

مركز المنصة للتنمية المستدامة  
Platform Center for Sustainable Development



2024

**Critical Review of  
the Economic  
Reforms Program  
(Federal Budget  
2023 - 2025)**





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## About the Center

The Platform for Sustainable Development is a registered center with the Non-Governmental Organizations Department at the General Secretariat of the Council of Ministers under the number (1S2106012). It serves as a space for thought, dialogue, and action towards positive change.

## Vision

We seek to establish a platform for dialogue and policies that contribute to achieving the Sustainable Development Goals in Iraq.

## Mission

Filling the gap between the state and society to ensure the essence of democracy by engaging citizens in the decision-making process through training, monitoring, analysis, research, awareness, and advocacy.

## Strategic Goals

Preparing a youth elite that rises to its social responsibilities through studying problems, proposing policy alternatives, and working towards their implementation.

Utilizing knowledge outputs and encouraging youth to work towards achieving the Sustainable Development Goals

Presenting statistics and issues that occupy the political arenas and societal circles to reflect a deeper understanding of the Iraqi reality.

Creating a network of active, informed, and committed citizens dedicated to the project of building the Iraqi government.



## Preface:

In the light of economic openness after 2003 and the transition from a dictatorial political system to a pluralistic democratic system, many changes occurred in state administration and governance. This change strengthened Iraq's return to the international economic arena as an oil source. The revenues from these exports allowed for significant financial gains, fostering hopes for change in various aspects of Iraqi reality: economic, social, urban, and educational.

However, hopes were soon dashed as severe security tensions began to escalate, diverting governmental focus towards addressing security issues as a primary societal and governmental goal. Revenues were directed towards achieving security, stability, and social cohesion, in addition to economic stability.

On the economic front, to ensure the continuation of economic and social stability, the government had to inject part of the oil revenues back into the economy. This was done through tens of thousands of government appointments annually via the state's general budget, coupled with expanding the state's administrative structure to accommodate these new employees. Government employment and its monthly salary became a primary driver of private economic activity.

This situation persisted until 2014, a year that heralded a dual shock. On one hand, there was a security shock as terrorist organizations like ISIS gained control over parts of Iraqi territory, and on the other hand, there was a financial shock due to unexpected drops in global oil prices. With the return of security and financial stability after 2017 until 2020, another type of dual crisis emerged. At the beginning of 2020, the COVID-19 pandemic began to spread, leading countries to take preemptive measures to curb the virus, the most impactful of which was the implementation of total and partial lockdowns worldwide. This was accompanied by a decrease in global oil prices, upon which Iraq's budget relies to a rate of up to 90%, putting the government in a severe predicament and unable to meet its basic expenses, including employee salaries.

All these events sounded the alarm for the government and society, making economic reform an essential demand for building a robust economy resilient to high-intensity shocks. This entails directing efforts toward reconstruction, development, and building a private sector capable of absorbing the workforce and leading economic activity as a logical alternative to the state.

Thus, the government launched the Economic Reform White Paper in October 2020, which included a detailed plan to reform the Iraqi economy, placing the Sustainable Development Platform at the forefront to oversee the launch of the Economic Reform Evaluation Program in its first season. This program aims to assess these reforms, their effectiveness, and explore alternative options through a group of researchers trained and qualified by the center to write policy papers addressing problems and proposing suitable alternatives.

Due to the importance of the state's general budget, its enormity, and its impacts on all aspects of the country, the center proceeded to launch the second season of the program to evaluate the state's general budget (2025-2023) and assess the economic reforms therein. The participating researchers in the program will provide policy reports on the budget, which will be included in this book.

# Introduction:

The general budget is one of the most important fiscal policies of the state. Besides containing expected revenues and expenditures, it reflects the government's orientations for the upcoming year or years and should represent a practical reflection of the government program.

Recognizing its importance, the center initiated the Economic Reform Evaluation Program, which focuses in its second season on the state's general budget (2025-2023). To achieve the center's objectives for the program and evaluate the government's economic reforms, the center attracted in the first phase of the program 60 young men and women from various provinces of Iraq. They were trained on various topics with a focus on the general budget, its preparation, and data analysis methods. Subsequently, the second phase of the program began, where 20 trainees qualified for it, receiving 40 training hours including 24 hours of training sessions, 8 hours of supervision sessions, and 8 hours of discussion sessions with decision-makers and stakeholders. Nine of them will provide policy reports on the budget covering various topics.

Researcher Ahmed Rafae Najee wrote about development fund management and how to achieve cooperative development with the private sector. Researcher Khalid Al-Saadi addressed private sector development and maximizing non-oil revenues between governmental curriculum and the budget, believing that the private sector is the natural and logical path towards economic growth, and that the general budget is merely a means of its development, not vice versa.

Researcher Mohammed Hashim Hulou wrote about analyzing employee compensation expenses in the federal general budget between efficiency of allocation and distribution, conducting an analysis of the size of employees and which ministries and governmental entities are attractive to employees given the financial privileges. In the same context, researcher Mustafa Mohammed Jameel wrote a report on calculating employee compensations for Ministry of Health employees and the impact of centralized appointments for medical colleges on inflating these compensations, believing that the continued central appointments for some medical specialties with a surplus in them will lead to significant inflation in the operational budget of the Ministry of Health.

In a different context, researcher Aqeel Qasim focused on combating corruption in Iraq and the governmental efforts of Prime Minister Mohammed Shia' al-Sudani, and researched the allocations of oversight institutions and their effectiveness in the face of administrative and financial corruption spread in Iraq. Three researchers focused on the issue of poverty and social care as a priority of the current government program. Researcher Zahra Ibrahim wrote about building a comprehensive system to reduce poverty and enhance welfare, while researcher Alaa Hilal Saadoun discussed the ration card and its role in protecting the poor and the most prominent allocations earmarked for it in the budget. Meanwhile, researcher Abdullah Hussein Ali wrote about social care between budget allocations and government measures to enhance it through the budget. Researcher Shabir Abdul Wahab focused his report on traffic congestion in the capital Baghdad, addressing projects to alleviate traffic congestion for the government of al-Sudani, and whether these projects are capable of solving the traffic crisis in the capital or not.



# Federal Budget (2023-2025) and Its Reflection of the Government Program

## Introduction

The Federal Budget represents the annual estimates of revenues and expenditures. As the responsibility for preparing these estimates lies with the government, particularly the Ministry of Finance, it provides a clear projection of what the government intends to implement in the upcoming year. The preparation and approval of a three-year budget, often referred to as the "triennial budget," should align with the government's directives and the priorities set out in its government program. The budget, encompassing revenues and expenditures, serves as the key to realizing all of the government's objectives and priorities. If the budget is disrupted or does not align with the program, it signifies the government's failure to execute the projects and priorities it has set for itself. When preparing the budget, the government focuses on specific aspects and areas. This focus should align with the government program it aims to implement during its tenure. The government program includes numerous areas where the government seeks to make improvements. Some areas aim to introduce administrative and institutional reforms, such as digital transformation, while others are related to providing services to citizens and supporting various segments of society. Hence, monitoring the government's execution of the budget and the impact of its expenditures is a form of oversight, whether conducted by governmental or non-governmental institutions. It helps promote popular accountability by monitoring government adherence to its government program in terms of allocating funds and effectively addressing pressing needs.

## Challenges of Approving Federal Budget

The budget is the most crucial tool for a state's financial policy, revealing the government's spending priorities and the sectors it aims to develop. Therefore, the national budget reflects the government's priorities, offering an indicator of its commitment to implementing its governance program across various areas such as health, security and defense, economic development, environment, education, social care, job creation, and more. Monitoring budget execution serves as a form of governance over the government, whether by governmental or non-governmental institutions.

Despite its importance, annually passing the budget law in Iraq is a highly challenging task, facing various political disputes among blocs, as well as security, health, and procedural challenges. In 2014, the control of Daesh of large swath of Iraqi territories and, in 2020, the spread of the COVID-19 pandemic, coupled with the subsequent decline in global oil prices, resulted in financial crises.

During the budget approval process and its procedural steps, the budget undergoes numerous changes and discussions, often marked by politicized processes that aim to achieve political consensus and popular satisfaction, more than realizing the financial goals of the state. This is necessary in the Iraqi context to maintain political stability and counter waves of public discontent, as witnessed in October 2019.

The budget passes through two main stages: the preparation stage by the executive authority and the discussion and approval stage by the legislative authority, as illustrated in Figures (1) and (2) below:

Figure (1): Stages of Preparation of the General Budget in Iraq

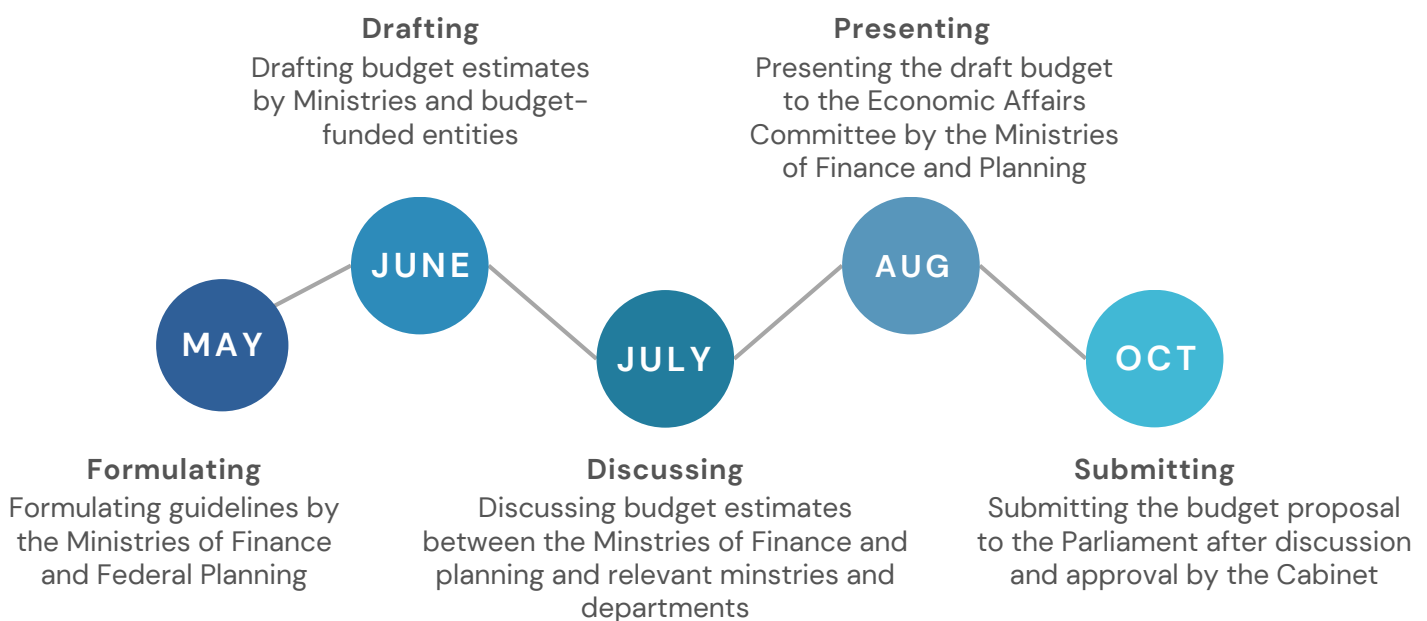
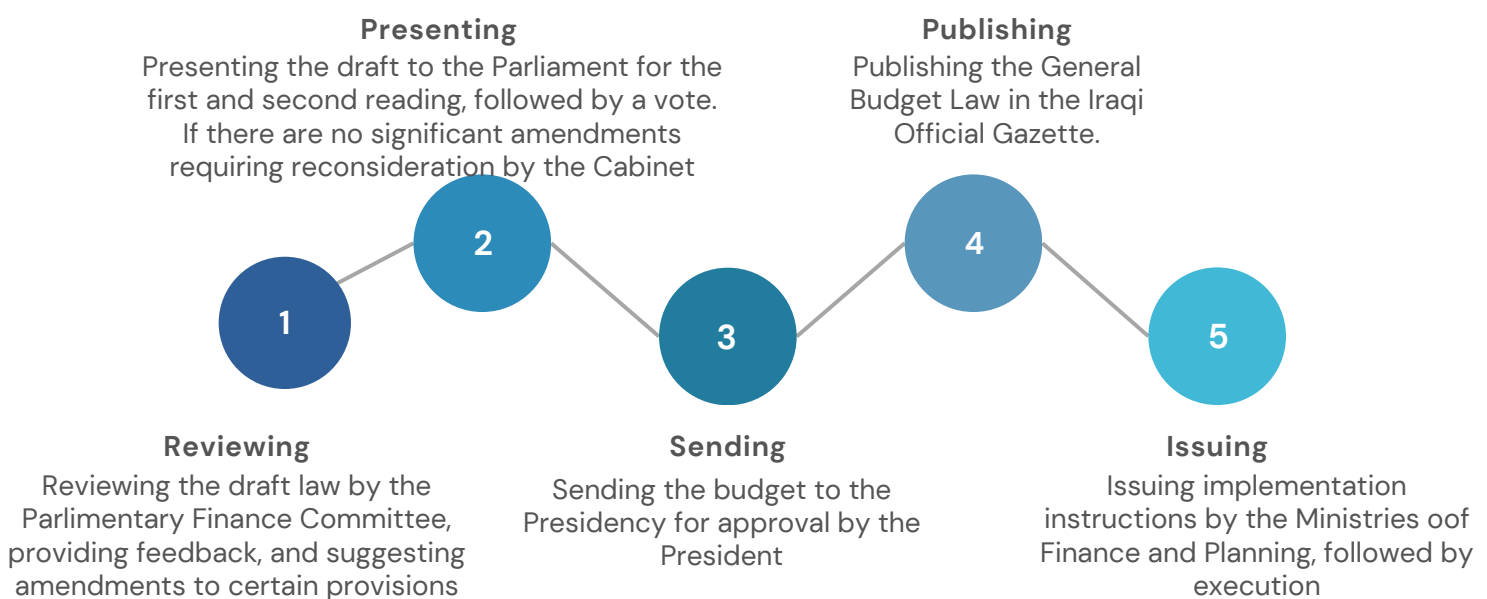


Figure (2): Stages of Approval of the General Budget in Iraq



## Part I: An Analysis of the 2023 - 2025 Federal Budget

### Revenues and Federal Expenditures (2008-2023)

Fiscal policy is one of the most influential factors in the Iraqi economy. It is expected that the fluctuations in the economy, revenues, and expenditures, along with the persistence of crises, will lead successive governments to take into consideration the risks associated with the decrease in revenues due to rising expenditures. The most significant challenge the government faces during these revenue decreases is how to finance its governing and sustainable expenditures through unstable revenues.

The consideration of how to finance these expenditures is followed by various administrative and financial fluctuations and international pressures, which may lead to surprising decisions affecting significant segments. For example, the exchange rate change at the end of 2020, while appearing to stimulate various economic sectors, was actually a financial engineering move to finance the accumulated budget deficit, including the costs of public salaries, retirees, social welfare beneficiaries, and energy imports.

The table below presents the changes in revenues and the resulting fluctuations in expenditures based on fluctuations in oil prices for the years 2008-2023:

Table (1) Changes in Revenues and Expenditures for the Years (2008-2023)

Year	General Revenues	Change in Revenues	General Expenditures	Change in Expenditures
2008	80,252	-	59,403	-
2009	55,209	-0.31	55,590	-0.06
2010	69,521	0.26	70,134	0.26
2011	99,999	0.44	78,758	0.12
2012	119,466	0.19	105,139	0.33
2013	113,767	-0.05	119,128	0.13
2014	105,387	-0.07	125,322	0.05
2015	66,470	-0.37	84,693	-0.32
2016	54,409	-0.18	67,067	-0.21
2017	77,336	0.42	75,490	0.13
2018	106,570	0.38	80,873	0.07
2019	107,567	0.01	111,723	0.38
2020	63,200	-0.41	76,082	-0.32
2021	109,081	0.73	102,850	0.35
2022	161,697	0.48	104,028	0.01
2023	134,552	-0.17	198,910	0.91

Source: Central Bank of Iraq - Statistical Website

The table above shows that Iraq's highest revenues were achieved in 2022, with an increase of 48% from 2021. However, in 2023, revenues decreased by 17% due to the exchange rate change from 1,450 to 1,300 Iraqi dinars per US dollar.

The table also illustrates the significant increase in estimated general expenditures for the year 2023, which rose to 151 Billion dollars, an increase of 91%. This marks the highest percentage increase during the years covered in this report and the highest estimated general expenditures in the financial history of Iraq.

## Federal Budget (2023 - 2025)

The federal budgets previously and still rely heavily on oil revenues, which accounted for approximately 87% of the total revenues, amounting to approximately 102 Billion dollars in the 2023 budget. This means that the direct execution of the budget is threatened by the decline in global oil prices. The estimates of the budget with this distortion in the revenue structure may imply an imprudent decision.

The Financial Administration Law No. 6 of 2019, which regulates the budget preparation process, stipulates that the Council of Ministers approves the draft budget and sends it to the Council of Representatives in October of the year preceding the budget year. However, as usual, the draft budget for 2023 was sent to the Council of Representatives after a delay of about 6 months, sent on 16/3/2023.

The 2023 budget came with the largest revenue and expenditure estimates in Iraq's history. General revenues were estimated at around 102 Billion dollar, while general expenditures were estimated at around 151 Billion dollar. The planned deficit was approximately 49 Billion dollar, as seen in the following chart.

Table (2) Overall view of the Federal Budget (2023 - 2025), (Billion dollars)

Revenue	Expenditure	Deficit
102	151	49

## Revenues

Revenue sources in the budget diversified between oil revenues, representing the majority at 87%, based on an average price of \$70 per barrel and an export rate of 3.5 million barrels per day, including 400,000 barrels per day from the Kurdistan region, at an exchange rate of 1,300 Iraqi dinars per US dollar. Non-oil revenues accounted for 13%, sourced from taxes, fees, the Treasury's share of public sector profits, conversion profits, and others, as seen in the following table.

Table (3) Categories of Non-Oil Revenues of the Federal Budget (2023 - 2025), (Billion dollar)

Category	Wealth Tax	Sales Tax	Fees	Public profits	Trans. Revenue	Other Revenue	Capital Revenue
Amount	4.8	2	1.4	2.5	0.66	1.6	0.06

The non-oil revenues in the federal general budget for the year are estimated at more than 17 trillion dinars, compared to over 116 trillion for oil revenues. However, the government continues to face challenges in efficiently collecting non-oil revenues, with a collection rate not exceeding 50% of the planned annual collection. This increases the burden of the projected deficit significantly, in addition to benefiting other entities.

Numerous reports indicate substantial waste in some non-oil revenues, with an estimated loss of more than three trillion dinars annually from tax evasion. The electricity sector, a major expense in the general budget, contributes to the budget's challenges. However, the recovery from these expenditures does not exceed 10% due to weak collection and billing practices, as well as the low selling price of electricity units.

The budget's share of profits from state-owned companies does not align with the number of state-owned companies, mainly because of the low activity of some companies and the losses incurred by others. The state incurs additional funds by covering some expenses of losing companies through annual grants from the budget.

## Expenditures

The total allocation for expenditures in the 2023 budget amounted to approximately 151 Billion dollar, distributed between the current and capital budgets. The current budget allocations were approximately 109 Billion dollar, representing 72% of the total budget, while the capital budget allocations were around 42 Billion dollar, representing 28% of the total budget.

The current budget includes both the operational budget, which covers employee salaries, commodity and service expenses, as well as expenditures on programs and debt obligations, as seen in the following table:

Table (4) Categories of Recurring Expenditure, Billion dollars

Operational expenditure	Special Programs	Debts
96.5	27	9.7

The 2023 budget introduced a new classification for capital expenditures, dividing them into three categories: current capital budget, investment capital budget, and government program investment capital budget, as seen in the following table.

Table (5) Categories of Capital Spending, Billion dollars

Current Investment	Capital Investment	Government Program's Investment
0.8	38.6	2.5

## Deficit

The deficit in the 2023 budget reached approximately 49 Billion dollar. Its financing sources varied, including a carryover surplus from 2022 of 17,4 billion dollars, a deduction from the Treasury at the Central Bank of 17.7 Billion dollar, and internal and external loans totaling 13.6 Billion dollar.

## Expenditure Categories

Expenditure categories in the budget are diversified into various classifications:

### 1- Expenditure by Major Accounts

#### A. Recurring Budget:

- **Operational Expenditures:** The total allocations for operational expenditures in the 2023 budget were approximately 100.8 Billion dollar. These expenditures are categorized into main expense items, including employee compensations, commodity and service supplies, maintenance of centrally funded public assets, grants, subsidies, interest on loans, and other expenses except for debts, obligations, contributions, external aid, and social care, as seen in the following table.

Table (6) Categories of Operational Budget, Billion dollars

Operational Categories	Employees' Salary	Services	Goods	Maintenance	Grants	Foreign obligations contribution	Social welfare
Allocations	44.8	3.7	9.3	0.9	18.5	0.4	18.7
Percentage of total operational budget	46	4	10	1	19	1	19

- **Debt Obligations:** Debt obligations, excluding interest, in the 2023 budget amounted to approximately 9.7 Billion dollars, including a special debt related to the Kurdistan region, which is paid from the general budget. Allocations for categorized debt obligations under the Ministry of Finance were approximately 9.4 Billion dollars.
- **Programs:** The program account in the 2023 budget had allocations of approximately 2.6 Billion dollars, divided into two categories: special programs with allocations of around 1.6 Billion dollars and the government program with an allocation of around 1 Billion dollars.

## B. Capital Expenditures

The total capital budget allocations in the 2023 budget were approximately 42 Billion dollars, categorized into three sub-budgets:

- Current Capital Budget (0.02%)
- Investment Capital Budget (91%)
- Government Program Investment Capital Budget (0.07%)

## 2-Expenditure by Economic Sectors

Expenditures in the budget are categorized by economic sectors, including security and defense, education, energy, healthcare, social services, and more. The energy sector had the highest allocation at 21%, followed by central and local government administrations at 17%, social services at 15%, and security and defense at 15%. The following table present a detailed breakdown and analysis of the most significant sectors and their allocations, the information above provides an overview of Iraq's 2023 budget and its expenditure categories.

Table (7) Allocations by Sectors in the 2023 Budget

Sector	Allocation	Percentage
Energy	7,195,713,967	17
Security & Defense	22,747,990,970	15
Education	11,624,259,419	8
Social Welfare	22,810,688,402	15
Health	7,195,713,967	5
Transportation & Communication	2,665,460,777	2
Agriculture	2,566,559,486	2
Industry	1,436,622,094	1
Housing & Construction	3,123,971,028	2
Youth & Culture	2,480,805,781	2
Federal and Local Administration	32,386,437,640	21
Foreign & Domestic Borrowing	15,086,307,814	10
Water, Sanitation, and Swage	503,235,878	0

## Allocation for the Kurdistan Region in the 2023 Budget

The allocation for the Kurdistan Region in the 2023 budget amounted to approximately 12,6 billion dollars, representing 12.7% of the total budget, after considering sovereign expenditures, governorate expenditures, regional development allocations, oil-producing province project allocations, and investments funded by domestic and foreign loans. It also includes allocations for regional development, the region's share of loan-funded projects, and the costs of crude oil transportation through the region, as detailed in the table below:

Table (8) Kurdistan Region Allocations in the 2023 Budget

Statement	Amount (dollars)
Total Expenditures	151,447,229,992
Deduct Sovereign Expenditures	44,161,806,839
Remaining	106,527,847,395
Deduct Governorate Expenditures	7,907,869,834
Remaining	98,619,977,561
Deduct Regional Development Allocations and Reconstruction of Provinces, including the Region	1,893,939,393
Remaining	96,726,038,167
Deduct Allocations for Oil-Producing Provincial Projects (Excluding the Region)	1,515,515,515
Remaining	95,210,886,652
Deduct Allocations for Projects Funded by Domestic and Foreign Loans, Including the Region	6,942,541,666
Remaining	88,268,344,985
Region's Share (12.7% of Remaining)	11,210,079,812
Add Region's Share of Regional Development	209,507,576
Add Region's Share of Projects Funded by Domestic and Foreign Loans	47,272,727
Add Costs of Crude Oil Transportation Sourced via the Region	1,082,003,787
Total Region's Share	12,548,863,903



## Highlights of Some Important Accounts in the 2023 Budget

Within the 2023 budget, certain critical accounts received significant allocations, which warrant closer examination. These important accounts include:

- **Support for Salaries of State-Owned Enterprises (SOEs):** The allocations for supporting public company salaries amounted to approximately 2.7 Billion dollars. This includes expenses related to salaries of employees in certain companies within ministries such as electricity, commerce, education, transportation, reconstruction, and housing. These companies do not generate profits to fund their expenses, and instead, they place an additional burden on the budget, which could have been allocated elsewhere.
- **Social Welfare:** The total allocations earmarked for social care amounted to nearly 19.7 Billion dollars. These expenses cover various areas, including non-funded retirement salaries, expenses for refugees, the ration card, social care salaries, salaries for disabled individuals, accumulated martyr's salaries, and salaries for the central treasury of the Ministry of Finance.

Table (9) Allocations of Social welfare categories in the 2023 Budget

Category	Amount
Pension	11,756,060,606
Migration relief	113,636,364
Ration Card	3,531,870,428
Social Welfare Stipend	3,573,744,673
Disabled salaries	556,240,864
Martyrs' Salaries	37,878,788
Finance Ministry - Main Headquarter	72,216,586

- **Debt and Interest Payments:** The total allocation for external and internal debt, including 303 Million dollars for the Kurdistan Region, was approximately 9.7 Billion dollars. This amount represents the installments that must be repaid. However, these allocations do not include the interest on this debt or the debt service, bringing the total expenditure to around 14.7 billion dollars.

Table (10) Allocations to debts in the 2023 Budget

Debts' Installments	Debts' Interests
9.7	5

- **Grants:** The total allocations earmarked for grants amounted to approximately 8.6 billion dollars. These expenses include the budgets of specific ministries and entities, such as the Abbasid, Hussainiyah, and Alawite shrines, the military shrine, and other revered religious sites. This category also encompasses various grants for sports clubs and contract salaries in different provinces, including Anbar, Basra, Nineveh, Kirkuk, and others. Furthermore, it includes transportation fees for the Gulf 25 channel, totaling around 3.8 billion dollars.
- **Sovereign Expenditures:** The total allocation for this expenditure was 7.9 billion dollars. These are expenses related to the ration card, medicines, wheat purchase support, energy imports, general population census, province council elections, and property dispute expenses. Governorate expenditures represent approximately 5% of the total expenditures.

Table (11) Allocations to Sovereign Expenditures categories in the 2023 Budget

Category	(billion dollars)
Ration Card	3,5
Contested Properties	0,37
Medicine	1,3
Marketing corps	1,9
Importing Energy	0,27
National Census	0,26
Provincial Elections	0,26

## Funds in the 2023 Budget

The 2023 budget included provisions for the continuation of existing funds and the establishment of new specialized funds related to specific areas or regions. Here are the mentioned funds:

- **Iraq Development Fund:** Article 45 of the 2023 budget stipulated the establishment of the Iraq Development Fund to improve the investment environment, promote sustainable economic and social development with a capital of 0.75 billion dollars. This fund is linked to the Council of Ministers, possesses legal, financial, and administrative independence, and it can create subsidiary funds. The structure and tasks of these subsidiary funds are regulated by a system issued by the Council of Ministers.
- **Dhi Qar Province Reconstruction Fund:** Article 46 of the 2023 budget mentioned the continued operation of the Dhi Qar Province Reconstruction Fund, established under the provisions of Article 47 of Federal Budget Law No. 23 of 2021.
- **Sinjar and Ninawa Plains Reconstruction Fund:** Article 49 of the 2023 budget indicated the establishment of the Sinjar and Ninawa Plains Reconstruction Fund with a capital of 37,9 million dollars. This fund is linked to the Council of Ministers, has legal, financial, and administrative independence, and its structure and tasks are regulated by a system issued by the Council of Ministers.
- **Fund for the Poorest Governorates:** Article 57 of the 2023 budget introduced the establishment of a fund named the Fund for the Poorest Governorates to improve services with a capital of 378,8 million dollars. This fund is linked to the Council of Ministers, enjoys legal, financial, and administrative independence, and its structure and tasks are regulated by a system issued by the Council of Ministers.
- **Reconstruction Fund for Areas Affected by Terrorist Operations:** Article 58 of the 2023 budget mentioned the continuation of the Reconstruction Fund for Areas Affected by Terrorist Operations, exercising its tasks according to its existing system. It's worth noting that this fund was established in accordance with Article 28 of the Federal Budget Law for 2015.
- **Internal Security Forces Development and Support Fund:** Article 59 of the 2023 budget introduced the establishment of a fund within the Ministry of Interior called the Internal Security Forces Development and Support Fund. This fund has legal, financial, and administrative independence and generates revenues from various sources, including a percentage of total service fees collected by the Directorate of Traffic, Civil Status, Passports, and Residence. Additionally, it includes a share of the profits from contracts made by the Police Martyrs and Police Disabled Fund, salaries deducted from all Ministry of Interior personnel, a portion of fees and fines collected from private security companies according to the Private Security Companies Law No. 52 of 2017. The tasks and structure of this fund, as well as its expenditure mechanisms, are regulated by a system issued by the Council of Ministers, upon the proposal of the Minister of Interior.

It's important to mention that the International Monetary Fund (IMF) expressed concerns regarding the establishment of new funds outside the budget framework in its statement issued on May 31, 2023, regarding Iraq. The IMF emphasized the need for caution in establishing new funds and recommended that all government expenditures should be within the budget framework. The IMF also strongly recommended full implementation of the Government Guarantees Management Framework, including obtaining prior parliamentary approval for the annual ceiling and the list of government guarantees as part of the budget law. Furthermore, there's a need to accelerate efforts aimed at establishing the Unified Treasury Single Account to enhance public financial management.

## Part II: Reflections of the Government Program in the Federal Budget (2023-2025)

To measure the seriousness of the government in implementing reforms and adopting the priorities outlined in the government program, it's crucial to examine how the government's program has influenced the State General Budget. Specifically, this analysis will focus on five priority areas: poverty, healthcare, unemployment, municipal services, and corruption.

