

# Corruption and Mismanagement Index

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## Corruption and Mismanagement Index

While many Iranians are languishing under a mismanaged and floundering economy, the Iranian regime has attempted to shift the blame for its citizens' distress to sanctions implemented by the United States. The reality, however, is that the Iranian economy has long been plagued by the regime's endemic corruption, economic mismanagement, and reckless foreign policy. Iran [ranks](#) 146 out of 180 countries listed on Transparency International's Corruption Perception Index for 2019.

### Ahmadinejad's Administration

Corruption and mismanagement in Iran significantly worsened during the presidency of Mahmoud Ahmadinejad, despite the fact that he came to power on a populist, anti-corruption platform. In Ahmadinejad's first year as president in 2005, for example, Transparency International [ranked Iran at 88th among 159 countries in its annual corruption index](#). In 2012, the situation worsened considerably, with Transparency International ranking Iran as [one of the most corrupt countries worldwide](#), with a ranking of 133 among 176 nations.

Mahmoud Ahmadinejad and his administration presided over unprecedented corruption scandals. In 2009, a state audit found that the Iranian Oil Ministry [failed to deposit \\$1.05 billion](#) into state accounts related to surplus oil revenues. In 2011, [the biggest financial scandal in Iran's history](#) was uncovered in which \$2.6 billion was embezzled from the country's leading banks.

Parliament Speaker Ali Larijani was the leading critic of Ahmadinejad and his administration's policies. In one swipe at Ahmadinejad, [Larijani blamed government mismanagement for 80% of Iran's economic troubles](#), particularly ["the maladroit application of the plan to suppress subsidies."](#) In fact, Ahmadinejad's loose monetary policy, subsidy cuts, and populist cash-handouts helped precipitate the ongoing currency crisis and inflationary spiral. In response to these broadsides, Ahmadinejad accused Larijani and his family of [financial corruption](#), a charge that he [continues to make](#) in the current political climate. Nonetheless, even Supreme Leader Ayatollah Ali Khamenei acknowledged that while the sanctions may cause problems, ["mismanagement may even increase these problems."](#)

#### *Manufacturing a Healthcare Crisis in the Ahmadinejad Presidency*

Iran also faced a healthcare crisis [due to government mismanagement and corruption](#). In November 2012, Hosseinali Shahriari, the head of parliament's health committee, said that "the government is playing with our people's health and is not assigning the approved finances." Iran's then minister of health, Marzieh Vahid Dastjerdi, reported that of the \$2.5 billion earmarked in Iran's annual budget to import medicine and medical supplies, only \$600 million had been delivered by Iran's central bank this year. She further protested, ["I have heard that luxury cars have been imported with subsidized dollars](#) but I don't know what happened to the dollars that were supposed to be allocated for importing medicine." This dissent was too much for the Iranian regime to tolerate, since it contradicted the regime narrative that the West was to blame. As a result, [Ahmadinejad fired Dastjerdi](#) in late December 2012. She was the only female minister in the government's cabinet.

Criticism came from the business community as well. According to Reuters, "A source inside a government pharmacy in Tehran said that [low stocks of vital drugs were being exacerbated by 'strategic stockpiling'](#). Of 20 units of medication, two were available to the public and the rest 'reserved' for those who have influence or good connections."

To counter these charges, [the Iranian regime and its state media apparatus fabricated stories blaming the sanctions for civilian deaths](#). In the most prominent case of such manipulation, Iranian officials declared the death of 15-year-old hemophiliac Manouchehr Esmaili-Lioui as the first civilian death directly linked to the sanctions. According to the government's account, the teenager died due to a shortage of drugs to treat his condition. In reality, Manouchehr fell and cut himself while hiking in the mountains. By the time he had reached the hospital two hours later, he had lost too much blood to be saved. The Times of London highlighted that "the campaign over Manouchehr's death underscored the eagerness in Tehran to blame sanctions for the crisis, shifting attention away from the toxic combination of mismanagement and corruption in the government."

Where medical shortages did exist, the Islamic Revolutionary Guard Corps (IRGC) exacerbated the problem and profited from it. Instead of properly applying the government subsidized exchanged rate to imports of food and medicine, the IRGC exploited it to purchase luxury goods. The Times of London reported that "regime officials continue to enjoy world-class healthcare while choking off medical funding to ordinary citizens. Surplus drugs from Revolutionary Guard hospitals are dumped on the black market, where they are sold to health groups and civilians at three times the price."

