeraïa. The indictment divisions are not used to being this indulgent in cases of this calibre. Evidently, political intervention has taken place. [...]

In reality, everything leads us to think that the Tonic Packaging affair is a violent political affair and that we are witnessing a battle between ruling powers. In Algiers, it is said that this file, personally followed by President Bouteflika was unearthed specifically to implicate General Mohamed Lamari, former Chief of Staff of the Military, Bouteflika's adversary and who, rumour has it, was involved in the Tonic Packaging business. The precipitated imprisonment of Abdelghani Djerrar is the consequent product of this conspiracy. Tarnishing Lamari's name is contextualised within the war of succession which, as may be heard in Algiers, has quite seriously broken out. His sudden release would indicate that the plan against General Lamari was foiled. And that the clan opposed to

³⁷ This was a judgement passed in 2004 by the Council of State for the revoked decision of the Party Convention of the National Liberation Front appointing Ali Benflis as a presidential party candidate. A first judgement passed the evening before was repealed by another judgement passed the morning after.

³⁸ Review note 21, page 16.

President Bouteflika has regained its strength. To be continued...”³⁹

BADR had never filed a complaint against Tonic, while it did against Digimex,⁴⁰ and was left out of the judicial proceedings. The case of Tonic Packaging’s credit was not registered in the criminal record but within common law, as a “commercial affair” – we shall let the journalist conclude:

“In reality, no standard was ever respected in this matter in the history of Algerian capitalism. A ‘commercial dispute’ with a public bank could seemingly be treated as criminal or not. ‘This does not depend on the law, however, but rather on the identity of the credit recipient and the political balance of powers of his business defenders,’ confirms the boss of one pharmaceutical production unit, himself being the end of judicial prosecutions for not respecting the payoff deadlines of his loan. This is the moment to return to Koba Djerar’s declaration: ‘This is but a political affair.’”

The executive branch taking over the High Judicial Council

We cannot understand such arrangements and reversals within matters of justice without recalling that the magistrates are appointed, promoted, or sanctioned by the High Judicial Council (CSM).

In fact, it should be noted that by virtue of organic law which determines the composition, function, and authority vested in the CSM,⁴¹ this institution is chaired by the president of the Republic and is comprised of the Minister of justice, in his capacity as vice president, of the president of the CSM, the public prosecutor of the Supreme Court, and ten judges elected by their peers. These magistrates are distributed in the following manner: two magistrates of the Supreme Court, one of whom is a sitting judge and one of whom is a public prosecution judge; two magistrates

³⁹ Review the work cited: <http://benchicou.unblog.fr/2007/05/22/affaire-tonic-embalage-le-plan-contre-le-general-lamari-dejoue/> [in French].

⁴⁰ This was a trial that appealed the case of squandering more than 12 billion dinars that belonged to the Bank of Agriculture and Rural Development (BADR) for the profits of Group Digimex. The respondents, one of whom is a former BADR CEO, the director of Digimex, Z. Y. and several cadres of said bank were accused of squandering and complicity in squandering public money, forgery and use of forgery and fraud, according to the judicial file. The investigation was carried out by investigating officers from the Central Service to Counter Organised Crime (SCRB). <https://www.algerie360.com/proces-en-appel-aujourdui-opposant-la-badr-a-digimex-laffaire-de-dilapidation-de-1200-milliards-de-centimes-remonte-a-la-surface/> [in French].

⁴¹ Organic law 04-11 of 06/09/2004 on the status of the magistrate. Organic law 04-12 on the composition, function, and authority vested in the CSM.

from the Council of State, of whom one is a sitting judge and one a State commissioner; and two court magistrates one of whom is a sitting judge and the other a public prosecution judge. The CSM also comprises two judges of administrative courts, in addition to those from the Council of State, of whom one is a sitting judge and one a State commissioner, as well as two magistrates of tribunal courts of law of whom one is a sitting judge and one a public prosecution judge. In addition to the elected magistrates, the composition of CSM includes six personas appointed by the president of the Republic for their competences external to the body of the judiciary.⁴²

As such, one realises the crushing weight of representatives of the executive branch within the upper ranks of judicial power.

When coercion and corruption reach the Council of State

The Ali Benflis Affair

The conference affair of the National Liberation Front, right before settling on a presidential party candidate in 2004, is an example specific to the intervention of executive branch in the domain of justice.

The genesis of the affair originates in appeals submitted (trials on the merits and suspended implementation) by NLF activists before the administrative division of the Court of Algiers. These appeals were aimed at delegitimising the 8th Party Conference, its frozen bank accounts and deposits, and, finally, banning its leadership from all activities, headed by Ali Benflis, general secretary of party, Ali Benflis.

To vindicate the competence of the administrative jurisdiction, these activists accused the Minister of Interior and local communities.

In fact, if we were to hold them up to the provisions of Ordonnance 97/09, concerning political parties, the Minister of the Interior would have no right to initiate administrative proceedings unless it were to request the suspension or dissolution of a party, and only in the cases provided for, in a limited manner, in the articles 66 and those which follow in the ordonnance.

Constituting an internal issue regarding the functioning of a party, which is no administrative authority, a dispute between activists is generally

⁴² Salima Attouahria, *El Moudjahid*, July 1st, 2019.

provided for in the statute but does not, however, fall under administrative jurisdiction. The accusation, accepted by the minister, was inadmissible at least in form, insofar as the initial request upon which it was based is in itself inadmissible, whereby it concerns a dispute between private persons.

The accusation was validated by the judges who had submitted to pressures, confessing themselves that “they could not risk their children’s daily bread.”

In the affair of suspended implementation, at the moment of appeal submitted by the conference candidate, Ali Benflis, to the Council of State, the latter declined its jurisdiction, judging that the matter related to a dispute concerning the internal activity of a party.

Such a decision should have been legally binding for a judge of a first degree. However, against all odds, and in violation of the law and the decision of the Council of State, this judge decided to affirm his jurisdiction and granted the demands of the claimants.

As a result of their decision, members of the summary-judgement division of the Council of State (excepting one, known for his capacity to ‘accept diktats from the executive branch’) were strongly condemned and taken down from their positions on falsified grounds.

This decision by the Court of Algiers contravenes the provisions of the organic law 98/01 on the creation of the Council of State and notably on article 2 which states that: “the Council of State is the regulating body of the activity of administrative courts and ensures the unification of the administrative jurisprudence all throughout the country.”

Such a decision, then, which passed a judgement appealing the incompetency of the administrative tribunal should have, in this case, been imposed on the first judge.

As a result of their decision, members of the summary-judgement division of the Council of State (excepting one, known for his capacity to ‘accept diktats from the executive branch’) were strongly condemned and taken down from their positions on falsified grounds.

While the Council of State was looking into the appeal of the trial on merit, to ensure a majority during deliberations, the Minister of Justice promoted a magistrate who held an advisor’s title to the position of president of chamber. Moreover, some magistrate constituents of the

chamber submitted to enormous pressures and threats (blackmail), in order to affirm the first decision; which they had done in their majority, even without the least hesitation to go back on their very own decision as members of the Council of State. Some of those were promoted, while others were put to early retirement!

The executive branch uses coercion against magistrates

The governmental authorities, through the Minister of Justice, intervene in appointing docile or pledged sitting judges and public prosecution judges with loyalties to the executive branch as is the case with the majority of the members of the Supreme Judicial Council (CSM).

As we have previously noted, the authority vested in the CSM specifically relates to the appointment, transfer, and the promotion of magistrates as well as disciplinary oversight. Presiding over the adjudication of the disciplinary prosecutions filed against the magistrates is the president of the Supreme Court. Decisions can thus be made in order to ensure a fast promotion within the hierarchy or, to the contrary, to remove wayward judges from more important positions, sending them to faraway regions. There were even cases where judges had been themselves the subject of judicial proceedings in fabricated cases, whereby those could be motivated, in form, by considerations related for instance to ‘a breach of their duty to discretion’ or ‘professional mistakes related to the violation of codes of practice.’ However, everything is still dependent on the interpretation of the motivation and severity of that which had been attributed to him. As such, one could accuse a magistrate of an unjustifiable absence, personal relationships, or having said some things in front of people unauthorized to heard them. So many interpretations of a “variable geometry.”

The executive branch could thus intervene in the creation of a police record required for all nominations by presidential decree. The Security Services charged with investigation (the police, civil army unit, the military) could manipulate lists of nomination or promotions while inserting such tags as “arrogance towards the services,” and “very malleable” next to any given name.

During verbal deliberations, the two thirds of the CSM members must be present. The decisions the CSM makes are pronounced by a majority of votes. In case of an equal number of votes, the president has the casting vote, noting here that CSM members are sworn to the secrecy

of those deliberations.⁴³

With the exacerbation of contradictions within the configuration of governance, which accelerated with the fall of Bouteflika's regime, the witch-hunts multiplied as did the resistance of the national union of the magistrates. Since President Bouteflika's withdrawal of his candidature for a fifth mandate, and his dismissal presented as retirement, the body of magistrates, encouraged by the rise of *Hirak*, was prompted to condemn, through its intermediary union, the measures of coercion used against judges who refused to cover for embezzlements. Amidst the CSM, the disciplinary council multiplied its sanctions for reasons many of which were considered a breach of morals.

During the Superior Magistrate Council's session of January 13th and 14th, 2020, the disciplinary council members had planned to study 35 magistrate files.

"In fact, this disciplinary body should have examined all professional mistakes related to breaching the code of practice within this body, which originated with the 35 magistrates in question. However, in a recent past, the number of files treated by the disciplinary council did not exceed fifteen magistrates [...] These disciplinary measures took place, according to the supervision authority, in application of art. 65 of the organic law on the status of the judiciary. The latter stipulated that "in case the minister is informed of a grave mistake committed by a magistrate (...), he would immediately proceed to suspend him from work following a preliminary investigation comprising the justifications of the concerned magistrate, and after informing the bureau of Superior Judiciary Council."⁴⁴

In reaction to these measures, the national union of magistrates (SNM) accused, in a press communiqué, the Minister of Justice of "law violation."

"The union [...] had noted that the second paragraph of article 65 of the organic law of magistrates "clearly prohibits the public suspension of a magistrate, knowing that such guarantee complies with the principle of presumption of innocence, internationally respected, whereby such guarantee is aimed at protecting the reputation and status of the judiciary authority from all which could alter the citizens' confidence

⁴³ Salima Attouahria, *El Moudjahid*, July 1st, 2019.

⁴⁴ Lamia Boufassa, *Le CVourrier d'Algérie*, May 26th, 2020, <https://lecourrier-dalgerie.com/conseil-superieur-de-la-magistrature-35-magistrats-devant-le-conseil-de-discipline/> [in French].

in it." Likewise, the SNM stresses that "explaining the suspension of a prosecutor, basing it on article 26 of the organic law of magistrates is uncalled for." "This article enables the minister of Justice to transfer magistrates, or appoint them into other positions (...), while informing the National Judicial Council. All the while noting that this article does not enable the Minister of Justice at all to terminate the duties of magistrates," whereas the union specified that "the dismissal of magistrates is an authority vested in the Superior Judicial Council alone, which is in compliance with articles 68, 84, and 86 of the organic law of magistrates."⁴⁵

The disciplinary session took place a short while after the historical open strike that the magistrates started (October 27th, 28th, 29th, 2020) following an operation of transfer that included more than 3,000 magistrates.

Thus, with these attacks against the judiciary power and its independence, one may understand why and how these cases which headed newspaper headlines during the years 2000-2020 could reach such a level of aberration and threaten even the existence of the Algerian state.

⁴⁵ *ibid.*

6 Conclusions

In our examination of corruption as an instrument of power, it was necessary to set as point of departure the three-way interplay between monopoly-rent, the oligarchy, and the clientelist system. A monopolising State centralises and redistributes economic surplus and, simultaneously, provides administrative structure (*wilayas*, communes) and arms of State (State apparatuses) that facilitate access to rent. It soon becomes clear that accessing economic surplus takes place via accessing positions within the State and its apparatuses, via the State-class and the oligarchy, which control factors of production (capital, real-estate, and immovable property) and workforce (cheap labour and access to employment).

The consequences of such reality would surpass the pure economic sphere and integrate into politics as an instrument of power and control over established economic and social order. In the case of Algeria, such alliance between State-class and oligarchy was structured as a veritable system, paving the way to widespread corruption. This system is neither limited, then, to the existence of petroleum rent nor to that of a rentier State mainly living off oil taxes. Rather, it would eventually manifest as a draconian system of economic and political regulation and social exclusion.

In fact, relations between the State and its institutions, companies and their partners, and civil society and its organisations are subject, whether willingly or not, to a logic of rentier regulation in the allocation of all national resources (whether human, natural, financial, technical, or organisational), as well as in the development and distribution of generated revenues.

In the case of Algeria, such alliance between State-class and oligarchy was structured as a veritable system, paving the way to widespread corruption. This system is neither limited, then, to the existence of petroleum rent nor to that of a rentier State mainly living off oil taxes. Rather, it would eventually manifest as a draconian system of economic and political regulation and social exclusion.

In general, the matter at hand is that of supply and demand of a state of corruption facilitated by holding positions and power, often discretionary, which also profits from the inefficiency of oversight, as previously explained in discussing the perversion of the role of the Superior Judicial Council (CSM) and the pressure placed on judges. The obligation to

report to superior leadership of legislative (Parliamentary Commissions) and judiciary (CSM) powers, could have served as “safeguards” against systematic deviations, widespread corruption, and against powerful predators – which did not work out as did not the role of whistle-blowing the media could have played – had not many of them been put under the yoke of the alliance between the State-class and a predatory oligarchy.

We have thus returned to our introductory beginning, whereby one may distinguish, in fact, the three-way interplay between corruption, monopoly-rent, and the creation of clientelist networks, seizing –even reducing to nothing– the role of central regulation, which is the steering logic behind representative bodies of society and nation.

Inside that which may be the “transition” of a regime into another (from State-monopoly to a neoliberal system of economic and social deregulation), the collapse of the State has given birth to an economic and political crisis whereby boundaries between public and private, civil and military, national and international, individual and community cannot be traced. Silent struggles broke out in order to ensure exclusivity to one segment of production or exploitation of rentier resources as wholesale and retail commerce, all the while installing clientelist networks that extend into society and even within the State apparatus and beyond national borders. In order to control one line of production and of rent transfer, each clientelist network would have every interest in placing one of its own into decision-making hubs, where laws are made, permits are issued, rights are given, dispensations are granted, or even where oversight is carried out and sanctions are imposed. *Modi vivendi* will thus inevitably develop, whereby fragile alliances (national and international) are created in order to appropriate different niche markets or protect shared positions.

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Curtailing the force of law and, subsequently, widespread dodging of fiscal and legal laws have enabled the country’s newly wealthy to maintain or increase their profits. Surely, then, the latter would have no interest in demanding the bolstering of institutions or the establishment of a rule of law.

In massively purchasing the decision-making process, oligarchies have ensured political leverage in order to be able to use these funds in a private manner without risking (at least for some time) prosecution.

Corruption of public officials and members of government, obtaining unjustified advantages in public procurements, possession of stolen goods, and other acts of corruption reveal the failure of all these bodies of financial (General Inspection of Finances – IGF) or political (the parliament and parliamentary commissions of inquiry) oversight. The disintegration of the financial and banking system has walked hand in hand with the intervention of the upper ranks of the military and government towards the collapse of the state.

We stand, then, before every kind of exemption from the country's laws and regulations, "miscalculated risks" taken by financial and banking institution officials, acquisitions made "beyond credit frameworks" following a few phone calls to high-ranking political or military officials, and institutional absence or failure of State-controlled oversight.

To arrive at such a state and render corruption a tool of power, power had to be seized; institutions made and unmade; some appointed, transferred, put to early retirement, or, in many a case, punctilious officials – who refused to grant exemptions or violate laws and regulations – taken to court.

The Case of Corruption in Algeria

Rachid SIDI BOUMEDINE

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Translated from French by **Yasmine HAJ**

Pages 66 - 73

What is corruption in Algeria, exactly?

Pages 74 - 75

Subverting the instruments used to fight corruption

Pages 76 - 81

Characteristics of the neo-patrimonial State in Algeria

Pages 82 - 87

Three levels of governance

Pages 88 - 94

“Form” as a stabilising component of the system

Pages 95 - 96

General conclusion



To understand the entire system of corruption, one should presume a form of symmetry between the restrictions imposed on some people, limiting their recourse to corruption for being «outsiders» to networks, and the overabundance of access to assets bestowed upon others, based on the rank they occupy as officials or members of a network.

1 What is corruption in Algeria, exactly?

In Algeria, one culturally distinguishes between a bribe (pot de vin), commonly called “tchippa” or “qahwa,” that is, the money an ordinary citizen pays in order to receive an entrance ticket to access a service (sometimes to obtain a mere civil-status form) or any other goods, though already granted by virtue of law.

Such a situation was brought about by prohibiting people from such legitimate access, depriving them of their rights, which cannot be reclaimed unless by dispensing with a chunk of their money.

This is the result of totalitarian governance that watches over organised subjugation and subordination. As such, different segments of the population, considered “persons in need of benefits”, are forced to “pay” to regain their robbed rights. This same type of governance monitors the smooth running of “arrangements” among client groups from an upper social rank and predatory networks.

For a member of these networks, assigned to one of the posts of the State apparatus, these arrangements would comprise a “right of transgression” associated with the nature and level of the job in question. It puts him in a position of accepting “tickets,” “exchanging” services with his counterparts and/or taking advantage of his higherups, all the while putting himself at their very mercy... all in the name of the law.

Such characteristic of a clientelist system is manifest in the authorisation to violate, delivered in succession, starting from the highest ranks of the hierarchy, and, as such, putting the lower levels at the mercy of executive circles, which could, if there need be, punish for violation of the written law.

In a clientelist system like the one in Algeria, rentier networks function “internally,” like a clan (a family, a village, affiliated community). The coded systems of mutual gifts, characterised by their obligatory and impactful nature, constitute a system of socially valued rights and duties.

Indeed, among the devices appropriated by the clientelist system are exchanges of “good practices” among members of predatory networks, that is, exchanges of collected “rent”, each in accordance with their own position.

In creating, nourishing, and sustaining a system of reciprocal obligations between its members, cohesion of the clientelist system is consolidated. As such, network executives, who control the State apparatuses

and who inhabit the upper ranks, watch over this illegal but “necessary” system and protect it.

Subsequently, and while the authoritarian nature of the State already implies it, one may see the predominant role played by the security services within systems of internal regulation and control of the “troops”, made up of clusters of servants-turned-clients; (as such, they register and instrumentalise these violations, manifesting in a threat of disclosure or legal prosecution of the offenders).