### 1- Poverty

According to the Iraqi Ministry of Planning, the poverty rate was 25% in 2022 and decreased to 22% in the first quarter of 2023. The issue of poverty transformed from a social problem to a phenomenon, exacerbated by the spread of COVID-19, lockdowns, economic disruptions, and the collapse of oil prices. The government, led by Prime Minister Mohammed Shia Al-Sudani, has made reducing poverty a top priority in its government program.

Government Program Priorities	Reflection in the Budget
Improving the management and efficiency of the social protection network, increasing cash assistance, and expanding coverage to eligible families to address poverty.	The allocations for social care in the Ministry of Labor and Social Affairs budget were 4.2 billion dollars in 2021, while in the 2023 budget, it is allocated 4,2 billion dollars. Article 52 stipulates the disbursement of monthly financial grants to students and pupils from families covered by the social protection network.
Supporting the Social Development Fund within a joint project with the World Bank to adopt projects aimed at improving the conditions of the most impoverished areas.	\$70 million has been allocated to the Ministry of Planning (Social Development Fund project) through a loan from the World Bank.
Reforming and improving the ration card system and ensuring its accessibility to vulnerable groups within society.	The Ministry of Commerce is currently updating the data of those covered by social care. However, the philosophy of the ration card allows access to both vulnerable and non-vulnerable groups. The allocation for the ration card within the 2021 budget was 602 million dollar, while it was allocated 2.8 billion dollars in 2023, reflecting a 465% increase.
Caring for vulnerable groups and individuals with disabilities through special programs, especially widows and the elderly, including activities for their rehabilitation and empowerment to improve their conditions with dignity and respect.	There are no specific allocations or programs mentioned in the budget for these initiatives. It might be part of the budgets and programs of the Ministries of Labor and Social Affairs and Justice.
Immediate distribution of 500,000 housing plots to eligible beneficiaries as a first phase in newly established cities across all provinces and providing low-interest loans to citizens for building these housing plots.	No land plots have been distributed in the newly established cities. The budget law does not specify land distribution or financing for infrastructure services. Article 2, paragraph 6 grants authority to governors to contract with developers under the effective Investment Law to equip the land with all services and sell it to citizens for an unspecified amount. Regarding low-interest loans, the Central Bank, according to letter No. (H S/10/5113) dated 15/8/2023, increased the annual interest rate it collects from housing initiative loans to 2%. In addition, the Housing Bank imposes a 2% interest rate annually for its benefit, making the total interest 4%, excluding insurance fees paid monthly for the loan to the insurance company, meaning additional costs for borrowers.

The numbers and actions mentioned reflect the government's intention to combat poverty, especially concerning the ration card system and the development of services to improve the living conditions of the poor. However, there has been a decrease in social care allocations by approximately 76 million dollars. The Ministry of Labor and Social Affairs has not provided clear information on changes in the number of beneficiaries from one year to another, making it difficult to assess the impact of these allocations on the increase or decrease in beneficiaries.

To address poverty in Iraq, previous governments have adopted two poverty alleviation strategies: the first from 2014 to 2020 and the second from 2022 to 2018. The current government is in the process of formulating a third strategy. These strategies aim to increase the income of the poor, improve education, enhance healthcare services, provide housing, and social protection.

The poverty alleviation process in Iraq has faced various challenges, including security, economic, and health challenges. Security issues have forced many families to flee their homes, impacting economic activities and job opportunities. The security situation, particularly after the invasion by terrorist organizations in 2014 and subsequent drops in global oil prices, led to a financial crisis due to Iraq's heavy reliance on oil revenues.

As oil prices began to recover in 2017, the COVID-19 pandemic and subsequent global oil price collapses worsened the issue of poverty. The previous poverty alleviation strategies introduced several solutions and implementation mechanisms, but the overall challenges have made their impact less evident, and poverty rates have remained high. Therefore, budget allocations only help “inheriting” poverty, as they help poor families to survive rather than escape the poverty trap. Therefore, poverty rates inflate with any financial crisis. Hence, it is necessary to revisit the philosophy of poverty alleviation and create an integrated support system for the poor, including social care, ration cards, and health insurance, which could reduce bureaucracy and corruption while improving service quality.

## **2- Health:**

The health sector is one of the most critical areas in Iraq, both in general and in the budget specifically. Government programs and electoral campaigns focus on healthcare because of the large number of beneficiaries who rely on various healthcare services. In 2021 alone, there were 5.9 million visits to government hospitals and healthcare institutions distributed across Iraq, including the Kurdistan Region.

The allocations for the health sector in the 2023 budget account for 5% of total expenditures, distributed between operational and investment budgets. These funds support various healthcare services in hospitals, healthcare centers, and the purchase of medicines. However, this spending does not adequately meet people's healthcare needs.

The World Health Organization states that Iraq spent only \$154 per capita on healthcare in 2015, compared to \$366 in Iran and \$257 in Jordan.

The government program has laid out health sector priorities to expand the coverage of healthcare services, enhance their quality, and address the following:

- 1.Improving health service quality.
- 2.Expanding healthcare coverage.
- 3.Strengthening the supply of healthcare centers.
- 4.Promoting health awareness and prevention.

These measures reflect the government's commitment to addressing healthcare challenges and improving the well-being of the population.

Government Program Priorities	Budget Reflection
Direct operation of completed large hospitals in several provinces	The total allocation for the Ministry of Health in the 2023 budget amounts to 7,5 billion dollars, including around 1,4 billion dollars for capital projects and special programs, while the remaining amount represents an operational budget for the salaries of approximately 489,000 employees. It also covers other commodity and service expenses necessary for operating hospitals and other healthcare institutions. In contrast, the ministry's allocations in 2021 were approximately 5,7 billion dollars, including about 536 million dollars for capital budgets and special programs. Total spending on medications in 2021 was 1 Billion USD and in 2023 become 1.3. Article 73 of the Federal Budget enshrined the construction of a specialized cancer and radiation hospital in Baghdad, financed by the Iraqi-Chinese agreement.
Support for specialized centers across Iraq	
Finalize ongoing projects and healthcare centers in all provinces and districts	
Expansion of primary and secondary healthcare services	
Implementation of the Health Insurance Law	The Health Insurance Law, Law No. 22 of 2020, was approved but came into effect at the beginning of 2023. The government has plans to expand its implementation, a matter not directly related to the budget, as health insurance is governed by a separate law.

The healthcare system in Iraq faces various challenges and issues, some of which are external to the system, while others are derived from it. Among the prominent challenges are:

- **Population Growth:** The population of Iraq has increased from 29.5 million in 2007 to over 43 million in 2023.
- **Increased Poverty:** There has been a significant increase in poverty rates, with the poverty rate reaching 25% in 2023. Poverty is multi-dimensional and affects various aspects of life.
- **Forced Displacement:** The forced displacement, particularly in provinces like Nineveh, Anbar, and Salah al-Din, due to the entry of terrorist organizations, has negatively impacted healthcare. Around 60% of the population in these areas lost their income, affecting their health negatively.
- **Disabilities:** There has been an increase in disabilities, with around 4% of the population affected, which has had a negative impact on health.
- **Infrastructure Decay:** The healthcare sector in Iraq has been affected by the deterioration of its infrastructure, given the reduced budget allocations for the sector.

Despite these substantial challenges, Iraq has opportunities to enhance its ability to provide sufficient healthcare. Some key areas for improvement include:

- **Full Implementation of the Health Insurance Law:** This includes activating the deduction of salaries from employees and senior ranks. This aspect has not been fully implemented as of the time of this report.
- **Increased Investment in Healthcare:** Iraq can enhance its healthcare sector by allocating domestic funding and seeking international aid to support hospitals through updating major medical equipment to better meet patient demands and increase capacity.
- **Investment in Training and Medical Education:** Iraq should implement investments in additional medical training and education to meet urgent and temporary needs. This can be achieved through partnerships with other countries and international governmental and non-governmental organizations.
- **Review of Current Health Awareness Campaigns:** A comprehensive review of existing health awareness campaigns is essential for public health.
- **Ensuring Fair Compensation for Healthcare Workers:** Iraq should provide fair compensation for healthcare workers in public hospitals.
- **Improved Accountability Mechanisms:** The full implementation of the Iraqi Patient Protection Law is crucial to ensure transparency, accountability, and compensation for patients and their families if they receive inadequate or inappropriate care leading to severe injury or death.
- **Comprehensive Ethics Training:** All healthcare professionals should undergo comprehensive ethics training.



Hence, the lack of sufficient allocation to the health sector, only 5% of the budget, mostly salaries and other recurring spending, does not match the prerequisite of developing this important sector.

### 3- Unemployment

In 2023, Iraq's population exceeds 43 million, with a reported unemployment rate of approximately 16.5%, equating to around 10.3 million people out of the total workforce. Unemployment has multiple causes, including the economic inactivity of some provinces due to the COVID-19 pandemic and the aftermath of liberating Iraqi territories from terrorist organizations. The employment of foreign labor, totaling around one million foreign workers, has contributed to increasing unemployment rates among Iraqis.

The government program of Prime Minister Al-Sudani, along with the state's general budget, aims to reduce unemployment rates through various measures related to stimulating economic sectors and providing job opportunities within the public sector, even though they may have negative impacts in the medium or long term.

Priorities of the Government Program	Reflection in the Budget
Inclusion of the Reconstruction and Development Fund for the Poorest Provinces in the 2023 budget	Article (55) of the 2023 budget mentions the establishment of the Reconstruction Fund for the Poorest Provinces with a capital of 379 million dollars (not yet operational).
Expanding the role of the private industrial sector, giving it the primary role, and providing financial support for advanced value-added industries to create employment opportunities and combat unemployment	1. Article (30/Second) specifies that all state institutions must purchase their requirements of local industry products in the public, private, and mixed sectors, provided that the manufacturing added value is not less than 30%. 2. Article (2/Second/B/5) states that ministries, governorates, and non-ministerial entities can open doors for investment and partnership with the private sector within their jurisdiction. A high committee shall be established for this purpose, preparing special instructions and granting exceptions from relevant laws issued by the Council of Ministers. 3. Article (65/Second) mentions that university councils can contract with the private sector for educational hospital construction, investment laboratories, scientific production factories, agricultural and animal investments serving undergraduate, postgraduate studies, and the community.
Creating job opportunities for young people in both the public and private sectors to address unemployment, promote small businesses, provide easy loans, and offer advice and expertise to ensure their success and operation.	1. The budget does not explicitly specify the means for providing job opportunities in the private sector. However, an increase in economic activity through investment and development projects will enhance employment prospects in the private sector. 2. The government did not create employment opportunities in the public sector, except for those related to graduates and top university students. However, the Parliament added new provisions to provide job opportunities in the public sector, as follows: Article (66) of the Budget Law introduces new job grades and contracts as exceptions to Article (14) of the law, including: a. New job grades totaling 7,027 job grades. b. New contracts totaling 201,150 contracts.

These measures and legal provisions, if implemented, have the potential to reduce unemployment rates in Iraq, considering that the number of unemployed individuals, according to the Ministry of Planning, reached 1.7 million out of the total workforce.

The issue of unemployment faces several challenges, some of which are shared with other issues, including:

1. **Rapid Population Growth:** Accelerated population growth is a major source of unemployment, as the current economic activity cannot provide sufficient job opportunities.
2. **Market Saturation Policy:** The practice of market saturation by neighboring countries, along with the resultant halt in labor-intensive industries, contributes to unemployment.
3. **Economic Identity Crisis:** The absence of a clear economic identity, influenced by factors such as revenue dependence and the prevailing security and political conditions, exacerbates the problem.
4. **Private Sector Weakness:** The private sector's weakness and capital flight due to security challenges and overall instability negatively impact employment prospects.
5. **Inability to Attract Foreign Investment:** The economic instability and the lack of confidence and transparency in Iraq's business environment reduce the country's ability to attract foreign investments.

Raising awareness about the risks of rapid population growth can help alleviate the increase in unemployment and job seekers. Additionally, stimulating the economy, particularly the private sector, and attracting foreign investments with a focus on labor-intensive projects can reduce and mitigate unemployment. Furthermore, adopting a mutually agreed-upon trade policy among neighboring countries to prevent market saturation can boost the domestic economy.

The government program has highlighted priorities to improve municipal services in various provinces. While the budget includes allocations for some of these priorities, it should be noted that it's challenging to provide a detailed breakdown of the amounts allocated to municipal services in each institution due to the distribution of responsibilities among various government bodies. Specifically:

- The budget allocated approximately 503 million dollars to the water, sewage, and sanitation sector.
- The construction and housing sector received around 3 billion dollars.

These allocations encompass more than just the direct expenses for municipal services; they also include administrative expenses for the institutions providing these services. The government program emphasizes addressing these priorities to enhance municipal services throughout the provinces

These measures and legal provisions, if implemented, have the potential to reduce unemployment rates in Iraq, considering that the number of unemployed individuals, according to the Ministry of Planning, reached 1.7 million out of the total workforce. The issue of unemployment faces several challenges, some of which are shared with other issues, including:

Government Program Priorities	Reflecting Priorities in the Budget
<p>Direct implementation of completing the seawater desalination project in Basra Province and electricity generation.</p>	<p>Paragraph (1) in the third axis/new loans refers to borrowing from foreign banks or international export guarantee institutions in the amount of \$3.4 billion, including \$3 billion for financing the water desalination project in Basra Province.</p>
<p>Completion of stalled projects (investment plan projects for ministries and governorates) with completion rates ranging from (70%) upwards, especially water, sanitation, hospital, and school projects.</p>	<p>1. Article (2/first/4) specifies allocating 1,9 billion dollars for the reconstruction and development of projects in all governorates, distributed based on the population, with the governor responsible for preparing the province's reconstruction plan, including districts and areas, while considering the most affected regions.</p>
<p>2. Many legal provisions highlight the continued financing of service projects for ministries, the Ministry of Construction and Housing through ongoing and new loans. These include borrowing \$120 million for the Ministry of Construction and Housing, borrowing €500 million from the German Development Bank for reconstruction projects in areas affected by terrorist operations, distributed among ministries according to their specialties. It also includes borrowing \$418 million from the World Bank, including \$100 million for the Ministry of Construction and Housing and General Municipalities. Additionally, 76 million dollars are allocated for Baghdad Municipality to implement service projects in addition to Karkh, among other project allocations.</p>	<p>Direct implementation of a plan to improve essential services for citizens in the health, municipal, water, and sanitation sectors.</p>

The government of PM Sudani prioritized municipal services and for the first time established a “Service and Engineering Team” that is linked to PM Sudani and directly implements projects in neglected areas. Sudani also assessed the “performance” of senior officials and fired many officials who failed to perform well, including from his political coalition (ex. Airport administration). While the pace and number of completed municipal services increased a lot, the gap is still huge and only a change of approach could mitigate it, such as having the private sector offer some of these services and obligating citizens to pay fees for these services.

## 4- Corruption

Suspicious of corruption are an inherent characteristic of the public budget process, being part of a more extensive corruption issue that has plagued successive governments in Iraq. This has led to several decisions aimed at combating corruption. In 2007, the Joint Council to Combat Corruption was established. In 2015, following anti-corruption protests and calls for holding wrongdoers accountable, the Joint Council was reconstituted as the Higher Council for Combating Corruption. Furthermore, in 2020, during the tenure of former Prime Minister Mustafa Al-Kadhimi, a committee known as the "Special Committee for Corruption and Important Cases," commonly referred to as the "Abu Raghif Committee," was established. On November 16, 2022, the current Prime Minister, Mohammed Shia' Al-Sudani, established the "Higher Anti-Corruption Authority" to support the efforts of the Federal Integrity Commission.

The government program of Mr. Al-Sudani includes measures across various ministries to combat corruption, but the budget does not explicitly contain the executive procedures reflecting this part of the government program. This is because this part does not have an independent financial allocation but rather is part of the work of state institutions. Nevertheless, the Budget Law included some provisions aimed at enhancing financial control. For example:

1. The Federal Financial Control Bureau's audit of settlements related to 5% of the crude oil revenues for the producing governorates.
2. The Federal Financial Control Bureau's submission of a quarterly report to the Council of Representatives, including the expenditure details from the emergency reserve, if any.
3. The Federal Financial Control Bureau's audit of financial obligations between the federal government and the Kurdistan Regional Government.
4. The Federal Financial Control Bureau, in coordination with the Financial Control Bureau in the Kurdistan Region, to audit the financial data for non-oil revenues.
5. The Federal Financial Control Bureau's audit of the clearance of government advances for previous years until December 31, 2023.

The fight against corruption in Iraq faces several challenges, including:

1. Weak state authority due to the influence of powerful entities within the country deeply rooted in state institutions, which makes combating corruption exceptionally challenging.
2. Inadequate electronic governance and reliance on traditional methods within government institutions, combined with corrupt officials within these institutions, contribute to corruption, bribery, and extortion.
3. Lagging supportive sectoral systems, such as outdated banking systems and lack of financial transparency, contribute to corruption and unjust enrichment at the state's expense.
4. Shortage of competent human resources capable of detecting cases of corruption and fraud. Effective anti-corruption efforts require skilled personnel.

The establishment of a supervisory entity with the authority of the Prime Minister's office is vital for effective anti-corruption measures. Accelerating the adoption of electronic systems and training employees in oversight institutions are also crucial to combating corruption.

In conclusion, budgetary allocations are a significant part of anti-corruption efforts, but efficient spending on projects and services designated for this purpose is equally important. Past budgets saw a considerable portion of these allocations going unutilized due to various challenges. Iraq's progress in tackling corruption necessitates a comprehensive approach involving budget commitments and effective implementation.

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**2024**

**Monitoring Report**

**Budget Execution Monitoring**

**First Half of 2022 Compared to  
the First Half of 2023**



# Budget Execution Monitoring First Half of 2022 Compared to the First Half of 2023

## Introduction

The Federal budget reflects the government's priorities and indicates the extent of the government's commitment to implementing its governmental program, especially in areas such as health, security and defense, economic development, environment, education, social care, job creation, and more. Hence, Monitoring budget execution is a form of oversight by governmental or non-governmental institutions.

The general budget is divided into two main sections: expected revenues and expenditures. The difference between them is called the deficit or surplus. Typically, expected expenditures are higher than expected revenues, resulting in a planned deficit that the government seeks to finance to cover all its expenses.

In Iraq, legislation for the budget law faces several challenges, some of which are political, related to political disputes among parliamentary blocs, while others are due to security and health crises, as witnessed in 2014 when terrorist organizations, namely Daesh, entered Iraqi territories, and also in 2020 with the spread of the COVID-19 pandemic and the subsequent drop in global oil prices, which account for approximately 90% of Iraq's total revenues. This led to the failure to pass the budget law in both of these years.

Although the Financial Management Law regulates the timing for preparing, discussing, and passing the budget law before the end of the fiscal year, it is common for it to be delayed. For example, the government submitted the draft budget for 2023 on March 16, 2023, while according to the law, it should have been submitted in October 2022. The Parliament approved the budget law on June 11, 2023, while it should have been passed before the end of the fiscal year on December 31, 2022.

Article (13-First) of the Financial Management Law states that in case of a budget law delay, expenditures will be allocated at a rate of 1/12 of the previous fiscal year. Therefore, the government's financial transactions when the budget is delayed or not approved are legally governed by this law.

This report relies on data from the Federal Ministry of Finance and aims to make a comparison between financial transactions in the first half of 2022 and the first half of 2023 in order to enhance accountability and monitoring the government's financial actions, especially its public spending trends.

Monitoring budget execution by relevant organizations, researchers, and interested parties promotes public accountability for the government's financial actions. This pushes the government to think strategically when allocating resources to various sectors and to address critical and urgent issues such as poverty, healthcare, improving municipal services, and more.

## 1. Actual Revenues:

The structure of the general budget's revenues in Iraq is divided into two parts: recurring expenditure and capital expenditure.

- **Current Revenues:** These include oil revenues, taxes, fees, the treasury's share of public sector profits, transfer revenues, and more. The total of these revenues reached approximately IQD 54.2 trillion (USD 41 billion) until June 30, 2023.
- **Capital Revenues:** These are revenues generated from government investments, such as loans and facilities provided by Iraq to international and local entities, government stakes in some foreign companies, and others. These revenues represent a small portion of total revenues, reaching only IQD 29 billion (USD 22 million) as of June 30, 2023.

Table (1): Actual Revenues for the Periods January 1 to June 30, 2022, and January 1 to June 30, 2023 (Dollar)

Revenue	2022	2023	Change
Current	57275313811	41120666179	- %28
Capital	27208160.61	22015506.82	- %19
Total	57302521972	41142681686	- %28

The table above shows a decrease in revenues during 2023 by 28%, compared to 2022. This is attributed to two reasons: first, a decrease in the average oil prices, which were \$94.5 per barrel in 2022 compared to \$77.8 per barrel in 2023. Second, the Iraqi government adjusted the exchange rate of the Iraqi Dinar in February 2023, changing it from 1,450 dinars per US dollar to 1,300 dinars per US dollar, resulting in a decrease in revenues in Iraqi dinars.

## 12. Actual Expenditure:

The total actual expenditures until June 2023 amounted to approximately 36.2 Billion dollar, compared to 37.2 Billion dollar in June 2022, representing a 3% decrease. Expenditures can be categorized into two main types:

- **Expenditures in the Current Budget:** The actual expenditures of the current budget until June 2023 were approximately 31.6 Billion dollar, compared to 34.3 Billion dollar in June 2022, reflecting an 8% decrease. These expenditures include various categories such as employee compensations, service supplies, commodity supplies, asset maintenance, grants, aids, benefits, other expenses, foreign contributions, social care, current capital expenditures, debt servicing, and special programs. They are distributed as follows:



Table (2): Distribution of Actual Expenditures by Economic Classification for the Current Budget for the Period January 1 to June 30, 2023

Expenditure Category	Amount (\$)	Percentage
Employee Compensations	16,363,937,081	52%
Social Care	9,185,660,270	29%
Debt Servicing	2,518,176,220	8%
Grants, Aids, Benefits, and Others	2,398,028,559	8%
Commodity Supplies	788,181,978	2%
Service Supplies	173,722,901	1%
Asset Maintenance	88,561,028	0%
Special Programs	76,635,256	0%
Current Capital Expenditures	38,786,939	0%
Foreign Contributions and Commitments	9,215,952	0%
Total	31,640,906,185	100%

The table above illustrates that during the first quarter of 2023, employee salaries accounted for approximately 52% of the actual current expenditures, totaling around 16.4 Billion dollar. Following that, social care accounted for 29%, amounting to 9.1 Billion dollar. This increase in social care expenses can be attributed to pension payments, which increased by nearly 5.1 Billion dollar, as well as the salaries of those covered by social protection, which increased by approximately 1.4 Billion dollar. Additionally, expenditures related to the food ration card increased by 2.5 Billion dollar, along with other expenses related to displaced persons, refugees, and more. Debt servicing (excluding interest) accounted for 8% of the expenses, increasing by over 2.5 Billion dollar. Grants, benefits, and other expenses accounted for 8%, totaling more than 2.3 Billion dollar. Most of these expenses were concentrated in the Council of Ministers (13%), the Ministry of Finance (26%), the Ministry of Education (11%), and the Ministry of Interior (14%).

The table above shows the most focused ministries in current expenditures for the period from January 1 to June 30, 2023.

Table (3) illustrates the ministries and entities with the highest current expenditures for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023. (Dollar)

Entity	2022	2023
Finance Ministry	10,817,826,151	8,239,531,084
Interior Ministry	4,495,196,227	4,488,257,563
Defense	2,576,033,674	2,591,197,547
Council Ministers	2,294,836,500	2,352,868,201
Education Ministry	774,834,102	3,491,870,343
MoLSA	1,540,051,619	1,851,973,586

Table (4) illustrates the ministries and entities with the most minor focus in current expenditures for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023. (Dollar)

Entity	2022	2023
Migration & Displacement	18,045,869	21,875,786
Transportation Ministry	16,905,804	16,318,263
Communication Ministry	4,855,653	4,392,699
Council of State	2,265,063,491	2,346,179,356
Federal Supreme Court	1,715,957	1,777,409
Monitoring Federal Allocation	1,712,999	1,779,611

- **Investment Budget Expenditure** Actual investment expenditures until June 2023 amounted to about 4.5 Billion dollars, compared to 2.9 Billion dollar in June 2022, reflecting an increase of 58%. Investment expenditures in 2023 can be categorized into four types:

1. Investment spending within the investment program, which accounted for approximately 2.7 Billion dollars, representing 60% of the total investment expenditure.
2. Investment spending on regional development, totaling around 1.4 Billion dollars and representing 30% of total investment expenditure.
3. Investment spending on the Petrodollar program within oil-producing provinces, which amounted to about 375 million dollars, constituting 8% of total investment expenditure.
4. Investment spending within the poverty alleviation strategy, totaling 32.4 million dollars and accounting for 0.7% of total investment expenditure.

The increase in investment spending in 2023 compared to 2022 can be attributed to the approval of the budget and the initiation of various investment projects, such as school construction projects, which led to an increase in the Council of Ministers' budget from 391 million dollars to 985 million dollars, representing a 140% increase. The investment budget for the Ministry of Transportation also increased from 38.6 million dollars in 2022 to 606 million dollars in 2023. Similar increases were observed in some governorates, such as Mosul, Baghdad, and Anbar, which witnessed the launch of several investment projects. The delay in approving the general budget in 2022 and reliance on the 2021 budget for expenditure resulted in the delay in implementing many investment projects.

Sectorally, investment expenditure is distributed among five major sectors, as shown in the figure below:

Table (5) displays the distribution of actual expenditures by economic classification of the investment budget for the period from January 1 to June 30, 2023.

Sector	Percentage
Infrastructure & Services	45
Transportation	26
Education	12
Industry	11
Agriculture	6

The table above highlights that the Buildings and Services sector is the most focused area in investment expenditures, with approximately 2 Billion dollars. The Council of Ministers was the leading spender in this sector, with around 566.6 million dollars, mainly due to the expenditures of its affiliated entities, such as the Fund for the Reconstruction of Liberated Areas from Terrorism and the Dhi Qar Reconstruction Fund. The Transport and Communications sector came second in terms of spending, with approximately 1.1 Billion dollars. The Ministry of Transport accounted for most of the spending in this sector, with about 606 million dollars, followed by Ninawa Governorate with around 111 million dollars. The Industrial sector ranked third in terms of expenditure, totaling 552 million dollars, followed by the Oil-Dollar Expenditure within oil-producing provinces, amounting to about 375 million dollars, and the Agricultural sector with 289 million dollars.

- **Investment Expenditure in Iraqi Governorates (Excluding Kurdistan Region)** The investment expenditure for the Iraqi governorates, excluding the Kurdistan Region and the provinces of Salah al-Din and Kirkuk, which did not spend any amount from the investment budget, amounted to approximately 1.7 Billion dollars. This constitutes about 38% of the total investment expenditure of 4.5 Billion dollar, compared to the total investment expenditure during the first half of 2022, which amounted to 2.9 Billion dollar, reflecting a 58% increase.

Table (6) illustrates the distribution of investment expenditures for the Iraqi governorates, excluding the Kurdistan Region, Salah al-Din, and Kirkuk, during the first half of 2023. (Dollar)

Province	Allocation	Percentage
Basra	501,708,733	29
Nineveh	219,221,750	13
Karbala	153,495,194	9
Baghdad	149,111,305	9
Anbar	143,441,310	8
Dhi Qar	134,923,902	8
Wasit	102,267,720	6
Najaf	84,612,565	5
Maysan	68,547,027	4
Diyala	59,441,808	3
Muthanna	52,982,556	3
Diwaniyah	38,929,218	2
Babil	23,106,841	1

- **Implementation Ratios:** According to Article 13, first paragraph, of Financial Administration Law No. 6 of 2019, in case of a delay in approving the budget, expenditures are made at a rate of 1/12 or less of the total actual expenditures for the previous year, excluding non-recurring expenditures, on a monthly basis until the budget is approved. Therefore, due to the non-approval of the general budget for 2022, we will rely on the actual expenditures for 2021 as the basis for spending in 2022. Similarly, due to the delay in approving the budget for 2023 during the reporting period, we will use the actual expenditures for 2022 as the basis for spending in 2023.

**Firstly, implementation ratios for ministries and entities not affiliated with a ministry are as follows:**

Table (7): Budget Implementation for Ministries and Non-Ministry Entities for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023 (Dollar)

Entity	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Parliament	375,762,295	197,805,700	0.53	627,449,270	202,982,644	0.32	0.03
Presidency	39,316,077	17,702,667	0.45	75,942,169	19,566,242	0.26	0.11
Council Ministers	4,706,512,189	2,685,806,872	0.57	7,810,332,480	3,301,576,945	0.42	0.23
Foreign Affairs	180,557,653	60,577,330	0.34	634,331,952,273	58,015,902,273	0.09	-0.04
Finance Ministry	18,746,341,311	10,818,070,949	0.58	29,700,466,066	8,247,192,839	0.28	-0.24
Interior Ministry	9,170,634,655	4,509,851,253	0.49	10,520,824,213	4,491,144,845	0.43	0.00
MoLSA	3,034,906,199	1,851,973,586	0.61	4,561,055,488	1,540,051,620	0.34	-0.17
Health	2,179,696,272	829,332,864	0.38	7,587,273,362	2,193,951,030	0.29	1.65
Defense	5,234,686,905	2,576,033,674	0.49	7,396,750,473	2,591,197,547	0.35	0.01
Justice	746,102,851	369,220,933	0.49	757,648,831	257,376,220	0.34	-0.30
Education	1,628,300,781	792,308,087	0.49	9,012,396,708	3,548,743,617	0.39	3.48
Youth & Sport	99,566,006	66,605,326	0.67	146,914,633	37,266,029	0.25	-0.44
Trade	3,050,749,431	2,251,286,387	0.74	5,482,564,921	2,563,150,546	0.47	0.14
Culture	98,609,325	42,535,465	0.43	172,570,406	40,070,084	0.23	-0.06
Transportation	449,110,144	56,204,267	0.13	2,147,020,780	622,837,286	0.29	10.08
Housing & Construction	688,248,466	446,253,302	0.65	3,757,773,436	364,667,029	0.10	-0.18
Agriculture	108,007,181	53,288,239	0.49	1,468,280,235	52,615,305	0.04	-0.01
Water Resources	416,528,298	130,726,761	0.31	789,860,817	397,433,035	0.50	2.04
Oil	6,961,663,391	579,464,714	0.08	17,641,864,399	551,905,531	0.03	-0.05

Entity	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Planning	48,755,414	17,737,993	0.36	5,583,981,572	21,335,766	0.00	0.20
Industry	885,012,406	340,330,944	0.38	849,065,219	363,727,395	0.43	0.07
MoHESR	1,750,761,386	866,353,052	0.49	2,394,100,052	862,121,826	0.36	0.00
Electricity	4,432,898,008	979,989,980	0.22	11,743,012,057	1,020,444,510	0.09	0.04
Communication	10,429,349	4,855,653	0.47	116,529,071	4,392,699	0.04	-0.10
Migration & Displacement	64,041,224	18,045,869	0.28	270,113,706	21,875,786	0.08	0.21
KRG	759,848,485	303,030,303	0.40	12,498,387,189	0	0.00	-1.00
State Council	4,471,485	1,715,957	0.38	6,415,022	1,777,408	0.28	0.04
Higher Judicial Council	321,793,289	153,147,027	0.48	541,580,566	153,652,030	0.28	0.00
Federal Supreme Court	4,137,685	1,712,998	0.41	11,480,265	1,779,611	0.16	0.04
Monitoring Federal Allocations	1,005,861	142,762,821	141.93	3,401,649	158,273	0.05	-1.00
Total	66,198,454,023	31,164,730,973	0.47	144,309,387,008	33,533,009,600	0.23	0.08

The actual investment expenditure during the first half of 2022 for the ministries and entities mentioned above amounted to approximately 2.9 Billion dollar. The Council of Ministers and its affiliated entities were the highest spenders on the investment budget, with about 452 Million dollars, followed by the Ministry of Construction, Housing, and Municipalities with approximately 353 Million dollars. However, some ministries and entities did not spend any amount on the investment budget, including the Ministry of Defense, Ministry of Communications, Ministry of Displacement and Migration, and others.