The Iranian government had the power to end this crisis, but instead made it worse to weaken the resolve of the international community to robustly implement sanctions. Through its oil exports, Iran had billions of dollars in [local-currency accounts](#) in Turkey and Asian countries, which could be used to buy medical supplies of local or Western-manufacture for the Iranian people. Instead, the regime exploited the welfare of its citizens in order to protect its illicit nuclear program.

In the words of a U.S. Treasury Department spokesman at the time, "It has been the longstanding policy of the United States not to target Iranian imports of humanitarian items, such as food, medicine and medical devices. [If there is in fact a shortage of some medicines in Iran, it is due to choices made by the Iranian government, not the US government](#)." Instead of allocating hard currency to needed medical supplies, it "[is being allocated by the government to other purposes, whether it is supporting the Assad regime \[in Syria\], supporting terrorism or supporting the nuclear program](#)."

### *Ahmadinejad's Post-Presidency*

Ahmadinejad's scandals continued to plague him even after he left office. His first vice president, Mohammad Reza Rahimi, was [sentenced](#) to five years in prison for "acquiring wealth through illicit methods" in 2015. Sentencing of his vice president for executive affairs, Mohammad Baghaei, soon followed in December 2017, when Baghaei [announced](#) he had been sentenced to 63 years in prison for financial malfeasance. Additionally, the former chairman of Sarmayeh Bank, Parviz Kazemi, who was labor minister during the Ahmadinejad administration, was sentenced to 20 years in prison after a corruption investigation. That's not to mention Ahmadinejad himself being [convicted](#) on seven counts, including misuse of state funds totaling two billion dollars, by the Supreme Audit Court.

## **Rouhani's Administration**

Hassan Rouhani took office in 2013 warning that corruption was "endangering" the Islamic Revolution and that money once "given under the table now is being given on the table." He also sounded the alarm on the perils of monopolies in Iran—a subtle rebuke to the power and primacy of the IRGC in the economy.

Analysts have given Rouhani mixed marks on his anti-corruption campaign. Scholars such as Bijan Khajepour have [highlighted](#) the establishment of "provincial offices to fight administrative corruption on

bureaucratic levels” as well as the issuing of an anti-smuggling decree in 2014. At the same time, according to the Financial Times, the Rouhani administration [announced](#) its intention to close credit institutions affiliated with the IRGC, increase oversight on the banking system, crack down on expropriation of land by elites and make powerful foundations which received tax exemptions in the past pay their fair share—particularly Astan-e Qods, one of Iran’s wealthiest religious foundations.

But Rouhani and his allies ran into a wall of opposition. For instance, militant cleric Ayatollah Ahmad Khatami [quipped](#) that “corruption will not be eradicated by just holding conferences.” The head of the Basij volunteer forces at the time also [retorted](#) “[u]nlike what some politicians say, the Basij and the Revolutionary Guard need to be present on all grounds including the “defensive economy.” It is only this way corruption can be eradicated.”

Rouhani has persisted in making corruption a central issue in his second term. In November 2017 after earthquakes [destroyed](#) housing units in Sarpol-e Zahab, Rouhani complained “[i]t’s clear there has been corruption in construction contracts.” Rouhani’s chief of staff, Mahmoud Vaezi, [alleged](#) in 2019 that \$1.12 billion in hard currency allocated for importing medicines and essential goods had disappeared. Yet Rouhani’s government has also stood accused of self-dealing. In 2016, the New York Times reported on bombshell [allegations](#) in Iranian media concerning inflated bonuses and salaries for executives of state-controlled companies on Rouhani’s watch. These figures were much [higher](#) than the legal limit of \$2,353 per month for government employees. Other allegations included \$50,000 bonuses for executives at the government-controlled Central Insurance Company and the head of the state-owned Tejarat Bank, named to his post under Rouhani, receiving \$208,115 over 21 months and a zero-interest loan of \$289,000. That’s not to mention the Supreme Audit Court’s [revelation](#) in 2020 that \$4.8 billion, which was allocated for imports, was missing from the budget. In effect, billions of dollars had been distributed to importers, but no goods were imported.

In addition, Rouhani’s inner-circle also stood accused of corruption. Sadeqh Larijani, the head of Iran’s judiciary, [accused](#) Rouhani publicly of receiving embezzled state funds from Babak Zanjani, the point man in assisting the Islamic Republic with evading the pre-nuclear deal sanctions. Rouhani’s First Vice President Eshaq Jahangiri as well as his own brother, Hossein Fereydoun, were also [targeted](#) with nepotism and cronyism charges. In [2019](#), Fereydoun was sentenced to an unspecified jail term on corruption charges. The families of cabinet ministers have also been implicated in separate cases—with one [example](#) being Hadi Razavi, the son-in-law of Rouhani’s minister of labor, who used state funds to pay for luxury automobiles and vacations. Iran’s judiciary has also recently [opened](#) a probe into budget irregularities within the Rouhani administration.