In conclusion, while “corruption” is a form of diversion, perversion, and violation of both moral and legal laws, for the sake of collecting illegal rent, the operation of these networks itself engages misappropriation and prevarication in order to reinforce internal acts of solidarity.

To elucidate the correlation between corruption/breaches of trust/misappropriation of public funds and modes of governance, we must determine the social actors and the end for which they act.

For the debits operated by the services or the goods that the State profits from its close associates not to appear as an act of “theft” to the detriment of the community, the latter must be made to accept the idea as common sense. The “familial spirit” would hereby appear as a new paradigm. It lauds the one who “renders services” by adding a touch of a recognised “skill” (chtara). An image is thereby calibrated, which could constitute a new mode of social success, paired with loyalty to traditional family values and clan solidarity.

To popularise the idea that individuals who rapidly grow their wealth still find the time to help their close ones or their neighbours is in fact a way of utilising traditional values to instil new practices, thereby reducing the cost of repression

Such predatory corrupt system is partially sustained by society’s acceptance thereof, whereby, at least partially, none of its wheeling and dealing is considered as theft to the detriment of the collective.

Moreover, to popularise the idea that individuals who rapidly grow their wealth still find the time to help their close ones or their neighbours is in fact a way of utilising traditional values to instil new practices, thereby reducing the cost of repression. The ideological pattern that transforms theft into a legitimate act, as it is committed, after all, to detriment of an anonymous State, long since detested by the population, opens onto a new social paradigm: a worldview, a manner of seeing things, a coher-

ent model built on a well-defined and generally-accepted foundation.

One such case is the recurrent operations of distributing help “to the needy” or granting housing based on constantly contested lists, as they were developed, in the eyes of the population, under mysterious conditions. They contribute to bogging down the beneficiaries –of such acceptance– of a clearly and certainly unjust system, but a nurturing one for those who know how to maintain sufficiently good relationships with network agents, working towards their name finally showing up in those lists.

This type of corruption in governance necessitates figuring out how it relates to other corruptions, however minor they may be, as those have their own role to play within the complex system of maintaining clientelist order

This particular aspect of this type of corruption in governance necessitates figuring out how it relates to other corruptions, however minor they may be, as those have their own role to play within the complex system of maintaining clientelist order.

Petty corruption, rewards, and services

We have previously established that members of middle and lower classes of society pay with their own money, and under of a form of “qahwa, bakhshish, tchippa” for their right to access services that the law presumably guarantees them as citizens. In addition to their salaries, the lower class of civil servants is “remunerated” by harvesting “tickets” as prizes, to win them over as buffers against the persistently subjugated, whom one must foster, and the rebellious but dominated, who must be domesticated.

Their role in domestication, played by establishing access lists of allocations to the most economically vulnerable classes (housing, financial aid, subsidies and all sorts of exemptions, is paired with the work of “simple policing” in order to spot and report back to the apparatuses those bad apples among the subjects. At the very worst, they supply them with “baltagiya” gangs in order to bring down the most uncooperative, or those who demonstrate in public spaces. Those are, then, the “blue collars” of repression.

However, the apparatuses of the administration have access to a com-

pendium of low-skilled “white collars”, who constitute a higher category by a notch; one which supplies a mass of central and local network servants.

It is also among them that intermediary agents of “ettawassul” who “know” somebody, or who know what needs to be done, and who, subsequently, collect an entrance ticket wired into their own bank account, or into that of the higherup persona who “renders the service”.

Still, is there not a basic level of “bribery”, of “coffee”, of some sort in daily life? While the listed examples do not truly pertain to the problem of corruption, they announce, from the bottom up, that (re)compensating an action is not considered a misdemeanour but rather a fair “remuneration” (mukafa’a, muqabel) in exchange for a rendered service. This could also sometimes be the bare minimum needed for survival.

One following example, though appearing harmless, could move us one notch closer to the problem of (petty?) corruption, which sometimes takes on a peculiar shape.

As a rule of thumb, accessing a State service is greatly facilitated by the connection one may maintain or establish “for free” or “for a compensation” with a clerk relative, childhood friend, neighbour, and so on.¹

As such, this representative of Budget Management in Administration X would be charged with validating bills or a project with a preauthorised payment, to get to the director’s office for a signature, and so also to settle a professional’s bill or a service provider. On the latter’s table of exchanges and inside the book of authorised signatures, the files are categorised by order of arrival. If, however, while putting down their mail, those agents “arrange” the book of signatures and “advances” some of these bills a few rows down to the bottom, he would win the supplier he helps two to three weeks, sometimes even a month or two, of delayed payment. In the last months of a year, those could turn into four to five months. The supplier then rewards that agent who, in so doing, did not violate any laws or regulations, but rather the natural law of “first come, first serve”. In return for his service, he would receive a cash reward or otherwise.

More generally speaking, payment deadlines set by central financial managers have become such an issue that parallel procedures were set

¹ The first question a friend who has a file with one of the administrative departments would ask you is “Would you know somebody in...?”, filled in by listing any national or local departments, regardless of their expertise.

up, whereby public services were complicit with suppliers to accelerate their payment, while sidestepping checks on work conformity or the validity of handled invoices.

The manner in which these networks are set up is based on a functionary's grave violations of his professional obligations. These violations manifest in a real collective prevarication,² thereby rendering the issue as pertaining to systematic approaches born of tacit consensus more than to a mere sum of individual practices.

As such, when the authorities issued in 1976 an ordinance granting local authorities a monopoly over land transactions within urban areas, the latter put up for sale, to the benefit of citizens, land parcels whose outlines had to be developed and approved by the technical services of the wilaya.

Many mayors thereby gave these wilaya service-technicians parcellation projects to establish the technical files, to be approved by their own management according to regulatory procedures. They are then sent back to the mayor in order to subsequently issue the decree, by which those lots would be attributed to individuals, including the technicians in question and their higherups.

How to describe an administration that corrupts a functionary, another administration, or a professional body? Is it prevarication or is it the system, visible here once more, of gift exchange built on rent collection (with the urban lots often in possession of the State)?

Each of the technicians thus received, and for each parcellation, a piece of land bought at an "administered" meagre price when compared with its market value, especially considering the shortage of registered/developed urban lots of land. A real fortune thrown in, on the house.

The technicians are thus mired in illegality, and would therefore become susceptible to prosecution. As such, they would never denounce their managers (department heads or chairs) as the latter are charged with "treating" the budgetary files of important persons of a different stature. Hence the emergence of numerous managers or heads of administrative departments featured in lawsuits of large cases of corruption in the past

² Prevarication is a series of acts that end up with the failure of a holder of an office or a mandate to meet the obligations of that office or mandate with which they were entrusted.

few years.

How to describe an administration that corrupts a functionary, another administration, or a professional body? Is it prevarication or is it the system, visible here once more, of gift exchange built on rent collection (with the urban lots often in possession of the State)?

As such, new standards are established, first of all is the consensus on the legitimacy of debiting public goods, followed by instilling success as a form of reference. Those who do not collect or obtain rent in proportion with their own position and capabilities is therefore perceived as a "social idiot" rather than a model of honesty and integrity. The social paradigm has truly changed and, at this stage of our reasoning, such paradigm is deemed approved by the entire hierarchy of servants of the State apparatuses.

It is this spread of set of practices, exercised by cadres and functionaries of all levels, as well as the grounds of social judgement so vastly changed implied therein, that create a social fabric favourable to accepting the series of consequences that trail the results of rent collection: a methodical and consensual pillage of collective goods.

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As such, the servants' objective interest thereby becomes the competition over entrenching the modes of operation of the apparatuses – rather than their liberation thereof, whence the immense challenge faced in trying to install computerised systems or digitised databases.³

The changes that had taken place in public policies during the early 1980s, deindustrialisation, and the liberalisation of politics all forced families to look for ways to sustain themselves through precarious and "informal" jobs. We thus witness the invasion of imported products

³ Abdelmajid Tebboune who became president of the Republic in 2020, had been the Minister of Housing twice under the regime of Bouteflika. He had announced that, in order to fend off violations committed by those who own a number of houses throughout the country, he would create a national database (by interlinking regional databases) that would render impossible these kinds of practices. He had also announced it, though, when he was minister, ten years ago. Here, it should be noted that the files of public offices of real-estate management have been computerised for forty years. Not setting up a national database is not a technical problem, then. To the contrary, as may be seen when examining the information revealed during the trials of senior managers, it is a clear sign of lack of will to create such database.

throughout the market, generally found by public roads, where makeshift trade businesses are carried out.

Inhabitants and passers-by considered young traders who occupied public spaces not only as obstructing shared spaces, but also as the cause behind often-violent confrontations in those spaces.

The disarray of city dwellers facing intensified incivilities, paired with lack of civil responsibility, must not distract us from the important upheavals of the cities during these last few decades. These have put in motion entrenched mechanisms, constantly renewable, and which change the foundations upon which cities and urban systems are structured.

It was here indeed where brutal and direct expressions of ferocious competition for obtaining and maintaining one's economic space for survival. As such, those makeshift trades necessitate appropriation, by use of force if there need be, of a living space large enough to display and sell one's merchandise.

Such competition for occupying spaces dedicated to pedestrian or traffic circulation, had given rise to multiple faceoffs, rupturing the traditional civil decorum, and therefore civic responsibility, within the city's public spaces.

The disarray of city dwellers facing intensified incivilities, paired with lack of civil responsibility, must not distract us from the important upheavals of the cities during these last few decades. These have put in motion entrenched mechanisms, constantly renewable, and which change the foundations upon which cities and urban systems are structured.

The examination, even if quick, of certain practices reveals the increasingly profound entrenchment of a type of savage capitalism, which translates in everyday life through brutal and direct expressions of power struggles between individuals. The occupation of collective spaces, accompanied by new anarchic constructions, has created shared spaces for profiteering.⁴

⁴ See Rachid Sidi Boumedine, *Occupation of Public Spaces: Lack of Civil Responsibility and Incivilities*, presented during the "Images and City Dwelling" colloquium. Algiers: 30 Nov. – 1 Dec. 2005.

Conclusion

It would be useless to group distinct systematic practices under one roof. On the one hand are members of the lowest social classes, subjugated and stripped of their most basic civil and social rights, and who are often obligated to "pay for access" in order to reclaim their rights – though developed and recognised within the manuscripts of the republic and official regulations. On the other are the bourgeoisie of the State apparatus, the businessmen, the manufacturers, and all strata of servants who live off rent collection and its redistribution. All these social classes exchange goods and services that consolidate the predatory edifice, setting it up as a system.

The inferior ranks of these networks, which have invaded the State apparatuses, that is, service providers, act as mediators and middlemen in order to intercede with "the entitled" to compensate them with the "right" remuneration for their contribution.

By virtue of this title, they play the role of "facilitators", sometimes against the procedures instituted by the suppliers of goods and services, according to the agreed-upon terms – aimed at bypassing the legal provisions within the domains they operate and within a convenient framework.

It appears, then, that within this part of the universal predatory operation – rather than within petty corruption – new paradigms are created, which "regulate" standards of social success and ways of "being a functionary". This way of being, as it implies a violation of the written law, puts the agent in a legally punishable position and, subsequently, in a position of compliance vis-à-vis his managers.

Members of the networks who occupy the highest ranks within the hierarchy of the groups that rule the State and rent collection, control, and distribution – enjoy other modes of arrangements of reciprocal transfer of goods and services, which stem from the theft higher-ranking members or biological family circles carry out.

Such exchanges, according to the terms of gift exchange, consolidate the positions of one another. They do not simply "copy" familial/community relations, but rather give rise to a new type of alliances.

2 Subverting the instruments used to fight corruption

One day after the independence, achieved by an apparent “revolutionary rigour”, the economic offences committed against public funds were, in principle, very severely punished. In the early seventies, an agent of a public company was gunned down as punishment for embezzlement that would have gotten him condemned to five years in prison had it happened in our day and age.

The Court of Audits, created by virtue of the 1976 Constitution, had its hour of glory during the eighties and nineties when it translated into justice carried out against those that the incumbent “Authority” at the time wanted to denigrate without necessarily leading to their judgement or imprisonment. Eventually, some managers of the largest public companies were put in the hot seat, while others were imprisoned.

In the early eighties, the first “political” operation of this Court of Audits consisted of questioning the technocrats, foreign university graduates or Grande École graduates, who were often former militants in the war of liberation which had, following the independence, rebooted the economy while creating new industries and implementing large infrastructures.

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It was an enormous political operation of replacing the elite deemed over-independent by a new one: a class of close associates with the National Liberation Front, and especially obedient servants.

The rigoristic discourse of the time, however, exemplified through the slogan “work and rigour to ensure the future”, did fool the “whistle-blowers”, who would denounce serious malpractices and embezzlements carried out by senior managers within public enterprises and institutions. To their detriment, and as a rule of thumb, whistle-blowing resulting in loss of their own jobs and houses (were the latter provided by the company), and a prison sentence as co-defendants in lawsuits against mismanagement or corruption.

This modus operandi carried out by the authorities persisted just until

the beginning of the Hirak; that is, it lasted around four decades. There were even cases where public prosecutors and judges who had dared issue arrest orders on the basis of provided evidence against members in close circles to President Bouteflika were demoted or transferred, before closing the case, thereby avoiding all inquiries into the affair.⁵

In its 2019 report related to the 2016 expenditure, at a time when the biggest scandals of corruption publicly exploded, implicating ministers of the Bouteflika government, one could say that “the Court [of audits] had revealed many a malfunctioning in the management of public expenditures, particularly in relation to the failure to observe credit regulations and usage of allocated funds.”⁶

It was only in 2006 that the law instituting the ONPLC (a body fighting against corruption) was promulgated. Its prerogatives and attributions fixed by the February 20th 2006 law relate to the prevention and fight against corruption.

⁵ See the BRC, CONDOR affairs.

⁶ Online journal, *Capalgérie.dz*.

3 Characteristics of the neo-patrimonial state in Algeria

Networks in the making

Controlled by groups that had appropriated it, whose management resembled private management, the State is considered in Algeria as a neo-patrimonial State. That is, the State means are managed like one's private assets.

Each network establishes its virtual monopoly over a given economic sector, over an import sector such as the food industry (flour, sugar, oil...), the job market, and services (hydrocarbon, public jobs, telecommunication). These networks have staff and intermediaries at their disposal, positioned in all the administrative departments that could benefit the monopoly. Their operational rule is the mutual respect of each other's allocated domain – that which I termed “the eighteen metres rule” or “the rule of fiefdom” – for the maintenance and protection of the rentier system: that is why the recruitment for network operation is carried out within the administrations themselves, close to managerial cadres.

Many authors have clearly explained how “partisan” structures, endowed with different labels (nationalist, Islamist, and other tendencies), act as a social ladder for businessmen, local entrepreneurs, importers, and wholesalers, who constitute clientelist clusters that first invade local assemblies, followed by the parliament, in order to pass legislations, as much as needed, for the protection of these networks' interests.

The paradox, however, lies within the difficulty the central administration claims to face in computerising its services (fiscal, social security, labour laws), in instating the usage of bank money, or in applying quality standards on imports.

The second characteristic of a neo-patrimonial State, often called “clientelist”, is that it is based on virtual lineage (or familial) networks, whose members pledge allegiance to executives in upper ranks, in witness whereof, they attain part of the distributed rent. As such, Leca and Schemeiel's⁷ text elucidates the characteristics of the neo-patrimonial State.

⁷ J. Leca and Y. Schemeiel on the patrimonial State in Arab countries, in *International Political Sciences Review*, USA and Rachid Sidi Boumedine, *Actors, Power, and Development*, HDR. University of Poitiers, June 2001. [in French].

The vocabulary employed in the accusation against the two prime ministers Ahmed Ouyahya and Abdelmalek Sellal says a lot about the methods used to benefit close circles “The charges held against them relate to “deliberate granting of credit, with undue privileges, to others in the conclusion of deals and amendments to deals in violation of legislative and regulatory provisions currently in force” [...] “demanding and accepting undue privileges” [...] “the collection of royalties and benefits on the occasion of preparing or conducting negotiations for the conclusion of deals” [...] “squandering public funds and illegal use of assets and public funds” [...] “granting franchise loans, tax deductions, and tax rebates without legal authorisation”.”⁸

All these networks, which sometimes control entire sectors or, at least, very important branches thereof, need obligatory crossing points, in particular among those who move in the circles of importing goods and services.

If some of them were to become, at some point, due to their “functional” relationship with foreign middlemen, men of “savoir-faire”, the aforementioned task would subsequently be entrusted to biological relatives, as the “children” or the close ones of the most powerful men are, by virtue of this mode of operation, the intermediaries privileged to access “decisionmakers”.

In this regard, a good number of “heirs” open “start-ups” that specialise in “communications”, “liaison offices”, public relations, or internet services.

Held positions overlapping with clannish and familial interests came out in the open during the lawsuit in progress thanks to Hirak, whereby considerable assets appear to be enjoyed, with no legitimate or legal justification, by family members of the most powerful members of the State apparatuses, or their associates, “businessmen, manufacturers, etc.”.

Once more, in that regard, the 2020 lawsuit could enlighten us with specific examples: the only real-estate property in possession of the previous Director General of Security, beside the 25 bank accounts, is established as follows “34 villas and apartments in Algiers, 25 land lots and houses in Oran, 5 apartments in Tipaza, another 5 in Tlemcen, an apartment in Aïn Témouchent, and another in Sétif! That's all that the former chief of Algerian police possesses! Barely 71 real estate properties! Just that, no more, no less...! The poor thing..., as satirised by D.

⁸ Online newspaper, *Algérie 1*, March 19th, 2020.

Fadel.⁹

For its part, the formal State apparatus, its institutions, its *modi operandi*, written rules (or not) filled with loopholes for networks to penetrate and use to their own advantage, are an essential element for the system to function in turn and use its rules to create and distribute rent.

The networks that infiltrate the system use external agents, some of whom we have listed above, party members, associates, who constitute the bulk of their clientele. They are recruited through processes aimed at selecting the candidates allowed to enter the apparatus.

Such a process takes place through a “corridor” that facilitates sifting through candidates for positions based on various categories: support for a certain political party, posts within the administration whereby one could demonstrate one’s zeal and efficiency in executing verbal instructions, interpreting texts, or as sponsor, when working as an entrepreneur, of political activities, etc.

It could even include, on the other hand, the subjugation of servants who already hold a position within the State apparatus, regardless of their rank, and who already answer to centres of external commandment, business circles, or informal lobbies.

This stems from power struggles within (or at the top of) institutions submitting significantly more to the rules of allegiance to higherups than to any other rule. As such, the elected members of assemblies would be much easily inclined to submit to injunctions of higher-ranking officials than driven by concern to please their voters.