During the first half of 2023, the actual investment expenditure for the mentioned ministries and entities reached approximately 4.8 Billion dollar. Once again, the Council of Ministers and its affiliated entities were the highest spenders, with an expenditure of about 909 Million dollars, followed by the Ministry of Transport with 606 Million dollars. Similar to the previous year, some ministries and entities did not spend any amount on the investment budget, including the Ministry of Defense, Ministry of Labor and Social Affairs, Ministry of Communications, and others.

The reason for the decrease in the overall implementation ratio during the first half of 2023 is attributed to the delayed approval of the budget and government institutions relying on spending at a rate of 1/12 of the 2022 expenditures, excluding non-recurring allocations. It is expected that the implementation ratio will increase further during the second half of 2023.

### Secondly, regarding implementation ratios in the governorates:

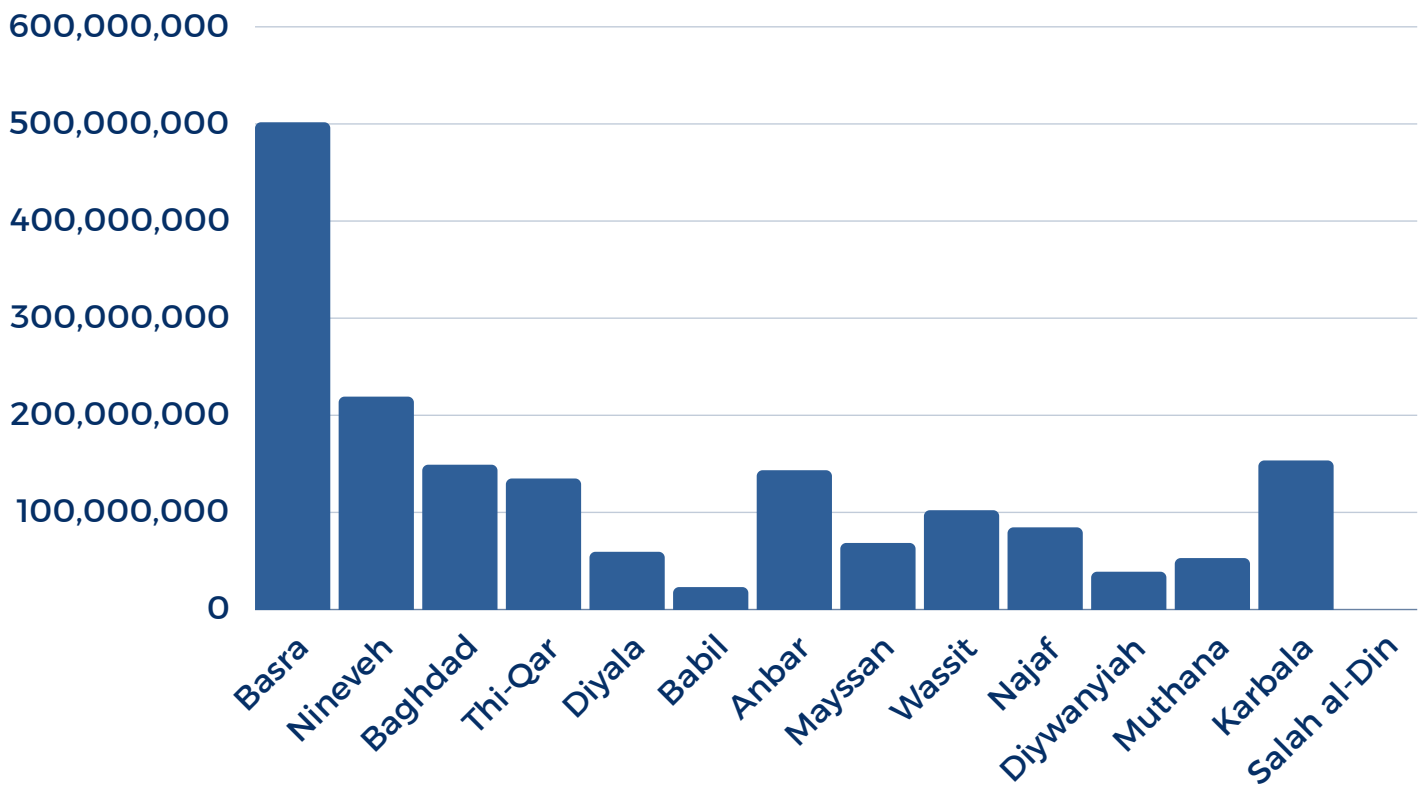
Table (8): Budget Implementation for Governorates for the periods from January 1 to June 30, 2022, and from January 1 to June 30, 2023 (Dollar) (Excluding Kirkuk Governorate)

Province	2022 Allocation	Expenditure (June 2022)	Execution Rate	2023 Allocation	Expenditure (June 2023)	Execution Rate	Change
Basra	1,681,176,661	985,088,191	0.59	1,627,821,042	609,899,623	0.37	-0.38
Nineveh	304,233,849	66,657,900	0.22	457,632,211	281,467,840	0.62	3.22
Baghdad	2,403,473,409	1,190,923,658	0.50	544,806,563	203,080,924	0.37	-0.83
Thi-Qar	965,520,750	451,857,559	0.47	273,351,870	181,848,992	0.67	-0.60
Diyala	790,761,083	382,976,373	0.48	217,190,941	102,978,559	0.47	-0.73
Babil	983,924,965	500,228,850	0.51	362,577,258	86,595,102	0.24	-0.83
Anbar	620,836,712	423,090,357	0.68	330,534,458	244,964,617	0.74	-0.42
Mayssan	436,870,906	223,913,867	0.51	319,155,273	94,743,637	0.30	-0.58
Wassit	615,387,944	341,345,862	0.55	216,378,523	142,186,673	0.66	-0.58
Najaf	699,946,848	339,875,895	0.49	165,021,424	126,262,030	0.77	-0.63
Diywanyiah	673,968,845	363,204,502	0.54	214,266,111	83,461,918	0.39	-0.77
Muthana	344,980,158	181,979,738	0.53	123,451,397	77,855,051	0.63	-0.57
Karbala	603,993,183	351,036,023	0.58	148,387,449	190,705,973	1.29	-0.46
Salah al-Din	187,519,780	28,641,673	0.15	245,198,770	40,360,778	0.16	0.41
Total	11,312,595,095	5,830,820,448	0.52	5,245,773,292	2,466,411,717	0.47	-0.58

Anbar Governorate achieved the highest implementation ratio in 2022 with 68%, followed by Basra Governorate with 59%, while Salah al-Din Governorate had the lowest implementation rate, with only 15%.

Based on the above data provided by the Iraqi Ministry of Finance, Karbala Governorate spent more than its allocation during the first half of 2023, with an implementation ratio of 129%, but the reasons for this are not specified. Najaf Governorate followed with an implementation ratio of 77%, while Salah al-Din Governorate had the lowest implementation rate for the budget at 16%.

Figure (1): Illustrates the actual investment expenditure for the governorates during the first half of 2023



The report also mentions that the lack of budget approval in 2022 led to reduced spending, which impacted the first half of 2023, especially in terms of the investment budget. The analysis of the second half of 2023 is expected to provide a clearer picture of the ministries' and governorates' performance due to the approval of the 2023 budget and the initiation of government projects outlined in its priorities.

### 3. Deficit or Surplus

Deficit occurs when the state's public expenditures exceed its revenues, while surplus occurs when the state's public revenues exceed its expenditures. In the first quarter of 2022, a surplus of 8.6 Billion Dollars was achieved, while in the first quarter of 2023, a surplus of 3.5 Billion Dollars was also achieved, which is 60% less than the first quarter of the previous year.



Table (9): Actual Revenues, Actual Expenditures, Deficit, and Surplus for the periods 1/1 - 31/3/2022 and 1/1 - 31/3/2023 (Dollar)

Actual Revenues until 30/6/2022	Actual Expenditures until 30/6/2022	Deficit or Surplus	Actual Revenues until 30/6/2023	Actual Expenditures until 30/6/2023	Deficit or Surplus
57,302,521,972	34,380,787,316	22,921,734,656	41,142,681,685	36,212,592,161	4,930,089,524

The surplus in the first half of 2022 and 2023 was achieved due to the increase in oil revenues, especially during 2022. This prompted the government and the parliament to propose and legislate the Emergency Food Security and Development Support Law No. (2) of 2022, which was more like a supplementary budget, as no budget was approved in 2022..

## Conclusion

In light of the data and analysis presented in this report, several key findings and observations can be made regarding Iraq's financial landscape in the first half of 2022 and 2023. These findings shed light on the country's fiscal performance, investment expenditures, budget deficits or surpluses, and the overall challenges faced by various government entities and governorates.

- **Investment Expenditure** The report highlights that the investment expenditure in the first half of 2022 amounted to approximately 2.9 Billion Dollar, with the Council of Ministers and its affiliated entities being the highest spenders. However, some ministries and entities did not allocate any funds to their investment budgets. In the first half of 2023, investment expenditure increased significantly to around 4.8 Billion Dollar, with a similar pattern of high spending by the Council of Ministers and the Ministry of Transport. This substantial increase was largely attributed to the delayed approval of the budget and the reliance on a 1/12 spending rate from the 2022 budget, excluding non-recurring allocations.

- **Governorates' Implementation Ratios** Analysis of the governorates' implementation ratios revealed variations in expenditure efficiency. In 2022, Anbar Governorate achieved the highest implementation ratio at 68%, followed by Basra Governorate with 59%, while Salah al-Din Governorate had the lowest rate at only 15%. In the first half of 2023, Karbala Governorate exceeded its allocation with an implementation ratio of 129%, while Najaf Governorate recorded a 77% implementation ratio, and Salah al-Din Governorate remained at the lower end with a 16% implementation rate. These figures underscore the disparities in budget execution and spending efficiency among different governorates.
- **Budget Deficits and Surpluses** The report highlighted that Iraq experienced a budget surplus in the first quarter of both 2022 and 2023, attributed to increased oil revenues, which led to the enactment of a supplementary support law in 2022. However, the surplus in the first quarter of 2023 was significantly lower compared to the previous year, signaling a 60% decrease.
- **The Impact of Budget Delays** One of the critical factors affecting Iraq's fiscal performance was the delay in approving the budget, leading to decreased expenditure and its subsequent impact on the first half of 2023. The delay forced government institutions to rely on a 1/12 spending rate from the 2022 budget, excluding non-recurring allocations. It is anticipated that the implementation ratio will improve in the second half of 2023, as the 2023 budget gets approved and government projects outlined in its priorities commence.

In conclusion, the absence of a budget for 2022 had a cascading effect on the country's fiscal performance in 2023, particularly in terms of investment expenditure. The report also underscores disparities in expenditure efficiency among government entities and governorates. The timely approval of budgets and effective allocation and utilization of resources are essential for addressing these issues and ensuring the efficient implementation of Iraq's financial plans. The analysis of the second half of 2023 is expected to provide further insights into the government's financial performance and its commitment to its development goals.



**2024**

**Monitoring Report**

**Monitoring the implementation of  
Federal budget for the first and  
second halves of the year 2023**

# Monitoring the implementation of Federal budget for the first and second halves of the year 2023

## Introduction

After the government's inability to present a Federal budget to the parliament in 2022 due to mostly political disputes, the Iraqi Parliament approved the Federal budget (2023-2025) after lengthy discussions. The most significant part of these parliamentary and popular discussions focused on three axes. The first axis was the size of the expenditure allocations, which amounted to about (150.7) Billion Dollars, the highest figure for spending since the establishment of the Iraqi state. The second axis focused on whether approving a budget for three years was the correct decision to support the government voted in October 2022 to exercise its full financial and administrative powers for most of its ministerial term, which would likely end in early 2026. The third axis of the discussions focused on the political gains that the blocs within the parliament would obtain from this budget. With the approval of the budget before the provincial council elections held on December 18 last year, the political blocs and parties under them were thinking a lot about the size of the gains and what spending trends would lead to achieving high public satisfaction to ensure participation and voting or re-voting for some personalities and blocs. Therefore, some expenditures were directed towards increasing the number of those covered by social welfare and approving the appointment of many holders of higher degrees and top graduates from universities, as well as appointing thousands of elements in various security forces. Contrary to expectations, the current Prime Minister and his movement (Al-Furatayn) did not participate in the provincial council elections, preferring to postpone his participation to the upcoming parliamentary elections after the appearance of some government achievements, the most important of which is the project to alleviate traffic congestion in Baghdad province and other projects included in its government program, which was allocated a total of about (985) Million Dollars.

Amid these discussions, the parliament approved the budget in June of 2023, with revenues estimated at about (101.5) Billion Dollars, representing oil revenues, the largest proportion of which is about (87%), based on an average price of (\$70) per barrel and an export rate of (3.5) million barrels per day, including (400) thousand barrels per day from the Kurdistan Region, at an exchange rate of (1300) dinars per Dollars. Non-oil revenues accounted for (13%) and varied between taxes, fees, the Treasury's share of public sector profits, transfer profits, and others. This was followed by a new phase of spending, the highest being about (150.7) Billion Dollars, with a planned deficit of about (48.5) Billion Dollars.

This report relies on data issued by the Federal Ministry of Finance and seeks to make a comparison between financial transactions in the first and second halves of the year 2023, enhancing accountability and monitoring of the state's financial transactions, especially public spending trends, after studying and monitoring spending between the first half of the year 2022 and the first half of the year 2023 in a previous report.

Furthermore, the continued monitoring of budget implementation by relevant organizations, researchers, and interested parties enhances public accountability for government financial actions, especially when this spending relates to the future of the country and its citizens, in addition to the enormity of this expenditure and its focus on services and trends that concern most of the population.

## 1- Actual Revenues

The structure of the Federal budget revenues in Iraq is divided into two parts: current revenues, which are the most important and represent the majority and capital revenues.

- **Current Revenues:** These include oil revenues, taxes, fees, the Treasury's share of public sector profits, transfer revenues, and others. The total of these revenues until June 30, 2023, amounted to (41) Billion Dollars, while during the period from July 1 to December 31, 2023, it amounted to (60.8) Billion Dollars.
- **Capital Revenues:** These are revenues generated from government investments such as loans and facilities granted by Iraq to international and local entities, government shares in some foreign companies, and others. They represent a small portion of revenues, totaling (22) Millions Dollars as of June 30, 2023, while during the period from July 1 to December 31, 2023, it amounted to (96.6) Millions Dollars.

Table (1) Actual Revenues for the First and Second Halves of the Year (Dollars)

Revenues	1/1 to 30/6/2023	1/7 to 31/12/2023	Total	Total Change Percentage%
Current Revenues	41,120,666,179	61,543,040,033	102,663,706,211	50
Capital Revenues	22,015,507	103,116,311	125,131,817	368
Total	41,142,681,686	61,646,156,343	102,788,838,029	50

The table above shows an increase in revenues during the second half of 2023 by (50%) compared to the first half. This is attributed to the rise in the average oil prices during the second half of 2023 compared to the first half. Additionally, there is a convergence between actual revenues and the estimated revenues in the budget, indicating the accuracy of the government's decision in estimating the oil barrel price in the budget at (\$75) per barrel.

## 2- Actual Expenditures

Total actual expenditures until June 2023 amounted to approximately (36.2) Billion Dollars compared to (71.6) Billion Dollars at the end of December 2023, with an increase percentage of (98%) due to increased expenditures after the budget approval, particularly capital expenditures, debt service, and special programs. Expenditures are divided into two main types:

**A. Expenditures in the current budget:** A. Actual expenses for the budget until June 2023 amounted to approximately (31.6) Billion Dollars compared to (58) Billion Dollars in the second half of 2023, with an increase percentage of (83%). These expenses include the amounts spent by ministries and governorates on various expenditure categories, including employee compensation, service supplies, commodity supplies, asset maintenance, grants, subsidies, benefits, other expenses, external commitments and contributions, social welfare, current capital expenditures, debt service, and special programs, are distributed as follows:

The table below reflects the impact of approving the Federal budget on the state's expenditures as a whole. Expenditures increased during the second half of 2023 in most budget categories at significant rates, except for social welfare allocations, which did not see a notable increase during the second half of the year. The most significant increases in expenditures were in current capital expenditures, which increased by 1060%, followed by commodity supplies by 918%, and special programs by 849%.

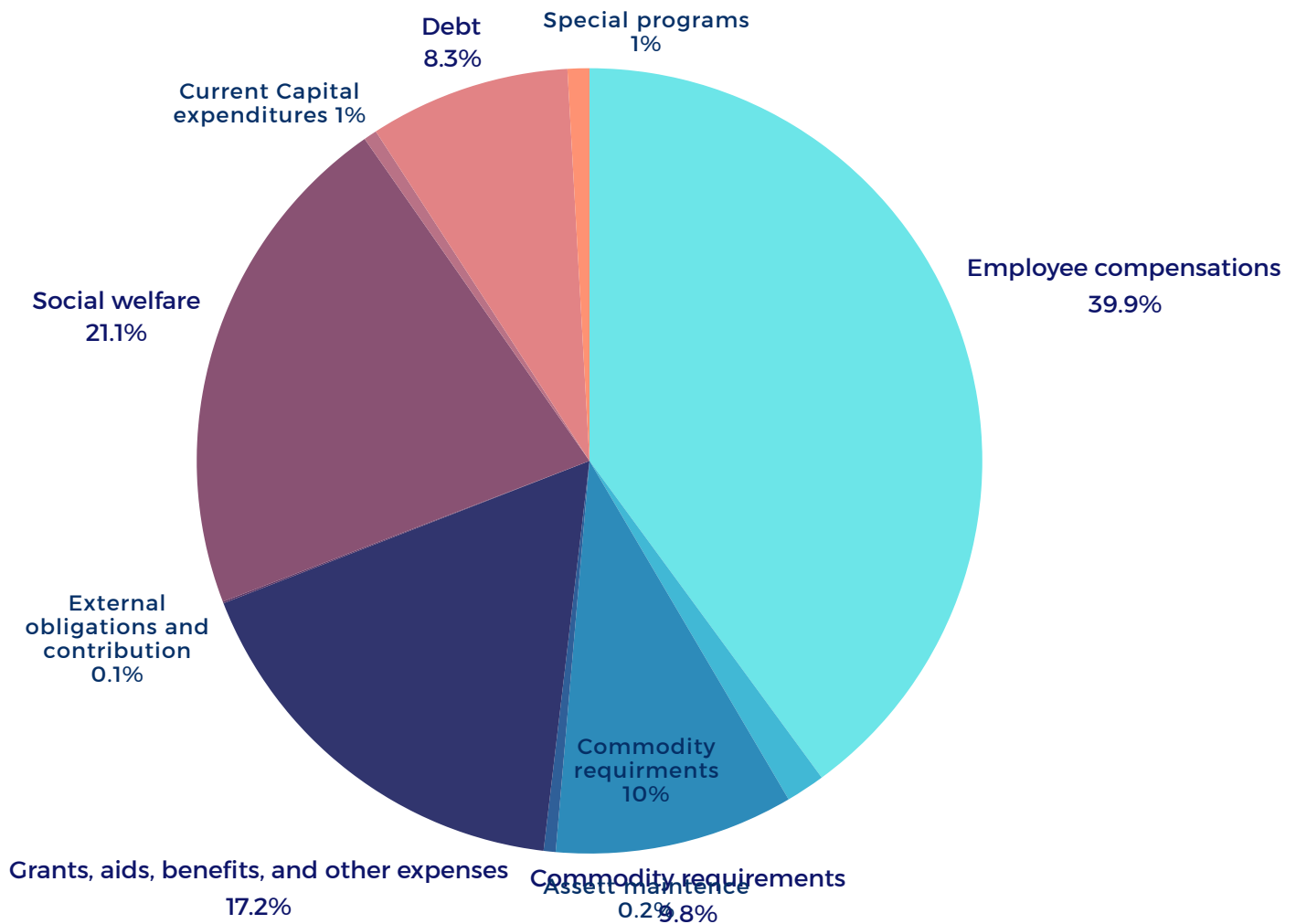


Table No. (2): Distribution of Actual Expenditures by Economic Classification of the Current Budget During the Year 2023 (Dollars)

Expenditures	First half	Second half	Total for the year	The change percentage
Employee Compensation	16,363,937,081	19,406,335,285	35,770,272,366	19
Service Supplies	173,722,901	1,265,364,032	1,439,086,933	628
Commodity Supplies	788,181,978	8,022,581,422	8,810,763,400	918
Asset Maintenance	88,561,028	352,727,883	441,288,911	298
Grants, Subsidies, Benefits, and Other Expenses	2,398,028,559	13,033,660,696	15,431,689,254	444
External Commitments and Contributions	9,215,952	54,179,693	63,395,645	488
Social Welfare	9,185,660,270	9,744,926,185	18,930,586,455	6
Current Capital Expenditures	16,363,937,081	449,811,717	488,598,656	1060
Debt Service	2,518,176,220	4,880,395,674	7,398,571,894	94
Special Programs	76,635,256	726,972,931	803,608,187	849
Total	31,640,906,185	57,936,955,516	89,577,861,701	83

Employee compensation, the most relatively important expenditure category, increased by 19%, equivalent to (3) Billion Dollars, due to appointments in the public sector for holders of higher degrees and top graduates, contract regularization, wage increases, and other factors. This indicates an annual increase in employee compensation in the budget of about (5.3) Billion Dollars, which constitutes a governing expenditure that lacks flexibility and is difficult to reduce in the future in case of any financial fluctuations, unlike some expenditure categories that can be streamlined to fit the state's financial situation.

Figure (1): Distribution of State Expenditures by Economic Classification of the Current Budget During the Year 2023



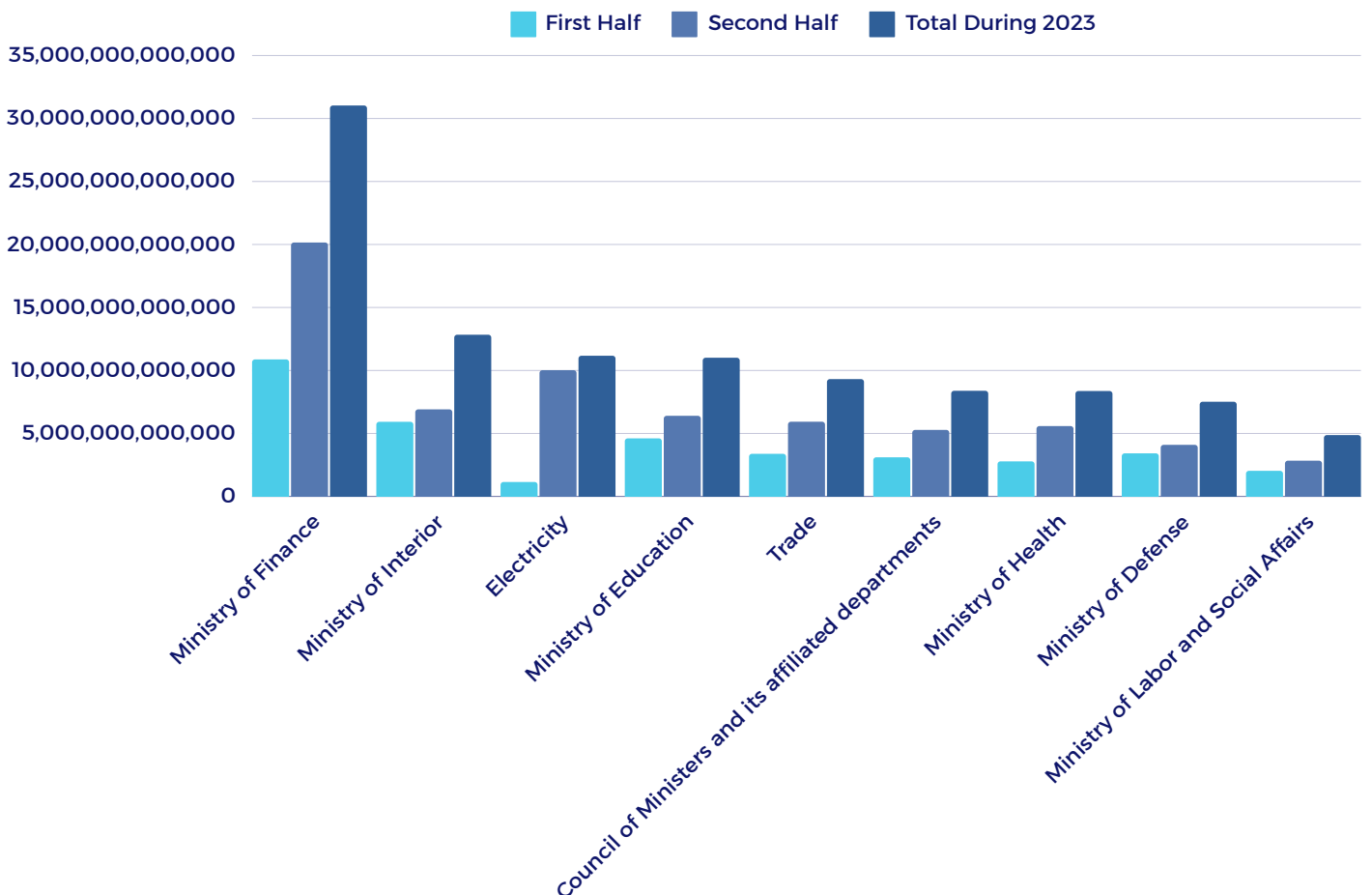
From the table and figure above, it is observed that employee salaries during 2023 accounted for (40%) of the actual expenditures, totaling approximately (35.6) Billion Dollars, followed by social welfare at (21%) with an amount of (18.9) Billion Dollars. Grants, subsidies, benefits, and other expenses accounted for (17%) with (15) Billion Dollars, while commodity supplies accounted for (10%) with (9.1) Billion Dollars. Debt (excluding interest) accounted for (8%) with an amount exceeding (7.6) Billion Dollars approximately.



Table (3): The Most Focused Ministries on Current Expenditures for the First and Second Halves of 2023. (Dollars)

ministries	First half	Second half	Total of 2023
Ministry of Finance	8,239,531,084	15,269,498,623	23,509,029,707
Ministry of Interior	4,488,257,563	5,235,885,331	9,724,142,894
Electricity Ministry	867,937,429	7,592,746,678	8,460,684,107
Ministry of Education	3,491,870,343	4,849,059,869	8,340,930,212
Ministry of Trade	2,562,828,943	4,492,889,714	7,055,718,657
Cabinet and its departments	2,352,868,201	4,000,361,422	6,353,229,623
Ministry of Health	2,108,155,374	4,231,419,967	6,339,575,341
Ministry of Defense	2,591,197,547	3,102,810,551	5,694,008,098
Ministry of Labor and Social Affairs	1,540,051,619	2,150,054,110	3,690,105,729

Figure (2): Ministries with the Highest Concentration of Current Expenditures for the First and Second Halves of 2023



From the table and figure above, it is observed that the Ministry of Finance had the highest expenditure during 2023, totaling approximately (23.5) Billion Dollars. This is due to increased spending on three main areas: social welfare, which includes pensions, grants, subsidies, and benefits, followed by the Ministry of Interior with a total expenditure of (9.7) Billion Dollars. The majority of this expenditure, around (8.3) Billion Dollars, was focused on employee compensation for salaries. The Ministry of Electricity and the Ministry of Education followed with total expenditures of (9.7) Billion Dollars each. It is worth noting that the Ministry of Electricity focused its spending on commodity supplies, including fuel for power stations. The Ministry of Trade had a total expenditure of (6.8) Billion Dollars, with approximately (4.5) Billion Dollars allocated to social welfare, particularly related to the food ration card program, and around (2.5) Billion Dollars allocated to grants, subsidies, and benefits.

The remaining ministries and entities, such as the Cabinet, the Ministry of Health, and the Ministry of Defense, mostly concentrated their expenses within the category of employee compensation (salaries), except for the Ministry of Labor and Social Affairs, which focused most of its expenses within the category of social welfare, particularly related to salaries for those covered by the social protection network.

## B. Investment Budget Expenditure

Actual investment expenditures during the first half of 2023 amounted to approximately (4.5) Billion Dollars, compared to (13.6) Billion Dollars in the second half of the year, representing an increase of 201%.