As the protests over the state of the economy have continued, Iran’s business ranking history during Rouhani’s tenure speaks volumes: [according](#) to World Bank data, the Islamic Republic’s ease of doing business ranking stands at 127 out of 190 economies from around the world.

## The Judiciary

Iran’s chief justices have had their fair share of corruption scandals. Sadeqh Larijani, who served at the helm from 2009-19, stood [accused](#) of depositing bail funds into 63 bank accounts under his name. Anonymous sources on a Telegram channel in Iran [claimed](#) more than £50 million in public funds were transferred into Larijani’s bank accounts annually. But the allegations of corruption extend to lower-ranking judges as well. Larijani’s successor, Ebrahim Raisi, recently [fired](#) 60 judges over financial irregularities.

In fact, only in 2018 did Iran's supreme leader, who oversees the judiciary, [order](#) the creation of special corruption courts. [According](#) to Al-Monitor, these courts have reportedly issued 978 verdicts since August 2018, with nine defendants sentenced to death and four to life imprisonment. But given the lack of a truly independent judiciary in Iran and its own record on corruption, such courts can only be expected to target corruption in a piecemeal, rather than systematic manner.

## **The IRGC: A Corrupt Conglomerate**

The IRGC, empowered under Iran's past presidents, is at the forefront of corruption in Iran today. Designed to safeguard the Islamic Revolution and maintain an ideologically austere ethos, the IRGC has become increasingly corrupt and materialistic.

The IRGC now owns billions in assets and controls hundreds of shell corporations. The organization is commonly awarded [no-bid contracts without independent oversight](#) in Iran's lucrative energy sector and across the economy. The IRGC claims that its profits then go into the national treasury, but there are [no public records](#) to verify this.

Wealth also came historically from the IRGC's immense smuggling operations. The IRGC leveraged its economic and political influence to corner Iran's [\\$12 billion smuggling industry](#) by illegally importing vast quantities of goods through [IRGC-controlled jetties and airport terminals](#) that operate outside the jurisdiction of Iranian customs authorities.

As a result of the IRGC's financial penetration, it is estimated that [IRGC control of the economy "range\[s\] from a third to nearly two-thirds of Iran's GDP – amounting to tens of billions of dollars."](#) The IRGC is [estimated to own at least half of Iran's government-owned companies and control 68 percent of Iran's total exports](#). With this newfound wealth, [the IRGC has been importing expensive luxury cars](#).

The IRGC has also embezzled funds from the City of Tehran—its Cooperative Foundation stands [accused](#) of embezzling more than \$1 billion. U.S. Secretary of State Mike Pompeo has labeled them "racketeers, not revolutionaries."

A circular firing squad among power centers has developed, with Iran's president deflecting allegations of corruption within his own administration by [accusing](#) unnamed military organizations—for instance, the IRGC—about why auditing is not done on them but done on his government.

## **Setad Ejraiye Farmane Hazrate Emam (SETAD)**

SETAD was founded by Ayatollah Khomeini in the latter part of his reign to manage abandoned properties in the aftermath of the Islamic Revolution of 1979. [According](#) to the Treasury Department, SETAD, "through two main subsidiaries, oversees a labyrinth of 37 ostensibly private businesses, many of which are front companies. The purpose of the network is to generate and control massive, off-the-books investments, shielded from the view of the Iranian people and international regulators."

According to a 2013 investigation by [Reuters](#), SETAD is directly controlled by the supreme leader, has assets totaling \$95 billion, and is has no external supervisory structure. Per Reuters, "[t]he revenue stream generated by Setad helps explain why Khamenei has not only held on for 24 years... Setad gives him the financial means to operate independently of parliament and the national budget, insulating him from Iran's messy factional infighting."

In addition to SETAD's lack of accountability, it has engaged in self-dealing. For example, in 2016, the National Iranian Oil Company (NIOC), which the U.S. Treasury Department has dubbed an agent or affiliate of the IRGC, [signed](#) its first oil output contract with Persia Oil & Gas Industry Development Company, an Iranian firm that is a subsidiary of SETAD.

It's within this context that Iran's protests envelop the country—a country plagued by opacity, unaccountability, and corruption and mismanagement scandals across successive presidential administrations and branches of government.