To understand the way the State – prisoner of the genesis, seizure, and distribution of rent – functions, we shall approach it through two gateways:

- The first is made up of the fact that in order to generate and distribute goods and services, the ruling groups would need to position their members (servants and clients) within public organisations in order to facilitate actions and procedures to be carried out for the sake of generating or distributing the former as rent.
- The second door is made up of a sum of laws, regulations, and procedures that these clerks (starting with those in ministerial ranks all the way to the municipal secretary) will “distort” or selectively apply

⁹ Online newspaper *Algérie 1*, March 12th, 2020.

in accordance with their interests.¹⁰

Networks, circles, rent

Regardless of the shape that alliances between network members and between networks themselves, which respect each other’s allocated competence, the first circle of beneficiaries will always be a familial one. Such a network features the descendants (in regards to inheritance, but in regards to discretion), the wife (who inherits a usufructuary asset such as the villa or agricultural lands), followed by the siblings (who commence their control of delicate positions, such as the police, border control, taxes. Then comes the circle of direct servants – poor relatives, childhood friends, high school colleagues, elementary school classmates, military companions, etc. – and finally, members of networks of shared interests.

It should be well understood that the ultimate end of executives as well as members of networks is to ensure reproduction for the family, a simple reproduction for everyday life, and extended for the long term by protecting their common interests, following strategies of political or matrimonial alliances, and so on.

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It is in such a capacity that there exists, even during officials’ appearances before courts of justice, a form of consensus around the principle that the one given to the bride is “given to the family” for its own existence. Such an idea is so common that during lawsuits, “wives” are cited but never condemned, and the “family house” (which could be very recently purchased) rarely figures as part of the property to be sequestered. In some cases, the principal residence remains intact even when the concerned party had left for abroad, as if by chance, “a few days prior to arrest”.

¹⁰ A newly appointed prime minister in the early nineties would famously proclaim, Belaid Abdeslam in this case, following his appointment, his intention to fight corruption. One or two months later, he redeclared that nothing could be done about it as these subversions were made in a legal manner or, at the very least, under cover of the law. 156, *Hirak sources*.

The various lawsuits of Spring 2020 have also confirmed how inheritances were arranged in the early eighties. It was common knowledge that the large redistributions of assets and privileges to executives' families had allowed the latter to access these terrains called "surpluses" of public agricultural estates "restructured" in the peripheries of big cities, or within the Agricultural Real Estate Property (APFA) institution in the southern territories, etc.

During this time, passing the job of intermediation to the children (the boys first then extended to the girls) was arranged by sending them to a university abroad with a substantial scholarship, access to citizenship, or at least permanent residence, in the country of studies, followed by their return to Algeria in order to inhabit a lucrative niche whereby they "invest" without anyone knowing where their considerable resources hail from.¹¹

As such, during General Abdelghani Hamel's trial, former chief of the police, it was revealed that every one of his children (three boys and one girl) had at each their disposal three or four apartments, many lots of land including some for industrial use, and three or four companies, though they were all minors still (16, 17, and 19 years old).¹²

Oddly enough, it is in those niches, where various "experts" claim to find "lacunae", "delays", and State "failures" - such as high-tech, ICTs, the pharmaceutical drug industry, telecommunications, etc.- that these young graduates have created and grown their own companies, so full of promises.

In the course of the 2000 trial, it was revealed that the companies that managed, in their capacity as "internet providers" to embassies, banks, and large foreign companies were managed by the "sons of...". Some-

¹¹ Accused in the lawsuit for having participated in the illegal collection of funds to the benefit of the elections campaign of former President Abdelaziz Bouteflika, the boss of a car company (imported by...) responds to the question about his company, that former Prime Minister Farès Sellaal's son "had bought 923 shares for the price of nine million Algerian dinars (80,000 euros at the official exchange rate). By the end of three years, he had taken the dividends from those years of an amount equalling 11.5 million Algerian dinars". It is enough, then, to be the son of... in order to be able to make in three years a 25% profit, never heard of anywhere else.

¹² See the daily newspaper *El Watan*, Saturday March 14th, 2020 and the article detailing General Hamel and his family's trial.

times, these "prodigal sons"¹³ headed four or five companies in highly sought lucrative niches.

These concentric circles are intertwined and serve to construct, in a manner of chaining, meshing, or reinforcement, which works all the "useful" State apparatuses on behalf of networks, within a structure of obligatory solidarities whereby they create reciprocal obligations as well as exchanged services.

We would like to note, by the way, how social and relational capital of the concerned parties is reinforced on this occasion - which gives them access to opportunities that extend far beyond the initial "niche" they had occupied or the networks of which they were members.

One should, perhaps, consider the pursuit of alliances through matrimonial strategies as one characteristic of the neo-patrimonial system. Here, not only do marriages take place between members of new feudal families, but they sometimes extend, for family members of the most powerful (that is, those who belong to executive circles), to marriages with Arab principalities (Gulf and Arab Emir families, Palestinian leaders, etc.).

As such, it becomes difficult to conduct a purely instrumental and legal reading of the institutional operations and their seeming "malfunctions", which are, most often, nothing but masks for discrete actions.

¹³ Thus, according to (English) Wikipedia, "Lotfi Nezzar is an Algerian businessman, son of Major-General Khaled Nezzar. He is [...] vice president of the Algerian Internet service provider Smart Link Communication" of which we know that it was the access provider to embassies (visa services in particular), to foreign banks, etc. His licence was revoked in 2020 following prosecutions against his father. He was able to flee to Spain on a Yacht, however, accompanied by his brother in law, the chair of a pharmaceutical company.

4 Three levels of governance

Among the systems the groups affiliated with the State use to watch over, protect, and perpetuate their control is the ideological apparatus, which serves to legitimise the former. As legal control, it remains incontestable in form. In essence, however, it is much more than that, as the task of executive groups is defined as bearing, in the name of the Revolution, the development and protection of Algeria against its internal and external enemies.

As such, opacity in the management of public affairs is not only inherited from the political culture during the war of national liberation, whereby discretion was considered indispensable if not vital, but also from a wish to permanently and exclusively control information, namely, a strategic weapon.¹⁴

Any different or discordant portrayal of reality would thereby be suppressed, whether presented by social science papers, any type of media, or in any other manner. These oversight mechanisms are continuously adapted to evolving information and communication technology.

As such, opacity in the management of public affairs is not only inherited from the political culture during the war of national liberation, whereby discretion was considered indispensable if not vital, but also from a wish to permanently and exclusively control information, namely, a strategic weapon

Repression is a key element within this system. It consists of limiting the contents of spaces of expression that are prone to be filled with presumed hostile opinions or actors to the authorities in place. As such, it participates in domestication processes and subjugation of society.

Indeed, the objective is to obtain more than simple compliance; that is, in order to ensure consent to the ideas of ruling groups, servile, that is, powerless, consensus must be set up. The idea is that, if the system is accepted, one could eventually benefit from the distribution of rent, should their name show up in one of the lists of deserving persons.

Associations are no exception to this rule; as not only do they need to

¹⁴ Where one could see that all is permissible...under control. "M. T. called for the reconstruction of civil society in a way that would promote its adherence to popular control, carried out by encouraging charitable associations." The doctrine is clear; T. expressed the philosophy of power better than any preceding executive since 1962.

obtain grants, but also the approval for its establishment, as well as reobtain, time and again, an authorisation to run their activities, conduct their meetings, and so on,¹⁵ all the way to yielding to the rules of the game. For certain associations, participating in a committee supporting an electoral campaign could be at stake.

Written law prohibits associations from participating in politics, while their survival demands that they must; all the while accepting the legitimacy of current executives.

As useful as the tacit authorisations to violate the law granted to clients are in enabling threats to issue sanctions in due time— access to the law, for individual citizens or organised groups, remains contingent on their acceptance of tutelage.

The relationship between systems of governance and corruption unfolds as follows: it is the other side of the repression coin, whereby it gives a feeling of being rewarded for the presumed "skilful" behaviour – of joining the strongest clubs – by rendering null and void the values of work or equality before the law. Clientelist systems require authoritarianism as much as they do corruption.

While corruption, as well as law violations, need masks of official laws in order to endure, they also need authoritarian modes of operation, by which they would apply different forms of repression.

The relationship between systems of governance and corruption unfolds as follows: it is the other side of the repression coin, whereby it gives a feeling of being rewarded for the presumed "skilful" behaviour – of joining the strongest clubs – by rendering null and void the values of work or equality before the law. Those who do not play the "game" would be punished by depriving them of some of the rent contracted to them, and, even, should they persist, by criminal penalty.

Clientelist systems require authoritarianism as much as they do corruption.

As soon as repression liberates ruling groups and networks from opposition that fights them, it could reclaim its main role, which is to determine the arrangements and adjustments required for international groups to remain in power, national ones to control rival groups, and local ones to ensure support and compliance within selective redistributions.

¹⁵ The authorities' approval must be renewed on a yearly basis.

However, one must revisit the manner in which networks appropriated by the State function, how they protect of their perpetual supremacy, in considering the power struggles at hand as well as national and international issues with which they maintain constrained and necessary relationships.

Three levels of governance should thus be highlighted.

First level of governance

The first level is an international one, consisting of relations with the major powers as well as with their local agents, adjuncts, governments, and various international organisations. Within the guardianship they exercise over executives in their respective countries, major powers leave a margin of manoeuvre which could well resemble façade “opposition”.

As world ruling powers are interested in controlling resources, or monopolising some position in the circulation of goods and services, they would expect from the State in question an alignment with the outlines it draws, regardless of its own considerations.

Likewise, such dominance often manifests within two forms:

The more harmless of which seems vassal states’ adherence to supposedly universal principals, protected by the “International Community”.

Such a manner of maintaining relative balance with ruling powers could also be explained by the local oligarchies’ economic and financial dependence on foreign providers and protectors. It does not take place because these countries provided necessary technological input, but because the local comprador bourgeoisie planned to sell its merchandise in overstock, contributing to the preservation of occidental economic flow. They domicile their dividends in tax havens in foreign currency, which the bourgeoisie collects in commissions, thereby ruining any possibility for internal development within vassal states.

The shapes taken by debited sums all result in the locally paid price being completely divorced from the quantity or quality that the service or the goods provide.

The practice of overpricing, of which an agreed-upon sum is paid to the Algerian agent, wired into his offshore bank, is accompanied, along with the implementation of contracts, by finding defects which, as they per-

tain to products of mass consumption (heating appliances, automotive replacement parts, etc., called “Taiwan” in Algeria”) have deadly consequences on their users.

We could therefore see a strong logical connection and objective solidarity between local oligarchies, local political leaders, and major countries; one which could explain the “indulgence” foreign powers have towards our leaders

We could therefore see a strong logical connection and objective solidarity between local oligarchies, local political leaders, and major countries; one which could explain the “indulgence” foreign powers have towards our leaders.

Second level of governance

The second level of governance aims to ensure balances between those in charge of rent channels, including import, and their foreign providers.

This form of governance sometimes bears the brunt of group negotiations. Governmental decisions are made, then quickly revoked as certain groups feel disadvantaged and make it known that they are.

Whence some measures, laws, decrees, and agendas seem to be made-to-order, semi personalised; whereby they benefit a certain group or field, with the notebooks modelled on clearly recognised brands.¹⁶

Third level of governance

The third level of governance concerns the method of managing the three categories of the population:

The first is made up of clusters of all types of servants who particularly live off revenues of any received or debited shape or form, as permitted by their position. Those directly serve central or regional networks associated with apparatuses of State power.

The second category comprises the entirety of the population. As a

¹⁶ This is, by the way, what gave such a resounding nature to the trials of former prime ministers and those, less than ten people, who had enjoyed advantages, inscribed in law, but now deemed illegal, within the automobile sector, for example.

much larger category, it seems to live off misdemeanours carried out in sectors such as informal retail, “illegal” construction, the unjustified occupation of public spaces, under the cover of authorisations and exemptions. Such practice is both lucrative for these offenders and profitable for the clusters associated with State powers; through it, the manna of overpriced imports (in the economic sense of the term) is distributed.

This second form has a very important role to play in the consolidation of local and central powers, by providing, in due course, contingents of disciplined voters to various representative assemblies. It also provides agents, recruited from their midst and appointed as “baltagiyas”, in reference to a similar type of gangs in Egypt. Their mission is to commit acts of physical violence against protestors with categorical or unionised demands, or who demonstrate any political opposition.

The third category is made up of “nice people” or “the nobodies”, the civil servants, employees, peasants, etc. who live on their salaries and work, and who do not belong to any network or circle. They most often live in precarious conditions. They thus become targets to different housing policies, creating for their disposal enormous housing collectives, underequipped, far from city centres, but which enable considerable transfers of sums in foreign and local currency to the benefit of the sleeping partners, their enterprises, and shell companies.

The housing formulas often change names in order to justify the official use of the expression “a new formula”: they cover the populations to whom “housing is granted”, to whom houses are rented (called social housing), and those who buy their own house, based on their income category. However, the annual number of “units” (called as such as considered to be merchandise rather than a living space) is so high (around 50,000 units per year for a period of ten years) that the invested sums are equally large. Such programs, which replicate large European or colonial “compounds” of the fifties, are also characterised by defects and lack of proper finishing.

These are the three categories, controlled by the third level of governance, which are bound to engage in “petty corruption” in order to obtain a service to which they are theoretically already entitled: having their names show up in potential housing lists for shanty towns, in lists of families waiting to be “reoused”, or in lists for candidates travelling for Umrah, etc.

This is, then, what we could call an “8” loop: in the upper loop, the wali or mayor receive, for every governmental program, quotas of housing,

Umrah tickets, or special passports for Hajj, called “wali quotas”, to distribute. These quotas are served to notables, and to the clientele in general, in such a manner that any house, even of a low standing, would be worth three to four times its “administered” price in the market. In return, these notables guarantee their clan or village’s allegiance to the authorities.

The lower loop already begins at the level of census agents, who are charged with reporting presence in slums. Such attestation delivered to the occupants turns into an “administrative certificate of residence” then a “good” for rehousing. One would then have to pay in order to obtain their right to illegally construct a shack, or to be simply listed as inhabitants of slums or as a disaster-stricken residents in order to obtain the right to be wait-listed for housing.

The corruption of “middlemen”, as well as the corruption of their higher-ups who cover up their businesses, gives rise to a series of debits. In addition to “coffees” received in order to get one’s name on a list, it enables the “agents” in question to commit scams: “False registering” payers who would be punished with an endless wait for an awarded allocation. Total absence of reward lists. Or outright desertion of people on their way to new houses in the middle of the road (a classic scene where families are abandoned with their belongings in the middle of the street).

Due to the magnitude of these deeds and the increase in abuse, any rehousing list could potentially give rise to population riots, followed by police inquiries that subsequently lead to the elimination of ten to thirty percent of lists for reasons of noncompliance with requirements. The result manifests in delays in housing allocations, lasting several months, as the authorities would constantly double-check their lists for fear of such reactions.

Those governed by the second level of governance do not resort to this type of corruption, as they are capable of accessing services by virtue of their position within the hierarchy of networks and the density of exchanges available therein.

5 “Form” as a stabilising component of the system

It is difficult to adopt a single mode of explanation to understand the manner in which executive groups subvert the employment of the laws, regulations, and promulgated or stipulated procedures. We have given a few such examples that seem pertinent to the Algerian context. For the corrupt-predatory upper classes, the employment of certain processes, such as untraceable interventions, aims to protect them against external attacks (prosecutions before international courts of justice) and against potential sequestrators of goods transferred abroad. On an internal level, it aims to avoid legal prosecution in case of shifts in alliances.

For “middlemen”, it is by virtue of their position within or close to the State apparatuses and their executives that these agents may access rent. “Form” is thus a necessary condition to debit, seize the financial manna of circulating capital, and to redistribute it.

The “variations” on bypassing the laws and general rules or their subversion constitute the trademark of the channels, modes, and means of rent collection.

Breaches from the top

At the highest level, the notion of law contravention loses almost any meaning as soon as the central executives are precisely assigned to draft and promulgate laws. Suffice them to word the law and the “entry into force” text which enables them to bypass certain restrictive obligations. Indeed, rent collections are often done through a “legal” formulation and their biased exploitation, or through truncated implementation of texts, in claiming the “urgency” and “country’s best interest” as a pretext to justify the exemptions given “from the top” (one often hears “the order was given from top” being said).

In the manner in which rent is allocated, through the provision related to public contracts, we may clearly see how corruption is characterised by an organised and systematic nature. It reveals how the entire process is monitored, organised, structured, and thereby distributed

Insofar as the seizure and distribution of rent are completely under the control of ruling groups and their accomplices, it suffices to create new legal and regulatory provisions to enable rentier allocations to desig-

nated people or groups. The advantage of such forced passage lies in granting “legal” cover and being thereby sheltered from legal prosecutions filed by rival teams, as explained in the abovementioned.

However, and since legal or regulatory provisions must, for the own acceptability, pretend to respect equality among citizens, enterprises, and so on, several modes could be implemented in order to sidestep obstacles:

- 1st modality: texts or provisions of implementation, using the study of all cases of applicability or non-applicability of the law as pretext, creating a loophole to gobble up “exceptional” cases and justify the fact that some rights appear to benefit the people or groups who, according to the original provisions of the law, did not benefit from such a provision.
- 2nd modality: the entire hierarchy of texts that enable granting rents (real-estate, financial, various authorisations) contains a provision called “in national interest”, by which everyone is legally-bound. It is in the name of this principle that multiple exemptions or rights that are above the norm are granted to people or groups. Sometimes, one single qualification (for example, “investor”) would be sufficient to grant their selective rewards, while defining neither the nature, volume, nor conditions of the investment.

However, alongside these semi-legal provisions (which take on the form of a law) are practices that enable authorities to give out deals to executives’ relatives and close ones, in accordance with various procedures, of which we could name the following:

- Insider trade which consists of reserving, upon publishing a call for public tenders, one or several pieces of information related to market conditions (the volume of allocated credits for the operation, technical specifications, required means, etc.) to candidates so that their future bid would be the closest possible to the requirements of the administration, which increases their chances of getting the deal.
- Naturally, in addition to communication of information being given to the benefit of “network members”, it also relies on the opacity which engulfs the conditions of deal preparation, supposed to be “confidential” all throughout the procedure of AONI (National and international tender notice).
- Developing contract conditions that comprise general clauses (also called administrative clauses) and technical specifications related to

the supplies or services needed for the work covered by the contract. Contract conditions are thereby manipulated within its administrative clauses, particularly those related to candidate selection, so that this or that known candidate could fulfil such conditions to a T. One could say that the contract conditions are “personalised” or, as is sometimes said, “falsified”, as they are distorted to correspond to one specific profile.