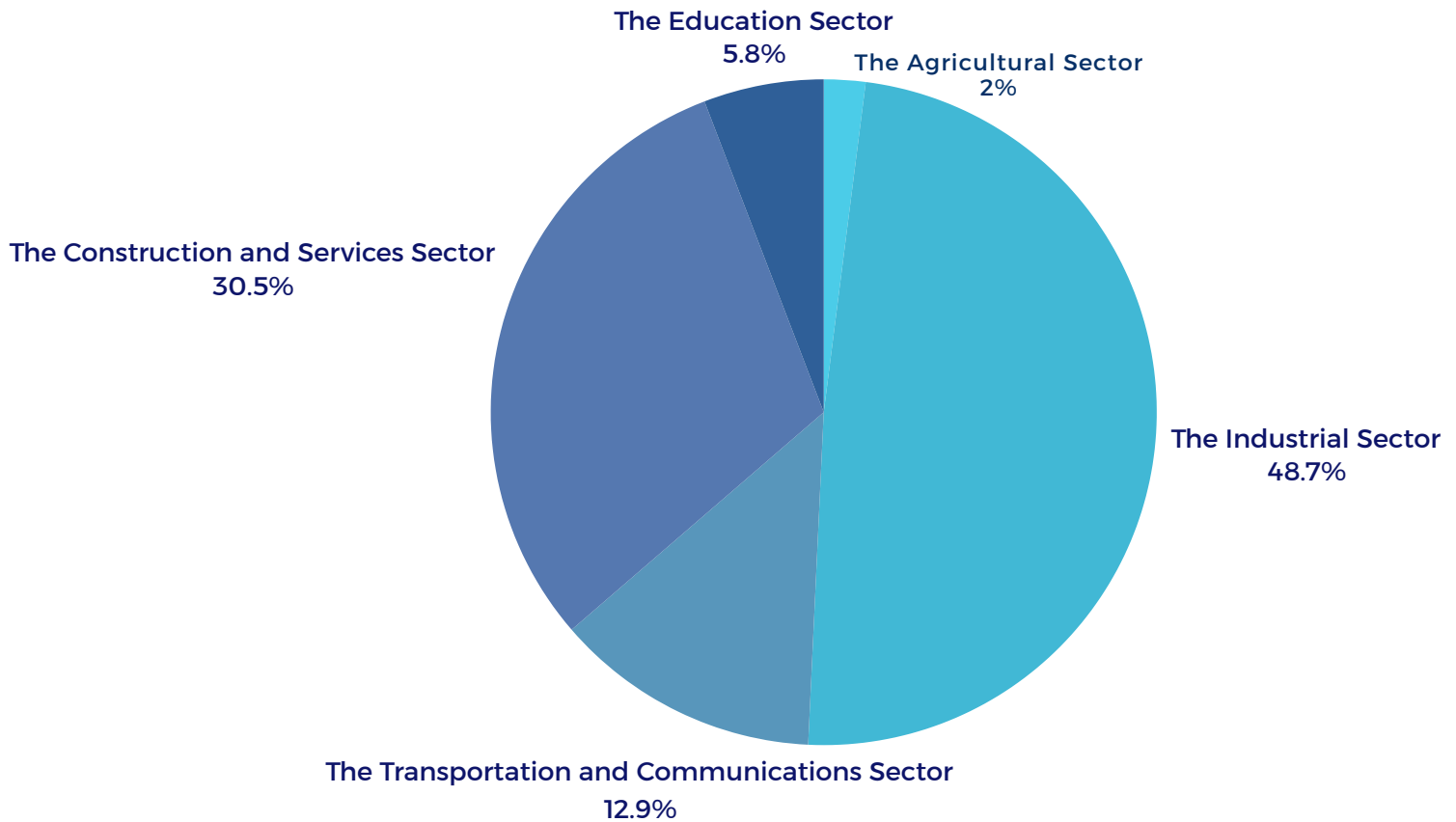
The reason for the increase in investment expenditure during the second half of 2023 compared to the first half is attributed to the initiation of investment projects outlined in the investment plan, as well as projects included in the government program, such as traffic congestion relief projects in Baghdad. Additionally, there was continued spending on ongoing investment projects from previous years.

Table (4): Investment Expenditure during the First and Second Half of 2023

First Half	Second Half	Total	Change percentage %
4,571,685,976	13,756,237,397	18,327,923,373	201

As for the sectors, the investment expenditure is distributed among five main sectors as shown in the following figure:

Figure (3): Distribution of Actual Expenditure by Economic Classification for the Investment Budget for the Year 2023



We notice from the figure above that the industrial sector is the most concentrated in investment expenditures during the year 2023, accounting for (49%) due to the increase in oil investment expenditure for the Ministry of Oil, which amounted to (8.3) Billion Dollars. The investment expenditure on the construction and services sector came in second in terms of expenditure volume at (30%) due to spending in this sector by the provinces, especially Basra Governorate, which spent more than (758) Million Dollars in this sector, in addition to the Ministry of Construction and Housing with approximately (567) Million Dollars. Following that is the transportation and communications sector at (13%) due to the increased expenditure in this sector by the Ministry of Transportation with an amount of (640) Million Dollars and the Ministry of Construction and Housing with (589) Million Dollars, followed by the education sector at (6%) where spending is concentrated in the Council of Ministers with an amount of (645) Million Dollars, which is expenditure related to the expenditure on the school construction project. The agricultural sector is the least spent at (2%).

### C. Implementation Ratios

Implementation ratios represent the actual expenditures incurred by ministries and non-ministerial entities as a percentage of the total allocations allocated to these ministries and entities. They also reflect the extent of the various government institutions' ability and seriousness in implementing their annual financial plans approved within the general budget.

#### First, the implementation ratios in ministries and non-ministerial entities:

Table (5): Implementation of the current and investment budgets for ministries and non-ministerial entities for the first and second halves (dollar).

Ministry or Entity	Total Allocation for 2023 (dollar)	Expenditure in the First Half (dollar)	Expenditure in the Second Half (dollar)	Total Expenditure	Execution Rate	Change Rate
Parliament	627,449,270	202,982,644	238,027,702	441,010,345	70	17
Presidency of the Republic	75,942,169	19,566,242	34,947,666	54,513,908	72	79
Council of Ministers	8,898,724,612	3,301,576,945	5,121,591,642	8,423,168,586	95	55
Ministry of Foreign Affairs	634,331,952	58,015,902	93,359,830	151,375,732	24	61
Ministry of Finance	29,700,466,066	8,247,192,839	15,346,050,289	23,593,243,129	79	86
Ministry of Interior	10,520,824,213	4,491,144,845	5,463,590,860	9,954,735,705	95	22
Ministry of Labor and Social Affairs	4,561,055,488	1,540,051,620	2,150,054,109	3,690,105,729	81	40
Ministry of Health and Environment	7,502,407,767	2,193,951,030	4,297,016,370	6,490,967,400	87	96
Ministry of Defense	7,396,750,473	2,591,197,547	3,102,810,564	5,694,008,111	77	20
Ministry of Justice	757,648,831	257,376,220	392,532,023	649,908,243	86	53
Ministry of Education	9,012,396,708	3,548,743,617	4,897,312,466	8,446,056,083	94	38
Ministry of Youth and Sports	146,914,633	37,266,029	91,045,314	128,311,343	87	144
Ministry of Trade	5,482,564,921	2,563,150,546	4,492,890,330	7,056,040,877	129	75
Ministry of Culture	172,570,406	40,070,084	78,882,494	118,952,578	69	97
Ministry of Transportation	627,449,270	622,837,286	100,419,993	723,257,279	34	-84
Ministry of Reconstruction, Housing, and Municipalities	3,757,773,436	364,667,029	1,168,794,953	1,533,461,982	41	221
Ministry of Agriculture	1,468,280,235	52,615,305	1,078,374,887	1,130,990,192	77	1950
Ministry of Water Resources	789,860,817	397,433,035	247,007,856	644,440,891	82	-38
Ministry of Oil	17,641,864,399	551,905,531	9,266,295,508	9,818,201,039	56	1579
Ministry of Planning	5,583,981,572	21,335,766	42,048,651	63,384,417	1	97

Ministry or Entity	Total Allocation for 2023 (Thousands of Dinars)	Expenditure in the First Half (Thousands of Dinars)	Expenditure in the Second Half (Thousands of Dinars)	Total Expenditure	Execution Rate	Change Rate
Ministry of Industry and Minerals	849,065,219	363,727,395	375,581,481	739,308,876	87	3
Ministry of Higher Education and Scientific Research	627,449,270	202,982,644	1,264,170,303	2,126,292,129	89	47
Ministry of Electricity	11,743,012,057	1,020,444,510	7,873,089,389	8,893,533,898	76	672
Ministry of Communications	116,529,071	4,392,699	238,027,702	86,241,137	74	1763
Ministry of Environment	84,865,595	16,384,183	24,417,964	40,802,147	48	49
Ministry of Displacement and Migration	270,113,706	21,875,786	139,698,148	161,573,933	60	539
Kurdistan Regional Government	12,498,387,189	0	0	0	0	0
Local Councils in the Provinces	46,101,804	0	238,027,702	0	0	0
State Council	6,415,022	1,777,408	2,173,082	3,950,490	62	22
Supreme Judicial Council	541,580,566	153,652,030	189,212,746	342,864,777	63	23
Federal Supreme Court	11,480,265	1,779,611	5,907,711	7,687,323	67	232
Committee for Monitoring Import Allocations	3,401,649	158,273	1,378,211	1,536,484	45	771
Total	145,443,880,943	33,549,393,783	67,660,530,980	101,209,924,763	70	102

From the table above, we notice an increase in spending in the second half of 2023 compared to the first half, with a rate of 102%, except for the Ministries of Transportation and Water Resources, where spending decreased by 38% and 84% respectively. Meanwhile, there was a significant increase in spending rates, particularly in the Ministries of Agriculture, Oil, Communications, Electricity, and others. This indicates the impact of budget approval on expenditure across most ministries, especially in terms of investment budget and the release of service and commodity expenditures, as well as salary raises and bonuses for employees.

As for implementation, the overall budget execution rate reached 70%, with the highest execution and expenditure rate seen in the Ministry of Commerce at 129%, exceeding its allocated budget by 29%. This contravenes the Financial Administration Law No. 6 of 2019, attributed to the reallocation of some appropriations from previous years and their consolidation as Expenditures during the year 2023, followed by the Ministry of Commerce, the Council of Ministers, and the Ministry of Interior with execution rates of 94%, 95%, and 95% respectively. Meanwhile, the weakest-performing ministries in terms of execution were the Ministry of Planning at 1% followed by the Ministry of Transportation at 34%. Additionally, no expenditure was confirmed for the Kurdistan Region due to political disputes, with funds being transferred to the region in the form of loans rather than actual spending from the budget. Similarly, no expenditure was confirmed for the provincial councils during the year 2023 due to their failure to start their activities during the year.

## Secondly, percentages of implementation in the provinces:

Table (6): Implementation of the current and investment budgets for the provinces for the first and second halves (dollar).

Province	Total Allocation for 2023 (Thousands of Dinars)	Expenditure in the First Half (Thousands of Dinars)	Expenditure in the Second Half (Thousands of Dinars)	Total Expenditure	Execution Rate	Change Rate
Basrah	1,627,821,042	609,899,623	742,763,772	1,352,663,395	83	22
Nineveh	457,632,211	281,467,840	479,302,917	760,770,757	166	70
Baghdad	544,806,563	203,080,924	304,996,832	508,077,756	93	50
Thi Qar	273,351,870	181,848,992	262,713,789	444,562,781	163	44
Diyala	217,190,941	102,978,559	286,539,973	389,518,532	179	178
Babil	362,577,258	86,595,102	204,317,690	290,912,792	80	136
Anbar	330,534,458	244,964,617	399,604,593	644,569,210	195	63
Maysan	319,155,273	94,743,637	239,648,408	334,392,045	105	153
Wasit	216,378,523	142,186,673	212,805,975	354,992,648	164	50
Najaf	165,021,424	126,262,030	226,856,417	353,118,446	214	80
Al-Diwaniyah	214,266,111	83,461,918	117,836,655	201,298,573	94	41
Muthanna	123,451,397	77,855,051	181,872,422	259,727,473	210	134
Karbala	148,387,449	190,705,973	201,556,990	392,262,963	264	6
Salah Al-Din	245,198,770	40,360,778	368,632,160	408,992,938	167	813
Total	5,245,773,292	2,466,411,717	4,229,448,593	6,695,860,310	128	71

From the table above, it's evident that most governorates exceeded their allocated budgets in 2023, which is contrary to Financial Administration Law No. (6) of 2019. This is attributed to the reallocation of some allocations from previous years. Karbala Governorate achieved the highest implementation rate at 264%, followed by Najaf Governorate at 214%, then Muthanna Governorate at 210%, and Anbar Governorate at 195%. The least implemented governorates were Babil at 80%, Basra at 83%, Baghdad at 93%, and Diwaniyah at 94%. Although these percentages aren't weak, the spending in these governorates didn't match that of others that exceeded their allocations.

Regarding the percentage change, spending increased in all governorates during the second half of the year compared to the first half. This is attributed to the allocation of budget funds and the initiation of investment projects in all governorates.

### 3-Deficit or Surplus:

A deficit occurs when public expenditures exceed state revenues, while a surplus occurs when state revenues exceed expenditures. In 2023, there was a deficit of 6.7 trillion dinars. This deficit resulted from a significant increase in spending during the second half of 2023 by 102% in ministries and 71% in governorates, compared to a revenue increase of only 50%.

Table (7) shows the actual revenues and expenditures for the first and second halves of 2023 (in dollar).

The actual revenues to 2023/12/31	The actual expenditures to 2023/12/31	Deficit or surplus
102,788,838,029	107,905,785,074	(5,116,947,045)

## Conclusion:

The report highlights a significant increase in expenditure following the budget approval, with a rate of 102% in ministries and unaffiliated departments and 71% in governorates. However, there seems to be an exaggeration in allocating funds in the budget for some ministries and entities. Despite the high spending and exceeding some allocations, the implementation rate reached only 70%, and only (107.6) Billion Dollars out of the allocated (150.8) Billion Dollars were spent.

The state incurred a deficit of (5.1) Billion Dollars, which is subject to increase due to outstanding loans of (3.3) Billion Dollars at the end of the fiscal year, indicating an actual deficit of about (8.4) Billion Dollars, despite the revenue increase of 50% in the second half compared to the first half.

With this evident rise in expenditure, expected to increase further in 2024, serious and diligent monitoring by various oversight institutions, as well as civil society, is required. This is to pressure the government to pursue genuine reform steps in reconstruction, service provision, and to capitalize on the opportunity of stable oil prices to drive real development and accumulate capital away from consumptive spending. The aim is to transition towards a strong economy rather than the current oil-dependent economy, which mainly fuels economic activity.





2024

Policy Report

**Establishment of the  
"Entrepreneurial  
Investment Fund" from the  
Iraq Development Fund  
and the management by  
the private sector**

Ahmed Rafea

# Introduction:

Amidst the evolving economic landscape and the urgent need to address unemployment, Iraq stands at a critical juncture. The main focus of our policy report revolves around a pivotal proposal: redirecting a portion of the currently underutilized public investment budget across various government sectors towards bolstering the private sector. This strategic reallocation, aligned with the government's outlined strategy to support the private sector as detailed in the consultative documents, In line with the government's initiatives to launch the Iraq Development Fund, which is expected to serve as an incentive to alleviate the unemployment crisis currently faced by Iraq.

The logical foundation behind this proposal rests on a critical analysis of Iraq's current economic model, as specified in the ministerial program and the General Budget Law for the year 2023, in harmony with the Private Sector Development Strategy (2014-2030) and Iraq's Sustainable Development Strategy (2019-2030).

Historically, the Iraqi economy has been predominantly driven by the public sector, leading to inefficiency and resource underutilization. This approach not only stifled economic growth but also perpetuated high unemployment rates, particularly among the educated youth demographic. Despite its potential, the private sector remains underdeveloped and incapable of absorbing the growing workforce.

Our strategy is a shift in focus. By reallocating investment allocations from the relatively ineffective public sector to the private sector, we aim to stimulate economic growth through diversification and innovation. This reallocation is not merely a financial correction but rather a qualitative leap towards a more sustainable and resilient economic model. With its inherent efficiency and productivity, the private sector can serve as a powerful engine for job creation and economic revitalization.

The documents presented by the advisors (Private Sector Development Strategy 2014-2030) to the Cabinet and the Budget Law (2023) provide valuable insights into the current situation and the potential of the private sector in Iraq. They emphasize the necessity of a stronger, more dynamic, and diverse private sector capable of taking the initiative in driving economic growth and reducing reliance on the oil sector. The Private Sector Development Strategy underscores the need for a supportive business environment, including policy reforms, infrastructure improvements, and financial incentives, to encourage the organization of private project.

In conclusion, this report proposes a transformative approach to addressing unemployment in Iraq. By redirecting portions of the investment budget towards empowering the private sector, we envision a future where economic growth is comprehensive, sustainable, and robust. This transformation is not limited to reallocating funds but also entails a reimagining of Iraq's economic future.

# Background:

The data analysis from the official reports below provides important insights into the current economic situation in Iraq, particularly concerning unemployment, investment allocations, and government priorities. The detailed analysis is as following:

## 1-General Federal Budget for the year 2023:

- Investment expenditure: Allocating a significant amount (38,227,841,258,000 Iraqi dinars) for investment expenditure reflects a substantial commitment to capital projects. However, the relatively small allocation (3,669,000,000,000 Iraqi dinars) for government program projects suggests the potential for reallocation to stimulate private sector growth.
- Article 42: Establishment of the Iraq Development Fund. The creation of this fund is allocated (1,000,000,000,000) trillion Iraqi dinars, aimed at improving the investment environment and fostering sustainable development, presents a significant opportunity. This fund could be a pivotal tool in redirecting investment towards private sector initiatives that can generate employment opportunities.

## 2-Iraq's Vision for Sustainable Development (2030):

- Unemployment statistics: High unemployment rates statistics (2018), especially among educated females (27%) and youth (35%) among young graduates, underscore the urgent need to address job creation. The dominance of the public sector in employment (40%) - of job opportunities - highlights the need for diversification in private sector employment.
- Goal (1-2): Providing decent and protected employment opportunities for all unemployed individuals: The ambitious goals to reduce the overall unemployment rate to (4%), youth unemployment to (4-6%), and increase the female employment rate to (60%) indicate a clear policy intervention direction.

## 3-Ministerial Approach:

- Government priorities: Focusing on combating unemployment and creating job opportunities aligns with the need for investment sector reform. Emphasizing the review of laws, providing banking facilities, and reducing bureaucratic obstacles for Iraqi investors signal a shift towards supporting the private sector.
- Reviewing Investment Policy: Recognizing the previous obstacles in investment, especially in land allocation and lending operations, suggests that addressing these issues can significantly enhance private sector participation and job creation.

### 3-Iraq Development Fund System No. 3 for the year 2023:

1. Article 3, regarding the tasks of the fund, paragraph two: "Investing alone or with others in establishing companies or funds, ... etc."
2. Article 7, paragraph ten: Included in the system "Establishment of specialized funds with legal personality, financial and administrative independence, working to solve problems in the specific sector, ... etc."
3. Article 11: The specialized funds undertake the tasks of studies, design, and supervision of projects assigned to them by the Fund's Board of Directors, and rely on the offices within the Iraq Development Fund to meet their administrative, financial, and legal needs.
4. Article 13: Granting the Fund the right to engage in projects with varying returns (non-profit, socially profitable "balanced", commercially profitable),

## **Actions of Previous Governments:**

Previous governments within their ministerial approaches extensively tackled private sector development and floated ideas of private sector involvement in managing some state-owned productive institutions. A draft law on public-private partnership was submitted to the parliament years ago but was not passed. Additionally, the government endorsed the Private Sector Development Strategy (2014-2030). This strategy aims to provide opportunities for the government to address societal needs, focusing on economic reforms, establishing partnerships between small and medium enterprises and public companies, and enhancing the competitiveness of these entities. The government, leading the initial implementation of this strategy, intends to gradually transfer leadership to the private sector and ensure a decentralized approach wherever possible.

This strategy is based on three developmental pillars: understanding the private sector, improving the business environment, and developing a program for small and medium-sized enterprises. Additionally, a fourth pillar focuses on ensuring efficient and effective implementation of the private sector development strategy. This includes forming a Private Sector Development Council, coordinating the implementation of planned activities, and establishing a planning, research, and execution unit. Through these concerted efforts, the strategy envisages a transformative impact on Iraq's private sector, ultimately contributing to significant reductions in unemployment and paving the way for a more diverse and robust economy.



## Actions of the Current Government:

The current government took a significant step by including a provision in the General Budget (2023-2025) to establish the Iraq Development Fund, with a capital of 1 trillion dinars. This fund aims to improve the Aims to enhance the attractive investment environment and unleash sustainable economic and social development, presenting a significant opportunity. This fund could be a pivotal tool in redirecting investment towards private sector initiatives that can generate employment opportunities. The results of establishing this fund should be invested in the following areas:

- **Reallocating Investment Funds:** Current allocations in the federal budget, especially in the Iraq Development Fund, can be strategically redirected to stimulate private sector growth. This reallocation process should target sectors with high potential for employment, such as agriculture, construction, and technology.
- **Addressing Unemployment through Empowering the Private Sector:** Given the high unemployment rates, especially among youth and educated women, policies should be designed to encourage private sector entities to create more job opportunities. This includes facilitating investment procedures, providing financial incentives, and ensuring worker protection in the private sector.
- **Enhancing Private Sector Attractiveness:** To shift workforce preferences from the public sector to the private sector, the government must ensure that private sector jobs offer competitive benefits and security similar to roles in the public sector.
- **Linking Education to Market Needs:** Bridging the gap between educational outcomes and labor market requirements is crucial. This can be achieved through targeted educational programs and vocational training aligned with specific investment and growth sectors.

The data indicates a clear path: reallocating portions of the investment budget to empower the private sector, focusing on high-employment potential sectors, and implementing supportive policies and reforms. This approach aligns with the government's priorities and ambitious goals outlined within Iraq's Vision (2030), promising a more diverse, resilient, and employment-generating economy.

## Policy Analysis:

To develop a policy framework in line with the national strategy for private sector development, with a particular focus on managing the fund allocated to support the business environment, This policy adopts a cooperative approach in which the private sector plays a central role in managing and directing the investment fund, in partnership with the government. This could be organized as follows:

## **Cooperative Management of the Investment Fund to Empower the Private Sector:**

This policy aligns with the strategic development stages of the private sector, targeting significant milestones by 2030: increasing full-time employment in the private sector to 50% or more of total employment opportunities, boosting the private sector's contribution to GDP to 60%, raising the private sector's share in fixed capital formation to 50%, restructuring public companies for integration into the market economy driven by the private sector, and reducing unemployment to 4% or less. The expected outcomes reflect a transformative approach towards a more vibrant and inclusive economy driven by the private sector. Economic Growth, Job Creation, and Strengthening the Role of the Private Sector in the National Economy - the profound impact and potential of this policy. This proposal is not just a roadmap for economic reform; it is a plan for a future where the private sector thrives as the cornerstone of Iraq's resilience and economic prosperity.

### **Concept:**

The policy of strategic partnership between the government and the private sector in managing the fund allocated to support the business environment. This initiative aims to combine government support with the efficiency and innovation of the private sector.

### **Implementation Mechanism:**

- **Private Sector Participation:** The private sector will be empowered to manage the investment fund. This participation involves not only fund management but also attracting additional investments from private sector investors.
- The fund is financed with an amount of (250) billion Iraqi dinars from the Iraq Development Fund and is ready for investment in the targeted category.
- The joint management model ensures government involvement to align with national economic objectives through overall monitoring and evaluation of goal achievement levels.
- The fund aims to create an economic business ecosystem starting from first-year university students, leading to early engagement of students, identifying the group capable of initiating projects (constituting 20%) for their qualification, support, and investment until the launch of their startups. It also focuses on preparing the other part of the students (80% interested in obtaining employment) and making them ready to work with the first group.

## Fund Allocation and Project Financing:

- **Targeted Projects:** The fund will focus on financing projects aligned with the strategic plan for private sector development. This includes sectors identified as having high growth potential and job creation opportunities.
- **Data-Driven Financing:** Decisions regarding funded projects will be based on rigorous data analysis and evaluations, ensuring that only projects with high applicability, impact, and growth potential receive financing. Furthermore, the investment fund does not allow investors to finance more than 50% of the investment amount in each project from the fund's balance. The remaining 50% is financed from the investor's account in the fund investment.

## Incentives for Private Sector Investors:

- **Joint Investment Opportunities:** Private sector investors will be encouraged to invest in the fund, providing them with opportunities to participate in government-supported projects with potential high returns.
- **Risk Mitigation:** Government participation in the fund provides a layer of security and risk mitigation for private sector investors, making it an attractive investment option.

## Government's Role:

- **Regulatory Framework:** The government will establish a general regulatory framework to ensure the operation of the fund, guarantee transparency, accountability, and alignment with national policies.
- **Facilitation and Oversight:** While the private sector leads the management, the government will facilitate procedures, provide oversight, and ensure the achievement of the fund's strategic objectives.

## Alignment with the Strategic Plan:

This approach aligns perfectly with the strategic plan for private sector development, integrating government support with the dynamism of the private sector, creating a robust mechanism for economic growth and development. It falls between the second and third stages of the sector development strategy, aiming by its conclusion in 2030 to:

- Increase full-time employment in the private sector to 50% or more of total employment opportunities.
- Increase the private sector's contribution to GDP to 60%.
- Raise the private sector's share of fixed capital formation to 50% of the national total.
- Restructure all public companies and integrate them into a market-driven economy led by the private sector.
- Reduce unemployment to 4% or less.

## Expected Results:

- **Economic Growth:** By empowering the private sector to lead investment decisions, this policy is expected to stimulate economic growth in key sectors.
- **Job Creation:** Targeted investments in growth sectors will lead to job creation, addressing one of the critical challenges in the Iraqi economy.
- **Private Sector Development:** This initiative will bolster the private sector, making it a more significant contributor to the national economy.

To further develop the proposal outlined in this paper, several strategies could be considered to enhance the joint management experience between the private and public sectors in later stages of the 2023 budget:



1. **Innovation and Productivity in Small and Medium Enterprises:** Focus on restructuring large government companies, especially the unprofitable ones, and enhancing the competitive and productive capacity of small and medium-sized enterprises in the private sector. This is crucial through creating projects that focus on innovation opportunities and providing consultancy services to facilitate financing.
2. **Establishing Partnerships and Focusing on Economic Reforms:** There is a need to ensure the gradual transfer of leadership to the private sector through establishing partnerships between public and private small and medium-sized enterprises. This will include focusing on economic reforms to loosen the public sector and enhance the profitability of the private sector, which is foundational in leading the initial implementation of this strategy.
3. **Enhancing the Attractiveness of the Private Sector:** It's important to ensure that the private sector offers competitive advantages and job security. There should be a focus on shifting workforce preferences from the public to the private sector, ensuring that private sector jobs provide similar benefits and stability (as initiated by the Social Security Law as a good starting point for ensuring equality between public and private sector employees).
4. **Bridging the Gap between Educational Outcomes and Market Needs:** Aligning educational and training programs with specific investment and growth sectors is crucial. This includes addressing the mismatch between skills taught in educational institutions and the requirements of the labor market, which falls under the responsibility of the private sector in building institutions and programs funded by this fund.
5. **Provision of Information by Non-Governmental and Unorganized Sectors:** The first pillar of the strategy aims to provide accurate information about the private sector for planning purposes under the auspices of the Private Sector Development Council. This includes both organized and unorganized entities in the private sector.
6. **Reallocation of Investment Budgets for Untapped Opportunities:** There is a focus on reallocating a portion of the general investment budget to support the private sector. This strategy aligns with proposed policy documents and aims to enhance the role of the private sector by investing in areas currently underutilized.

Implementing these strategies will require coordinated efforts across various sectors and government levels to effectively enhance the role of the private sector and align it with broader economic objectives.

# Conclusion:

The economic climate in Iraq at this stage is characterized by challenges and dynamic economic opportunities, highlighting the importance of the proposed policy as a transformative strategy. This policy embodies the essence of strategic partnership and the interplay of strengths and capabilities between the public and private sectors in managing a fund dedicated to enhancing the business environment. This transformation represents a pivotal shift towards cooperative governance, harnessing the efficiency and innovation of the private sector alongside supportive frameworks and government oversight.

This proposal is not merely about redistributing roles and responsibilities; it aims to revolutionize the way investments are directed, managed, and improved. By empowering the private sector to take a leading role in managing the investment fund and facilitating its involvement in decision-making and additional investments, a new model for economic growth and development is launched. The government's role, centered around regulatory oversight and strategic facilitation, ensures that this joint endeavor smoothly aligns with national economic objectives.

A central aspect of this policy is the precise allocation of funds and project financing. The program focuses on projects that align with the strategic plan for private sector development, particularly in sectors primed for growth and job creation. Decisions regarding project financing will be based on robust data analysis and evaluation, ensuring that only the most feasible and impactful initiatives receive support.

Moreover, this initiative offers attractive incentives for private sector investors, providing opportunities for high-potential joint projects and a government support framework to mitigate risks. This is a crucial step towards enhancing a vibrant investment climate, attracting capital inflows, and stimulating economic growth.

# References:

- Law No. 13 of 2023 / Federal General Budget for the Republic of Iraq for the Fiscal Years 2023-2024-2025.
- Council of Ministers / Advisory Board / Private Sector Development Strategy 2014-2030.
- Ministerial Program of Prime Minister Mr. Mohammed Shiaa Al-Sudani's Government 2022.
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- The Iraq Development Fund System No. 3 for the year 2023, issued by Cabinet Decision No. 23405 for the year 2023.



2024

Policy Report

# Analysis of Employee Compensation Expenses in the Federal General Budget: Balancing Allocation Efficiency and Distribution

Mohammed Hashem

## Introduction:

There is a growing interest in the issue of public spending priorities during times of financial and economic crises. When constraints on the general budget increase and financial markets struggle to provide the necessary liquidity channels, along with the focus on enhancing the efficiency and productivity of public spending by reducing wasteful spending and allocating it among various economic sectors to achieve the greatest possible public benefit at the lowest possible cost, discussions about streamlining and efficiency of public spending have escalated in recent years.

