

مركز البيدر للدراسات والتخطيط

Al-Baidar Center For Studies And Planning



Policies for Rationalizing Public Expenditure, Administrative Redundancy, and Salary Scale Reform

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Iraq faces several fundamental and structural challenges closely related to state-building and its institutions. Among these challenges are those related to the government expenditure sector and widespread administrative redundancy in institutions, which necessitate accurately identifying the nature of the problem and describing the proposed remedies.

First: Identifying the Problem

The weakness of government performance, waste of public funds, administrative redundancy, and lack of social justice in the distribution of national income are due to several factors:

1. Structural political factors stemming from the absence of good governance, due to the inefficiency of the political system in government performance and the failure of development projects, as they are based on quota systems and the distribution of oil revenue spoils, and the lack of spending on the investment budget.

2. Functional economic factors resulting from the weakness of the administrative apparatus in project management for political reasons, such as political dismissals, the intervention of political blocs in the management of public facilities, and the lack of integrity and transparency due to the failure to implement e-government and weak government performance.

Second: Proposed Solutions

A. Structural, Political Factors

These are caused by the inefficiency of the parliamentary political system, which is based on the distribution of oil revenue spoils and the dominance of political blocs over the Council of Ministers based on political quotas, not democratic

representation of the people. To address this imbalance, the following should be done:

1. Reform the electoral system through multiple electoral districts, not based on electoral lists, to conduct elections based on citizenship, not on components.

2. Judicial authority supervision over elections, rather than the commission, which is based on the representation of political blocs rather than general discipline, to achieve transparency and foster citizen trust in the polls.

3. Limiting the intervention of political blocs in public facilities, abolishing economic committees, disclosing the sources of funding for these blocs, and preventing encroachment on public funds.

4. Work on amending the constitution towards a presidential system to eliminate quotas and corruption, and restore the prestige of the government and the rule of law through a strong government that represents the people, not the heads of political blocs, and prevents the Prime Minister from becoming a hostage to these leaders. This should be done by referendum by Article 126 of the Constitution, which is not subject to a veto by three provinces.

5. Amend the Political Parties Law to disclose illegal party funding methods.

6. Confine weapons to the hands of the state and prevent armed groups from interfering in the state's and society's affairs.

B. Functional Factors

These result from the inefficiency of the administrative and financial system in managing public resources and weak government discipline. These factors are distributed between the lack of coordination between fiscal and monetary policies, resulting in the lack of a clear identity for the national economy, which

oscillates between the dominance of the public sector and attempts to support the private sector to achieve economic development, and between the weakness of the administrative apparatus and the spread of bureaucracy and corruption. We will clarify this as follows:

1. Coordination between fiscal and economic policies.

The national economy is based on selling potential oil revenues in dollars to the Central Bank in Iraqi dinars with a commission for the bank, to finance government spending, primarily employee salaries, social welfare, and the operational budget, with an almost complete absence of the investment budget and funding for development projects. To rebuild Iraq and achieve economic development, the Central Bank should participate in the following ways:

- (a) Support the national product by restarting 20,000 factories in the public and private sectors through the implementation of four laws: customs tariff, consumer protection, protection of national products, and competition. For this purpose, an import program should be established and implemented to combat dumping, limit random imports, and enable the national product to compete. To achieve this, the state must strictly control border crossings through its security forces to prevent smuggling and corruption, and to maximize customs revenues to support the general budget. Regarding the Kurdistan crossings, if Order 11 is not implemented, goods from these crossings should enter the Iraqi market only through military checkpoints that prevent smuggling and corruption, thereby restoring state sovereignty over border crossings and preventing the entry of drugs, prohibited materials, and spoiled goods.

- (b) Transition from line-item budgeting to program and performance budgeting, and submit annual final accounts to reveal the gap between financial

allocations and public spending, and to stop waste of public funds. For this purpose, a specialized financial committee should be formed to prepare this budget, replacing the current staff and the adherence to line-item budgeting.

(c) Increase the investment budget share by 5% annually until it reaches 50% of the general budget to finance development projects, provide job opportunities, and combat unemployment.

(d) Given the absence of a Project Management System, the Reconstruction Council should be reinstated to manage the national economy, govern government contracts, and supervise project implementation with broad participation of the private sector.

(e) Rehabilitate public companies by transferring surplus labor to the Ministry of Labor and Social Affairs for training and by concluding partnership contracts with Iraqi and foreign private sectors to achieve sound management of companies on a profitability basis and eliminate the financial burdens these companies cause to the Ministry of Finance.

(f) Grant ownership of agricultural lands to productive farmers and private sector projects that have obtained industrial development licenses to encourage producers and enable them to get credit for the loans they need.

(g) Combat economic contraction by reducing the interest rate on the one hand and reducing the value of the dollar on the other, to prevent its escape and smuggling, and unify the exchange rate to combat the black market and speculation in the dinar.

(h) Restrict the financing of imports to letters of credit only through reputable and internationally accredited correspondent banks, and stop remittances and dollar sales to private banks, cancel their commissions, and prevent their use in

document forgery and import licenses to stop money laundering.

(i) Deduct customs duties and taxes from bank remittances and letters of credit directly as deposits with the Ministry of Finance until settlement, to ensure substantial revenues for the budget and eliminate evasion and ministerial fraud until border crossings are rehabilitated under state control.

(j) Transfer the State Properties Department to the General Secretariat of the Council of Ministers to protect public funds, eliminate “ghost employees”, and facilitate the allocation of lands for investment. Transfer the Contracts Department to the Economic Committee to govern tenders and achieve transparency. Transfer the one-stop shop to the General Secretariat under the management of the Government Coordination Department to achieve efficiency and transparency and encourage investment.

(k) Issue partnership laws between the public and private sectors, an arbitration law, and a system for investment zones.

2. Administrative Governance

To reform the administrative and financial system, increase the efficiency of government performance, and combat bureaucracy, routine, and corruption, the following should be done:

(a) Implement e-government to achieve efficiency and speed of performance and combat ghost employees, commissions, and bribes.

(b) Unify salaries and pensions in a unified law for each to eliminate astronomical differences between wages and cancel risk, hospitality, and special allowances to achieve social justice and encourage junior employees to perform well and combat corruption.

(c) Cancel double salaries, ghost employee salaries, and temporary transitional justice salaries, and not convert them into a permanent legal system to achieve social justice and stop waste of public funds.

(d) Stop government appointments and exceptions and encourage employees who have not reached retirement age to request retirement in exchange for an attractive end-of-service gratuity to eliminate administrative redundancy, disguised unemployment, and achieve productivity in government work.

About center

Al-Baydar Center for Studies and Planning is a non-governmental and non-profit organization established in 2015 and registered with the NGO directorate in the general secretariat of the council of ministers in Baghdad.

The center seeks to contribute to developing the state and its institutions, by proposing ideas and practical solutions to the main problems and challenges facing the state, including improving public sector management, policies, and strategic planning, using reliable data and best practices. The center engages the relevant authorities in the state with regular meetings to support this objective and utilizes the support of international organizations dedicated to assisting Iraq's development. The center also seeks to support economic reforms, and sustainable development and provide technical assistance to the public and private sectors. The center also seeks to support the development of the private sector to provide job opportunities for citizens through training and upskilling, in a way that reduces dependence on government institutions and contributes to supporting and diversifying the country's economy.

The center aims to utilize the vast amount of potential in Iraq's human resources by organizing programs to prepare and develop promising young people, including leaders capable of proposing, adopting and implementing visions and future plans that advance society and preserve its value-system based on the commitment to a high moral standard and rejection of all types of corruption.

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