- Manipulation of advertising the tender notice:¹⁷ in preparing the allocation of a deal based on a “mutual agreement”, that is, without selection among competitors, some administrations make sure that the tender notice is published in journals with little readership so that they receive no response and be thereby announced as “fruitless”. Subsequently, the contract is negotiated in mutual agreement with the person whom the administration had decided to accept.
- A “corollary” mode, which consists of giving the contract to the “lowest bidder”, who had been given prior notice (see above). Then, in view of the low amounts provided in the contract, he would be endorsed and thereby offered a considerable increase in the stated amounts. While the law limits increment at ten percent of the original amount, in reality, these contracts sometimes double the original amount.

In the manner in which rent is allocated, through the provision related to public contracts, we may clearly see how corruption is characterised by an organised and systematic nature. It reveals how the entire process is monitored, organised, structured, and thereby distributed.¹⁸ Such a provision tends to discredit the law by enabling corruption to present “undue rent collection” as “legal or regulatory”.

¹⁷ We suspect that some journals were created for nothing but to serve such manipulation, carried out by various ministers or public institutions. Their operation is ensured by public advertising grants, as the number of readers cannot account for its survival. A recent journal article had revealed that a former football star owned two daily newspapers, which never even came out, or just barely did, but still received considerable public royalties for advertisements on a monthly basis. The latter never denied it.

¹⁸ For some types of contracts (infrastructure in particular), the “recipients” are known and their numbers, for the most important projects, is also known. There are also known “local enterprises” that play the same role of attracting upper ranks and for projects of a smaller, though not insignificant, dimensions.

Opacity and entrenching the functioning of the State as a necessary condition

In this study of corruption, it would be of little interest, in the context of comprehending modes of governance, not to consider opacity as but the lack of information; the issue at hand is to understand the way in which State bodies are led to selectively distribute rent to beneficiaries without encountering any obstacles.

Opacity in this case, then, takes on another dimension, as it serves as an envelope and a tool for concealing the selective manner in which the State and its divisions allocate advantages.

During Abdelghani Hamel’s trial, former Director General of National Security, the general’s son, in response to the public prosecutor’s question about the way in which he had obtained a major industrial land while being no older than 19 years old, said: “I have submitted my application as would any simple citizen. I was answered, and paid my duties like everybody else”.¹⁹ Everything is here lies within the unsaid; the forms, as we had previously emphasised, are almost always respected and kept and, as such, by resorting to banality, the defendant washed himself off of all accusations, by recourse to the evidence found in the letter of the Law.

Here, it was also common knowledge that a large number of private businessmen, including the fabulously wealthy Issad Rebrab, would, on several occasions, make it known in the press that their requests had remained unanswered for years.

In fact, it should be noted that these preferential treatments (accepting files, responding to them in the affirmative) have as counterpart a system of graded “sanctions” which range from blocking an authorisation for operation constructed plants once, to blocking materials at the port, to demanding the return of materials or merchandise and fining them, etc.

The example of the “Evcon” unit which, should have been producing extra-pure water, destined to pharmacies and hospitals by using a special and new technology, is a significant one: at first, it was authorised, but then, with the arrival of machines to the port, bumped into a deadlock, whereby customs had blocked the machines for customs duty. The executive was finally imprisoned then condemned to pay considerable

¹⁹ The daily newspaper *El Watan*, March 14th, 2020.

fines.

This would have been a simple polemic between this investor and the administration were it not for two precedents: the difficulties he had encountered in order to import his own material for a soybean grinding factory (refusal to issue him a construction permit, then the prohibition to unload machine shipments at the port, followed by a prohibition to clear them through customs, etc.). Indeed, the issue should have been traced to the moment when this private businessman, very close to powerful circles, refused to contribute to Abdelaziz Bouteflika's election campaign in 2004.

As such, we stand before a system that, on the one hand, channels rewards to certain people's benefit and punish those who think they could go around it, on the other. The "black boxes" in which this takes place are all under the direct guardianship of the prime minister (the National Agency of Investment Development, or the National Council of Investment...).

The same "black box" effect is also applied onto service contracts, regarding the study of major works (petrol and gas, public construction, hydraulics) or strategic studies (supplies, finances, economic development, etc.) entrusted to international research offices and paid in foreign currency. It also applies to the benefit of clients with less significant (but still important) projects, paid in Algerian dinars.

Recourse to foreign offices is justified by lack of qualified national offices, even though everything had been done to disintegrate the latter and sentence them to exile,²⁰ if not marginalise them as punishment for their noncompliance.

The same disintegration process had affected the large public companies in the early eighties when they began exporting their know-how to many countries, including in Europe and the United States, justifying resorting to foreign enterprises (Italian, Turkish, Chinese) by lack of competent Algerian enterprises.

This would not prohibit giving large deals, in the framework of "partnerships", invoked as a new approach, to members of executive circles first, then, through them, to foreign companies, members of the consortium established for such an end.

²⁰ The interviews with medical specialists in France, during the Covid-19 epidemic, revealed a strong Algerian presence among heads of emergency departments and ICUs. Who could forget the repression of resident doctors in Algeria in 2018.

Hence, cuts in national capacities, loss of skills by eliminating their most efficient, be it people or companies, or by making exemplary cadres, should there need be, pass by the "prison" box in order to break them and make a lesson out of them, constitute the first excuse for turning to skills abroad. Moreover, such operations enable the collection of rent in foreign currency, rather than in dinars, with which the members of circles close to power have become multibillionaires.

Breaches from below or "democratic crowd-management"

To avoid getting lost in anecdotal details, we shall classify our conclusions:

- For the first time, we see the term "methodical theft" appear in printed press, rather than the usual and very ambivalent term "corruption", as written in the Arabic Newspaper El Khabar (in the issue of March 19th, 2020). This newspaper had often highlighted these practices, presenting them as "fassad" (corruption) in its mere moral and religious sense.
- Next, how does being the biological family of a powerful network's member, in this case, the major network, in proximity to the former president,²¹ enable a regular violation of laws and regulations without even applying any special measures. For example, General Hamel's son, aged 17, was a manufacturer²² beneficiary of lands, and a citizen beneficiary of houses... whereas even the law limits allocations to one single house. Many citizens were excluded from house acquisition lists, as had been seen above, despite having paid the sum requested for a family home in advance, when their children were still young. For such a reason, one refers to people above the law, as the advantages they attain are "outside the law".

Ruling groups and their servants using violations of official laws without prompting punishment render the mode of trivialised and performed regulation as legitimate within the clientelist system.

²¹ How did the former president manage? Did he directly manage the ruling network or did he delegate these tasks to his brother or the group the surrounded him, etc.? We will certainly never find out. However, members like the former chief of police had a reputation for being very close to the president, which bestowed upon him a very special configuration of rights.

²² This executive's four brothers and sisters were, even underage ones, the heads of 34 flourishing enterprises, had ten apartments each, two or three pieces of industrial land (see *El Watan*, Wednesday, June 3rd, 2020 under the headline: *Trial of former Chief of Police Abdelghani Hamel: the Walls that use pressure and threats.* [in French].

Of little importance here is knowing how these limits were crossed and injustices committed (i.e. the inequalities perceived as discriminations); the fact is that they encouraged, through powerful public authorities, even more populist actions – at least inasmuch as financially permissible from the export of hydrocarbon resources²³ – translating into significant sloppiness, and unequal distributions and redistributions, whether in volume or systematic nature.

Ruling groups and their servants using violations of official laws without prompting punishment render the mode of trivialised and performed regulation as legitimate within the clientelist system

All these distributions are oddly accompanied by threats under cover of reminders of prohibitions under the law, though without implementing them. This is not a question, as one may think, of empty threats; they are merely signalling to servants and their clientelist clusters that the tolerance exercised towards them and granted to them could translate, at any given moment, into grounds for sanctions, should the established limits of the rules of the game ever be – visibly – crossed.

²³ See NAQD Review, no. 25, dedicated to the subject of rent.

6 General conclusion

By now, one must revisit the way in which the rules of the game and the methods used by ruling groups get entangled in order to perpetuate their rule as well as to collect and distribute rent. One should also revisit those more obvious rules and regulations that characterise the modern State, which these groups must pretend to respect, as any clear failure to do so could cost them their job, if not their liberty or lives.

It appears that in this eternal game, when the law cannot be directly instrumentalised to serve their own projects, these groups, and/or their servants, resort to violations, in various degrees, of the law. These breaches constitute, in turn, a manner and a moment through which the regulation, governance, and maintenance of political and social order are ensured.

When carried out in the open, and in order to maintain social order, the selective collection and distribution of rent must be “accepted”. It should in fact have, and as always in such circumstances, some social legitimacy or, at the very least, some level of acceptability.

In summary, according to social and moral laws, legitimacy prevails over legality, provided that the person in question does not make any visible profits in return for their actions, apart from the mental satisfaction, that is, arising from a duty well accomplished.²⁴

Direct theft takes place, then, when practiced by high-ranking officials who take advantage of their stature and position in order to “receive”, in their capacity as “simple citizens who nicely asked for it”, goods or services from the State. Such mode of proclamation is in complete contradiction with reality, as those powerful people could access, in proportion to their “level”, sources of allocation of public property.

When carried out in the open, and in order to maintain social order, the selective collection and distribution of rent must be “accepted”. It should in fact have, and as always in such circumstances, some social legitimacy or, at the very least, some level of acceptability

As such, it would be more accurate here to talk about prevarication which, according to consensual definitions, refers to the “Serious breaches of duties entrusted to a civil servant or a statesman (abuse

²⁴ Rachid Sidi Boumednie, *Urbainism: A Systematic (Methodical) Theft in a Structured Field*, in NAQD no. 25, *Corruption and Theft*. Algiers: 2006.

of authority, embezzlement of public funds, misappropriation of public funds).” The synonym of which is “malfeasance”.

Many common terms in the vernacular refer to such practices, such, for example, as the fact of terming a person as “mta’na” (our own), which signifies that “he is ours”, “one of us”, or “one of our own”, thereby determining the status of the servant as one and the same with the affiliated group from which the person who had introduced him hails.

It is such intersection between multiple bases of shared and interlaced legitimisations and interests that reinforced the “Stalinist” mode of power introduced by Bouteflika. He bequeathed such triumphant arrogance to this new community that would precipitate his fall.

Yet, who, then, in these conditions, is forced to resort to corruption?

The question does not always revolve, however, around payment of sums of money or the provision of undue goods and services.

Rather, in order to understand the entire system of corruption, one should presume a form of symmetry between the restrictions imposed on some people, limiting their recourse to corruption for being “outsiders” to networks, and the overabundance of access to assets bestowed upon others, based on the rank they occupy as officials or members of a network.

Corruption, then, is both an integral part of the clientelist system and a tool for crowd-management.

Following the partial collapse of the edifice in Algeria, though significant sections of networks remained intact, highest-ranking former officials became victims of those very reshuffles, carried out under cover of the law.

Chapter
02

Iraq

A System of Governance Perpetuating a Plundering Regime

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Pages 104 - 109

Introduction: Corruption as a mode of governance in a post-2003 Iraq

Pages 110 - 120

The political transformations in Iraq after 2003 and setting the foundations for a corrupt system

Pages 121 - 141

Manifestations of corruption in Iraq

Pages 142- 145

The state's methods to accommodate Iraqi society and keep social peace

Pages 146 - 147

Conclusion



Ruling parties in Iraq consider the State institutions as a “plunder” or a product with a true market value. They invented the “economic offices” which, present in all ministries, distribute government’s calls for tender. Parties also open foreign exchange companies to control the market of financial transactions and set up banks in charge of funds transfers and contracts awarded by the partners they have inside of the State services.

1 Introduction: Corruption as a mode of governance in a post-2003 Iraq

“Dysfunctional democracies invite political rent appropriation; low transparency invites bureaucratic corruption; weak protection of property rights invites shady dealings, unfair takeovers and expropriation; weak protection of citizens’ rights invites fraud and venal practices; weak rule of law invites crime, extortions and mafia activities; a weak state invites warlordism.”¹

Corruption in Iraq was not an outcome of the political conditions that emerged with the fall of the Baath regime, led by Saddam Hussein, and the occupation of Iraq in April 2003. Its first traces rather coincided with the international economic blockade that was imposed on Iraq according to UN resolutions after the invasion of Kuwait in the early 1990s, and escalated from then on. The harsh economic conditions of the 1990s nurtured corruption, as the Baath state, directly or indirectly, allowed for its exacerbation in the public sector after its failure to provide salaries and resources to the population. However, the US invasion of Iraq in 2003 and the overthrowing of the political system, followed by the dismantling of most of the Iraqi state’s apparatuses and their subsequent reconfiguration according to the vision of the American occupation and under the “American civil administrator of Iraq”, Paul Bremer, have all contributed to transforming the once controllable phenomenon of corruption into an intricate system supported by laws and legislations, or into a daily practice protected by the force of arms, the media, and religious fatwas.

Through linking the fate of the population and the economic life to the political process, the parties in power in current day Iraq have been mobilizing society in their corrupt processes in order to consolidate their grip. This is reflected in the fact that one out of every five Iraqis depends on the authorities to make a living, either through the salaries distributed to employees and retirees in the public sector or through the unemployment benefits paid by networks of social protection.

The public sector had been completely destroyed, which meant that jobs with guaranteed income became monopolized by the parties in

power. Those, in turn, used their ability to give jobs in state departments as a strategy to win over the support of citizens and buy their votes in the general parliamentary elections that Iraq held every four years. These parties promise their supporters and tribe members jobs in exchange for voting for them in the upcoming elections. Consequently, the number of workers in the public sector went up from 880,000 employees in 2003 to a staggering 4.5 million people. This has led to disguised unemployment in state departments, with employee productivity falling to less than 17 minutes of work per day, according to World Bank estimates.

The US invasion of Iraq in 2003 and the overthrowing of the political system, followed by dismantling most of the Iraqi state’s apparatuses and their subsequent reconfiguration according to the American will and under the “American civil administrator of Iraq”, Paul Bremer, have all contributed to transforming the once controllable phenomenon of corruption into an intricate system supported by laws and legislations, or into a daily practice protected by the force of arms, the media, and the religious fatwas.

The parties in power deal with state institutions as “spoils” or commodities that can be bought and sold. These parties “sell” high-ranking positions in various state departments to one another and install their loyal employees in posts that ensure their dominance. The same parties also run government institutions by establishing “economic offices” whose task is to redistribute contracts and biddings in these institutions in their own favor. The parties also work on establishing currency exchange companies that control the market of financial transactions and remittances, as well as founding private banks that act as a cover for the money transfers and business dealings that influential party officials conduct. Since the parties own sizable financial assets estimated at hundreds of millions of dollars, in addition to owning a number of financial companies under alternative names, they can easily redirect their finances into trade and internal / external investments. On top of it all, these banks have saved a spot at the foreign exchange windows, where each bank makes an estimated profit of half a billion Iraqi dinars per day.

The corruption is also accompanied by complex crises within the Iraqi political system, as the American occupation in 2003 has reconfigured the Iraqi state based on consecrating sectarian quotas (or a sectarian spoils system, locally referred to as “muhasasa”), which were further consolidated in the 2005 constitution, but also in recognized customs.

¹ H. Mehlum, K. Moene, R. Torvik, (2006) Cursed by Resources or Institutions? Working Paper Series 5705, Department of Economics, Norwegian University of Science and Technology, p. 1122.

According to this system, the three presidential posts are shared between Shiites, Sunnis and Kurds, with the presidency of the republic being a Kurdish share, the presidency of the Council of Ministers a Shiite share, and the presidency of the parliament a Sunni share. The same sectarian quotas are applicable in the ministries, headships of independent bodies and special rank employees (those who occupy high-ranking positions and enjoy special privileges, such as general directors, governors, members of provincial councils, university presidents, members of parliament, and the three presidencies). The political parties and entities that were mostly operating from outside Iraq before the fall of the Baath state were established along the lines of these sectarian quotas. These parties run the “political process”, launched under the American occupation and forwarded by the heads of parties to this day, though its title and political configuration has been altered from time to time.

The public sector has been completely destroyed, which meant that jobs with guaranteed income became monopolized by the parties in power. Those, in turn, used their ability to recruit employees in state departments as a card played to win over the citizens and buy their votes in the general parliamentary elections that Iraq held every four years. Consequently, the number of workers in the public sector amounted to 4.5 million people, up from 880,000 employees in 2003.

Shiite parties and their leaderships, in specific, have worked on enticing and promoting sectarianism among the population, using the repression, marginalization, and injustices that the fallen regime had previously inflicted upon them as an excuse to do so. The Sunni parties, on the other hand, have used the Shiite majority rule after the year 2003 as a pretext to claim their own victimization; whereas the Kurdish parties play on both their historic and current grievances to fuel nationalistic sentiments among Kurds. These parties, generated by the 2003 quota system, have resorted to investing money in order to consolidate their power and confirm their status. This has become a foundation-setter for the networks of political, financial, and administrative corruption that quickly spread into every state apparatus, through redeployment accompanied by zero-accountability; thus granting the corrupt persons in all positions full immunity for their actions.

Increasing corruption which became an “acceptable” social phenomenon after 2003 coincided with the political system’s progression from a centralized model into a market economy in-the-making, led by political

parties that came into the scene along with the occupation and / or have emerged after 2003. These parties’ agendas are based on sectarian and ethnic foundations. They have passed acts and regulations in their own favor, such as “the jihadist service” acts that concern those who had founded military organizations against Saddam Hussein’s regime, and the act of “political prisoners” who had been jailed for being members of parties banned by the Baath regime. Followers of the parties have taken advantage of these privileges, registering more than 2 million political prisoners! This led to the creation of some parasitic classes, which are affiliated with the authority and the political parties of the new regime, and which benefit from the rise of a market economy and the privatization of the public sector.

Soaring corruption, which became an “acceptable” social phenomenon after 2003, coincided with the political system’s transformation from a centralized model into a market economy in-the-making, led by political parties that came into the scene along with the occupation and / or have emerged after 2003. These parties’ agendas are based on sectarian and ethnic foundations. They have passed acts and regulations in their own favor, such as “the jihadist service” laws that concern those who had founded military organizations against Saddam Hussein’s regime, and the act of “political prisoners”.

Besides that, the financial measures decided by the U.S. occupation to manage the post-2003 Iraqi state had weakened Iraqi regulatory bodies, such as The Federal Board of Supreme Audit, founded in 1927 as the oldest audit body in Iraq and the region, and the Commission of Integrity, founded in 2004 to combat corruption. The fact that Iraq is a rentier country with 90 percent of its economy depending on proceeds from oil sales has contributed to the spread of corruption to both legal and illegal activities. In this sense, we are not dealing exclusively with the kind of corruption that occurs through venality or within illegal activities. Rather, we are faced by examples of a corruption that is shielded by a legal framework that revolves around a wider range of different economic activities. These activities have contributed to the widespread of financial and administrative corruption in most of the Iraqi state’s main apparatuses, as the country’s wealth got plundered by the powerful, both inside and outside the country, to such an extent that the financial irregularities have hit record-breaking numbers. For instance, the value of financial waste between 2003 and 2018 amounted to more than \$ 350 billion. The mutually beneficial correlations between the rentier

state, corruption, and the operatives of state departments become especially evident, for example, in the way that oil companies run their businesses, given the vast amounts of money invested in oil projects.