Due to several financial crises in the Iraqi economy resulting from the repercussions of global oil markets, discussions about streamlining and efficiency of public spending have escalated in recent years. Since the general budget relies heavily on oil revenues, accounting for over 90% of general revenues in most years since 2003, any external shock or collapse in the oil market directly affects state revenues, negatively impacting the general budget.

Therefore, policymakers and implementers face a state of uncertainty regarding their ability to collect the necessary revenues to cover the typically inflated public expenditure. One of the most important items in regulating public spending is employee compensation, which will be discussed in this policy report.

This report aims to shed light on indicators of the distribution of employee compensation among ministries and other state institutions, and to identify which ministries are most attractive for employment using the salary multiplier index.

## Background:

Public expenditure is one of the main components of aggregate demand and may be of particular importance in some oil-producing countries. Public expenditures are also divided into current (operational) expenditures and capital (investment) expenditures. Operational expenditures typically represent 70%-80% of the total, with employee compensation (salaries) being the highest and most important item in this part of expenditures. Therefore, focusing on the analysis of employee compensation supports the prevailing view of promoting human development in Iraq. Employee compensation amounted to 53,839,792,535 Iraqi dinars, accounting for 32.7% of total public expenditures in 2021. It increased to 59,174,419,618 Iraqi dinars, representing 29.7% of total public expenditures. We note that the growth rate between 2021 and 2023 reached 9.9%, which is very high and exceeds the annual growth rate of 3%.

From Table 1, it is evident that military personnel in the Ministry of Defense, Ministry of Interior, National Security, Intelligence Agency, Counter-Terrorism Agency, and Popular Mobilization Forces accounted for 38.4% of the total workforce in 2021 and took 47.7% of the employee compensation budget. Meanwhile, workers in sectors such as education and health, which contribute to human development in society, accounted for 11.6% of the total workforce and took 11.9% of the employee compensation budget in the general budget in 2021. The percentage of workers in security agencies was 35.1% of the total workforce, taking 40% of the employee compensation budget in 2023. Additionally, the percentage of workers in developmental sectors increased to 39.1% in 2023 due to the disengagement of health and education departments in provinces and their re-engagement with the Ministries of Health and Education, in addition to new appointments and the regularization of contract workers and lecturers. These workers took 34.9% of the employee compensation budget in the general budget. From this, it can be concluded that there is a structural imbalance in the distribution of the workforce,

Table No. (1) Workforce and Compensation for Employees in Security and Development Ministries

The Ministry or Entity	The 2021 Budget				The 2023 Budget			(8) Percentage of Total Employee Compensation %
	(1) Workforce Number	Percentage of Total Workforce %	3) Employee Compensation (Trillion)	(4) Percentage of Total Employee Compensation %	(5) Workforce Number	Percentage of Total Workforce %	(7) Employee Compensation (Trillion)	
Ministry of Interior	679195	20.8%	11,778,733,169	21.8%	701,446	17.2%	12,594,427,128	21.2%
Ministry of Defense	429219	13.1%	9,213,290,648	17.1%	453,951	11.1%	7,680,614,493	11.1%
National Security Council	13,388	0.5%	288,000,854	0.5%	14,308	0.3%	336,622,375	0.5%
National Intelligence Agency	10,782	0.3%	300,000,000	0.5%	11,840	0.2%	229,725,533	0.3%
Counter-Terrorism Agency	27,667	0.8%	734,725,750	1.3%	23,716	0.5%	677,765,934	1.1%
Popular Mobilization Forces	122,000	3.7%	3,547,926,178	6.5%	238,075	5.8%	3,468,754,063	5.8%
Total	128,2251	38.4 %	2,586,267,6599	47.7%	144,3336	35.1%	2,498,790,9526	40.0%
Ministry of Higher Education	113,560	3.4%	2,733,341,489	5.0%	150,212	3.6%	2,735,781,892	4.6%
Ministry of Education	154,106	4.7%	2,013,064,957	3.7%	963,949	23.6%	10,919,378,311	18.4%
Ministry of Health	116,451	3.5%	1,748,474,293	3.2%	488,550	11.9%	5,550,840,587	11.9%
Total	384,117	11.6%	6,494,880,739	11.9%	1,602,711	39.1%	19,206,000,790	34.9%

Source: Compiled by the researcher relying on: Republic of Iraq, General Federal Budget for the Fiscal Year 2021, General Federal Budget for the Fiscal Year 2023

which is predominantly military-oriented, with insufficient attention to providing the necessary personnel for key sectors contributing to human and economic development.

Table (2) illustrates the most important institutions and ministries that attract employment to obtain salaries and wages for their employees. There are several indicators that may be simple, such as the average monthly salary of employees in government institutions and ministries, or complex, such as the salary ratio to the number of employees, which is the indicator used in this paper. It is calculated using the following formula:

Salary Index = Relative Importance of Employee Allocations in the Ministry (A) / Relative Importance of the Number of Employees in the Ministry (A).

The supposed value of the salary index equals the correct value (one). If the value of the index exceeds the correct value, it means that the ministry is attractive for employment. Conversely, if it decreases to below the correct value, the opposite is true. From Table (2), we observe that the salary index value in the Iraqi Parliament and its affiliated departments reached (3.0), and in the Presidential Institution, it was (2.6). Meanwhile, in the Prime Minister's Office and its affiliated departments, it was (1.0). However, in 2021, it was (3.4). The reason for this decrease in the salary index is the increase in the workforce due to the regularization of Popular Mobilization Forces members, totaling (238) thousand affiliates.

The salary index reached (1.8) in the State Council, (2.0) in the Supreme Judicial Council, and (2.5) in the Federal Supreme Court. At the ministerial level, the Ministry of Foreign Affairs ranked first with a salary index of (5.6), followed by the Ministry of Electricity with a salary index of (2.6). Then, the ministries of Interior and Higher Education followed with (1.2), followed by the Ministry of Defense with (1.1), and then the Ministry of Oil with (1.0) in 2023. However, the average salary index in the rest of the ministries and government institutions was less than one, indicating weak wages and salaries in these institutions and a decrease in recruitment attractiveness. This index clearly indicates the extent of disparity and gap in wages and salaries in government institutions, primarily attributed to the additional allocations received by employees in some ministries compared to others.

Table No. (2) Salary Coefficients in Government Ministries and Institutions (2021-2023)



The ministry or institution:	The 2021 Budget					The 2023 Budget				
	(1) Number of Workforce	(2) Relative Importance	(3) Employee Compensation (Trillion)	(4) Relative Importance	(5) Salary Coefficient	(6) Number of Workforce	(7) Relative Importance	(8) Employee Compensation (Trillion)	(9) Relative Importance	(10) Salary Coefficient
Council of Representatives	10,877	0.33%	385,588,043	0.7	2.2	12,480	0.3	587,154,392	0.9%	3.0
Presidency of the Republic	1,247	0.03%	39,434,907	0.07	2.3	1,365	0.03	49,110,576	0.08%	2.6
Prime Minister's Office	97,275	2.98%	5,419,404,106	10.06	3.4	384,454	9.4	5,393,176,549	9.1%	1.0
Ministry of Foreign Affairs	3,144	0.09%	193,974,010	0.36	4.0	3,778	0.09	306,301,787	0.51%	5.6
Ministry of Finance	14,748	0.45%	312,203,618	0.57	1.3	17,619	0.43	162,810,842	0.27%	0.6
Ministry of Interior	67,9195	20.8%	11,778,733,169	21.87	1.1	701,446	17.21	12,594,427,128	21.28%	1.2
Ministry of Labor and Social Affairs	5,967	0.18%	66,095,630	0.12	0.7	8,683	0.21	115,105,114	0.19%	0.9
Ministry of Health and Environment	116,451	3.56%	1,748,474,293	3.24	0.9	488,550	11.98	5,550,840,587	9.34%	0.7
Ministry of Defense	429,219	13.15%	9,213,290,648	17.11	1.3	453,951	11.14	7,680,614,493	12.97%	1.1
Ministry of Justice	31,560	0.96%	414,885,918	0.77	0.8	33,548	0.82	441,449,590	0.74%	0.9
Ministry of Education	154,106	4.72%	2,013,064,957	3.73	0.8	963,949	23.65	10,919,378,311	18.45%	0.7
Ministry of Youth and Sports	4,249	0.13%	62,597,534	0.11	0.8	5,101	0.12	50,905,942	0.08%	0.6
Ministry of Trade	2,212	0.06%	33,628,274	0.06	1.0	3,367	0.08	40,525,167	0.06%	0.7
Ministry of Culture	13,657	0.41%	122,931,979	0.22	0.5	14,887	0.36	114,346,575	0.19%	0.5
Ministry of Transportation	1,824	0.05%	26,022,661	0.04	0.8	2,930	0.07	29,705,892	0.05%	0.7
Ministry of Reconstruction, Housing, and Public Municipalities	11,720	0.35%	134,034,905	0.24	0.7	14,975	0.36	175,891,180	0.29%	0.8
Ministry of Agriculture	10,882	0.33%	157,474,250	0.29	0.9	19,992	0.49	199,739,179	0.33%	0.6
Ministry of Agriculture	19,785	0.6%	205,926,883	0.38	0.6	26,240	0.64	256,419,367	0.44%	0.6
Ministry of Oil	2,211	0.06%	32,109,936	0.05	0.8	2,025	0.04	28,959,896	0.04%	1.0
Ministry of Planning	4,026	0.12%	45,224,856	0.08	0.7	5,824	0.14	61,961,454	0.11%	0.7
Ministry of Industry and Minerals	2,697	0.08%	40,151,301	0.07	0.9	3,178	0.07	42,904,178	0.07%	0.9
Ministry of Higher Education and Scientific Research	113,560	3.47%	2,733,341,489	5.07	1.5	150,212	3.68	2,735,781,892	4.62%	1.2

The ministry or institution:	The 2021 Budget					The 2023 Budget				
	(1) Number of Workforce	(2) Relative Importance	(3) Employee Compensation (Trillion)	(4) Relative Importance	(5) Salary Coefficient	(6) Number of Workforce	(7) Relative Importance	(8) Employee Compensation (Trillion)	(9) Relative Importance	(10) Salary Coefficient
Ministry of Electricity	3,410	0.10%	57,524,026	0.10	1.0	5,390	0.08	125,209,044	0.21%	2.6
Ministry of Communication	626	0.01%	12,342,850	0.02	2.0	1,616	0.03	14,411,123	0.02%	0.6
Ministry of Migration and Displaced	1,179	0.03%	12,996,692	0.02	0.7	1,951	0.04	18,312,094	0.03%	0.7
Independent Agencies	10,223	0.31%	279,825,196	0.51	1.6	18,272	0.44	274,568,184	0.46%	1.0
Basra Governorate	77,037	2.36%	890,606,899	1.65	0.7	17,050	0.41	140,134,910	0.23%	0.5
Nineveh Governorate	3,464	0.10%	42,064,507	0.07	0.7	4,519	0.11	53,431,328	0.09%	0.8
Baghdad Governorate	247,028	7.56%	2,959,148,159	5.49	0.7	8,867	0.21	78,989,962	0.13%	0.6
Thi Qar Governorate	83,800	2.56%	981,890,077	1.82	0.7	3,308	0.08	33,662,772	0.05%	0.6
Diyala Governorate	64,329	1.97%	775,819,392	1.44	0.7	5,427	0.13	68,198,544	0.11%	0.8
Babil Governorate	78,845	2.41%	930,025,999	1.72	0.7	10,702	0.26	107,562,959	0.18%	0.7
Maysan Governorate	36,195	1.10%	430,878,749	0.80	0.7	2,619	0.06	24,276,995	0.04%	0.6
Wasit Governorate	48,556	1.48%	578,660,806	1.07	0.7	5,862	0.14	57,918,743	0.09%	0.6
Najaf Governorate	54,230	1.66%	662,514,977	1.23	0.7	4,953	0.21	43,928,133	0.07%	0.3
Al-Diwaniyah Governorate	52,304	1.60%	624,680,420	1.16	0.7	3,594	0.08	39,990,875	0.06%	0.7
Muthanna Governorate	25,813	0.79%	316,746,986	0.58	0.7	1,370	0.03	19,766,134	0.03%	0.9
Karbala Governorate	4,7666	1.46%	604,904,293	1.12	0.8	4,254	0.10	43,255,920	0.07%	0.7
Anbar Governorate	2,978	0.09%	30,667,572	0.05	0.6	6,775	0.16	17,642,279	0.02%	0.1
Salah ad-Din Governorate	2,114	0.06%	24,807,478	0.05	0.8	3,833	0.09	43,641,390	0.07%	0.7
The Council of State	210	0.006%	4,991,135	0.009	1.5	226	0.005	5,496,909	0.009%	1.8
The Supreme Judicial Council	12,458	0.38%	387,456,119	0.71	1.9	20,047	0.49	584,583,347	0.98%	2.0
The Federal Supreme Court	258	0.007%	8,831,246	0.016	2.3	264	0.006	9,132,980	0.015%	2.5
Total	3,263,834		53,839,792,535			4,074,697		59,174,491,618		

Source: Compiled by the researcher relying on: Republic of Iraq, General Federal Budget for the Fiscal Year 2021, General Federal Budget for the Fiscal Year 2023



## Previous Government Measures:

Previous government measures have led to an increase in wages and salaries (employee compensation), which constitute recurrent expenditures. With almost complete reliance on oil revenues to finance public spending, it can be considered financially and economically reckless to increase fixed expenses funded by variable revenues. The White Paper (Final Report of the Financial Reform Emergency Cell) highlighted the problem of the expanding role of the state in the economy and society. This expansion resulted from government policies that increased the number of employees in government institutions beyond the absorptive capacity of the public sector, a policy dubbed "Open Door Policy". This expansion directly impacted the structure of the general budget, characterized by continuous structural imbalances. Between 2004 and 2020, employee and retiree salary expenditures increased by about 400%, with the total number of public sector employees more than tripling. Additionally, between 2006 and 2018, the average public sector salary payments increased by 134%, significantly higher than increases in labor productivity (12%) or cost of living (28%). The White Paper proposed reducing the wage and salary bill from 25% of GDP to 12.5% over three years, through measures such as limiting new hiring and replacements in the public sector to only essential positions, with exceptional approvals from relevant authorities.

## Current Government Measures:

As part of the ministerial program of Prime Minister Mohammed Shia' Al-Sudani's government, efforts were made to provide opportunities in the private sector and reduce pressure on the federal general budget by expanding the role of the private industrial sector and giving it the leading role in driving this activity, supported financially and legislatively.

In evaluating the current government measures in this regard, it is evident that the government has not succeeded in achieving this goal. Employee compensations recorded a growth of 9.9% in 2023, while the ratio of the salary bill to GDP increased from 27.1% in 2021 to 27.8% in 2023, indicating the danger of rising wage and salary growth on the federal general budget and the economy as a whole.

## Analysis and Conclusion:

Wages and salaries of employees have become a fixed constraint on the federal general budget. As previously mentioned, this type of expenditure is fixed, generating significant risks to the federal general budget in the future due to the prevailing uncertainty in the world and the significant reliance on oil revenues. This reliance makes the budget continuously vulnerable to financial shocks. This requires the adoption of reform policies capable of facing any future emergency shock, and working to avoid stringent policies during financial shocks, which incur high costs. In this context, working to increase the contribution of tax revenues to the general budget to address cases of declining oil revenues and the inability to pay the salary bill is necessary. In this regard, we propose that tax reforms be initiated with the aim of integrating informal activities into the formal economy. This can be achieved through the establishment of a National Electronic Invoicing system, which connects all sectors focusing on professionals such as doctors, lawyers, clinics, and large businesses. This would enable the government to gather more information about economic activities across all sectors, identify the informal sector, and ensure its inclusion in the tax base.

## Resources:

- (1) Ministerial Program, Government of Mr. Mohammed Shia' Al-Sudani, 2022.
- (2) Final Report of the Financial Reform Emergency Cell, White Paper, 2020.
- (3) Federal General Budget Law for the Fiscal Year 2021.
- (4) Federal General Budget Law for the Fiscal Year 2023.
- (5) Dhiaa Suad, and other. (2021), Public Expenditures Priorities between Human Development Requirements and Funding Constraints.



2024  
Policy Report  
**Government efforts  
and opportunities to  
combat corruption  
in Iraq**

Aqeel Qasim

## Introduction:

The phenomenon of corruption has become one of the biggest challenges facing the world, hindering all efforts to achieve political and economic stability due to its negative and dangerous impacts on countries. Governments, in their various authorities, seek to combat and reduce corruption by developing appropriate and effective mechanisms and tools to eliminate it. This can only be achieved through the implementation of effective plans, programs, and strategies, benefiting from the experiences of advanced countries and international organizations in this field.

Regarding Iraq, we can say that this phenomenon is not a new one but has accompanied Iraq since the establishment of the Iraqi state in 1921. It escalated significantly due to the senseless wars in the early 1980s and continued with what was known as the "Oil-for-Food" program, which began in 1996 under the supervision of the United Nations, following Security Council Resolution 986 of 1995. Many investigations after 2003 revealed suspicions of corruption and bribery associated with the implementation of the program at that time.

To understand the nature and environment of corruption in Iraq, it manifests in several forms, including political, administrative, financial, and societal corruption, compounded by the volatile economic situation since 2003. This is particularly evident as Iraq relies on over 87% of its annual budget on oil sales, lacking diversification in its revenue sources and relying solely on oil revenues to build its annual budget. The lack of quick solutions that are commensurate with the scale of corruption prevalent in state institutions and various sectors has further complicated the problem, undermining the state's authority and the society's trust in its public institutions.

## Background:

It is necessary to review the government plans and measures adopted in the field of combating corruption for two successive governments (the government of Mr. Adel Abdul Mahdi and Mr. Mustafa Al-Kadhimi) and their government programs presented, particularly regarding anti-corruption efforts. This includes stating Iraq's ranking in the Corruption Perceptions Index issued by Transparency International for the years from 2018 to 2022, in addition to utilizing reports from government agencies, ministerial and governmental agendas, and Cabinet decisions issued in this regard.

Iraq suffers from high levels of corruption, where the amount of money spent during the years (2003-2022) exceeded \$1 trillion. However, the development levels do not match the amount spent, and they remain generally low. This is evident through the low level of services and the high levels of poverty in Iraq. There are numerous pieces of evidence, including statements from the former president about the smuggling of approximately \$150 billion during the period (2003-2021).

Regarding the acknowledgment by the previous government of the "theft of the century," which resulted in the loss of approximately \$2.5 billion from the tax revenue account, and the presence of numerous pieces of evidence, the Corruption Perceptions Index issued by Transparency International indicates the significant perceived corruption in the Iraqi public sector. This index is an annual indicator published by Transparency International since 1995. It classifies countries according to their perceived levels of corruption in the public sector, as determined by expert assessments and opinion surveys. The index ranks 180 countries worldwide, and the scores and rankings of Iraq for the past five years in the index are as shown in the following table.

Table (1): Corruption Perceptions Index for the Period from 2018 to 2023 (Iraq)

#	Year	Index	The ranking out of 180 countries
1	2018	18	168
2	2019	20	162
3	2020	21	160
4	2021	23	157
5	2022	23	157
6	2023	23	154

The source is reports from the Transparency International organization for the years 2018 to 2022.

Despite the fact that the index does not rely on actual data and facts about corruption but rather uses expert opinions and surveys to assess countries, we can observe from the above table that Iraq's ranking came in the bottom quarter of the ranking among a total of 180 countries worldwide.

This clearly indicates the magnitude of the problem faced by Iraq in this area. It's worth noting that the organization relies on three sources for each country to calculate the index, and these sources are gathered by a variety of institutions including the World Bank, the World Economic Forum, and the Economist Intelligence Unit. The main focus is on the public sector. As for the types of corruption measured by the Corruption Perceptions Index, they include bribery, misuse of public funds, abuse of public office, government's ability to contain corruption, excessive bureaucracy, nepotism in appointments, and others.

## **Actions of the previous government:**

Measures by Prime Minister Adel Abdul Mahdi's Government in Fighting Corruption (2019): The government program of Prime Minister Adel Abdul Mahdi consisted of five main axes:

- Completing the construction of the foundations of the unified federal state and its republican parliamentary democratic system.
- Sovereignty of the system and the law and enhancing internal and external security.
- Optimal investment of energy and water resources.
- Strengthening the economy.
- Services, human, and community development. The second axis included several topics, including combating terrorism, enforcing the law, combating corruption, and waste. Regarding the topic of combating corruption, it was mentioned to address the roots of corruption by drying up its sources through reviewing the system of laws, regulations, instructions, and controls in place, which allow corrupt individuals to exploit gaps and contradictions. This includes rebuilding a transparent and effective system that establishes a working environment that promotes integrity, fights corruption, and facilitates the prosecution of corrupt individuals by all legitimate means and exposes them regardless of their positions.

This is achieved through planned measures and activities in the program, which include:





- Addressing the gap between existing legislation and the provisions of the United Nations Convention against Corruption and other relevant agreements.
- Completing the database of officials subject to disclosure of their financial interests.
- Establishing clear specifications and standards for describing all positions, contracts, works, maps, plans, systems, permits, works, facilities, contexts, violations, applications, and others.
- Preparing the national integrity index and enabling the parliament, oversight bodies, integrity, and accountability to perform their duties.
- Commitment to professional work and constitutional oath, as appointing a minister from a certain party does not mean that the ministry will follow his party's policy and refraining from reflecting his affiliations on the institution he manages in any way.
- Redefining the role, status, and tasks of the Inspector General and oversight, integrity, and public prosecution bodies to ensure non-intersection and ensure the effectiveness and fairness of procedures. Their primary mission, in addition to the first task, is to observe violations of the text and spirit of the correct instructions or corruption in obstructing projects, delaying them, imposing obstacles, and citing unfounded matters that weaken them, thus canceling out the public benefit achieved for the general use of labor and others.
- The Council of Ministers should define specific and expedited contexts for resolving issues related to manipulation of appointments, contracts, or other matters, so that decisions are well-considered, realistic, free from confusion and contradictions, and legally binding according to established and announced regulations.
- Prime Minister Adel Abdul Mahdi also reconstituted the Anti-Corruption Council under his presidency, with membership from the Integrity Commission, the Federal Financial Control Bureau, two members from the Supreme Judicial Council - the Attorney General and the head of the Judicial Supervision Authority - a representative from the Office of the General Inspectors (as coordinator), a representative from the Prime Minister's Office (as rapporteur), and a representative from civil society (as observer). The council's tasks included developing the national strategy to combat corruption, monitoring its implementation, overseeing the completion of legal frameworks for combating corruption, closing legal loopholes that facilitate corruption, completing the institutional frameworks of the anti-corruption system, unifying and coordinating anti-corruption efforts, supporting and proposing appropriate solutions to address the problems facing

these efforts, monitoring the implementation of the various state institutions' policies, programs, and plans in combating corruption, and evaluating these policies and programs.

All of the above measures were not implemented due to the complexities of the political and economic situation in Iraq at the time, and due to the lack of genuine political will to effect real change and combat corruption. The resignation of the Minister of Health and Environment, Dr. Alaa Al-Alwan, on September 12, 2019, after a year in office, is a clear indication of the magnitude of the challenges and rampant corruption in public institutions, including the health sector. In a letter addressed to the Prime Minister and published in the media, the Minister highlighted the important details of the Ministry of Health and Environment's work, the obstacles hindering reform and undermining success opportunities, the media misinformation campaigns, and political pressures faced by the Ministry from those whose interests were affected by the reform policy. He cited the reasons that led him to submit his resignation, concluding his letter by stating, "I regret to conclude that it is impossible to continue working under these conditions."

On October 9, 2019, Parliament voted on a law to dissolve the offices of the General Inspectors in the ministries, and despite the shortcomings accompanying the work of those offices, the subsequent course of action in ministries and public institutions after their dissolution indicates the mistake of such a decision, which fundamentally contradicts the government program presented at the time. This law was preceded by a cabinet order to establish inspector's offices in 7 government institutions, indicating the extent of inconsistency, intersection, and lack of clarity in the vision regarding the fight against corruption between the government on one hand and parliament on the other. On November 30, 2019, Mr. Abdul Mahdi officially submitted his resignation to Parliament following popular protests and a call from the religious authority for the Iraqi Parliament to reconsider the government.



# Government measures under Prime Minister Mustafa al-Kadhimi in the field of combating corruption (2020):

The government promises included four main axes in the ministerial program of Prime Minister al-Kadhimi's government, as no government program was presented after Parliament's approval of the program earlier. The prominent axes were:

**First Axis:** Aimed at implementing short-term economic reforms that would provide urgent solutions to the financial deficit resulting from the decline in oil prices, thus finding temporary financial alternatives to bridge this deficit and reducing unnecessary expenditure.

**Second Axis:** Long-term economic reforms aimed at transitioning from a rentier economy to a productive economy, maximizing state resources, and activating investment.

**Third Axis:** Combating corruption and implementing administrative reforms in state structures and institutions. These measures include transitioning towards e-government, enhancing transparency, and adopting automation in all state institutions.

**Fourth Axis:** Concerned with the care of vulnerable and marginalized groups, especially youth, women, and social segments covered by social welfare.

The steps pledged by the government in the field of urgent economic reforms to address the budget deficit were a priority due to the size of the financial deficit, which reached more than 80 trillion Iraqi dinars in 2020 as a result of declining oil prices. This led to the suspension of essential expenditures and delays in the payment of salaries to employees and retirees.

In the second session of the Council of Ministers on May 12, 2020, a decision was issued to form the Emergency Cell for Financial Reform, whose task was to develop necessary solutions to achieve financial reform and improve the performance of financial institutions. Subsequently, the cell announced its final report, known as the "White Paper," which is a five-year reform plan to be implemented in phases. The first package of these reforms was included in the general budget for the year 2021. The cell was chaired by the Prime Minister and its meetings were managed by the Minister of Finance, Dr. Abdul Amir Allawi, in addition to the membership of several other institutions (financial, planning, oil, and the Central Bank).

## The White Paper included five axes:

- Achieving sustainable financial stability.
- Implementing comprehensive economic reforms based on strategic principles.
- Improving basic infrastructure contributing to the advancement of future sectors.
- Providing basic services and rationalizing and directing social welfare, prioritizing the poor.
- Developing governance and legal and administrative environments to enable institutions and individuals to implement reform.

The fifth axis of the White Paper focused on developing governance and the legal and administrative environment to enable institutions and individuals to provide the conditions for real reform and its implementation. This included:

- Reviewing and amending government contract implementation instructions to enhance efficiency, transparency, accountability, and anti-corruption efforts.
- Reforming public administration to create a business-friendly environment that enables its empowerment, growth, and liberation rather than hindering it.
- Regarding government contracts, the measures included modifying the regulations for implementing government contracts, establishing a high committee for central contracts to review all central contracts worth more than ten billion dinars, forming a team to review contracts for all government departments with international arbitration decisions, and setting up a government team to monitor the implementation of major contracts to ensure that projects are not delayed without justification.

As for governance and public administration reforms, which are of interest, they included:

- Implementation of the Electronic Signature and Transactions Law.
- Implementation of the electronic entry badge project and the application of procedures for granting badges at Iraqi ports.
- Establishing employment principles based on competence to gradually replace the existing hybrid system based on the perceived right to public sector employment.
- Ensuring that the administrative apparatus responds to market standards in providing public services.
- Improving accountability for civil service employees, transitioning from compliance-based evaluation to results-based performance evaluation.
- Adopting a "Results-Based Management" approach during the project lifecycle and encouraging local population participation in program implementation.

- Cooperating with international investigative organizations to conduct investigations into international criminal evidence to reduce the amount of money smuggled abroad.
- Introducing electronic governance in government contracting, tax collection, and customs.
- Developing the powers of the Financial Control Bureau and amending its law to enhance its powers.
- Completing the National Integrity and Anti-Corruption Strategy for the period 2021-2024, although its results did not appear during the tenure of the previous government.

Additionally, former Prime Minister Mustafa al-Kadhimi issued an order in 2020 to form a committee known as the Committee for Corruption and Major Crime Issues, known as the Abu Rqeeq Committee, which succeeded in opening some corruption files and arresting some corrupt officials responsible for them. However, it remained far from addressing the scale of the problem. It is noteworthy that the theft of tax revenues occurred during the committee's term. Overall, the reforms proposed by Prime Minister al-Kadhimi's government, whether through its ministerial agenda, its reform program (the White Paper), or the 2021 general budget, focused primarily on revising the exchange rate (Iraqi dinar against the dollar) as it was the easiest available solution. As for the rest of the programs and plans related to economic and administrative reforms, addressing institutional dysfunction, automating the banking sector, housing sector, customs, border crossings, infrastructure, healthcare, and other areas, they remained only on paper and did not go beyond being unexecutable due to several reasons, including the government's short-term focus aimed at holding early elections as pledged to the public and the general public. Additionally, the reform plans proposed by Prime Minister al-Kadhimi's government required longer timeframes, and it could have pursued simpler and faster realistic measures, added to the lack of genuine political will for economic reform.

## **Actions of the current government:**

The current government has inherited a heavy legacy of challenges, problems, and obstacles from previous governments, chief among them being the widespread corruption in public institutions, which is our main concern in this public policy report, specifically the anti-corruption file.

One of the first signs of hope from my perspective is the approval of a three-year budget that will provide legal cover and contribute to political and economic stability. It has not been the case to approve a triennial budget since 2003 until the current government assumed responsibility on October 13, 2022. Mr. Al-Sudani affirmed in a press statement to the media that the government program represents the future vision of the government and translates the plans and programs of the ministries that intend to implement them for the next phase. He pointed out that the government's work will be evaluated in light of its approved government program, and the evaluation will include ministers, undersecretaries, governors, advisors, and general directors according to specified schedules.

- He clarified that the government's priorities can be summarized as follows:
- Combating administrative and financial corruption.
- Addressing unemployment and creating job opportunities for both genders.
- Supporting the poor, vulnerable, and low-income citizens.
- Reforming the economic and financial sectors, especially agriculture, industry, and the banking sector, and supporting the private sector.

The government's current program focuses on several key pillars, particularly in the area of combating corruption, which is considered one of the most challenging files. The program includes:

- Support and activation of oversight bodies: This involves empowering institutions such as the Integrity Commission and the Financial Control Bureau to carry out their duties in holding corrupt individuals accountable according to existing laws. It also entails taking fundamental steps to follow up on corruption files, particularly those of significant magnitude, which were prepared by regulatory authorities and some in collaboration with international anti-corruption entities during previous governments.
- Review of previous contracts: The government plans to conduct a comprehensive review of previous contracts, especially significant ones, to address any observations indicating mismanagement of public funds and to rectify them according to the law.
- Adoption of a robust plan for recovering smuggled funds: This includes initiating legal international pursuit to ensure the recovery of such funds. The government intends to implement this plan immediately after its formation.

- **Emphasis on preventative measures:** The government aims to prioritize preventative measures as part of its anti-corruption program. This involves establishing mechanisms and regulations to mitigate corruption and promptly implementing governance practices within government departments, particularly those providing public services, to reduce interactions between citizens and government employees.

Additionally, Prime Minister Mohammed Shia' Al-Sudani has formed the High Committee for Combating Corruption and its supporting team to support the efforts of the Federal Integrity Commission in resolving investigative issues and recovering assets related to corruption cases.

Regarding the Budget Law (2023-2025), which was approved for the first time for a three-year period, it represents a positive step as it contributes to stability and avoids financial gaps. Moreover, it aligns closely with the government's presented program. However, it also poses an additional challenge for the current government and serves as a new test for its efforts.

In the field of combating corruption, the level of expenditure and allocations is significant and requires strict oversight from parliament and governmental oversight bodies to ensure that these allocations are directed towards programs and plans designated for various sectors and domains.

We are still awaiting real and impactful results regarding the government's performance in this regard. While there are some positive indicators, they have not yet matched the scale of the challenges and the problem.

We have seen serious and genuine steps taken by the current government to address some issues in public institutions (suspected corruption), particularly in vital sectors like agriculture. These steps have been continuously monitored by a team under the Prime Minister's Office, which has been closely examining detailed matters concerning the Ministry of Agriculture. This is in line with observations confirmed by the Federal Financial Supervisory Board regarding expenditure and financial advances in previous years that have not been settled, particularly in this important sector.

Administrative investigations have been completed on some of these matters, and those responsible have been referred to the Integrity Commission and the judiciary to complete other legal procedures. We hope that the pace of monitoring and accountability remains at the same level and intensity, and that it extends to other sectors such as health, oil, electricity, and others that affect the daily lives of citizens.

- On February 27, 2024, a decision was issued by the General Secretariat of the Council of Ministers titled "Enhancing Internal Control Measures in Government Institutions." It included several directives, the most important of which are:
- First paragraph: Elevating the level of audit and internal control departments within ministries, non-ministerial entities, and all provinces through the establishment of a directorate called the "Directorate of Audit and Internal Control," which reports to the relevant minister or the head of the non-ministerial entity or governor, based on the authority of the Prime Minister according to the law of establishing administrative formations and integrating them, and amending their activities (Law No. 12 of 2011). However, ministries or non-ministerial entities that have specified their audit and internal control formation levels at the level of a general department shall remain as they are.
- Eighth paragraph: Expanding the scope of work of the aforementioned directorate and its affiliated audit and internal control departments, granting them the following powers:
  - Conducting comprehensive oversight and auditing of all activities, with the right to access all documents, records, transactions, information, official and routine correspondence relevant to control tasks. The entities subject to their oversight cannot refuse to provide them with such information, and their oversight shall be comprehensive, proactive, and retrospective.
  - Reviewing and auditing operations and accounts to ensure integrity, transparency, and efficiency.
  - Receiving complaints and reports related to activities violating laws, regulations, and instructions, and taking necessary actions in accordance with the law.
  - Detecting violations committed by employees or public servants during or due to the performance of their duties and working to prevent their occurrence.
  - Contributing to administrative investigations. The minister or head of the non-ministerial entity and governor may authorize the director of the directorate to establish investigative committees in accordance with the Law on Discipline of Civil Servants and Public Sector Employees (Law No. 14 of 1991, as amended) and send the administrative investigation report to the competent authorities according to the law.
  - Conducting documentary and field audits through inspection visits to all work sites without exception, with the right to access all necessary records, documents, data, information, and official and routine correspondence for auditing purposes.

- Conducting inspection visits to entities subject to oversight.
- Providing suitable proposals and recommendations related to the development of programs, policies, and procedures.
- Taking any action that contributes to preventing corruption and protecting against it.
- The directorates of audit and internal control shall prepare an annual report within 60 days from the end of each fiscal year, including the directorate's efforts in the field of oversight, auditing, investigation, and other related efforts, which shall be submitted to the Federal Financial Supervisory Authority.

This decision represents a positive step by the government to fill the void created by the decision to dissolve the offices of the public inspectors in ministries and government agencies. On March 3, 2024, in a statement distributed to the media, the Prime Minister addressed the decision, focusing on three points, with the third point being the most important. Here is the text of the statement and the third paragraph:

Continuing the government's approach in combating corruption and preventing it, given the risks that corruption poses to government institutions and the public services provided to citizens, and in order to enhance the role of internal control in government institutions and integrate its role with the roles of the Federal Financial Supervisory Authority, the Federal Integrity Commission, and law enforcement agencies, the Prime Minister directed as follows:

Point 3 of the directives: Drafting a bill for the Federal Internal Control Authority in accordance with the provisions of Article 108 of the Constitution of the Republic of Iraq for the year 2005, to strengthen internal control in all government institutions and regulate preventive and follow-up control measures, raise levels of accountability, integrity, transparency, and protection of public funds and all government institutions.



# Primary Oversight Institutions in the Budget (2023-2025)

To analyze the oversight institutions within the Iraq budget (2023-2025), we will rely on two key indicators. The first is the number of employees in oversight institutions compared to the total number of employees in the state, and the second is the size of allocations for oversight institutions compared to the total budget allocations. These indicators provide insights into whether governmental attention is focused on supporting these institutions compared to others.

- **Number of Employees:** The total number of employees working in oversight bodies (the Federal Financial Supervisory Board and the Integrity Commission) amounted to 6848 employees, distributed as follows: the Integrity Commission had 2864 employees, and the Federal Financial Supervisory Board had 3984 employees. Considering that the total workforce of funded ministries and central departments within the budget is 4,074,697 employees, the percentage of the total employees working in oversight bodies is 0.17 per thousand, which is a small percentage compared to the huge number of employees in Iraq. The following table shows the number of employees working in oversight institutions compared to the total number of state employees.

Table (2) Number of Employees in Oversight Institutions Compared to the Number of State Employees.

Institution	No. of employees	Total number of government employees in the budget of 2023-2025	The percentage of employees in the regulatory institution to the total number of government employees.
The Federal Financial Control Bureau	3984	4,074,697	0.1
The Federal Integrity Commission	2864		0.07
Total	6848		0.17

It's worth mentioning that the number of state employees in the budget does not represent the total number of state employees in Iraq, as it does not include employees working in self-financing institutions, estimated at around 3 million employees and their institutions are subject to the oversight of the Federal Financial Control Bureau and the Federal Integrity Commission.



- **Total Spending:** The total spending approved within the general budget amounted to (198,910,343,590) dinars. The total expenditures for both the Integrity Commission and the Federal Financial Control Bureau combined were (224,295,820) thousand dinars, distributed as shown in the table below:

Table No. (3): Spending in Oversight Institutions Compared to Total Spending According to the General Budget (2023-2025)

Institution	Spending (Thousands of dinars)	Total expenditures (Thousands of dinars)	The percentage of spending on government institutions to total spending
The Federal Financial Control Bureau	111,432,052	198,910,343,590	0.05
The Federal Integrity Commission	112,863,768		0.06
Total	224,295,820		0.11

The table above indicates a doubling of the allocation size observed for these two institutions compared to the total allocations for state institutions in the budget, despite the relative importance of regulatory institutions and the magnitude of administrative and financial corruption. This necessitates an increase in allocation size, especially those allocations related to purchasing modern electronic systems for auditing and monitoring, as well as increasing allocations related to employee development and training to enhance their functional capabilities.

## Conclusion

From all the above, we conclude that addressing the phenomenon of corruption is a shared responsibility requiring concerted efforts between the three branches of government (legislative, executive, and judicial). Entrusting a single entity with the responsibility of confronting the threat of this phenomenon is not feasible, and there is a need to reconsider the issue of proactive oversight and administrative investigation, especially after the abolition of the Offices of the Inspector Generals.

Despite the drawbacks associated with the work of those offices, their abolition created a real void in public institutions and severed direct communication and interaction between departments and institutions on one hand, and the Integrity Commission on the other. This necessitates the establishment of new structural frameworks to compensate for the void created by the abolition of the Offices of the Inspector Generals in 2019 through the authorities of the Council of Ministers. In formulating the public policy of the state through systems, instructions, and decisions within the framework of existing laws, society must play an important and effective role in addressing this phenomenon. This can only be achieved through continuous education, holding seminars, discussion sessions, and dialogues, and providing space for the media to expose and uncover this phenomenon to the public and the public opinion in order to convey it to governmental and executive authorities.

## Recommendations:

1. Benefit from the experiences of countries around the world in combating corruption, coordinate and exchange experiences with them, and learn about the latest methods and mechanisms used in combating and reducing corruption, including training, development, sending missions, organizing workshops, and more.
2. Automation of government departments and institutions has become an urgent necessity that cannot be avoided, especially those that provide services to citizens and in government financial accounting departments to reduce routine tasks and facilitate oversight.
3. It is essential to continuously review the legal legislation related to combating corruption and regulatory authorities to contribute to the success of the work of these institutions and bodies.
4. Regarding oversight of the general budget and the implementation of its provisions, the legislative authority (parliament) must have a greater and real role in monitoring the implementation of the budget provisions in line with the government program presented by the government.
5. Support the efforts of regulatory agencies in implementing the National Integrity and Anti-Corruption Strategy (2021-2024) and prepare progress evaluation reports.

## References:

- Reports and data from Transparency International.
- Federal Budget Law.
- Data from the Ministry of Finance.
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2024

Policy Report

**Poverty and Social  
Welfare: Building a  
Comprehensive System to  
Reduce Poverty and  
Enhance Well-being**

Zahraa Ibrahim

## Introduction:

Poverty is witnessing a significant evolution in our present time, as it is considered a global problem with socio-economic ramifications and multidimensional political implications. It has impacts on human life in health, social, and educational aspects. The phenomenon of poverty has emerged in Iraq since the 1990s due to internal and external wars, as well as the economic blockade imposed on the country by international organizations. Therefore, eliminating poverty is an economic and political necessity, and the Iraqi government has undertaken various programs to alleviate poverty, including social protection programs, food ration cards, loans for small and medium-sized projects, and others. These programs are linked to the structure and culture of society, affecting and being affected by an interactive set of economic, political, social, and cultural determinants.

The manifestations of poverty are reflected in material and social deprivation and the deterioration of life quality, such as low income, high unemployment, malnutrition, disease spread, illiteracy, lack of adequate housing, high child mortality rates, and shortened life expectancy, among others. Thus, poverty is a multi-faceted social phenomenon, marginalizing a segment of society and depriving it of participating in decision-making and accessing various social services, as it is defined as "the economic condition in which an individual lacks sufficient income to obtain the necessities of food, clothing, healthcare, and all essentials, i.e., the inability to meet basic needs."

The fifth installment of the Iraq Poverty Reduction Strategy Paper (2018-2022) focused, among its activities, on building an effective social protection system for the poor. At the forefront of these projects is the development of targeting and systematic integration of the food ration card and social protection, emphasizing the importance and effectiveness of this project in alleviating poverty for a large segment of Iraqi society. Additionally, it plays a crucial role in poverty alleviation and improving living conditions for the poor by providing financial support through cash assistance and helping to secure their basic needs, especially food, and Healthcare, social protection contributes to establishing the foundations of equality, social justice, and reducing poverty and marginalization in society.



## Background:

Iraq has faced significant challenges, including terrorism, economic corruption, and economic rentierism. The country experienced disintegration and collapse following the 2003 US invasion. The Iraqi economy has been plagued by widespread corruption across various sectors, with successive Iraqi governments unable to address the economic imbalances. Subsequently, terrorist organizations proliferated, leading to conflicts, destruction, displacement, and significant financial expenditure on military operations.

The government faced serious challenges from 2014 to 2018, particularly in combating terrorism represented by the Islamic State (ISIS), which required significant financial allocations amidst a financial crisis due to declining oil prices. The government also struggled to provide services to citizens and combat corruption. As a result, more than 6 million citizens were displaced to safe provinces, and the percentage of widows among Iraqi women reached 40%. Poverty increased dramatically after 2014, exceeding 30%, compared to the previous rate of no more than 13%. Unemployment also rose to 31%. The budget for 2013 amounted to over \$118 billion, but the same allocations were used in 2014 due to the non-approval of the budget law at that time.

In late 2019, the COVID-19 pandemic had negative impacts on various aspects of economic, social, and health life worldwide. This pandemic posed an emergency threatening public health and depended on various determinants, including the availability of health, economic, and social infrastructure. Global economic activity declined rapidly due to the health precautionary measures imposed by countries. Most global economic sectors suffered losses amounting to billions, leading to a decline in economic growth rates and deterioration in sustainable development indicators. The health precautionary measures led to increased unemployment and poverty rates among society segments, with border closures, market closures, and suspension of official working hours. This prompted the Iraqi government to establish a crisis cell to coordinate efforts and combat the pandemic, applying appropriate measures to mitigate its effects. The government also took several measures to provide financial assistance to help citizens and provide them with health protection and care through various possible means to minimize the damage they suffered.

During the period from 2018 to 2020, the government developed a strategic plan to reduce poverty for the years 2018-2020, including implementing agendas for social and economic development through a four-year development plan.



The 17 Sustainable Development Goals (SDGs) adopted by the United Nations aim to address various global challenges, including poverty alleviation, sustainable development, and environmental protection. The plan aimed to reduce poverty by 25% by 2022 and eventually reduce it by 50% in the long term by 2030.

However, the emergence of the COVID-19 pandemic posed both health and economic challenges, along with the devaluation of the Iraqi dinar against the US dollar from 1182 dinars to 1460 dinars due to the decline in oil revenues resulting from the oil price slump. The government attributed this to bridging the gap caused by inflation in the 2021 budget. This measure significantly affected citizens as the prices of essential goods and commodities in the markets increased, with 80% of market needs being imported.

Table (1): Most Impoverished Provinces in Iraq

The Poorest Provinces	Poverty rate
Al-Diwaniyah Governorate	47,7%
Maysan Governorate	45,4%
Nineveh Governorate	37,7%
Thi Qar Governorate	23,9%
Diyala Governorate	22,5%
Muthanna Governorate	52,1%

Source: Ministry of Planning, Central Statistical Organization

It became difficult for people with limited incomes to purchase their essential needs and food requirements. The increase in local production, which relies on imports, led to a widespread increase in poverty rates. As a result, the prices of food items rose by 14-20%, leading to an increase in the poverty rate to over 30%.

The table above illustrates the most impoverished provinces in Iraq.

The allocations for the poverty alleviation strategy in the 2023 budget are as follows:

Table (2): Allocations for Poverty Alleviation Strategy in the 2023 Budget

Provinces	Population estimates for the year 2023	Poverty rate for the year 2018 (%)	The number of poor people	Allocation for poverty/dinar
Muthanna	925440	52,10	482,154	5,903,000,000
Babil	2346696	11,10	260,483	3,189,000,000
Wasit	1566789	18,70	292,990	3,587,000,000
Karbala	1384941	13,80	191,122	2,340,000,000
Diyala	1860536	22,50	418,621	5,125,000,000
Najaf	1672312	12,60	210,711	2,580,000,000
Al-Diwaniyah	1467127	47,70	699,820	8,568,000,000
Baghdad	9235180	9,90	914,283	11,194,000,000
Maysan	1264427	45,40	574,050	7,028,000,000
Basra	3305189	16,20	535,441	6,556,000,000
Thi Qar	2380943	33,90	807,140	9,882,000,000
Nineveh	4238733	37,70	1,598,002	19,565,000,000
Kirkuk	1815834	7,60	138,003	1,690,000,000
Salah ad-Din	1812822	17,90	324,495	3,973,000,000
Anbar	2013300	17,00	342,261	4,190,000,000
Total	37290269		7,789,576	95,370,000,000

Source: Ministry of Planning - Executive Administration for Poverty Alleviation Strategy.

The largest allocations were concentrated in Nineveh province with an amount of (19.5) billion dinars, due to the significant concentration of impoverished populations in the province. This is attributed to the displacement and migration of residents to other areas following the terrorist activities of ISIS, as well as the destruction of their homes. Following Nineveh, Baghdad, Thi Qar, and Diwaniyah provinces received significant allocations.

Regarding poverty rates per population, Muthanna province had the highest percentage at (52%), followed by Diwaniyah province at (47%), Maysan province at (45%), and Nineveh province at (37%)

## Previous Government Measures:

Despite the deteriorating security situation and funding constraints, the implementation of the First Poverty Alleviation Strategy (2010-2014) continued and some results were achieved. The first strategy emphasized dealing with four main challenges: ensuring security and stability, ensuring good governance, ensuring fair distribution, and diversifying income sources in the market economy, as well as mitigating the negative impacts of reform. It represented the first official effort to address poverty, with actual implementation of activities beginning in 2012 due to delays in government formation and the completion of strategy structures.

During the period 2012-2015, 48 activities out of 87 included in the strategy were implemented, with a total of 199 projects executed in 14 non-Kurdish provinces, and the allocation for these activities amounted to approximately 1.6 trillion Iraqi dinars (around 1.3 billion USD) during the period 2012-2016.

The second strategy, the Second Poverty Alleviation Strategy (2018-2022), faced two sets of challenges: old and continuous challenges since the first strategy, and new challenges resulting from the security, political, and economic

situations caused by ISIS occupation and the collapse of oil prices to less than one-third of their 2014 levels. The strategy aimed to reduce poverty rates by a quarter by 2022 through a consultative and participatory process involving all relevant ministries. It clearly defined priorities for improving the access of the poor to basic services, particularly vulnerable groups such as women and children, and aimed to provide.

Sustainable social protection mechanisms aimed at building overall human capital also focus on the needs of returnees and displaced families in recently liberated areas. However, the implementation of this strategy faced real and substantial challenges, including the spread of the coronavirus and the subsequent decline in global oil prices. Additionally, the health measures, including health lockdowns, led to many citizens losing their jobs, resulting in an increase in the number of poor individuals. Furthermore, the economic situation of other poor individuals worsened due to the suspension of funding for the strategy during the year 2020, as a result of the budget not being approved, and its non-approval in 2022.

## Can the government contribute to solving this problem?

Yes, the government can contribute to solving this problem by implementing appropriate policies and programs. Solving it requires cooperation and joint efforts between the government, civil society, and the private sector. These programs include providing direct financial support to low-income families and offering employment opportunities and vocational training.

One program that could help is the Small Income-Generating Projects Fund, which aims to secure new job opportunities and reduce unemployment, especially in the poorest areas. This program also aims to increase productivity, support the national economy, monitor the labor market, assist project owners in obtaining official licenses, and encourage their projects.

Moreover, the increase in the capital of the Unemployed Loans Fund by 400 billion Iraqi dinars in the field of health could have a significant positive impact on enhancing the healthcare system's ability to combat diseases and provide high-quality healthcare to citizens. This increase can provide additional funding for projects and programs aimed at developing and improving healthcare infrastructure, providing modern medical equipment, enhancing medical training, and developing healthcare personnel.

However, the allocated salary of 180,000 dinars in the budget may not be sufficient to meet all the needs, especially of widows, orphans, and unemployed individuals, if it is considered the sole income for the family. It should be noted that the cost of living and prices varies from one region to another in Iraq. While a salary of 180,000 dinars may contribute to meeting some basic needs, it may not be enough to meet all of them. It is preferable to assess the individual needs of each family based on the local situation and actual costs to determine the adequacy of the salary and whether it can meet the basic needs or not.

In conclusion, mechanisms for improving the situation of the poor should shift from a system of full care to an empowerment system, aiming to integrate them into the national economy and benefit from their potential while reducing the burden on the state. This requires the following:

- **Strengthening social protection:** It is essential to enhance social protection programs to reduce poverty and improve social care for individuals and families with low incomes. Providing social security and assistance programs for irregular workers, vulnerable groups and people with special needs is recommended. These programs should include providing healthcare, education, decent housing, food, and cash assistance to the most needy groups. These programs are essential parts of efforts to improve living standards and reduce poverty.
- **Enhancing employment opportunities and vocational training:** Providing employment opportunities and vocational training for the poor individuals is crucial to combating poverty and achieving social development. Governments and private institutions should invest in vocational training programs and skill development for economically disadvantaged individuals, promote suitable and fair employment opportunities, and provide support for small and medium-sized enterprises and entrepreneurship. These activities can be a source of income and enhance the local economy.

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2024

Policy Report

**Developing the private  
sector and maximizing  
non-oil revenues: Between  
the curriculum and the  
budget**

Khaled Al-Saadi



## Introduction:

The Iraqi economy's heavy reliance on oil revenues poses a significant challenge, necessitating serious consideration by the Iraqi government about diversifying revenue sources. Therefore, it needs a vital strategic direction to maximize the utilization of the private sector and its development to enhance its role as an engine of the national economy and reduce reliance on oil.

The strategic shift towards maximizing the utilization and development of the private sector is based on several key pillars. It begins with improving the investment environment by reforming the investment climate, which should be clearly evident in this context. The government must aim to streamline procedures and reduce bureaucracy to make investment in non-oil sectors more attractive. Additionally, infrastructure development and enhancing the private sector's capabilities are essential to effectively contribute to sustainable development.

Coordination between the public and private sectors is crucial. Effective coordination between the public and private sectors is vital and requires active encouragement from the government. Strategic partnerships should be strengthened, and more support should be provided for public-private partnership projects, promoting innovation and contributing to sustainable economic growth.

The final pillar of the transformation starts with researching and focusing on potential sectors. Economic diversification also requires a focus on developing specific non-oil sectors. Therefore, promising sectors with high growth potential, such as manufacturing, technology, and agriculture, should be identified and supported. The government must strategically direct investments and efforts towards these sectors.

The Ministerial Program of the Sudanese Government outlined several axes aimed at developing the private sector and achieving non-oil revenues as one of the top priorities of the Iraqi government for the year 2023. These axes include:

- The ninth axis (Commerce):
  - Encouraging investment and shifting away from complete reliance on the oil sector.
  - Incentivizing the attraction of capital and projects in non-oil sectors.
  - Providing financial and tax incentives for investors.
- The tenth axis (Industry): Supporting and developing small, medium, and micro-industrial projects and benefiting from successful local and international experiences, and cooperating with relevant organizations to improve the performance of small industries.



- The twelfth axis (Financial and Banking Sector):
  - Resolving the issue of industrial cities and facilitating their establishment and development.
  - Simplifying procedures and reducing costs associated with establishing industrial cities.
  - Developing its structures to align with the needs of the industrial sector.
- The fifteenth axis (Investment)::
  - The government intends to encourage investments in diversified sectors.
  - Launching promotional campaigns to attract investors.
  - Providing a conducive and encouraging investment environment.

This report aims to review the governmental agenda and the general budget, focusing on stimulating private sector growth and maximizing non-oil revenues. The Iraqi government must adopt active policies to provide an investment environment that encourages private initiatives and enhances competitiveness. Accordingly, the government should be an effective partner with the private sector in achieving economic and social goals.

## Background:

Iraq faces significant economic challenges due to its excessive reliance on oil revenues, making it vulnerable to fluctuations in global oil prices. This heavy reliance poses a significant threat to the stability of the Iraqi economy and the diversification of revenue sources.

The heavy reliance on oil in the Iraqi economy, prone to oil price fluctuations, negatively affects the state's general budget and its ability to finance essential services. Budgets generally rely on a context that is usually increasingly tight. Thus, oil price fluctuations lead to austerity measures or borrowing to bridge the deficit, as happened in previous years, where Iraq resorted to domestic borrowing to finance public sector salaries.

Moreover, excessive reliance on oil leads to slowed development, as the significant focus on oil hampers economic diversification, making the Iraqi economy less resilient and more susceptible to shocks.

Oil price forecasts are characterized by volatility, but there are some general trends: Global impacts: Factors such as global demand and supply, and geopolitical events, play a significant role in shaping oil prices. Transition to renewable energy: The ongoing transition to renewable energy could impact future oil demand.

Analysis of the Problem with Numbers Through analyzing the budget structure and the distribution of revenues and expenditures in the 2023 budget, we can reach some key points:

- Heavy reliance on oil revenues:

Table No. (1) Total Revenues and Expenditures in the 2023 Budget

Account Name	Total amount
The total revenues	134,552,919,063,000
The total expenditure	198,910,343,590,000
Deficit	64,357,424,527,000

Table No. (2): Oil and Non-Oil Revenues in the 2023 Budget

Account Name	Total amount
Total revenue	134,552,919,063,000
Oil revenue	117,252,500,000,000
Non-oil revenue	17,300,419,063,000
The percentage of oil revenues to total revenues	87%
The percentage of non-oil revenues to total revenues	13%

Source: General State Budget (2023-2025)

From Table (1) above, it is evident that total expenditures exceed total revenues by an amount of (64) trillion dinars, which represents the planned deficit. Table (2) shows that 87% of the budget revenues rely on oil, indicating Iraq's continued significant dependence on oil as a primary source of revenue. Meanwhile, the percentage of non-oil revenues amounted to only (13%), indicating ongoing challenges related to diversifying revenue sources to finance the continuously expanding state expenses.

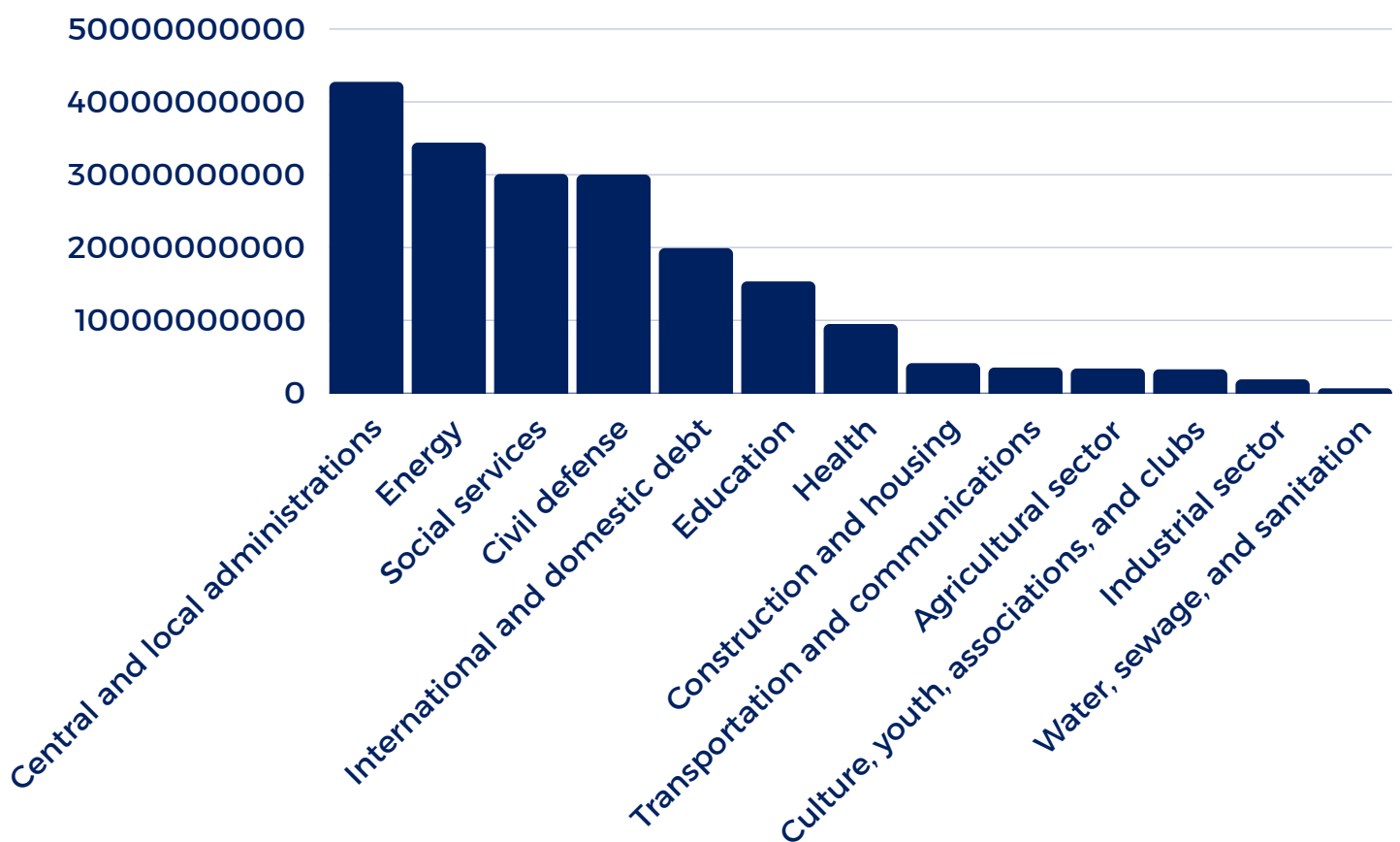
- Distribution of Expenditures Total expenditures amounted to (198) trillion dinars, with 72% of expenditures allocated to current expenditures, indicating ongoing challenges **in achieving budget balance and controlling current expenditures to maximize spending on capital investment.**

### Distribution of Expenditures by Economic Sectors

Overall, the allocations in the 2023 budget indicate continued challenges associated with heavy reliance on oil and financial challenges as they are, without a real vision for change as indicated by the ministerial program. The proportion of expenditure on central and local government administrations was the highest, indicating the large spending volume for state management institutions compared to those institutions concerned with service delivery.

The percentage of expenditure on the energy sector (17%) indicates the importance of this sector in the national economy, while the percentage of expenditure on security and defense (15%) underscores the importance of the security aspect and the government's focus on the security file despite its orientation towards reconstruction. Additionally, expenditure on domestic and international debt accounted for (10%), indicating ongoing challenges in debt management and its volume.