We are not dealing exclusively with the kind of corruption that occurs through venality or within illegal activities. Rather, we are faced by examples of a corruption that is shielded by a legal framework which revolves around a wider range of different economic activities.

One must also point to the intrinsic linkage between the exacerbation of corruption on the one hand and the foreign powers promoting and supporting it on the other hand, as in many cases, corruption is linked to one or another foreign strategic goal. In addition, regional countries have been clearly inciting corruption in order to enable their corresponding political forces to have access to sources of income or fresh finances through corrupt deals and contracts, smuggling illegal goods, or importing goods which do not conform to health or qualitative standards. On the economic level, regional and international forces greedily regard Iraq's wealth as spoils which are theirs to collect. Foreign forces, who have played a pivotal role in Iraq since the fall of Saddam Hussein's regime in 2003, now sponsor the continuity of the political quotas in the country. And since the rent from oil provides money to the parties and enforces their hegemony in the state and society, the political parties that have taken over the power after the U.S. occupation of Iraq have intentionally neglected the need to rebuild the Iraqi economy and diversify its incomes, despite the largely available financial resources to do so.

Iraq's wealth has been plundered by the influential and the powerful, both inside and outside the country, to such an extent that unprecedented numbers of financial irregularities had been recorded. For instance, the value of financial waste between 2003 and 2018 amounted to some \$ 350 billion.

For all these reasons, the corruption rampant in today's Iraq is considered to be one the most dangerously complicated experiences among all corrupt regimes. It is a system inaugurated by several factors discussed in this report; the most primary of which are the political quota system and the financial measures put in place by the American occupation, in addition to other international and regional factors. This report specifically discusses the mechanisms that have enabled the post-2003 ruling class to pass on corruption and transform it into a politically, legally, and socially legitimate way of governance. The research relies on two hypotheses. First, the growing phenomenon of corruption in Iraq

has contributed to strengthening the grip of political parties and entities in power over the fundamental state institutions in a way that secures their seats in future elections. Second, despite the fact that general elections were held in Iraq after 2003, the elections have only contributed to cementing the authority of the ruling political parties and entities that practice a hegemony on different state positions.

This research is divided into three main chapters that address corruption as a governing system in a post-2003 Iraq. The first chapter tackles the political transformations in Iraq after 2003 and the establishment of a networked system of corruption, while the second chapter extensively discusses the manifestations of corruption in Iraq. Finally, the third chapter addresses the tools and mechanisms used by the authority to appease Iraqi society and perpetuate the rule of the corrupt.

2 The political transformations in Iraq after 2003 and setting the foundations for a corrupt system

The quota system and the post-2003 elections

The sectarian quota system (locally known as “muhasasa”), established by the American invasion of Iraq after 2003, has mandated the apportionment of governmental posts among the various components and groups in the country on sectarian and nationalist bases. The quota system has replaced the regular criteria for assuming government positions, such as experience, professionalism, and competence. As such, the sectarian quota system has become detrimentally threatening to the collective national identity in Iraq, especially that it favors sub-identities, along with their chauvinistic, sectarian, or nationalistic alliances, over citizenship. This system has encouraged the different parties in power to exploit the state’s budget allocations, leading many who hold posts in procurement committees and contracting committees to plunge into corruption, in addition to exploiting the partisan nature of some institutions which, therefore, remain immune to any form of auditing or regulation.

Naturally, the apportionment-based system of governance hasn’t remained in the political backstage, but has rather weighed in on society as well, leading to further fragmentation, a return to sub-identities, and the marginalization and exclusion of competent employees from public service, most of whom have chosen to immigrate to other countries. This was the outcome of the ruling class’s monopoly on official positions, recruitments, and promotions. And just as the three presidencies are distributed on a sectarian and ethnic basis, so the lower positions, such as the proxies and general managers, are also apportioned among the parties, sects, and regions.

Political parties practice some twisted methods in order to get to power, such as electoral fraud practiced by the parties that have their own auxiliary armed factions, threatening and terrorizing citizens by force of arms, exchanging ballot votes, or even exchanging entire ballot boxes for others. There are other ways, including buying off the tribes using political money to get the votes of their members, or grooming religious clerics and persuading them to use their platforms to encourage people to vote for their parties². More despicable methods are practiced too,

² United Nations: “Fraud and intimidation in the Iraqi elections,” Anadolu Agency. Published on May 30, 2018.

such as showering the slum dwellers with big promises³ or exploiting the marginalized groups and the displaced or destitute families and their dire need for money to buy their votes for no more than 50 to 100 dollars per vote.

For the different parties, elections were not an opportunity to compete in political programs nor to strive to provide the citizens with the services they needed, but rather a statistical season in which they could determine their respective sizes in the parliament, on which basis they would distribute government positions among each other.

Perhaps the most dangerous of the corrupt methods is the way the dominant parties configure the electoral systems so as to deliberately make them impenetrable, by counting the votes of the electorate in ways that ensure the distribution of votes amongst themselves. In addition to these systems, the parties get to choose the Council of the Independent High Electoral Commission, which is the institution responsible for holding the elections. The Council represents the three main components in the country, Shiites, Sunnis and Kurds, with each party belonging to one of these sects designating its own representative in the Commission’s Council.

Iraq has held 4 parliamentary elections and 3 provincial councils’ elections between the years 2003 and 2018. The first parliamentary election was held in December 2005, in which a closed-list system was adopted and Iraq was considered a single electoral district. The elections were held in circumstances of extreme sectarian mobilization, in which all sides and parties partook⁴. In order to ensure their domination in parliament, the big parties formed joint electoral lists. As a result of the vote counting system that was in place, not only were the smaller parties and entities excluded from Parliament, but the votes of their electors were distributed among the larger parties. The elections, eventually, were won by the leaders of the large parties that easily dominated leadership positions on every level in most of the state’s institutions.

However, the big parties couldn’t keep their perfect harmony for long, as they soon entered a phase of disagreements over influence, positions, and the country’s financial means. By the 2010 elections, the electoral

³ “Iraqi candidates take advantage of poor living conditions to buy votes,” Al-Quds al-Arabi newspaper. Published on April 6, 2018.

⁴ “The fire of the sectarian strife in Iraq burns everyone”, Swissfino website, Published on May 30, 2005.

system was changed from a closed-list system to an open-list one⁵, this time favoring not the lists / parties, but the individual candidates / party leaders. The new electoral system led to the allocation of compensatory seats to winning entities, while excluding the small entities that could not cross the electoral threshold despite getting significant numbers of votes in the ballots. This new electoral system facilitated the continued dominance of the main political entities over the country, allowing the members of the parties to win with the votes of the party's list or with the votes received by the head of the list, even if they, themselves, had not gotten the people's votes.

In the following two electoral cycles of 2014 and 2018, the vote-counting system was modified to give a bigger margin to the medium-sized parties and blocs in the elections. This was not the result of any criticism to the electoral system from the small civil and secular parties, but was rather due to the differences among the political forces themselves, with each of them seeking to reinforce its influence through the elections. The armed factions that entered the political scene and the dissidents who were previous members of parties pressed to amend the system of vote-counting, and their lobbying had paid off in the end. For the different parties, elections were not an opportunity to compete in political programs nor to strive to provide the citizens with the services they needed, but rather a statistical season in which they could determine their respective sizes in the parliament, on the basis of which they would apportion government positions for each.

Those continuous alterations in the electoral and vote-counting systems consolidated the hegemony of big and medium-sized political blocs and parties that were founded on sectarian (Sunni and Shi'ite) and national (Kurdish) grounds, leading to reproducing the system with the same persons assuming the same central political roles. For instance, if we considered the four previous electoral cycles, we will see that no less than a third of the 329 Parliament members in the current cycle of 2018-2022 have already been elected in the previous elections; those comprise 66 members, making up about 20 percent of the total Parliament members. 34 members have already won in three previous elections, making up 10.3 percent of the total members, and 11 Parliament members have been reelected in all four cycles, making up about 3.3 percent of the total number of members, and those are mostly identified as the

⁵ According to this principle, the total votes obtained by any political entity had to be divided by 1.6 to allow it to compete for parliamentary seats, after raising the qualifying criterion from the quotient of the number 1 (that was used in the provincial council elections in the year 2009) to the quotient of the number 1.6.

heads of the main political blocs⁶. As for the members of parties who were unable to get into Parliament (either because of internal reasons, such as the party's decision not to nominate them, or as a result of a heated competition in some electoral districts), they are re-assigned other positions, appointed as ministers, heads of independent committees with a ministerial rank, deputy ministers, ambassadors, advisors to one of the three presidencies, advisors to ministries, or governors of Iraqi provinces⁷.

The ruling parties' mechanisms of fostering and forwarding corruption

The influence of each party within the state's institutions, and subsequently the extent of each party's dominance over the resources, is decided primarily based on the number of parliamentary seats won, and secondly, on the ministerial positions occupied by each. As mentioned earlier, and as will be evident in some of the following parts of this research, the competition between the parties does not happen exclusively in the ballot boxes. Their conflicts are manifested in all kinds of legitimate and illegal tools used against each other, which leads to political instability, sectarian strife, the deterioration of security, and the absence of the much-needed protection for anti-corruption bodies and officials. This has created all the favorable conditions for the growth of the phenomenon of corruption.

Ministries and public institutions are run by political parties that have either gotten elected into offices or have gained power over them as part of the processes of power-sharing. "Economic offices" are part of these public institutions, and those act as committees that are responsible for all sorts of financial matters while remaining affiliated with their respective parties. These offices are behind the task of financing the parties, by monopolizing construction deals, controlling the implementation of service and development projects, and holding auctions and tenders in the ministries and state institutions⁸.

These economic offices were established with the rise of the parties

⁶ See "The Iraqi Parliamentary Observatory, Members of Parliament according to the 2018 election cycle".

⁷ Al-Amiri, Kholoud, "An Iraqi Invention: Lose the Elections and Win a Job as a Presidential Advisor," *Independent Arabia*, published on February 9, 2019.

⁸ "Economic Committees as Tools of Corruption in the hands of Islamic Parties in Iraq," the London-based *Al-Arab* newspaper, published on April 29, 2020.

and armed factions in Iraq after its invasion in 2003, and, initially, they had no extensive influence, as they mainly worked as mediators between the state institutions and multinational investors. Nonetheless, economic offices progressively became part of governmental institutions, despite the lack of any legal grounds to their presence. More than just paid mediators - who get a cut of the contracts signed between the investors and the state, they have also become capable of starting their own companies, banks, and money transfer offices. The capital and the businesses managed by economic offices have become fronts for the money of political factions.

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The offices in question are part of the biggest money laundering operations in Iraq. They use their political influence to transfer billions of dollars that belong to the parties to several countries, either into private accounts or to buy estates and properties. The role of these offices doesn't stop there, as they can also collect illegal fees and commissions from contractors, and even play a role in some strategic issues related to facilitating the entry of goods into the country, transferring funds, and appointing “special degree employees”. The sway of the economic offices extends to control resources that are not included in the country's public budget, such as those from the smuggling of oil products, cars, foodstuffs, and sometimes drugs, alcoholic drinks, and even antiquities.

Wael Abdul-Latif, a former governor and Minister of Justice, says that “the offices are illegal, but they provide for each bloc a rate of 5 to 10 percent of each contracting deal.” He adds that “economic offices of parties (...) are behind the vast wealth accumulated by politicians and big parties.” Abdul-Latif also pointed out the presence of certain central figures in every ministry who usually help the minister in making fake transactions, or “on-paper” deals, in exchange for big commissions. In addition, many Parliament representatives are often members of the economic offices run by their parties, and thus, they take advantage of their presence in Parliament to pressure executives in order to acquire certain contracts. The executives who refuse to be players in the game

simply become subject to interrogation. In addition to all that is mentioned above, most of the ministers in government own several companies that win major contracts without even having any real experience in construction. They do so by eliminating any competition from the well-known and professional companies. The sway of political parties is not limited to ministerial positions alone, but goes beyond that to seizing every resource of the ministry by controlling the important positions that have access to financial facilities, such as that of deputy minister or director general in the ministry⁹.

Faleh al-Ziyadi, a member of Parliament, says that a number of ministries act as “political markets,” adding that “(...) behind the scenes, most of the current ministers are controlled by their office directors who are appointed by the same political parties that appoint the minister.” According to al-Ziyadi, “These directors are the ones who run the ministries and control their resources.”¹⁰ Evidence of this recurring phenomenon was revealed by the governor of al-Muthanna province in a meeting with the Prime Minister, ministers, and governors, in which he claimed he had been subjected to extortion by the office director of one of the ministries (who was also present at that meeting). The governor revealed that the director had asked for a “bribe” in the form of a percentage of the total amount of money required to pass his request for funding the completion of development projects in his governorate, which were already included in the ministry's budget plan and approved of by the minister himself. The prime minister at the time simply ignored the accusations, neither commenting on the issue nor asking the public prosecution to carry on an investigation into the matter.¹¹

The media as an instrument for corruption

In fact, many of the officials' statements about corruption are no more than part of the ongoing rivalry among the parties themselves in their quest for power. The media has also entered the arena of corruption by inciting the people against officials, thus implicating the unaware society in the media wars between the political forces. Today, there are

⁹ “Offices that finance parties are active in 6 ministries and acquire 10 percent of their commissions,” *Al-Mada newspaper*, publication date March 17, 2016.

¹⁰ “A representative from Al-Nasr accuses the directors of ministers' offices of taking over the ministries' resources.” *Baghdad Today Agency*, published on March 11, 2020.

¹¹ “A director of a minister's office “extorts” the governor of Al-Muthanna and asks for a bribe in exchange for passing his request.” *Yes Iraq Website*, published on November 17, 2019.

about 300 newspapers and magazines and 55 television channels in Iraq, whereas very few independent media platforms exist¹². Most of the media outlets are either directly affiliated with the political parties, financed by them, or make their way into the scene through extortion. The matrix of corruption has turned the media platforms into iron shields used to deflect attacks from one another. On the other hand, some “independent” platforms that have emerged claim to expose corruption cases, yet those cases are hastily closed shut and put away again after the media outlet receives money for its silence¹³.

Prospects for sectarian conflict expand and multiply with such media outlets continuously broadcasting inciting statements and/ or information, and with the religious media producing talk shows that stir sectarianism and incite violence, while carrying out organized and systematic campaigns for sectarian polarization, especially during elections season, religious events, and military conflicts. In fact, during the recent years, less and less people have been interested in following mainstream media. Even the most prominent daily newspaper does not print more than 5000 copies per day in Baghdad, while only a handful of satellite channels find an audience. The daily conversations between people reveal the deep distrust they feel toward the media in their country¹⁴.

As a result, the political forces soon found a way to wage their battles while promoting themselves on social media, namely through Facebook; the most popular of those platforms in Iraq. Journalists, media personalities, and bloggers were recruited for the mission by the political forces as mouthpieces that whitewash the parties and their leaders. Those form the actual body of a “cyber army”¹⁵, comprising hundreds of pages run by editors, technicians, and designers, where sponsored posts are shared promoting a political figure or party and focusing on certain cases of corruption as a form of political gaslighting. These social media platforms, much like mainstream platforms, are costly, and are financed

¹² Al-Ma'amawi, Nibras, “Media and Sectarianism - The War of Influence and Power”, *Civil Dialogue*, published on 14 March 2014 Issue 4393, p 5. The study indicates that 45% of satellite channels are generic, 20% are political, 15% are religious, while 11% are categorized as “miscellaneous”. As for the religious and sectarian content, the study found that 56% of satellite channels speak for the Shiite sect, 18% for the Sunnis, and 14% broadcast in the Kurdish language. 12% of the channels do not declare their religious affiliation.

¹³ Al-Bayati, Yasser Khudair, “Iraqi Media’s Sectarian Rocket Launchers,” *Ra’i Al-Yom* website, published on May 14, 2020.

¹⁴ Shehab, Hamed, “Print Journalism... To Its Final Resting Place”, *the Middle East Online*, published on April 25, 2019. Also see “Has the Era of the Print Newspapers Ended in Iraq?”, *Al-Hurra Channel’s website*, published on 17 July 2017.

¹⁵ “Cyber armies... terrorism against Iraqis,” *Al-Araby Al-Jadeed*, published on September 11, 2019.

by the money looted from the state institutions by the political parties.

Based on the above, corruption in Iraq is neither an unacceptable phenomenon nor a partial presence in the state’s institutions. It is, rather, a structured system that begins with the election process, manifests in the agreed distribution of official positions among the parties, and utilizes the media, whose original task is to monitor those in power and hold them accountable, but which has in fact become part of the system of corruption and one its main protectors.

Legitimatizing corruption

Corruption in Iraq is legitimized in the sense that it is regulated by laws and governmental resolutions which grant permissions to the parties in power to seize not only the state’s revenues, but also its property. Since the parties themselves hold the power of legislation, they have granted their high-ranking officials and parliamentarians numerous privileges and outlandish salaries, while blocking accountability to any implicit parties.

In their incessant pursuits to pocket more privileges and public revenues and gain the loyalty of certain social groups, parties and political blocs have devised methods of legal manipulation that heavily burden the state. Huge sums of money have been allocated to groups of people who reside outside the country, or who reside inside Iraq but can make money transactions to countries abroad. Additionally, some political prisoners, the “Rafha detainees” (participants in the 1991 uprising who fled to Rafha camp in Saudi Arabia, fearing the retaliation of Saddam Hussein’s regime), and the families of martyrs who had passed away or were executed in Baath prisons, are paid more than one welfare salary, meaning the number of those receiving more than three payments from the state at once has surpassed 250 thousand people. These salaries alone cost the general budget of Iraq more than 18 billion U.S. dollars annually¹⁶.

In this regard, shocking information has been released by Judge Rahem al-Okaili, the former head of the Commission of Integrity, revealing the number of people who were being paid the pension salaries of political

¹⁶ Al-Mashadani, Abdulrahman, “Iraq’s economy between the Corona crisis and the collapse of global oil prices and their consequences on building the federal budget of 2020,” *Reports of the Policy-Making Center for International and Strategic Studies, Istanbul - Turkey*, p. 14, published on April 3, 2020.

prisoners and those detained in the time of the former regime, as well as the mechanisms used for calculating these pensions. “The total number of political prisoners and detainees who receive pensions is 99,612, of whom 18,577 are political prisoners, 51,854 are political detainees, and 29,181 are Rafha detainees.”, al- Okaili had declared, adding that “the sum of salaries paid to those amounts to 101 billion 176 million dinars per month. This number excludes calculating the double pensions paid for some, as political prisoners are entitled to three times the minimum pension, that is, 1,200,000 dinars per month. They are also entitled to an additional 60,000 dinars per month for every year spent in prison, that is, if a prisoner has served five years in prison, then 300,000 dinars per month would be added to his pension, which becomes 1,500,000 dinars.” A political prisoner is defined by Iraqi law as “anyone who has been sentenced to detainment or imprisonment by a court for political reasons, even if for one month.”

The “economic offices” have become part of the governmental institutions. Not only have they become mediators between the investors and the state institutions, for which they get paid a percentage of the contracts’ values, but they have also become capable of starting their own companies, banks, and money transfer offices. The capital and the businesses they manage have also evolved into fronts for political factions.

In addition, the fatwas issued by some clerics act as a religious cover for corrupt conduct by permitting some of the most corrupt people to grab public money, as indicated by Hassan al-Yasiri, the former head of the Commission of Integrity, who had revealed cases of embezzled from public money that rely on the fatwas of scholars who consider that public money is “owned by an unknown”. In a short period of time, numerous investigations have been conducted in significant corruption cases in the Ministries of Electricity and Trade and the Capital Secretariat; all of which have been referred to court for adjudication.

Nevertheless, cases referred to the judiciary, and even sentences of imprisonment, do not really deter corruption. The reason is that those sentenced to imprisonment in corruption cases among middle-ranking officials enjoy special treatment. The Iraqi authorities own a prison in the Green Zone meant specifically for such cases. It offers luxurious living and is open to visitors 24 hours a day. Not only that, but some of the prisoners there have even been allowed to visit their families on Thursdays and Fridays every weekend. In most cases, those indicted do not stay in prison for long, anyway, as the General Amnesty Act issued by Parliament or the special amnesty issued by the President of the Re-

public always include those involved in corruption cases. For instance, General Amnesty Act No. 27 of 2016 included all those implicated in financial and administrative corruption crimes, whether they were under investigation or indicted and sentenced to prison, as long as they paid financial compensations. In addition, the special amnesty act issued by the President of the Republic, Barham Salih, included those accused of crimes of financial corruption, which translates to “embezzlement” and the looting of state funds.

A report by the Commission of Integrity which specializes in anti-corruption cases reveals that there are 530 defendants in criminal cases who are ministers or hold an equal rank or a special rank, in addition to general directors and others of equal rank. Of the 13,649 cases that were considered by the Commission of Integrity in 2019, those high-ranking defendants were accused of 784. Meanwhile, 374 judicial summons in 482 cases were issued for those with a ministerial rank and those of equal special ranks, while 100 arrest warrants in 182 cases were issued against the accused, including ministers, those with equal rank, and those with special ranks. The corruption cases against the defendants ranged between cases of causing damage to public money, embezzlement, venality, abuse of the authority of a public service office, among other accusations¹⁷.

As for accountability, the report has indicated that the bailing system covers 76.24% of those who have orders of arrest, detention, or release against them, while 579 people who had been convicted in cases of corruption, embezzlement, bribery and damage to public funds were covered by the General Amnesty Act, the estimated sums of embezzled money aggregated to several times more than the sums recovered, which were equal to 1,347 million, 347 thousand US dollars. In this regard, it is worth noting that ministers and those with special ranks showed mixed response regarding compliance to the disclosure of their financial liabilities, which is a primary condition for holding a position in government.

Audits of the financial receivables statements unveiled 157 cases of conflict of interest, in which the person mandated to submit a financial disclosure statement (or his wife or children) have violated the law by concluding contracts with the several ministries and state institutions. In other cases of conflict of interest, in which the person is an authorized director or a shareholder in private or limited companies, it was found that he (or his wife or children) also carried out commercial activities that

¹⁷ Republic of Iraq, Commission of Integrity, Annual Report 2019, pp. 18-48.

he is legally prohibited from, in a way that affects his impartial conduct and job integrity¹⁸.

¹⁸ "Political Money in Iraq: One More Face of Corruption," *Al-Araby Al-Jadeed* website, published on October 12, 2019.

3 Manifestations of corruption in Iraq

Corruption in Iraq is far from exclusive, as there is hardly an Iraqi institution where its presence goes amiss. The gates to corruption are numerous and they are all wide open. We quickly mention here the most dominant loopholes that allow looting, which are: oil trafficking, real estate, capital flight, smuggling, borders and customs, public contracting, employment and nepotism, the so-called space employees (who are on payrolls but do show up to work), grain and livestock trade, human trafficking, organ trafficking, the ration card, examinations and selling exam questions, the media, websites and social networks, prisons and detention centers, currency exchange and external money transfers, car registrations, car contract deals and plate numbers, formal and informal checkpoints, files related to retirement, martyrs, and prisoners, foreign labor, iron and scrap smuggling, financial loans, arms and equipment, economic offices in governorates, ministries and institutions, drugs, antiquities trade, electricity, disbursed financial advances that remain uncovered, school curricula and book printing, taxes and tax evasions, agriculture, fertilizers and pesticides, suspended or fictional development projects, residence permits and entry visas, social care, medical drugs, communication networks, Internet, and mobile phones.

It must be noted in this context that corruption in Iraq is not solely the offspring of internal conditions, but is also a system protected and perpetuated by major international forces, such as the United States of America, and by neighboring countries, such as Iran. The very first days of the American occupation saw the looting of museums and state institutions before the eyes of the US soldiers who looked the other way in indifference, despite the fact that international law mandates that an occupying power preserves the heritage and property of the occupied country. The American occupation and the political system that it has fabricated have entrenched Iraqi politics and society in corruption in every possible way.

Countries like the United State and Iran directly and indirectly perpetuate corruption through their involvement in reconstruction deals, trafficking of oil or antiquities, and developing the electrical power supply system, as some examples. These countries and other less influential countries, such as Saudi Arabia, the Emirates, Turkey and Qatar, have their agents in the political process, and the latter make huge, both formal and illegal deals on their behalf. They also allow the laundering of the looted money from Iraq on their lands, and give cover to every prosecuted Iraqi figure by facilitating their escape across their borders, through land crossing points or airports. They even host these persons

and grant them political and media support to polish their image. Some of these countries control the Iraqi harbors through companies that are unregistered by the Iraqi government, and some of them have unofficial border crossing points with Iraq through which goods are smuggled. In fact, the aforementioned countries, along with others, have been part of some major corruption files in Iraq, especially oil contracting and reconstruction deals.

In the following, we will focus on some core cases of corruption. We will expose, with the aid of some statements that have been made, the plots of these cases, their extents, and the involved parties, be they local figures or international companies. This list tries to give exhaustive examples on how contracting deals are signed and sealed in Iraq, whether formally under the legislations in force, or informally, through circumventing the law or under the threats of armed factions. It must also be noted that many of these files are covered up not only by the force of law, but also by the force of arms owned by armed factions who are party auxiliaries, run by the directions of external forces, namely Iran.

Oil smuggling

At the moment, oil smuggling is considered to be one of the biggest challenges facing the Iraqi economy. Smuggling operations are linked to official parties, armed factions, and sometimes to small gangs of local residents, and the smuggled oil is often sold to neighboring countries such as Turkey, Iran, and Syria. An estimated 93 thousand barrels of oil are smuggled per day, worth two billion US dollars annually. More than 40 thousand barrels of oil per day are smuggled from Basra Governorate alone, in the far south of Iraq, and hundreds of tankers loaded with crude oil depart from Iraqi oil fields through land borders and sea borders via the ports of al-Faw, Khor al-Zubair and Abu Flus, where crude oil is loaded onto ships that carry no official manifests¹⁹. Approximately 23 thousand barrels of oil per day are smuggled from the governorates of Salah al-Din and Nineveh from the Najma and Qayyarah fields, and about 30 thousand barrels are smuggled from the Kirkuk fields through at least 150 oil tankers.

The President of the Federal Board of Supreme Audit has detected a significant discrepancy in the volumes of oil and oil derivatives upon

¹⁹ "The daily estimate of oil smuggled from Basra ports is 20 million US dollars," Rudaw website, published on October 25, 2017.

their delivery, whether these were intended for local use or for export; the diagnosed reason being defective oil flow meters. The president of the board also pointed to another issue that has to do with the lack of security along the extremely long oil transport pipelines of crude oil or oil derivatives. The pipeline is usually punctured at certain points, then oil or its derivatives are extracted into tanks which transport it to another point. Another way to smuggle oil is practiced by some citizens who make contracts with the Ministry of Agriculture to rent or own agricultural land through which the pipelines pass, which gives them a head start at smuggling.²⁰ In addition to the fact that most of the consumption meters and calibrators are outdated²¹, the first chapter of the 2019 annual report by the Board of Supreme Audit indicates that most of the metering systems at the sites of crude oil consumption, belonging to the strategic line that falls under the control of the Basra Oil Company, do not meet the national standards of metering.

Oil leases

After the collapse of the Iraqi economic structures, the US occupation authorities awarded – without any competitive tenders - the largest energy company in the world, Halliburton, up to 60 percent of all oil leases, for the reconstruction of the Iraqi oil sector. In 2004, Gulf Group awarded the contracting group, Parsons Corporation, an indefinite delivery, indefinite quantity contract, to be executed on a cost-plus-award-fee basis, for an additional cost of 800 million US dollars, in order to guarantee the continued operation of the oil infrastructure in Iraq. The job was ill-managed and handled through the usual corrupt processes and frameworks²².

British investigators have uncovered that \$ 25 million worth of bribes have been paid to win oil deals in Iraq, while two former Unaoil company executives were charged with conspiracy to bribe to secure oil contracts that would allow the company to install three floating buoys between the years 2005 and 2011. The Commission of Integrity in Iraq also revealed corrupt conduct in a contract to purchase three loading arms, in which the involved parties are the state-owned Basra Oil Com-

²⁰ *Ibid.*

²¹ *Annual Report of the Board of Supreme Audit for the year 2019, p. 44, Baghdad 2019.*

²² Abdul-Ridha, Nabil Jaafar & Awad, Muhammad Jasim, "Economic Corruption in Iraq" p. 162, Al-Ghadeer Printing and Publishing Company, First Edition, Basra, 2015.

pany and two other international companies. The contracts between the parties valued the purchase of loading arms at a total of \$ 126 million, while the actual price should not have exceeded \$40 million.

The Petrofac case is exemplary to exhibit just how robust the system of corruption in Iraq is, and how minimally impacted it is by international economic scandals. Iraq has unhesitatingly continued to conclude and extend contracts with Petrofac while the company was being tried by the British Judiciary for its involvement in bribes to obtain contracts in Iraq. The former head of the sales department in Petrofac, David Lufkin, faced charges related to bribes and corrupt offers to obtain oil contracts in Iraq worth \$ 730 million. The company has paid about 2.2 million dollars in bribes to two agents, with the aim of winning a \$ 329.7 million contract for engineering, supply and construction in the first phase of the Iraqi Badra oil field project in February / March of 2012. In addition, the company paid \$ 4 million worth of bribes to secure the extension of contracts related to the operation and maintenance of the al-Faw plant for the years 2013, 2014 and 2015, at a total value of about \$ 400 million dollars for Petrofac. The company has secured several contracts in Iraq, including a contract worth \$ 370 million from the Basra Oil Company to expand the refinement facility in Majnoon oil field, and another contract worth \$ 160 million from the Basra Oil Company for expanding Iraqi crude oil exports. In July 2017, Petrofac announced that it had secured a contract extension with a total value of more than \$ 100 million to manage the construction, engineering, commissionings and start-up services for two international oil companies in Iraq. The company also obtained a contract worth \$ 500 million that includes managing and executing a number of construction projects in the giant Rumaila oil field.

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Additionally, the contract signed between the Ministry of Oil and the Arab Maritime Company in 2018 led to a \$ 17 million waste of public funds by supplying the company with subsidized fuel oil, with the contract including the rental of tankers and the use of fuel dock number 13 in Khor al-Zubair. The contract granted the foreign company concessions and monopoly over oil trade and the transportation of oil products at the expense of Iraqi companies. Furthermore, some oil companies take advantage of secondary contracts to make more profits in an illegal manner. For example, the two Chinese companies, PetroChina

and CNOOC, have invested in Misan oil fields according to licensing agreements (long-term service contracts that cover a span of more than 20 years, granted to international companies starting in 2009, with the aim of developing production capacities in Iraqi oil fields in exchange for profit revenues that the foreign companies make for every barrel of oil produced). However, the two Chinese companies sold part of their predetermined monthly share of gas oil at the official price of 400 dinars / liter to the secondary companies contracting with it, instead of going through the Oil Products Distribution Company under a primary contract at the commercial price of 750 dinars / liter. Losses amounted to 13.536 billion Iraqi dinars between 2014 and 2015.

“Ghost” employees

The term “space employees” or “ghost employees” (“Fadha’iyin”) has become very familiar and commonly used in Iraq following 2003. It refers to the officially registered employees who are on a payroll and receive monthly salaries, despite the fact that they are nonexistent. It is a widely spread phenomenon in all Iraqi state institutions and apparatuses, especially the army and police body. Ghost employees are considered to be a funding source for the political parties and armed factions, but they also comprise a number of citizens who have joined the corruption train by seizing the opportunity to share the salaries they receive with their superiors without having to do actual work or even attending at their institutions. It is estimated that two billion US dollars are spent per month on “ghost employees” and double wages²³.

One example is what the former Iraqi Minister of Defense, Khaled al-Obeidi, has revealed in 2015 when he announced the annulment of contracts with some 37,000 members of the Ministry of Defense, who do not really show up to their jobs in their military units²⁴. Meanwhile, the former Iraqi prime minister, Haidar al-Abadi, has accused entities which remained unnamed of controlling a small part of the fighters in the Popular Mobilization Forces who receive high salaries that allow them to finance themselves in the next elections. During a New York meeting held in September 2015 for examining ways to combat terrorism, al-Abadi declared, “We have eliminated more than 50 thousand fictitious soldiers

²³ “Finance: Two billion dollars a month spent on ghost employees and double salaries,” *Shafaq News*, published on July 7, 2020.

²⁴ *The Minister of Defense reveals the termination of the contracts of 37,000 ghost employees*, *Alsumaria News Agency*, published on August 12, 2015.

who were receiving salaries without performing a service. They annually cost the state treasury 500 million dollars, especially that they are only a part of the total number of ghost employees scattered in various state institutions.”²⁵

During a New York meeting held in September 2015 for examining ways to combat terrorism, al-Abadi declared, “We have eliminated more than 50 thousand fictitious soldiers who were receiving salaries without performing a service. They annually cost the state treasury 500 million dollars, especially that they are only a part of the total number of ghost employees scattered in various state institutions.”

As for the parliament and parliamentary institutions, the Board of Supreme Audit has indicated in its 2018 annual report that the Iraqi Council of Representatives had disbursed 1452 million Iraqi dinars in the month of December 2017 in the form of salaries and allocations for 1322 security guards of the 250 members of parliament, citing excesses and irregularities in these numbers. Strangely enough, many of the former MPs who reside outside Iraq still receive the salaries meant for their security teams of 5 to 20 persons²⁶. Majida al-Tamimi, a member of the Parliament’s Finance Committee, has revealed that there are “ghost retirees” who use multiple smart cards to earn more than 23 salaries per month.²⁷ The head of the Civil Democratic Alliance, Mithal al-Alusi, has uncovered some 60 thousand relatives of MPs, ministers, and state officials who are paid ghost employees, under the pretext of MP security staff.²⁸

Ghost employees are not a phenomenon exclusive to Parliament and central state institutions, but are also found in local governing bodies. The former head of the Finance Committee, MP Ahmed al-Chalabi, has exposed huge quasi-contracts, worth millions of dinars, in the Baghdad Municipality. Al-Chalabi claimed that there are more than 7000 ghost workers in the Municipality of Baghdad, whose salaries are funneled straight to the service department officials in Baghdad²⁹. The former

²⁵ Al-Abadi: 50,000 fictitious recruits in the Iraqi army, *Al-Jazeera Net*, published on November 30, 2014.

²⁶ Republic of Iraq, *Commission of Integrity, Annual Report 2018*.

²⁷ “Al-Tamimi reveals “ghost retirees” receive 23 salaries per month,” *Al-Maalouma Agency*, published on December 5, 2014.

²⁸ “Mithal Al-Alusi: 60,000 ghost employees in the security staffs of MPs and Officials,” *Al-Zaman newspaper*, published on December 6, 2014.

²⁹ “7,000 “Ghost” Workers in Baghdad Municipality,” *Erem News Agency*, published on December 6, 2014.

governor of Basra, Majid al-Nasrawi, also revealed that there are more than 5000 ghost employees in the Municipality of the Basra province³⁰, while Hassiba al-Kurdi, a member of the Kurdistan Parliament, revealed that there are 55 thousand ghost employees in Kurdistan³¹.

Real estate

Public real estate is one of those files that are intentionally kept completely in the shade by party leaders and other high-ranking officials who control the business. Public real estate is the land, fields, residential buildings, commercial shops, and other kinds of property owned by the Ministry of Finance, municipalities, or other ministries and state institutions, in addition to land that used to belong to the cadres of the former Saddam Hussein regime, which were confiscated after the occupation of Baghdad in 2003. Real estate was subjected to one of the largest looting operations by the new regime, either by selling them to the party leaders, their followers, and their financial investors at unbelievably low prices, or by long-term investment contracts in exchange for very low annual allowances, or through long-term usufruct contracts (“Musataha” agreements, in which the land becomes the property of the investor until the contract expires).

Public real estate is one of those files that are intentionally kept completely in the shade by party leaders and other high-ranking officials who control the business.

For example, one political party bought a property in Cairo district of central Baghdad at the price of 10,000 dinars (the equivalent of about 7 \$) per square meter to build on it Imam al-Sadiq University, while the real price per square meter in the area is estimated at more than a thousand US dollars. According to the Parliament’s Finance Committee, some political parties have come to own entire areas in Baghdad. Muhammad al-Tamimi, secretary of the Parliament’s Real Estate Committee, which was founded for the purpose of following up on real-estate related files, has said, “Many political figures have taken over entire districts in Baghdad, including the former Prime Minister Nuri al-Maliki, who has seized the Sindbad district in the Green Region with a total area of 10,000 square

³⁰ “110 billion dinars spent on more than 5,000 “ghost” cleaners in Basra,” *Al-Mada newspaper*, published on December 6, 2014.

³¹ “Tens of billions of dinars wasted every month... How many “ghost employees” are there in Kurdistan?”, *Ultra Sound website*, published on September 4, 2019.

meters³². Ammar al-Hakim, too, has acquired 25 thousand square meters of the Jadriyah region in Baghdad, in addition to residential blocs that belonged to the former ministers of the old Baath regime³³. The Parliament's Finance Committee observed that the Maliki government alone has sold about 40 percent of the state property between 2006 and 2014, which left only 600 thousand state-owned properties in Iraq³⁴.