Figure (1): Distribution of Expenditures by Economic Sectors in the Budget (2023-2025)



Based on the data above from the General Budget 2023, it is evident that there is still a significant reliance on oil, posing immense challenges for the current government in achieving diversification and economic stability, as outlined in its ministerial agenda.

The Iraqi budget for the years 2023-2025 reflects the continuation of the rentier system, with operational expenditures dominating a large portion of the budget, and even capital expenditures primarily allocated for asset maintenance and institutional development.

## Previous government measures

The problem of Iraq's rentier economy and its excessive reliance on oil, along with the risks associated with this dependence, have been well-recognized by experts and researchers. The government, in collaboration with international organizations such as the United Nations Development Program, the International Labour Organization, the United Nations Industrial Development Organization, the Food and Agriculture Organization, and others, took on the task in 2013 of developing a strategy to develop the private sector (2014-2030) with the vision of "developing a vital, thriving national private sector, locally initiated, regionally competitive, globally integrated, aiming at achieving economic diversification, sustainable development, and job creation." The executive summary of the strategy acknowledged the magnitude of the problem, stating that direct government control over all aspects of the Iraqi economy for decades has weakened the private sector, leading to its closure. Many businesses have closed, and job opportunities provided by the private sector have shrunk. Despite the financial capacity provided by oil revenues to state budgets, the continuous reliance on these revenues as a source of income to sustain the economy is undesirable and unsustainable in the long run. This reliance on oil revenues has contributed to excessive dependence on cheap imported goods and equipment, often at the expense of local producers and service providers who cannot compete successfully within the current investment environment and regulatory framework.

The strategy outlined that the government would achieve its goals through a three-pillar approach, or what it termed as developmental pillars:

1. Understanding the private sector.
2. Improving the business environment.
3. Small and medium-sized enterprise (SME) development program.
4. Implementation Framework

Despite this accurate diagnosis of the problem and nearly ten years since the approval of the strategy by the Cabinet, there has been no seriousness in addressing this issue through the implementation and monitoring of the strategy by the relevant authorities.

## Current Government Measures

Transitioning the Iraqi economy from total reliance on oil to diversifying other sectors requires comprehensive efforts and effective strategic plans. Let's take a look at the analysis and evaluation to understand the effectiveness of the government's measures and whether the financial allocations are sufficient. The current government has taken a significant step by establishing the Iraqi Development Fund. The fund represents the only clear and significant difference in the budget towards developing the private sector and non-oil sectors. Article (45) of the 2023 budget indicated the establishment of the Iraqi Development Fund to improve the attractive investment environment and launch sustainable economic and social development with a capital of 1 trillion Iraqi dinars. It is linked to the Cabinet and enjoys legal personality, financial and administrative independence, regulated by regulations issued by the Cabinet. However, its capital is considered very low when compared to the total expenditures in the budget, representing only 0.005% of total expenditures.

## Analysis

Implications of the Ministerial Agenda on the General Budget for the Years 2023-2025  
Despite the significant increase in the budget, 87% of the revenues are derived from oil revenues, and current expenditures constitute 72% of the total expenditures. This indicates challenges in directing investment towards operational capital projects as well. Additionally, the sectoral distribution of the budget shows a concentration on specific sectors rather than diversifying spending across more critical sectors.

If the government does not take additional measures to achieve economic diversification, structural and economic challenges may persist. The government must focus on deep structural reforms and ensure the efficient use of financial allocations to support non-oil sectors and achieve economic transformation.

To avoid the consequences of heavy reliance on oil, Iraq must work on diversifying revenue sources and enhancing other sectors such as agriculture, industry, and technology. This requires addressing current challenges and taking effective measures to promote sustainable development.

# Policy Strategies for Achieving Development

After reviewing the economic challenges facing Iraq, it is clear that effective policies are needed to achieve sustainable development and diversify revenue sources away from total reliance on oil. This policy framework requires focusing on several key aspects:

- **Strengthening the Economic Infrastructure:** The fundamental pillar of economic diversification is improving the economic infrastructure by supporting local industries and enhancing value-added sectors.
- **Stimulating Investment:** There is a need to create a conducive investment environment that attracts domestic and foreign investments, with a focus on investment projects and non-oil sectors. This can be achieved through:
  - **Legislation:** Enacting laws that support and incentivize foreign investment.
  - **Supporting small, medium, and micro-enterprises.**
  - **Expanding and supporting entrepreneurship centers and startup projects.**
- **Directing Financial Allocations:** Priorities must be identified, and financial allocations should be directed towards projects that support sustainable development, with a focus on enhancing infrastructure and supporting key sectors.
  - **Cost-recovery state projects:** Allocating funds that contribute to building roads, bridges, and other infrastructure projects, where their use is cost-recovered for the purpose of reinvesting the expended amounts into other projects.
  - **Reducing capital allocation and focusing it solely on building new centers that rely on solutions that reduce operating expenses, such as green buildings and others.**
- **Enhancing the Private Sector:** Efficiently supporting and encouraging the private sector, with incentives provided for the development of small and medium-sized enterprises and the promotion of entrepreneurship.
- **Supporting Innovation and Technology:** Allocations should be invested in supporting research and innovation, and adopting technology to enhance productivity and develop new industries.

- **Legislative Reform and Improving the Business Environment:** Legislative reforms should be undertaken to improve the business environment and reduce obstacles facing investors.
- **Achieving Balance Between Current, Capital, and Investment Expenditures:** Efficient balance between current and capital expenditures is necessary to ensure effective investments in improving infrastructure.
- **Utilizing Financial Analysis:** The government should use financial analysis to ensure effective allocation of resources towards projects with the most impact and feasibility.

## Conclusion

By adopting these strategies, the Iraqi government can achieve a real transformation towards sustainable development and diversification of revenue sources. It requires joint efforts from all stakeholders to succeed in this vital path, contributing to the enhancement of Iraq's economy and achieving long-term financial stability.

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2024

Policy Report

# Poverty and the Food Ration Card: Analysis of Impact and Future Challenges

Alaa Hilal

# Introduction

The food ration card system is one of the largest public distribution systems in the world. Initially, it covered all Iraqi citizens regardless of their specific circumstances and living conditions. Over the years, since its implementation in 1990 until today, this system has evolved through accumulated experience. It no longer includes all Iraqis but rather most of them, excluding employees in the public sector whose monthly income exceeds (2) million dinars, as well as those working in the private sector who are officially registered. However, it currently faces a significant challenge due to rising demands for reform to make it more targeted towards the poor, transforming it into an important and effective tool in combating poverty in Iraq.

The rationale behind this is the flaws that have affected it, as well as its high cost which limits the possibility of developing other services such as education and healthcare. It's worth noting that the previous regime attempted to link the ration card with healthcare services by establishing a health card system, but it faced difficulties and eventually failed, leading to its cancellation. Moreover, this system encountered logistical difficulties in the distribution process, especially amidst the deteriorating security situation, with fleets of trucks belonging to the Ministry of Trade being subjected to terrorist attacks, looting, and theft. Additionally, it faced several problems including the poor quality and cancellation of some distributed items, as well as shortages, which affected the achievement of its main objectives, namely achieving fairness in the distribution of food items and reducing the severity of poverty.

The voices calling for reforming or abolishing the ration card system have not succeeded in reducing the temptation of citizens to prefer the ration card system. Following the fall of the previous regime, some proposed replacing the food ration with a cash alternative provided to the beneficiary families of the ration card system. However, a study conducted in 2005 showed that more than 95% of Iraqi households prefer to continue receiving food items through the ration card rather than replacing it with cash.

Regarding the expenditure on the food ration card system, it represents a significant burden on the general state budget due to the large number of beneficiaries. The allocations for the food ration card in the 2023 budget amounted to 3.6 trillion dinars, which is approximately less than 2% of the total public expenditure. In light of all this, this report will attempt to review the previous and current governmental measures to reform the food ration card system, analyze these measures, and propose necessary policy recommendations regarding them.



# Root of the Problem: The Food Ration Card System

The establishment of the food ration card system was initially a response to the exceptional circumstances resulting from the comprehensive international sanctions imposed on the country following the events of August 1990. Despite the challenges encountered during the implementation of the food ration card, it has evolved into one of the largest distribution systems in the world. Initially covering all Iraqi citizens regardless of their specific circumstances or living conditions, over the years, it has been refined to exclude most individuals with a monthly income exceeding 2 million Iraqi dinars, as well as those officially employed in the private sector.

However, despite its origins as an emergency measure, the food ration card system has persisted for approximately 33 years. It now constitutes a significant portion of the government's annual expenditures and serves as a primary driver of food prices in the local market. Any shortcomings in the distribution of one or more items covered by the card lead to price hikes for those commodities in the local market. Moreover, the availability of food in the country heavily depends on this system.

The long duration of the food ration card system and its urgent need at the time of its inception have entrenched the belief among Iraqi families in its exceptional importance. It has created a reliance among middle and low-income households on its provisions. Given the vast resources at the disposal of the state, primarily derived from oil revenues, distributing food items has become a politically favorable role for the government. Despite the reluctance of post-regime governments to maintain the system, they have found it challenging to make drastic changes due to the political significance attached to it, despite the difficulties in sustaining its operations amidst the aforementioned challenges.

## Poverty in Iraq

Over the past three decades, Iraq has witnessed a series of major events that have impacted the social, health, and economic conditions of its citizens. Studies and reports from Iraqi authorities continue to indicate a persistent increase in poverty rates. The latest data from the Iraqi Ministry of Planning reveals that poverty affects approximately 25% of the total population, meaning that more than 10.7 million Iraqis live below the poverty line out of a total population exceeding 43 million citizens.

The Ministry of Planning has indicated that poverty in the country is increasing due to rooted economic reasons, including housing, healthcare, education, income levels, and food. Additionally, security, political, and social factors contribute to the rise in poverty. Some Iraqi provinces have experienced a significant increase in poverty rates, with Muthanna Governorate topping the list with a poverty rate exceeding 50%. This is followed by Qadisiyah, Thi Qar, and Maysan, where poverty rates range between 45% and 48%. In other provinces, poverty rates vary between 20% and 37%.

With the rising inflation rates in Iraq, inflation in food prices can have a devastating impact on poor families. International statistics indicate that an average low-income person in the country spends about two-thirds of their income on food, whereas this figure represents approximately 25% of the income of their high-income counterparts.

Governments often mitigate the impact of rising inflation rates on poor families through social protection policies. However, amid different circumstances compared to previous periods of food price inflation, government financial resources have been drained due to various public financial measures implemented during crises such as the COVID-19 pandemic and previous financial and security crises following the occupation of Iraqi territories by terrorist groups.

## **Previous Government Measures to Reform the Food Ration Card System and Address Poverty**

The government, through the Ministry of Trade, initiated a plan to withhold the food ration card from employees whose salaries exceed 1.5 million dinars. However, this measure did not achieve a significant reform, as it only affected 60,000 high-ranking employees and even employees of the second rank.

In 2009, a high-level committee was formed to reform the food ration card system, chaired by the Secretary-General of the Council of Ministers. The committee made several recommendations:

- **Targeting System Adjustment:** Gradually reducing the number of beneficiaries of the food ration card from 2010 to 2014, transitioning eligible recipients to the social protection system, and exempting rural areas from targeting measures due to high poverty rates.



- Modification of the Distributed Items List: Reducing the number of rationed items over five years (2010-2014) to include only five items: flour, rice, sugar, vegetable oils, and infant formula.
- Maintenance of the Centralized Management System: Continuing to adopt the current management system while allowing local administrations to play a role in monitoring, evaluation, and decision-making regarding the reduction of beneficiaries only for people in need. The government did not adhere to targeting the deserving recipients effectively. We previously mentioned adopting a resolution in the 2012 budget project to transfer the distribution process to the provinces. Among the government's measures to reform this system was distributing ration card items to families below the poverty line and targeting the poor through electronic food cards in alternative food baskets.

The Ministry of Trade's actions included preparing a plan within fifty days of approving the federal general budget in 2009. This plan directed ration card allocations to the neediest segments and excluded those with monthly incomes exceeding one and a half million dinars, whether they were state employees, private sector employees, professionals, traders, industrialists, or others. This adjustment aimed to align the targeting system with achieving this goal. However, this decision was only implemented in the 2010 budget.

Most measures aimed to alleviate the suffering of the poor. Since most rationed items are imported using foreign currency, they deplete the country's foreign currency reserves, which should be directed towards productive investment projects, public debt repayment, reconstruction, and reducing pressure on the general budget.

Government spending on the ration card system can be observed through the general budget for the period 2012-2004.

Table (1): Illustrates the financial allocations for supporting the ration card system during the period 2012-2004.

Year	The amount allocated to the ration card system (in trillion dinars)	The percentage of support to total public expenditure (%)
2004	6	16.8
2005	6	16.7
2006	4.5	9
2007	3.9	7.5
2008	7	8.6
2009	4.2	6.9
2010	3.5	4.1
2011	3.5	3.7
2012	4	3.9
2013	4.9	3.5
2014	-	-
2015	2.5	2
2016	2.5	2.3
2017	1.7	1.6
2018	1.5	1.4
2019	1.5	1.1
2020	-	-
2021	0.794	0.06
2022	-	-
2023	3.6	1.8

Source: General Federal Budget for the years 2023-2004

From the data in Table (1), it can be observed that the expenditure on the ration card system allocated in the general budget during the period 2023-2004 fluctuated, rising and falling in different years. However, what is noticeable is that the allocations for the ration card system were affected by the financial changes and challenges faced by Iraq after the financial crisis caused by the terrorist groups of ISIS occupying Iraqi territories. It decreased further in 2021 due to a change in the government's policy towards increasing allocations for social welfare instead of the ration card.



Then, the allocations increased again in 2023 after the government adopted an expansionary policy in the system by increasing the number of allocations throughout the year, as well as the number of distributed items.

Despite the shortages in materials and the decline in the quality of its items, the ration card system remains of great importance to citizens. Theoretically, it ensures at least 2200 calories per person per day, especially with the rise in poverty rates in Iraq to more than (25%). Each Iraqi receives a monthly food basket of several food items mentioned above at a nominal cost of around 750 Iraqi dinars paid by the individual according to the results of the social and economic survey of the family, equivalent to approximately 0.64 US dollars, managed by the Ministry of Commerce and distributed through (55,580) agents, including shopkeepers or stores spread throughout Iraq.

It is worth noting that the ration card system has an impact on the movement of food prices in the market. Shortages in the distribution of one or more items of ration card goods reflect an increase in the prices of those goods in the local market. Moreover, the provision of food in the country largely depends on this system, and the government's commitment to providing its items has contributed to reducing market prices below the general level of prices in neighboring countries.

## **Current Government Measures:**

Due to the many financial and administrative problems in the current food ration program, some of which are due to the nature and complexity of the program itself, many opinions have emerged about the food ration system, mostly revolving around two opinions, one calling for its abolition.

And there is an opinion calling for its maintenance and reform, and each of the opinions has its justifications. However, they mostly converge on one goal, which is the necessity of providing food security for citizens. These calls (calls for reforming the card and calls for its cancellation) originated from the reality of what the ration card has reached, which is a non-disease situation for citizens due to the significant shortage in the quantities provided. However, adopting either of the opinions may not achieve the optimal solution to the problem unless it is a well-thought-out decision from all aspects and includes alternatives that provide reassurance to citizens.

Despite the obstacles and negatives surrounding the food ration card system, it has contributed to reducing the poverty rate in Iraq. Table (2) illustrates the current basket of goods distributed under the food ration card system in Iraq.

Table (2): The food basket distributed under the ration card system

Food items	Monthly portion per individual	Daily portion per individual	Calories
Flour	9	300	1065
Rice	3	100	363
Sugar	2	66.7	257
Cooking Oil	1.25	41.7	368
Total	15.25	508.4	2.053

Source: Central Statistical Organization and Information Technology, Modification of the Targeting System for the Ration Card.

The monthly per capita share from the ration card is approximately \$13, which reaches the Iraqi consumer only half of the allocated share from the ministry due to the complexities accompanying the processes of preparing, transporting, and distributing the ration card. Citizens receive flour for only 8-6 months per year, and the rest of the ration items do not exceed 5 months, not to mention the often poor quality of the items.

The current government has improved the ration card system by increasing the variety of food items and adding other types of items to include various types of legumes, infant formula, and tomato paste. It also introduced the system of a separate food basket designated for families covered by the social welfare system, in addition to the basic items in the ration, all as part of the government's efforts to reduce the number of poor and destitute families and families below the poverty line. The government is also making diligent efforts to reduce corruption in the ration card system by automating the ration card issuance and introducing the electronic ration card, which has significantly contributed, albeit partially, to reducing the rampant corruption in this system.

Furthermore, the Cabinet approved a decision in 2023 for the Ministry of Commerce to withhold ration card items from those whose salary exceeds 2 million dinars, and to include all other employees with the full ration card items, after it used to be withheld from employees whose monthly income exceeds 1.5 million dinars. This decision was justified by the directives of Prime Minister Mohammed Shiaa Al-Sudani to increase. The beneficiaries of the ration card items include various segments of the population, among them are the employees whose salaries have been affected by the increase in prices in the local market.

## Evaluation and Analysis:

Despite facing political, economic, and financial crises since 2003, including being placed under Chapter VII of the United Nations Charter, and the severe global onslaught represented by the terrorist Takfiri groups like ISIS, which occupied parts of its territories and controlled some oil resources, and the absence of government oversight on oil smuggling, which is the sole resource relied upon for funding its expenses, the Iraqi government has continued to allocate part of its annual budget to the ration card system. This system has seen fluctuations in financial allocations over different periods. However, it remains crucial as it serves as a vital support mechanism protecting a large segment of the Iraqi society from poverty. Therefore, successive governments have endeavored by all means to maintain government support for this system.

The decision to maintain the current form of the ration card system, with in-kind items covering most of the Iraqi population instead of converting it into cash vouchers for the poor only, carries political dimensions. It also requires political courage since those who make such decisions would suffer electorally due to the damage caused to wide segments of society, especially those who are ineligible to benefit from the system.

## Conclusion:

Despite all the criticisms and shortcomings of the ration card system regarding the quality, quantity, and variety of its items, and despite the relentless attempts to abolish it, and the significant amounts spent to provide items for this system, which drains the public budget of hard currencies, it must continue. This is because it represents a significant nutritional value for a considerable percentage of Iraqi society. Furthermore, it has contributed to maintaining the prices of food items distributed under the ration card system. Additionally, it serves as a cash resource for some poor families whose needs exceed certain items. Therefore, the ration card system serves as a nutritional and financial safety net for 23% of Iraqi households. This system can be considered a mechanism that has helped the government protect middle-income consumers by maintaining the prices of essential food items in local markets from 1990 to the present day. Moreover, it has contributed to achieving justice in the distribution of essential food items in Iraqi society and ensuring that poor families receive a monthly share (food basket) estimated at 2200 calories per person. This system has also helped in preserving poor families from collapsing.

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2024

Policy Report

# Calculating Compensation for Ministry of Health Employees and the Impact of Central Appointments to Medical Colleges in Inflation

Mustafa Mohammed



# Introduction

Due to the significant increase in graduates in the medical group specialties in the past decade, especially in the final years, and the large number of government and private medical colleges across Iraq, which has exceeded 60 colleges, there has been a challenge in absorbing these graduates into the healthcare sector. This is because Iraq has a centralized system for hiring graduates in these specialties. After graduation, they are accepted to work in hospitals and healthcare institutions affiliated with the Iraqi state. Thousands of them have been appointed in recent years, far exceeding the actual need, resulting in significant operational expenses in the budget without effective service.

This issue has been highlighted by the three unions (doctors, dentists, and pharmacists) in Iraq, which have officially addressed the Ministry of Higher Education to work on reducing the number of students accepted in these fields. They have also urged parents not to encourage their children to apply to medical colleges.

Continued large numbers of graduates will undoubtedly lead to inefficiency among these graduates, along with fewer job opportunities and the inability to work in the private sector - regardless of the current capacity of the private sector to absorb them. Graduates are prohibited by law from practicing their professions independently without a period of service in state institutions for several years. This situation will lead to increased unemployment and disguised unemployment, along with a higher likelihood of violating labor laws, causing significant social and health problems that may escalate to the level of crime.

Hence, the importance of this report is to shed light, even in a simple manner, on the number of graduates subject to centralized appointments, comparing them with the actual need and the rate of disguised unemployment in these specialties and appointments over the past years. It will also highlight the expected number of graduates in the coming years and potential solutions to absorb these young graduates, especially since the private sector finds it challenging to absorb medical graduates into administrative, marketing, and commercial fields in general, indicating a real problem for this category of young graduates in the coming years.

Furthermore, the escalating financial costs in operational allocations within the general state budgets for the past 10 years will be highlighted. It is essential to question, "To what extent can the government enforce the centralized appointment law in the coming years, and what are the results of its implementation?"

## Background:

In the preceding introduction, there was a definition of the problem and its ramifications, albeit not from all angles. Here, in this context, we delve into exploring the roots of this problem, its beginnings, and identifying its main causes as perceived by experts and relevant institutions in this sector, especially the Doctors, Dentists, and Pharmacists Union.

The origins of this problem lie in the graduation of large numbers of students from private colleges alongside graduates from government colleges in 2019. This followed the granting of numerous approvals for the establishment of private colleges in recent years, especially in 2013, which witnessed the opening of a large number of private colleges with medical specialties departments. This was the result of several reasons, most notably:

1. A significant increase in the number of students from the scientific sixth grade - graduates of the Ministry of Education - with high grades (95%) and above.
2. Adoption of the grade point average for general exams in the sixth-grade stage as the sole criterion for admission to medical colleges and a general criterion for admission.
3. The centralized appointment law in the Iraqi state for medical group specialties, which greatly encouraged students to enroll in medical colleges.
4. The prevailing societal perception of these specialties, which contributed to increased interest in these colleges and encouraged parents to push their children to obtain high grades as a way to ensure future employment and a prestigious social status.
5. The inability of the government and expected private healthcare sector in the coming years to absorb these numbers of graduates due to the limited number of hospitals and healthcare centers compared to the population in Iraq.



All of this, regardless of the financial privileges enjoyed by private colleges from students studying in these specialties, taking advantage of the factors attracting students to this sector, along with the affiliation of some of these colleges to influential political entities. Additionally, the absence of planning and coordination between the actual need and Ministry of Planning criteria based on the expected population and the required numbers and qualifications of graduates for specialties that align with the needs of various state sectors and the private sector should be noted. In the coming tables and charts, we will illustrate the volume of graduates from medical colleges, dental colleges, pharmacy colleges, and nursing colleges in the past decade, noting the doubling of graduating numbers in less than (10) years between 2014 and 2022.

Table (1): Number of Graduates from Government Medical Colleges

#	College	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
1	Medical	1459	1346	1423	1794	2230	2310	2506	2549	2843	15617
2	Dental	769	572	936	1302	1170	1229	1373	1591	1682	8942
3	Pharmacy	573	656	892	1009	1196	1306	1495	1671	1931	8798
4	Nursing	718	660	1277	1267	1539	1819	2015	2145	1751	11440

Chart (1): Number of Graduates from Government Medical Colleges

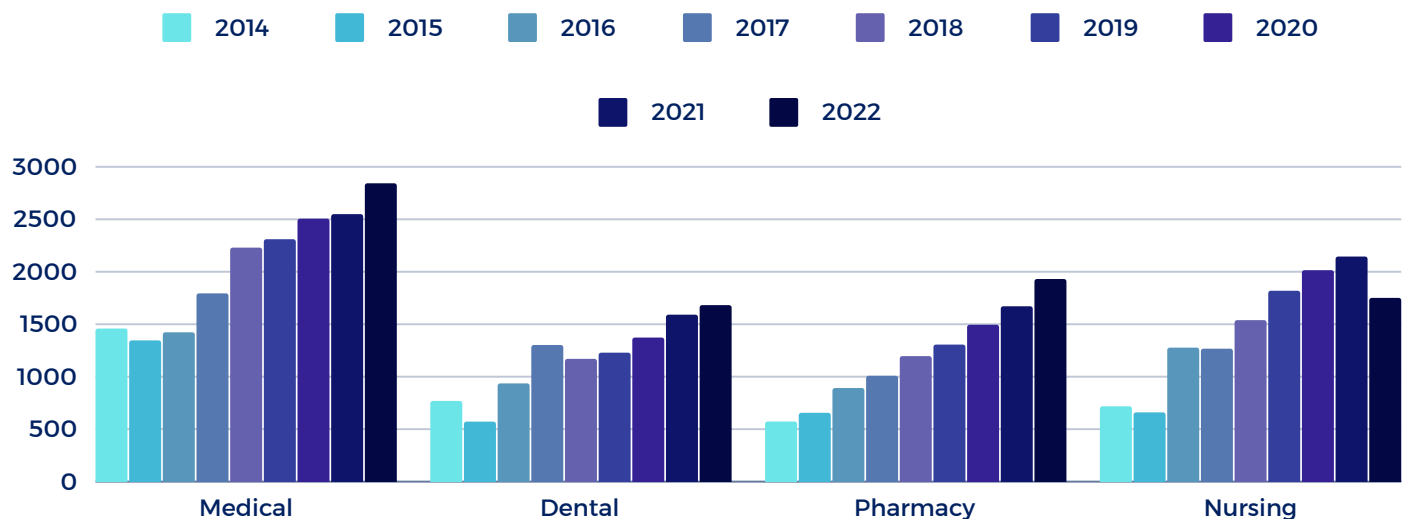
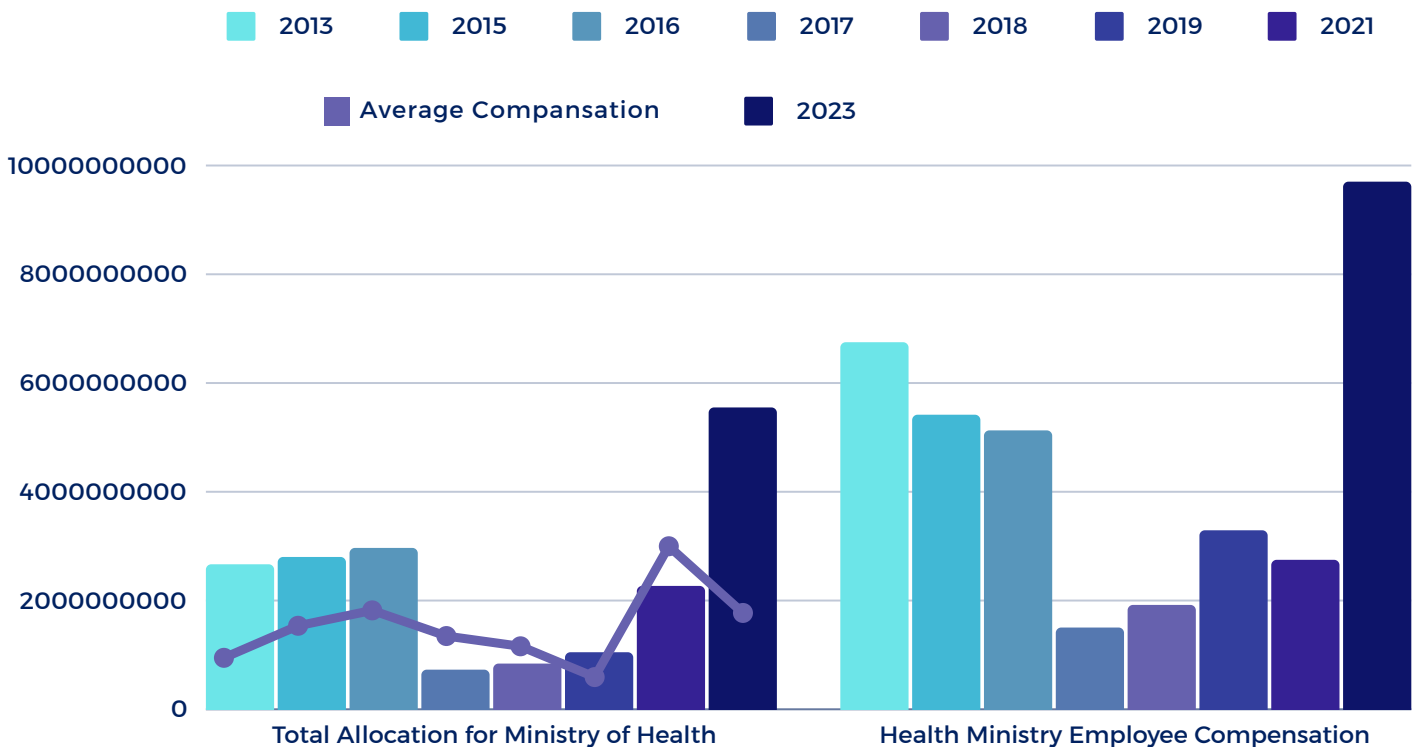


Table (2): Allocations for the Ministry of Health and Calculation of Employee Compensation for the Period (2013-2023)

Year	Total Allocation for Ministry of Health	Health Ministry Employee Compensation	Average Compensation per Employee to Total Allocation
2013	2666776000	6750431000	39.51
2014		-	
2015	2801377319	5417292295	51.71
2016	2967681680	5129027296	57.86
2017	729020553	1503619422	48.48
2018	840823325	1919487303	43.80
2019	1049400524	3291900658	31.88
2020		-	
2021	2269000000	2748783082	82.55
2023	5550840587	9703178252	57.21

Chart (2): Allocations for the Ministry of Health and Calculation of Employee Compensation for the Period (2013-2023)



According to a statement by the head of the Pharmacists Syndicate in a televised interview on "Iraq 24" channel in the program "Jas Nabdh", he mentioned that 57% of the Ministry of Health's budget goes towards employee salaries. As indicated in the above plan and the table showing employee compensation allocations and the total allocation for the Ministry of Health along with the percentage of compensation to the total, it is noteworthy that the number of graduates from pharmacy colleges and departments in private colleges is very high and exceeds the actual country's needs according to international standards (one pharmacist per 3,000 citizens, and for every one million citizens, there are 610 dentists). It is worth mentioning that this year, 30,000 students were admitted to pharmacy colleges and departments across Iraq.

The increase in the number of graduates has clearly had an impact on the budget of the Ministry of Health, as all graduates will be employed in the public sector according to the Central Appointment Law. As evident in the above plans illustrating the increase in numbers, there is a corresponding increase in the size of the Ministry of Health's budget.