Despite the available numbers, it must be noted that there are no accurate statistical numbers of public real estate, as there are many unregistered properties in the country. Parliament member and member of the Finance Committee, Majida al-Tamimi, has indicated that 170 thousand real estate in Basra Governorate had their papers and records forged by influential people in the country, and that 95 percent of the country's real estate revenues went to the pockets of corrupt politicians, leaving the National Treasury a mere 5 percent of all revenues. In addition to manipulation and forgery, al-Tamimi also exposed that certain records and files had been deliberately removed from the original records, adding that the Real Estate Registration Department is heavily involved in property looting³⁵.

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The lust for looting goes beyond public property to privately owned property. According to regulation authorities, 50 to 100 properties get seized from their private owners each year due to forgery in the real estate registration department. Jamal al-Asadi, a former inspector general at the Ministry of Interior, estimates that the documents pertaining to thousands of properties have been tampered with and forged. Political parties and armed factions often try to either take hold of immigrants' properties or create a hostile environment for religious minorities such as Christians or Yazidis, threatening them and prompting them to leave the country so that they can set the ground for seizing their properties.

³² "Looting Iraqi real estate... The manipulation and corruption of politicians, parties and armed factions," *Al-Araby Al-Jadeed newspaper*, published on December 9, 2019.

³³ *Ibid.*

³⁴ "A country for sale... Thousands of estates in Iraq seized by parties and militias," *Bas News*, published on December 1, 2016.

³⁵ "Al-Tamimi uncovers corruption files related to 170,000 properties in Basra," *Al-Marbad radio website*, published on August 20, 2019.

The Inspector General of the Ministry of Interior describes the bodies that control real estate as "people or groups that have the ability to use government or military force (for their aims)." Even though those powerful groups and political leaders who usurp lands are well-known to Parliament members, and even though the Ministry of Interior is able to get to these perpetrators, rarely are they ever held accountable.³⁶

Arming and equipping

The collapse of the Iraqi security since 2003 was nothing less than the outcome of the rampant corruption in the national security institutions, which is certainly not limited to the large number of "ghost employees". The security checkpoints which were initially intended to protect cities from any security breaches have mutated into an open opportunity for senior officers to extort citizens and truck owners to pay fees to be allowed to cross. More dangerously, the corruption of the security institutions involves huge arms deals, too. The former chairman of the parliamentary Security and Defense Committee, Hakim al-Zamili, considers that "the rampant corruption in arms' deals is caused by the interference of local and foreign politicians, mediators, brokers, and arms dealers. Hence, Iraqi security forces still suffer from a significant shortage of much its needed equipment, despite the fact that the successive Iraqi governments after 2003 have spent \$ 149 billion on arming."³⁷

The American company has been paid \$ 1.1 billion for these services so far, yet it also predicts that it will earn an additional 800 million dollars in a year's time.

In his book "Corruption in Iraq: The Depravity of Leadership and the Chaos of Governance", Moussa Faraj, the former chairman of the Commission of Integrity, describes the Iraqi Ministry of Defense as a "pioneer in corruption", and accuses Hazem al-Shaalan, the first Minister of Defense in Iraq in the Iyad Allawi government (in the years 2004 and 2005), of setting a precedent by executing the first corrupt arms deal after 2003. The Minister of Finance in the Iyad Allawi government, Ali Allawi,

³⁶ "Al-Asadi: Documents of thousands of properties have been tampered with." *Al-Iraq News Network*, published on September 19, 2019.

³⁷ Al-Zamili: "Corruption in arms deals has swallowed up enough money to arm an entire continent. This is the value of what was spent after 2003...", *Baghdad Today News Agency*, published on February 20, 2019.

has claimed that more than one billion dollars had been embezzled by the Ministry of Defense in the transitional period, when al-Shaalan was in office as the Minister of Defence. Al-Shaalan, with the help of Iraqi businessmen, bought cheap, outdated, and inferior-quality weapons and equipment from dubious sources in Poland. As part of the deal, 16 Soviet era Russian helicopters, over 30 years old, were purchased. For instance, in one visit to Pakistan, al-Shaalan also bought armored vehicles which were later described “unsuitable for use”. Reports revealed that the first government of al-Maliki had secretly negotiated an arms deal with Serbia worth \$ 833 million, when the original value of the contract was set at \$ 236 million. According to sources, the deal was sealed in September 2007 by a delegation of 22 high-ranking Iraqi officials. The contract mainly included the purchase of a large number of spare parts for helicopters, aircraft, mortars and machine guns, in addition to other equipment.

The American Daily Beast revealed scandalous corrupt deals involving the American military contracting company, Sallyport Global, which signed several suspicious deals and partnership contracts in Iraq with the help of Iraqi officials.

In that same year, Iraq made the biggest of its corrupt deals when it purchased explosive detection devices worth \$ 122 million from a British con man named James McCormick, who had bought devices used for golfing at a value of \$ 20 per piece, then sold 7,000 of these fake detectors to the Iraqi government for the price of \$ 2,500 to 3,000 per piece. The scandal was only discovered three years after the deal took place. In 2012, the Iraqi government made an agreement with the Czech Republic to purchase 24 combat and trainer aircrafts in a deal worth \$ 1 billion, yet security sources stated that the aircrafts were all intended for training and were useless for combat. Also, the American Daily Beast revealed scandalous corrupt deals involving the American military contracting company, Sallyport Global, which signed several suspicious deals and partnership contracts in Iraq with the help of Iraqi officials. The company was involved in smuggling weapons at Balad Air Base, and in contracting with the Iraqi Air Force to provide security, training, and necessities, like food and electricity, at the air base. The American company has been paid \$ 1.1 billion for these services so far, yet it also predicts that it will earn an additional 800 million dollars in a year’s time. The company has paid nearly \$ 700 million for the contract to secure Balad Air Force Base. The contract appears to have been concluded in favor of Sallyport Global by virtue of its relationship with the Afaq Umm Qasr Marine Services Company, which is controlled by former

Iraqi Prime Minister, Nouri al-Maliki, according to the sources of the Daily Beast.³⁸

Cronyism and the “trade” of government positions and votes

Government positions have been transformed into a “commodity” at the hands of Iraqi political powers, to the extent that there is such a thing as a stock market that sets the prices attached to each position. The parties rotate positions among themselves and sell their “shares of positions” – won through the elections – conferring them to members of other parties if they find that the “price” they are paid can compensate what they can usually gain from government deals, while forgoing all the attached bureaucracy. MPs take part in this stock market by “selling their votes” to vote in presidents, ministers, or independent bodies, or even to acquit or condemn officials.

A government position costs something between 10 to 25 million US dollars, while other senior administrative positions cost a little less. Legal expert and the Inspector General for the Ministry of Interior, Jamal al-Asadi, has verified that 2 percent of the current MPs (of the 2018-2024 Parliament) have been paid sums ranging between \$ 250 thousand and \$ 1 million for voting in the current Parliament Presidency. Al-Asadi has additionally exposed that 14 MPs have accepted half a million US dollars each to leave their parliamentary bloc and join a rival bloc instead³⁹.

Hisham Al-Hashemi, a security expert who had been close to the decision-making circles in Iraq before his assassination last July 2020, has identified two groups of influential politicians specialized in brokerage for the buying and selling of votes and positions; the first consisting of MPs and figures who are close to the infamously corrupt politicians, and whose task is to slide the CVs of candidates to the officials who have a vote in the government or the ministry in question, in exchange for a price pre-agreed upon by both the aspiring candidate/buyer and the broker. The second group of brokers, on the other hand, consists of the heads of parliamentary blocs who are known to “sell ministries”, either in exchange for a lump sum, or in four separate installments, in order

³⁸ “American court order reveals the corruption of arms deals in Iraq,” Al-Baghdadiya website, published on August 28, 2019.

³⁹ Iraq’s MPs: Representatives of the poor in the country of the rich,” Noon Post website, published on December 9, 2018.

to give the new minister some time to make profits from the ministry!⁴⁰

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Iraqi MP Bassem Khashan has said that “selling government positions in Iraq has been a consistent phenomenon for the past 17 years, including special ranks and the positions of office director or deputy director general. However, the phenomenon has now come to appear in smaller positions as well.” Former Iraqi Defense Minister, Khaled al-Obeidi, after losing the 2018 election for Speaker of Parliament to his rival Mohammad al-Halbousi, declared that “the parliament’s presidency has been bought by the corrupt family for the sum of \$ 30 million,” referring to the influential Karbouli family who controls al-Hall Party, to which Speaker of Parliament, al-Halbousi, belongs⁴¹.

The leader of the Sadrist Movement, Muqtada al-Sadr, has revealed in a tweet the existence of several deals to buy ministries in the government of Adel Abdul Mahdi, claiming that there are enormous deals being hatched between some members of the Sunni “al-Fateh” and “al-Binaa” blocs to make use of sizable funds and foreign support to buy ministries. MP Riyadh al-Saadi has also pointed to the involvement of entire political blocs in the selling and buying of a number of official positions to incompetent persons, in exchange for billions of dollars, while providing cover for their corrupt practices. al-Saadi estimated about “600 government positions offered for trade among the different political blocs in exchange for billions of dollars,” adding that “positions sold were not limited to ministries, but included the positions in military command, director generals, and heads of the local councils.”⁴²

Border outlets

Border crossing points are one of the major gateways to corruption in Iraq. They are under the total control of the political parties, armed factions, tribes, and merchants close to power circles. There are 18 official

⁴⁰ “Are government and parliamentary positions in Iraq bought and sold?” *Al-Jazeera Net*, published on September 17, 2017.

⁴¹ “Muhammad al-Halbousi, an obscure contractor who climbed the dome of Parliament with Iranian help,” *Al-Arab newspaper*, published on September 20, 2018.

⁴² *Financial Audit Report*, *ibid.* p.10

outlets in Iraq (excluding those in the Kurdistan region). Those comprise 11 land crossings, 4 sea ports, and 3 airports; however, a number of other border crossing points remain unregistered in government records and are under the control of the known powerful entities.⁴³ Iraq has extensive land borders with Iran, Syria, Saudi Arabia, Jordan, Kuwait and Turkey, and along its borders with all six countries, smuggling operations of goods, money and people take place, in addition to the smuggling of terrorist persons or groups, which exacerbates the security difficulties at the borders.

The value of imported petroleum products and non-petroleum products in Iraq in 2018 has amounted to approximately \$ 37 billion, while the customs revenue in the same year amounted to approximately \$ 680 million⁴⁴. The Ministry of Planning had estimated the sum to be collected from customs by the state treasury to be at least 3 billion US dollars annually; however, the discrepancy between the actual revenue that has entered into the treasury and the ministry’s estimate was found to be two billion and 300 million US dollars, which indicates that this enormous amount of money has been plundered. Parliament and the political parties actively block the automation of border crossing procedures to secure continued looting. Checkpoints at the border outlets not only lack a sufficient number of explosives’ detectors, but also lack the proper devices needed to identify and examine goods and entry prohibited substances⁴⁵.

The former head of the Border Controls Authority, Kadhim al-Iqabi, has complained that armed groups who belong to political parties dominate the border outlets and threaten some of the border control employees whenever they uncover cases of corruption⁴⁶. In the same context, the Parliament’s Security Committee has called for the removal of the armed factions from the border outlets. Muhammad Rida, a member of the Security committee, has said, “There is a lot of corruption and militia control over every border crossing and Iraqi outlet from Basra to Kurdistan,” adding that “undocumented goods are given entry without being declared at several border crossings.” Rida has claimed to have confirmed information about a Diyala crossing point from which cars

⁴³ *Financial Audit Report*, *ibid.* p.14

⁴⁴ “Border controls announce the revenues from Trebil and Umm Qasr crossings,” *Rudaw website*, published on July 5, 2020.

⁴⁵ “Iraq’s border crossings: Gateways to corruption and funding militias and parties,” *Noon Post website*, published on June 18, 2020.

⁴⁶ *Basra’s border outlets under the control of armed militias and corruption*, *Al-Arabiya Net*, published on February 12, 2019.

enter illegally from a neighboring country, undeclared, undocumented, and unexamined. He insists that this kind of smuggling happens in similar ways in other crossing points as well⁴⁷. “There is something like a division of labour in border control. Some parties are invested in smuggling and selling petroleum outside Iraq; some smuggle drugs from Iran, whereas others collect customs and fees from vegetable merchants. There are also those who monopolize certain food products and distribution in the southern governorates, and, likewise, similar activity is undertaken in the northern border outlets of Iraqi Kurdistan.

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According to the former chairman of the Parliamentary Security Committee, Hakim al-Zamili, the security checkpoints set up between Iraqi provinces have turned into hotbeds of corruption and racketeering. Corruption and extortion for bribery were the main tasks undertaken by those in control of the checkpoints, and thus vehicles carrying both explosives and weapons were allowed to cross through, and expired foodstuffs found their way into Iraqi markets. According to al-Zamili, the proceeds from al-Safra checkpoint in Kirkuk amounts to about \$ 10 million per day, while its import / export revenue amounts to 200 million Iraqi dinars per day, but neither the central government nor the municipality of the Diyala province are handed a single dinar. Before ISIS took Mosul, the crossing point saw the passage of some 4,500 to 6,000 cargo trucks per day, but traffic gradually fell to only 950, before the checkpoint was eliminated altogether in 2019.⁴⁸

The following figures allow us to estimate the extent of corruption in customs revenue for the period 2003-2018:

- The total imports of basic goods amount to \$ 556.7 billion.

⁴⁷ “Regaining control of Iraq’s ports would be an essential step to calibrate the country’s economic compass,” *Emirati al-Bayan newspaper*, published on July 14, 2020

⁴⁸ “The corruption in the Iraqi border crossings is shocking: A report,” *al-Journal website*, published on 15 November 2017

- The customs’ revenue from the official border crossings amounts to \$ 6.6 billion; the equivalent of 1.2% of the value of goods imported during the period 2003-2018.
- The imported basic goods subject to a 5% tax for the period 2003-2015 are \$ 449.5 billion.
- Customs revenue due at the rate of 5% customs duties on imported products for the period 2003-2015 are \$ 22.5 billion.
- Customs revenue due at the rate of 10% customs duties on imported products for the period 2016-2018 are \$ 11.550 billion.
- Total customs revenue due for the period 2003-2018 is \$ 36.524 billion.
- The amount of embezzled customs revenue for the period 2003-2018 is \$ 30 billion.

Compared to the volume of imports intended to meet the country’s needs, customs revenues are extremely meagre. Several factors lead to this outcome, including the underestimation of the value of imports, inadequate classification of imports, smuggling and corruption (aggravated by the porosity of the borders), and weakness of the intelligence apparatus within the customs’ administration. Moreover, the fact that the regional government of Kurdistan continues to apply the customs regulations that predate 2010 hinders the collection of customs revenues by the federal government; thus, little customs revenue is collected in comparison to the ever-growing import bill⁴⁹.

Subsidizing the national currency

The currency auctions organized by the Central Bank operate the buying and selling of foreign currency (USD) to and from the public (the government, banks, corporations, and state bodies) in exchange for the Iraqi dinar. Although, separately, the central bank also buys the US dollar at a fixed rate from the government. The primary objective of the auctions is to ensure the stability of the Iraqi dinar against foreign currencies and, subsequently, the stability of domestic prices and the consolidation of a competitive market and financial system, as well as the

⁴⁹ Al-Marsoumi, Nabil Jaafar, “Iraq’s border crossings: Gateways to corruption and lost resources,” *Sippar Center for Analysis and Anticipatory Management*, page 7, published in 2020.

continued supply of cheap imported goods. 36 private banks take part in these currency auctions, including six Arab institutions: Abu-Dhabi Islamic Bank, Bank of Beirut, Mediterranean Bank, Bank Audi, Byblos Bank, and Fransabank.

The blatant profits made by the private banks that participate in the auctions and by foreign exchange offices are an unjustified and serious plunder of public funds. The auction windows are grossly exploited by exchange companies, commercial banks, and agents, for the purpose of making large profits through live exchange, forward exchange and speculation; but also through exploiting the discrepancy between the official buying rate of 1,118 IQD for every 1 USD, and the free market selling rate of 1120 IQD for every 1 USD. Exchange windows are strictly reserved for “politicians” who own the financial institutions involved in currency auctions, and no one else can have access to such a lucrative business. “Ordinary” companies and banks wishing to finance import operations or legal borrowing are therefore excluded by these powerful figures who are backed by the main political parties. Overall currency selling by the Central Bank of Iraq for the period 2006-2016 amounted to \$ 399.603 billion, much of which had been used to cover imports⁵⁰.

As such, the currency auctions have engendered the following: 1) the scarcity of US dollar supply, which has led to higher prices and higher inflation rates; 2) outrageous profits by brokers and speculators; 3) recourse to fraud and the falsification of documents with the complicity of the concerned staffs of establishments or through forging gangs; 4) the difficulty of monitoring document authentication operations – particularly due to the large number of involved parties (over 70 banks, 30 money transfer companies and 1,922 foreign exchange firms)⁵¹; 5) local money laundering and the evasion of large amounts of capital, mainly USD, outside Iraq. For example, tomato imports which reached \$ 1.655 billion in 2017 fell in 2018 to \$ 40 million. A considerable fall which, economically, can mean nothing else than a money laundering operation carried out through the Central Bank⁵².

Fictitious and lingering projects

⁵⁰ Al-Baaj, Taher, “International Payment Settlement and Electronic Payment Systems”, PhD thesis submitted to Basra University, pp. 170, 2019.

⁵¹ The Central Bank of Iraq, Foreign Currency Market, pp. 11, 2019.

⁵² Ministry of Planning, Annual Imports Report for the years 2017 and 2018, pp. 62 and 75.

Expensive, poor-quality real estate projects are not the only portals to a world of easy money. Political parties and their investors find golden opportunities to embezzle public funds from “ghost projects”, too. These are projects in which construction maps are done, land is selected for the execution of the project, precise delivery dates are set, and payments are made to the contracting companies, even though, on the ground, no ongoing or completed project is to be found anywhere! Misappropriation and the freeloading of public funds have been characteristic of Iraq since the American occupation, which is why the US Congress established a department reporting to the US Inspector General, after the Coalition Provisional Authority’s mandate expired in February 2004.

Much of the American and Iraqi funds allocated to running of the country’s day-to-day operations and to the so-called reconstruction process have been squandered beyond retrieval. The cost forecast was massively corrupted by the unrealistically high security bill, which included costs plus profit margins. American and Iraqi corporations also found ways to multiply their scams by selling the contracts they had secured to smaller companies, who would - in turn - sell them for smaller ones, and so on, until the project gets reduced to nothing.

Regional forces; Iran and Turkey, in particular, are also major players in the corruption game in Iraq. On their own soil, they authorize the establishment of companies affiliated with local politicians. These companies own no capital and are not allowed to operate in their own countries, yet, with the help the ruling parties, they land some of the biggest contracts in Iraq in exchange for a so-called “commission”. According to a report by the Finance Committee, between 2003 and 2013, Iraq is estimated to have lost some \$ 200 billion in ghost projects.

The administration of the Coalition Provisional Authority has been accused of corruption and mismanagement of resources. The \$ 8.8 billion from the Iraq Development Fund that had been handed over to Iraqi ministries disappeared without a trace, and 57 suspicious cases were identified (15 cases of misappropriation, 19 cases of bribery and 6 cases of equipment fraud). Billions of dollars were squandered, production and service capacities were shattered, and the reconstruction process was impeded. Some of the cases mentioned in a report by the American Inspector include, among others: a contractor who was paid twice for the exact same work, an American official who was allowed to handle

millions of US dollars in cash even though he had been dismissed from his job for incompetence, \$ 89 million out of \$ 120 million that were spent on informal projects, and \$ 7.2 million which had disappeared without being related to any known expenses⁵³.

When the parties seized power, new modes of misappropriation appeared: fake contracts with shell companies, awarding of contracts to influential companies affiliated with political parties, etc. Instead of following due procedures as governmental contracts indicate, bids and competitive offers are overrun and replaced by predetermined agreements made with suspicious companies who require large commissions. When the state grants advances to a company, the sums are later recovered in the form of commissions by the governmental body that had awarded the contract. The company, lacking in the competences needed to implement the project, then requests a new deposit, but abandons the site untouched and transfers the funds it had already received outside Iraq.

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These projects involved vital sectors, such as housing, health, education, roads, bridges, energy, sports, among other; all of which are services which are sorely lacking in the country. For instance, while Iraq was in need for about 5,000 new schools in 2003, in 2020 it needs 20,000. Likewise, existing hospitals are no longer sufficient to meet the needs of a population of some 40 million, knowing that the last public hospital in Iraq was built in the year 1980, when Iraqi population was no more than 18 million.

“Since 2003, ministries have become an important source of enrichment for political parties and the oligarchy who have contributed to the squandering of \$ 222 billion on fictitious projects because of quotas, corruption and the fierce competition for positions and spoils,” declared

⁵³ Al-Hashemi, Hisham, “Iraq’s quota system leads to open corruption,” *al-Sharq al-Awsat newspaper*, published on February 21, 2020.

Jamal Kojar, member of the Parliamentary Finance Committee. According to MP Kojar, “the regulatory bodies are unable to launch legal proceedings because the accused enjoy the protection of the political figures and parties, in addition to being covered by the umbrella of the common interests of different political blocs who pressure against the uncovering of such cases in the court of law⁵⁴.”

On June 11, 2020, Prime Minister Mustafa al-Kadhimi spoke of a huge scandal in the Army Canal development project in Baghdad, which was launched in 2006 at a cost of around \$ 1 billion, with a scheduled date of completion in 2010. Although time and funds have been completely exhausted, the project hasn’t been accomplished, and the land that was intended for the touristic / leisure compound is now nothing more than a huge dumpster in the heart of the capital⁵⁵. There is also the case of the 12 billion Iraqi dinars (\$ 10 million) spent on the 14 km electric cable that was supposed to be extended over al-Husseiniyah area in the province of Karbala. The cable was operational only for 45 minutes during its verification testing. Upon closer inspection, it was found that the actual cost of the job did not exceed \$ 4 million. The project was nevertheless presented as “completed”, and was delivered to the Ministry of Energy without a guarantee⁵⁶.

In its 2018 report, the Commission of Integrity counted 2,736 lagging projects, worth a total of 36 trillion Iraqi dinars (\$ 32 billion). In reality, the numbers are much higher, as hundreds of fraudulent strategic or investment projects remain unmentioned in the Commission’s reports. In several of these projects, the completion rate does not exceed 5%, while in some others, the rate is 0%, despite the considerable funds that have been paid to contractors and companies in charge of implementation. According to MP Faleh al-Khazaali, several millions of US dollars spent since 2008 were supposed to be used for the construction of provincial hospitals, but no work has been done. In the provinces of Basra, Karbala, al-Qadisiya, Babil and al-Muthanna, six hospitals, costing \$ 150 million each, should have been completed in 2012 by the Turkish and German companies that had won their contracts in 2008; however, none of these establishments was ever completed.⁵⁷

⁵⁴ “\$ 200 billion worth of fictitious projects in Iraq: corruption exacerbation,” *Al-Araby Al-Jadeed newspaper*, published on February 21, 2020

⁵⁵ Al-Kadhimi: “The canal project cost more than one billion dollars and is now a landfill,” *Al-Sumaria News Agency*, published on June 11, 2020.

⁵⁶ *Dijlah satellite channel*, news reports, broadcast on June 10, 2020.

⁵⁷ “Member of Parliament Faleh Al-Khazaali revealed corruption in the contracts for the construction of six hospitals,” *The Baghdad Post*, published on November 21, 2018.

The corrupt projects in question are assigned to the cities and provinces that suffer from poverty and serious underdevelopment. According to MP Raad al-Mass, the governorate of Diyala has only benefited from 10% of its financial allocations since 2003, as most of the projects in the province have been either fictitious or annulled due to failure⁵⁸. One notable figure who has made a fortune in the province after 2003 manages several companies specialized in contracting and executing projects. Although numerous complaints and lawsuits were raised against this person, he has been able to evade the multiple arrest warrants issued against him through his political and financial weight. This influential figure acts as the manager of several big companies, with a fortune that exceeds 100 billion Iraqi dinars, which has made it possible for him to “buy” positions in the local government of the Diyala province, in addition to the positions of deputy governor and director of the provincial investment commission. He has also founded a television channel to polish his image and shield himself from accusations by his political opponents⁵⁹.

A Financial Audit’s report from April 2019 lists Salah al-Din as the most corrupt province. 274 billion Iraqi dinars from the province’s allocated budget were spent on fictitious projects, of which 10 billion was paid to Iraqi MPs. There are some 600 lagging projects in that province alone, worth a total of 2 trillion dinars, as declared by the Commission of Integrity on November 27, 2018. The commission also relayed information concerning embezzlement in many projects. For example, part of the 27 billion dinars intended to equip the vehicles owned by the province’s municipalities have been wasted, and the 6 billion dinars allocated to the construction of the road linking al-Dor and al-Alam were paid in full to a contractor who ended up not doing any work on the project⁶⁰.

Anti-corruption efforts and assassinations

Most attempts to put an end to corruption have ended in failure, and magistrates, inspectors and heads of anti-corruption bodies have paid dearly for their willingness to demand accountability or expose the in-

⁵⁸ “MP describes terrifying corruption in Diyala, calling for the rule of law over in the whales of corrupt politics,” *Al-Sumaria News Agency*, published on October 28, 2017.

⁵⁹ “A member of Diyala Provincial Council accuses the governor of embezzling 3 billion dinars,” *Rudaw website*, published on February 13, 2019.

⁶⁰ “The Commission of Integrity reveals more than 600 lingering projects in Salah al-Din,” *Al-Sumaria News Agency*, November 27, 2018.

volvement of some of the big names. In order to hush the whistleblowers, the latter are intimidated, excluded from public service, targeted with false accusations, and even assassinated in some cases.

Of the six successive chairmen of the Commission of Integrity - an independent body whose head has the rank of minister - five have quit their post under coercive conditions. Three years after being appointed Chairman of the Commission, Judge Radhi al-Radhi, pressured by former Prime Minister Nouri al-Maliki, fled the country. Al-Radhi had been investigating cases of corruption in al-Maliki’s government, but the latter rebutted by accusing the magistrate himself of corrupt practices. Under the same pressures, Judge Moussa Faraj unjustifiably left his position and requested retirement in 2008. In 2011, Rahem al-Okaili, took refuge in Erbil (in Kurdistan) after being stripped of his post and sentenced in absentia to seven years’ imprisonment for mismanagement and corruption.

For his part, Hassan al-Yassiri has admitted that the reason he had resigned from his position as chairman was his “despair” of the possibility of combatting corruption in Iraq. The last chairman, Izzat Tawfiq, had pledged before Parliament to open the corruption files. After beginning his investigations on cases of dubious investments, oil trafficking, corruption at border checkpoints, theft of state property, corruption in prisons and lingering development projects in all provinces, Tawfiq faced life threats, and shortly after, passed away in a mysterious car accident⁶¹.

There is also talk of small officials murdered, dismissed or put away in prisons for evoking corruption cases, refusing to validate dubious contracts, or having vetoed certain expenses in their departments or institutions. A lexicon of “hush words” has been created in the institutions to indicate acceptance of corrupt interactions, and public sector employees therefore prefer to abstain from talking about corruption or trying to combat it, since it has become a part of the “normal” functioning; the rule, even, and to oppose it is “abnormal”.

⁶¹ “Doubts about the death of Judge Izzat Tawfiq: Accident coincided with his disclosure of dangerous files,” *Al-Mada newspaper*, published on March 17, 2019.

4 The state's methods to accommodate Iraqi society and keep social peace

The redistribution of part of the oil rent among citizens

With its production of 4.5 million barrels per day and its proven reserves of around 112 billion barrels, Iraq is now OPEC's second-largest oil producer. Its oil exports, which represent between 90% and 97% of its annual revenue, make it one of the world's largest rentier states. Over many decades, this rentier system has enabled successive governments to take total control of political life⁶². Since the establishment of a new political regime after 2003, oil rent has been used to ensure the sustainability of the regime, the continued plundering of natural resources, and the extensive control over social and political life. The State indeed finds in the system of rent a means of implementing its political preferences by relying completely on rent and its longevity, while buying the loyalty of the citizens by the redistribution of part of these revenues among them.

The relationship between the Iraqi State and society reveals the extent of the system's corruption. The State keeps a tight grip on society through expanding public spending without imposing new taxes on citizens, expanding the bureaucratic network by recruiting more employees in state institutions, providing social services, subsidizing fuel oil, and offering ration cards. The expansion of spending has led to the destruction of the productive sectors, since instead of the oil rents being spent on achieving internal institutional development, diversifying real production sources, or bringing about economic reform, they are used in ways which increase the backwardness of society and the class inequality in its fabric.

The authorities, as the provider of income, therefore take hold of the population. To prevent any attempts to overthrow the system, the authorities have created a group of beneficiaries by recruiting countless bureaucratic employees in public institutions who, in exchange for a small portion of the oil rent, remain silent about the continued plundering of wealth by the oligarchy. In fact, more than 10 million people receive a salary from the state in Iraq, and \$ 53 billion is spent per year on salaries of employees, retirees and contractual workers and on social benefits. These are funds which, in the absence of any income gener-

⁶² Hassan, Harith, "The Iraqi State of Rent," *Assafir Al-Arabi* website, published on February 5, 2015.

ated by industry and agriculture sectors, constitute an essential source for the functioning of the private sector⁶³.

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The state grants preferential treatment to members of the civil service, who can obtain bank loans to buy an apartment or a car, while workers in the private sector must be sponsored by a civil servant to obtain a loan.⁶⁴ If these employees in civil service would organize, they could act as a force for change by, for example, forming trade unions; however, the law prohibits them from organizing in unions or professional associations. In addition, those of them who participate in protest movements or criticize the institutions they work for on social media risk dismissal or sanctions⁶⁵. Civil service employees are therefore stripped of all power, and many of them fear the idea of the fall of the regime. This was clearly the case during the major demonstrations of 2015, 2018, and October 2019, which was one of the largest uprisings in the history of the country, in which only a handful of institutions responded to calls for strikes and civil disobedience.

The authorities are also trying to keep citizens satisfied by spending \$ 1.5 billion on the "ration card" which entitles citizens to subsidized food products, in addition to heavy subsidies to petroleum derivatives and electric power. For this reason, 75% of public spending is devoted to operating expenses, thus exacerbating the economic distortions that push the country further away from a genuine economic development system based on productive projects.

Dependence on the security apparatus

The rentier state's efforts to appeal to the public are not restricted to

⁶³ Republic of Iraq, Ministry of Justice, Law No. (1) *The Federal Budget of the Republic of Iraq for the fiscal year 2019*, No. 4529, p. 41, published on February 11, 2019.

⁶⁴ Al-Jaffal, Omar, "Maps of Deprivation and Dissolution in Iraq," *Assafir Al-Arabi* website, published on August 6, 2015.

⁶⁵ "Government officials prevent their employees from demonstrating and specialists assert that protest is a constitutional right," *Al-Mada* newspaper, published on October 22, 2015.

allowing bribes and public service employment, but also include the collection and redistribution of oil rent. This requires security apparatuses and a military force capable of protecting the sources of rent and the power in place, and securing the process of redistributing this income. The state offers rent in one hand and waves a threatening finger in the other, but the increased dependence of the individual/ citizen on power/ the state has rendered the state more powerful, solid and coercive. Over the years, it has succeeded in transforming the citizen into an easily manipulated instrument, leading to an increased sense of powerlessness in the face of the state apparatus and a collective submission to the state's ideology of power⁶⁶.

The rentier state's approach is reflected in its sizable budgetary allocations for security and defense, against the much smaller sums allocated for civilian expenditure intended to meet the basic needs of the population. In 2019, 25 trillion Iraqi dinars (19% of public expenditure) went to Security and Defense, against 2.555 trillion Iraqi dinars (2% of public expenditure) that went to both the Ministries of Health and of Environment, 4.790 trillion dinars (3.75%) to Education and Higher Education, and only 2 trillion dinars (1.5%) to both Agriculture and Industry⁶⁷.

Promoting a culture of corruption

The rentier economy has produced a culture that is intrinsically linked to the established political structure, supported by the rent that contributes to the perpetuation of the existing political and economic systems. The existence of a "culture of corruption" means that members of society have come to accept every kind of major or minor corrupt situation, yielding to the inevitability of the phenomenon and recognizing the need to endure its manifestations and give it free rein. Corruption has become a such a common occurrence that citizens encounter it in their every daily event, not only in their relations with official bodies but also in their social relations among themselves. Many citizens meet illicit enrichment with neither apprehension nor outrage. They rather envy the profiteers and their entourage, going as far as praising their actions - as long as they are not involved in cases of murder or injury to others.

⁶⁶ Al-Mashadani, Abdul-Rahman Najm, "Currency Auction and Money Laundering Operations in Iraq," research presented to the Scientific Conference of the College of Management and Economics at Basra University and Shatt al-Arab University College, p. 209, April 2016.

⁶⁷ Nabil Jaafar Abdul Rida, *Energy Economics, al-Kitab al-Jami'i House, First Edition, UAE, pp. 257, published in 2017.*

Corruption has even become part of the tribal customs, prompting the tribe to back any of its members who's found to be involved in misappropriation. Instead of accountability, the tribe reprimands anyone who dares to criticize the misconduct. Additionally, religious clergy themselves have willingly stepped into this spiral, accepting bribes to whitewash some officials and urging the faithful not to denounce anyone without acquiring evidence that proves their venality. If, in a situation of economic crisis, voices are raised to demand the restitution of embezzled funds, the media, the tribes and the clergy take it upon themselves to call on the population to "adapt" and "sacrifice" for their country and "let bygones be bygones", for the sake of the nation.⁶⁸

⁶⁸ *The Public Budget for the year 2019, p. 32, ibid.*

5 Conclusion

1. The parliamentary and provincial electoral systems that have been approved by the major political parties and entities leading the political process in 2003, in addition to the partisan and quota-based selection of the High Electoral Commission, have led to the dominance of the powerful blocs that adopt corruption and run the Iraqi state through crooked methods which ensure their re-election in every electoral cycle.
2. Rent, factionalism, and corruption together allow the preservation and reinforcement of the state's hegemony. The rentier structure of the Iraqi economy is based on two factors: an external one, that relies on recycling the surplus oil revenue; and an internal one, that relies on the domestic rent generated through "trading in power", enabled by the sectarian regime. The primary mission of the ruling class is to apportion profits or rent among itself, by resorting to the quota (so-called "Muhasaha") system. The rentier system is in itself a manifestation of corruption, and that is why reform attempts will not be able to succeed until the link between the sectarian regime and the economy of rent is severed.

In Iraq, as in other countries under occupation, new forces have emerged that have a prolific political and spiritual influence on the population, mainly conjured by the social weight of several religious parties and figures.

3. The outbreak of corruption is closely linked to external factors which incite and support it: many corruption cases indeed responded to some of the strategic goals of foreign countries. In Iraq, as in other countries under occupation, new forces have emerged that have a prolific political and spiritual influence on the population, mainly conjured by the social weight of several religious parties and figures. The American occupation, hence, realized that it was difficult to topple these new influential forces in the country, even though their presence went against American strategic goals. Thus, in order to bring down the political project of these religious parties, the external forces have purposefully paved the road to corruption through facilitating and legitimizing certain practices, in order to implicate the ruling political class and discredit it among the population, before overthrowing its entire political project.
4. Economic corruption in Iraq is the fruit of political corruption. The simple equation is: those who have power have money. Therefore,

most officials seek to exploit their positions to achieve privileges and profits, thereby violating prevailing laws and norms. Economic decisions are hence driven by the desire of senior officials to make quick, easy money for themselves and their entourage, with zero regard for the public interest.

5. In spite of the galloping economic corruption in state bodies, the measures intended to put an end to the problem remain largely insufficient. In fact, the corrupt easily manage to evade the law thanks to certain legal provisions which prevent their referral to a court of law. They also take advantage of minimally restrictive measures and bails which are grossly out of proportion with the seriousness of the corruption cases at hand.
6. Corruption is further aggravated by ineffective regulatory and audit bodies, whose budgets are insufficient and whose allocations from the public budget are too small for their tasks. These bodies are, furthermore, rendered powerless to protect themselves from political interference, and proof of this can be seen in the ministries' and other governmental bodies' refusal to extinguish or annul granted advances (the sums that the contractors collect upfront, before initiating work on a given project, or the sums that governmental bodies collect upfront for a subsequent task or service), which are suspected to be fraudulent. Such payments-in-advance have amounted to more than \$ 100 billion in the period 2004-2018, even though these expenses were undocumented in the government. Worse still, the offices in which any documentation relating to these advances was stored have been deliberately set on fire on the eve of scheduled inspections at the Ministries of Finance, Trade and Industry, as well as the Central Bank. The motives of this action was, in fact, twofold: to cover up the crimes of those involved in corruption, and to create a new opportunity to embezzle funds allocated to the reconstruction of the burned down premises; a prospect which only adds to the colossal cost of corruption.