The following table illustrates the actual need for the number of dentists and pharmacists according to international standards, which estimate the actual need based on the population ratio as mentioned above, along with the difference between them.

Table (3): Number of Dentists and Pharmacists compared between Actual Need and Graduates in Iraq

Specialty	Population	Actual Count by Unions	Standard Requirement	Difference	Percentage	Graduates in the Next 3 Years
Dental Medicine	43,000,000	33,000	26,230	6,770	79%	Government: 8,284, Private: 12,600. Total: 20884
Pharmacy	43,000,000	41,020	17,200	23,820	42%	Government: 9,426, Private: 13,500. Total: 22926

## Current government measures:

regarding this matter have been limited to official correspondence and letters sent by the Pharmacists' and Dentists' unions to the Ministry of Planning, Ministry of Higher Education and Scientific Research, and Ministry of Health. The following table shows the official correspondence and letters sent by the unions to the ministry and relevant government entities responsible for this sector:

Table (4): Official Correspondence and Letters Sent by the Unions to the Ministry and Government Entities Responsible for this Sector.

No.	Official Book Title	Book Number & Date	Issuing Authority	Targeted Authority	Purpose
1	Population Ratios	117119/12/2023	Pharmacists Union	Ministry of Planning	Population ratios of districts for organizing new physicians.
2	Inquiry	N/A	Pharmacists and Dentists	Higher Education Ministry	Legal approvals and standards for establishing pharmacy and dentistry departments in private colleges.
3	Opinion Statement	1532013/12/2022	Pharmacists Union	Ministry of Health	Accreditation of newly established departments in private colleges and their equivalence to those in public education.
4	Inquiry	N/A	Pharmacists Union	Ministry of Education / Supervision and Evaluation Unit	Same as above.
5	Increasing Number of Dentists	37212/5/2020	Dentists Union	Ministry of Education + Ministry of Planning	Reduction of the number of students accepted in dental colleges and dental departments in private colleges.
6	Multiple Union Statements	No. 2/10/2020	Dentists Union	General	Impact of the increasing number of dentists on the profession, the efficiency of its graduates, and the possibility of unemployment in this specialization.

All the aforementioned measures are non-binding and have not yielded the desired impact in the Iraqi government ministries and relevant authorities responsible for this issue. Some of them have not received any response so far, despite the ongoing approval of establishing private colleges in medical specialties, despite all the objections and the failure to apply the required standards in most of the colleges opened in the past 10 years. This indicates the continuity and complexity of the problem, especially in the next 5 years

when more than double the current number of graduates in these specialties will graduate. This will pose a significant burden and increase operational financial allocations for the Ministry of Health, reflected in the state budget.

## Analysis and Evaluation:

In this research report, we will analyze the problem from four aspects: political, economic, social, and legal, briefly as follows:

**Political Aspect:** The process of quota-sharing in ministerial positions and the influence of political parties in obtaining approvals for the establishment of private colleges have led to the creation of private colleges without real standards and without the actual needs of the country. These colleges are investments for politically influential figures, both partisan and governmental, thus giving rise to the problem that may have significant future implications. The total number of government and private colleges graduating medical specialties (pharmacy and dentistry) reached 62 colleges nationwide (45 of them private).

Table (5): Number of Colleges in the Medical Group in Iraq.

College	Public	Private	Total
Medical	26	3	29
Dental	17	42	59
Pharmacy	17	45	62

- **Economic Aspect:** The availability of financial liquidity among most families, especially the middle class, along with the significant wealth of influential individuals and politicians in the state, greatly encouraged the children of these families to enroll in private colleges and study at their own expense. Furthermore, those with wealth and influence were motivated to invest in this educational sector extensively, without clear regulations or required standards. Consequently, the number of graduates from the private education sector in recent years has paralleled, if not exceeded, the number of graduates from the public sector, especially in centrally appointed positions.

- **Social Aspect:** The societal perspective and perception of medical specialties (which have centralized appointments) play a significant role in encouraging students, both by their families and society at large, to pursue these specialties. If not in public universities, private institutions welcome and accept a large number of students, without restrictions based on their capacity in terms of college facilities, faculty expertise, or specialized certifications. This societal inclination aims to secure government employment after graduation, regardless of the financial losses incurred during the study.
- **Legal Aspect:** Law No. 6 of 2000, regarding the Gradual Promotion of Medical Professions (Centralized Appointment Law), for appointing medical specialties in the health sector, particularly by the Ministry of Health, is one of the most important factors that contributed to the increased interest in these specialties. It significantly contributed to the opening of more private colleges for these specialties based on supply and demand principles. The law increased demand from students to study these specialties, as it guarantees government employment immediately after graduation, without parliamentary interference or modification, given that a significant portion of electoral votes come from government appointments. Therefore, any amendment or alteration poses a risk to the presence of the current ruling parties in power.
- It is evident from the above that many factors and aspects have contributed to the exacerbation of the problem, which will have future repercussions on the economic situation of this young segment. This may result in reduced income for those working in the sector due to increased competition, which could lead to illegal and illegitimate practices.

Consequently, society and the state may face potential crimes in the healthcare sector due to the absence or weakness of governmental and sectoral measures to address the root of the problem. The healthcare sector is considered one of the most critical sectors of the state and is directly in contact with the citizens' lives, as well as among the youth working in it, they are considered elite in terms of educational attainment and academic achievement. This indicates their ability to surpass the regulations and laws that may limit their abilities and aspirations.

## Conclusion:

After reviewing the problem and the statistics indicating that the issue is trending towards exacerbation in terms of the increasing number of graduating students in these specialties, and the Ministry of Health's inability to accommodate all these graduates, along with the government's slow response in solving this problem, in addition to the increase in operational expenses for the upcoming budgets, whether at the level of the Ministry of Health or the general budget.

Due to the difficulty of solutions that may bring about changes in:

1. Ministry policies due to the role of political parties in them, and the continuous approval of establishing new private colleges.
2. Amending or changing the Central Appointment Law, as it would be a ticking time bomb in the stance of problematic parties in Parliament towards their constituents and their electoral votes.

It is necessary to propose recommendations to solve this crisis, whose consequences and challenges loom on the horizon. Therefore, I suggest the following solutions:

**First:** Exporting graduate doctors to neighboring countries, especially Gulf countries, through agreements between the Ministry of Health and Iraqi educational institutions and relevant authorities in the target countries in the region. This ensures:

- Accommodating the increasing numbers beyond the actual need.
- Imposing international and local academic and scientific standards on medical colleges, both private and public, to be accepted in other countries without specific conditions.
- Elevating Iraqi healthcare sector standards internationally, thus improving healthcare service quality.



Second: Awareness campaigns for middle and high school students about the reality of medical specialties and the actual need for them, especially those that will have greater opportunities in the future, needed by both the public and private sectors in Iraq. This can be achieved through coordination between unions, the Ministry of Education, and all relevant institutions, especially media networks and Iraqi channels.

Third: Activating the private sector and investment according to healthcare service delivery standards, allowing for the implementation of high-quality healthcare insurance laws and fairness among citizens. Consequently, this will contribute significantly to solving the problem of increasing numbers of centrally appointed employees in the public sector.

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# 2024 Policy Report **Traffic congestion in the capital Baghdad**

Shabir Abdul Wahab

# Introduction

Baghdad city suffers from daily traffic congestion, which has become a worsening problem with negative effects on social life and daily activities. Most of the main roads and intersections suffer from traffic operation failure and high delay times, sometimes leading to a state of complete paralysis. The problem is not limited to peak morning and evening hours but has become continuous throughout the day, lasting up to 15 hours from 7:00 AM to 10:00 PM and even extending to 11:00 PM in some areas.

Studies conducted on this matter have shown that previous solutions and treatments have proven ineffective and have not had a positive impact on resolving the traffic problem. The issue has persisted for years. Additionally, a significant part of the congestion crisis is attributed to the high population density in Baghdad Governorate and poor planning in managing proposed projects, resulting in increased traffic congestion in the capital on a daily basis.

On the other hand, the construction of massive residential complexes comprising thousands of housing units in the middle of the city can be described as a mistake. Transportation represents the lifeblood of the city, linking activities together and facilitating movement from one place to another. The dysfunction in Baghdad's transportation system has led to traffic congestion, delayed arrivals, increased fuel consumption, reduced comfort on roads, higher economic costs, and increased environmental pollution in the city.

According to statements from concerned authorities, the core of the crisis lies in the fact that Baghdad's streets cannot accommodate the current number of cars, which are operating on unprepared roads. The capacity is much lower than what is needed. Furthermore, the design of the streets has not been renewed or maintained for decades. Moreover, the behavior of Baghdad residents exacerbates the problem, as some individuals resort to sidewalk and street encroachment, closure of certain areas, disrespect for traffic officers, and violation of traffic regulations.



All the proposals and solutions put forward by successive governments in Iraq to solve the traffic crisis have not significantly contributed to resolving the problem but rather deepened it further. This report aims to focus directly on the magnitude of the problem, the measures taken by previous governments to address it, and then the current government's actions to provide a deeper analysis and evaluation of the effectiveness of these steps. It will then focus on recommendations that could contribute to alleviating the traffic crisis in Baghdad.

## Background

The capital city of Baghdad witnesses heavy traffic congestion, especially after the increase in the number of modern vehicles that entered Iraq in the previous years, specifically after 2003. Hundreds of thousands of vehicles have been registered, in addition to the increasing population growth and the rising demand for purchasing vehicles of all kinds by everyone. The number of vehicles in Baghdad Governorate has reached a large number compared to the capacity of the roads, which have not been developed or updated for more than three decades. As a result, traffic congestion increases with the real geometric traffic volume for this road. This phenomenon is evident in large cities, where population growth and limited transportation space lead to increased traffic congestion.

A report published by The Economist magazine shed light on the traffic movement in the Iraqi capital, Baghdad, describing it as one of the worst in the Middle East in terms of traffic flow. Baghdad witnesses suffocating traffic congestion due to road deterioration, the spread of checkpoints, the increase in the number of cars, and the delay and corruption in infrastructure projects. Successive governments after 2003 failed to solve the problem and find a suitable alternative to reduce or mitigate it, despite Iraq previously having the most advanced transportation systems in the region. Baghdad streets are now congested with around 4 million vehicles, according to statements from the General Traffic Directorate, while the city's streets were built to accommodate only 200,000 cars.

There are several reasons that have contributed to the phenomenon of congestion in Baghdad. Government ministries and institutions directly related to citizens are concentrated within Baghdad and in densely populated areas.

Some private and governmental universities are also located in these areas, along with numerous commercial centers, vehicle repair complexes, factories, warehouses, and wholesale shops within residential areas and main roads and intersections. This leads to vehicle congestion and indicates a lack of modern engineering planning for Baghdad's streets. Moreover, Baghdad lacks modern transportation means such as buses, trains, and metros, which could reduce the size of the crisis. Another significant reason for traffic congestion is the increase in the number of vehicles after 2003, which has doubled. However, the current capacity of Baghdad's streets does not currently match the current number of vehicles.

Table (1): Number of Registered Vehicles in the General Traffic Directorate in Baghdad Bearing (Permanent - Temporary Inspection - New Plates) for the Years (2015-2021)

Year	Total Number	Percentage
2015	2.087.039	36.9
2016	2.255.849	37.0
2017	-	-
2018	2.409.390	36
2019	2.467.175	35.8
2020	2.479.898	35.3
2021	2.730.880	36.6

Source: The Directorate of Transport and Communications Statistics - Central Statistical Organization.

Due to the ambiguity of the actual number of cars in the capital, Baghdad, caused by the statistics published by the relevant authorities from the Ministry of Planning and the General Traffic Directorate, in a statement by the spokesperson for the General Traffic Directorate in the year (2022), it was stated that there are (3) million cars in Baghdad out of (7) million in Iraq in general. It was indicated that the capacity of Baghdad's streets can only accommodate (400) thousand cars at most, while it is expected that the number of cars in Baghdad will reach about (5) million vehicles by the end of 2023.

The magnitude of the crisis in Baghdad results in effects and consequences on the lives of citizens and the behavior of institutions, including a decrease in working hours and thus a decrease in productivity, negatively affecting individual and institutional income. Furthermore, it contributes to increased healthcare costs due to diseases caused by pollution resulting from congestion, increased air pollution from carbon dioxide emissions from vehicle exhaust, and increased fuel consumption as congestion is associated with the fuel consumption of those vehicles.

The "Iraq Future Foundation for Economic Studies and Consultations" mentioned in a report that each car in Baghdad wastes (570) liters of gasoline annually due to traffic congestion and congestion on the streets. The value of what one car in Baghdad wastes in fuel is equivalent to a loss of (314) thousand dinars per year, with an average travel of (20) km per day. This is attributed to congestion and bumps in the streets, as well as traffic accidents and the production of larger quantities of toxic gases that increase environmental pollution. The country incurs annual losses of around (500) billion dinars (\$342 million) due to traffic congestion in the capital Baghdad alone, due to daily fuel waste.

## **Measures of Previous Governments:**

The government of Mr. Adel Abdul-Mahdi (2018-2020) took several measures to address traffic congestion. It also had the precedent of opening some streets in the Green Zone that had been closed since 2003, but they were soon closed due to security events that occurred. Accompanying the October protests, the government at the time approved several proposals presented to it by the General Traffic Directorate, including changing official working hours from one ministry to another, as well as official holidays for departments and universities. There would also be a reduction in the number of security checkpoints and placing them away from bridges, intersections, and congested areas. These proposals and others were adopted by the government, but no specific date was set for their implementation at the time, and they were not implemented on the ground in a real manner.



However, changing official working hours requires in-depth study because some ministries and government departments are interconnected in their operations, and this step cannot be considered a solution without expanding roads, reducing car imports, and building bridges. Similar steps were taken by the previous government of Prime Minister Haider al-Abadi in 2017, except for some points proposed by the Baghdad Municipality at the time, which were not implemented, such as adopting more entrances and exits to Baghdad and choosing locations for these outlets far from crowded streets, as well as changing the entrances and exits of Camp al-Rashid to and from the Zaafaraniya area and establishing yards for goods exchange and unloading cargo outside Baghdad.

Regarding the contracts with a committee of experts and experienced urban planners from advanced countries in this field, it was mentioned that the Baghdad Municipality did not proceed with these proposals and did not reveal the reality of this committee.

A statement from the General Secretariat of the Council of Ministers in the year (2021) during the tenure of the government of Mr. Al-Kadhimi stated that it discussed with relevant authorities the mechanism for finding appropriate solutions to address traffic congestion in the capital, Baghdad. It affirmed that "the Iraqi government has taken several steps to address the phenomenon of traffic congestion within the capital, Baghdad, the most important of which are the project to develop the entrances to the five capitals, the (Al-Dora - Al-Yusufiya) road project, the circular road project for the capital, in addition to the suspended train project, and the construction of a road connecting the northern entrance of the capital to the direction of the Nahrawan area and reaching the southern provinces, as well as the construction of (13) bridges and tunnels, as these projects will contribute to alleviating the severity of traffic congestion."

The statement further mentioned that "the proposed treatments were discussed on short, medium, and long-term levels, and the General Traffic Directorate's vision to address traffic congestion, along with future projects for roads and bridges."

Through the discussion of these solutions and proposals, it can be seen that nothing clear has been done on the ground, and the previous governments did not work on the proposals or prepare real programs for their implementation, especially the Baghdad Metro project, which was proposed by the previous government and strongly endorsed in its statements, or working on improving the entrances to the capital, Baghdad. Moreover, a member of the Baghdad Provincial Council revealed that "the government is not responsible for car imports, but rather imports are carried out by the private sector, and according to the constitution, every Iraqi citizen has the right to import a car, but it is the government's responsibility to prepare the roads."

Meanwhile, the Iraqi Ministry of Planning revealed in its latest report issued in December 2021 that the number of vehicles traveling on the streets of the capital, Baghdad, has exceeded (7) million vehicles, with an estimated number reaching (15) million vehicles by the end of 2035, due to the high population growth rate, which reaches (2%) annually, it reveals the failure of the previous government to implement any real steps to solve the crisis, except for lifting some security checkpoints in certain areas of the capital. None of the recommendations and measures proposed were implemented, despite being allocated funds.

## **Current Government Measures:**

The current Prime Minister of Iraq announced the immediate implementation of the first three projects aimed at alleviating traffic congestion in the capital, Baghdad, as a beginning to solving the crisis of traffic congestion afflicting the city due to the large number of vehicles, in addition to closing some streets and passages due to the presence of party headquarters and important official departments.

During a ceremony held at the Ministry of Reconstruction and Housing, the Prime Minister stated that "the government has prioritized service projects in its program," indicating that "Baghdad today urgently needs service projects, especially since every employee needs two hours in Baghdad, which are essential for the capital."

For his part, the Minister of Reconstruction, Housing, and Municipalities clarified that "the three projects to alleviate congestion that have been initiated represent a qualitative leap for the residents of Baghdad," pointing out that "there is a new package of projects awaiting approval of the budget."

"The first package of congestion relief projects includes (19) projects, three of which were initiated, selecting (19) projects launched on the second of last March and initiated."

In January of last year, Iraqi security forces opened the entrances to the Green Zone for the movement of citizens' vehicles, while removing a large number of security barriers in the capital, Baghdad, as part of a plan to reduce traffic congestion in the capital.

Iraqi security authorities confirm that opening the Green Zone and the streets closed since 2003 and removing a number of security barriers in the capital, Baghdad, will not affect the security situation, and that there are security and intelligence plans in place to prevent any violations and prevent any unlawful acts.

The projects announced by the current government include the construction of a bridge over the Army Canal to connect Al-Dakhil Street with Palestine Street (Al-Muhandisin neighborhood). As for the second project, it involves building a bridge over the Army Canal to connect the "Jameela" area with the extension of Al-Jihad Street-Al-Ma'tham Gate. This project includes the construction of a bridge to cross the fast Army Canal road towards "Street 71" with a length of about (660) meters and a width of about (20) meters. The third project involves the construction of a bridge to connect "Street 77" with the Jerusalem intersection.

The first package of projects aimed at alleviating traffic congestion in Baghdad, announced on March 2nd of last year, includes (19) projects. These projects involve the development and establishment of roads, bridges, and overpasses on both sides of Karkh and Rusafa in Baghdad, as well as external roads connecting the capital to the central, northern, and western provinces. Iraqi, Chinese, and Turkish companies will be responsible for their implementation, according to the Minister of Housing and Reconstruction.

Additionally, on December 23, 2023, the first pedestrian bridge in Baghdad was opened over the Tigris River, connecting the Kazimiyah and Karrada areas in northern Baghdad, named the Freedom Bridge. This bridge is important for accommodating the influx of visitors during religious occasions and facilitating daily citizen movement. It may serve as a partial solution to Baghdad's traffic congestion.

Furthermore, work has begun on a multi-lane bridge project over the Tigris River in Jadriyah, central Baghdad. This project includes expanding Abu Nuwas Street and connecting the banks of the river, linking the Karrada area in Rusafa with the Al-Nasr Square in Karkh with a vehicle bridge. It also includes the construction of a parallel bridge to the river channel with a length of (2650) meters and another bridge connecting Al-Aaras Island to Al-Nasr Square with a length of (850) meters.

## **Analysis and Evaluation:**

The general budget for the year 2023 allocated 1.8 trillion Iraqi dinars to the Ministry of Housing, Reconstruction, and Public Municipalities as part of the investment program for projects aimed at alleviating congestion in Baghdad. This includes projects related to highway construction, as well as initiatives outlined in the ministerial agenda concerning transportation and telecommunications. This reflects the government's keen interest and financial commitments towards addressing traffic congestion in Baghdad.

Currently, the Municipality and the Ministry of Housing have undertaken several projects in Baghdad to reduce traffic congestion, including the construction of pedestrian bridges, vehicular bridges, and overpasses. While some progress has been made in completing these projects, ongoing efforts are required to finish them. Additionally, efforts have been made to build residential cities outside the capital, remove barriers hindering traffic flow, register vehicles through the Traffic Directorate, and regulate bicycles and three-wheeled vehicles.

However, the effectiveness of the government's achievements, such as bridges and overpasses, may be limited if essential projects, such as the Baghdad Metro, are not completed. Given the continuous population density growth in Baghdad, it is imperative to focus on advanced transportation projects.

The Baghdad Metro project, previously proposed by past governments but clouded by suspicions of corruption, should be seriously considered by the current government. Adopting modern and advanced transportation methods and learning from successful international experiences are crucial. Many successful countries, such as the Netherlands, have effectively managed traffic congestion by investing in public transportation networks, including trains, buses and bicycles, as well as the necessary infrastructure for bicycles, have been provided, encouraging their use as a means of transportation.

The Netherlands also relies on effectively managing traffic through the use of smart traffic signals and information technology. Singapore has implemented a comprehensive traffic management system, including congestion charges and mobile applications to guide drivers to alternative routes. It has also provided an integrated network of high-quality public transportation, including trains, buses, and metros. Switzerland has focused on smart car systems and incentivizing public transportation, while Japan has heavily relied on high-speed trains and metros.

There are various strategies and technologies that can be used to improve traffic flow and reduce congestion in cities, and several countries have successfully tackled traffic congestion. The mentioned countries serve as models, and their experiences can be adopted and implemented by the government. It is one of the priorities of the current government to develop the transportation sector and public services for citizens, as indicated by the financial allocations in the general budget or included in the government's agenda. Furthermore, the strategies of relevant entities such as the Ministry of Planning or the Municipality of Baghdad and their financial allocations are essential.

## **Conclusion:**

The responsibility for traffic congestion does not fall solely on a specific ministry or department but is a shared responsibility among various ministries and relevant agencies. It is essential to leverage international experiences and emulate successful practices from those with expertise in this field. Resolving the traffic congestion issue in Baghdad depends on the seriousness of the Iraqi government in implementing proposed solutions, recommendations, and initiatives.

1. **Diversification of Transportation:** This involves relying on public transportation, specifically Bus Rapid Transit (BRT), which offers flexible, integrated, fast, and secure services. BRT operates on a separate system from regular traffic, making it less costly than metro systems. Integrating BRT with the metro system can effectively connect Baghdad with its suburbs and junctions.
  2. **Transit-Oriented Development (TOD):** Globally, there is a trend towards developing urban areas around public transportation hubs. In Baghdad, implementing TOD involves creating rapid transport stations near multifunctional development centers (residential, commercial, educational, service, health, and entertainment). This approach aims to increase public transport usage while reducing reliance on private cars. Planning for sustainable urban expansion focused on transportation is crucial.
- Implementing these solutions requires strategic measures, including completing and executing Project Ring Road No. 4, which plays a significant role in reducing heavy vehicle congestion in Baghdad's streets. Studies show that heavy vehicles constitute 25%-30% of Baghdad's traffic, and Ring Roads No. 1, 2, and 3 complement the urban transport system, filling gaps and achieving an integrated urban transport system in Baghdad.

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# 2024 Policy Report **Social Welfare in Iraq: Budget Allocations and Government Measures**

Abdullah Ali

## Introduction:

Social welfare is one of the fundamental aspects of achieving social justice and improving the standard of living for citizens. Issues of social welfare have gained significant importance in Iraq, especially after the difficult circumstances the country has faced following conflicts and security disturbances. The primary challenge facing the Iraqi government is allocating sufficient financial resources to support and enhance social welfare. The impact of the budget reflects on the government's actual ability to provide necessary social services to citizens.

Previous Iraqi governments have made varying attempts to address social welfare issues. However, these governments struggled with budgetary constraints and economic challenges, adversely affecting their ability to implement effective programs and projects to improve social welfare. Consequently, these constraints have led to the continuation of social and economic challenges faced by individuals and families in Iraq.

Currently, the Iraqi government is working to enhance social welfare through implementing new measures and directing financial allocations to address entrenched social problems. These measures aim to provide financial support and essential services to vulnerable and marginalized groups in society, such as orphans, widows, the elderly, and people with disabilities.

However, questions arise about the effectiveness of these measures and whether the financial allocations are sufficient to meet urgent social needs in Iraq. An in-depth analysis and evaluation of current government measures and budget allocations related to social welfare are required to determine whether these efforts are sufficient to address entrenched social problems in Iraq.

This necessitates the consideration of new effective policies to address social welfare issues in Iraq. These policies should focus on increasing financial allocations for social welfare and improving the fair and efficient distribution of resources. Additionally, they should concentrate on enhancing transparency and accountability in public budget management, intensifying efforts to combat corruption, and facilitating access to social welfare services for individuals in greater need.

It is evident that confronting the challenges of social welfare in Iraq requires structural reforms and continuous efforts by the government and society as a whole. Therefore, social welfare must be a top priority for the Iraqi government, which should adopt necessary policies to ensure a decent life and equal opportunities for all citizens in Iraq.

## **Background:**

Social welfare in Iraq is one of the foremost responsibilities of the state and faces numerous challenges due to difficult economic and political circumstances the country has experienced after years of internal conflicts. This challenge is associated with the deterioration of the state's infrastructure and the decline of public services, including social welfare.

Social welfare in Iraq includes diverse services such as education, healthcare, housing, social security, support for low-income children and families, and care for the elderly and people with disabilities. The government began implementing the social welfare program on December 1, 2005, with the aim of providing protection for vulnerable and needy groups in society.

It is worth noting that the social network is not an alternative to the social welfare or social security system, but rather complements them. The government works to protect and care for individuals and society and protect them from poverty under the Iraqi constitution.

However, the efficiency of social welfare in Iraq is unsatisfactory, especially with the disregard of gaps in the poverty level between governorates. The Ministry of Labor and Social Affairs has not taken into account poverty rates and gaps between governorates, affecting the fair distribution of social support. Although some governorates have seen a decline in poverty rates, the situation in other governorates remains dire.

This is evident from the data, where the poverty rate in Baghdad Governorate was 13%, while it reached 49% in Al-Muthanna Governorate in 2009. This indicates that additional measures must be taken to ensure the fair and effective distribution of social support and improve the efficiency of social welfare to work on improving living conditions for citizens throughout Iraq.

Some governorates suffer from poverty rates higher than the average and some possible reasons for this situation. For example, governorates such as Al-Muthanna, Thi-Qar, Diyala, and Al-Qadisiyah may show higher poverty rates. As for the causes of poverty in those governorates, they may be diverse and include economic and social factors such as lack of economic opportunities, lack of investment, armed conflicts, internal migration, and lack of basic services such as education and healthcare. Below is a table showing the poverty rate in Iraq.

Table (1): Poverty Rate in Iraq by Governorates for the Years 2009, 2012, and 2018 (%)<sup>2</sup>

Provinces	2009	2012	2018
Nineveh	23	34.5	37.7
Kirkuk	11	9.1	7.6
Diyala	34	20.5	22.5
Al-Anbar	21	15.4	17
Baghdad	13	12	10
Babil	41	14.5	11
Karbala'	37	12.4	12
Wasit	36	26.4	19
Salah ad-Din	40	16.6	18
Al-Najaf	25	10.8	12.5
Al-Diwaniyah	35	44.1	40
Al-Muthanna	49	52.5	52
Thi-Qar	34	40.9	44
Maysan	27	42.3	45
Al-Basrah	34	14.9	16
Kurdistan Region			
Dohuk	9	5.8	8.5
Erbil	3	3.6	6.7
As-Sulaymaniyah	3	2	4.5

Source: Ministry of Planning and Development Cooperation, Central Statistical Organization and Information Technology, Poverty Line and Poverty Features Report in Iraq for the year 2018

Some governorates suffer from poverty rates higher than the average and some possible reasons for this situation. For example, governorates such as Al-Muthanna, Thi-Qar, Diyala, and Al-Qadisiyah may show higher poverty rates. As for the causes of poverty in those governorates, they may be diverse and include economic and social factors such as lack of economic opportunities, lack of investment, armed conflicts, internal migration, and lack of basic services such as education and healthcare. Below is a table showing the poverty rate in Iraq.

## **Actions of Previous Governments:**

Previous governments in Iraq have taken some measures to address the challenges of social welfare. These measures include increasing spending on social sectors and expanding the scope of social programs and services provided.

Programs have been implemented to provide cash support to needy families and vulnerable groups, to provide free or discounted healthcare, and to improve school infrastructure and provide educational opportunities for all. Some social security programs have also been provided to offer social protection for individuals facing unemployment or disability.

However, these measures have not been sufficient to address the significant challenges facing social welfare in Iraq. There has been a lack of necessary financial allocations to effectively implement programs and provide social support. Additionally, efforts have been affected by corruption and the lack of effectiveness in resource management. Below is the table for the households benefiting from the social protection network for the year 2019, December.

Table (2) Number of households benefiting from and covered by the social care salary for women and men according to the latest installment for the year (2019)3

Provinces	Social care office (M)	Social care office (F)	Total
	Number of beneficiaries (M)	Number of beneficiaries (F)	Number of beneficiaries (M&F)
Nineveh	79487	41133	120620
Kirkuk	27380	13889	41269
Diyala	57738	16858	74596
Al-Anbar	42477	19902	62379
Baghdad	157344	108687	266031
Babil	56054	24443	80497
Karbala'	43452	17605	61057
Wasit	46342	20864	67206
Salah ad-Din	35792	21429	57221
Al-Najaf	51017	23862	74879
Al-Diwaniyah	54553	20895	75448
Al-Muthanna	32980	16858	49838
Thi Qar	95950	31891	127841
Maysan	46613	19378	65991
Al-Basrah	72384	39249	111633
Total	899563	436943	1336506

Source: Republic of Iraq, Ministry of Labor and Social Affairs, Statistics and Planning Department.

The number of beneficiaries reached 1,336,506 million beneficiaries in the year 2019. However, in the year 2020, this number increased to 1,400,000 million beneficiaries, according to the latest statement issued by the Minister of Labor and Social Affairs at the time, Dr. Adel Al-Rikabi.



The inclusion of these new numbers was a result of the increase in poverty rates, attributed to several reasons. These reasons included the repercussions of the COVID-19 pandemic experienced in the years 2020 and 2021 and the cessation of economic activities, in addition to the economic crisis resulting from the reduction in oil prices and the halting of projects.

Although the budget allocated for social welfare was 4 trillion Iraqi dinars, the Parliamentary Finance Committee diverted a portion of this amount, which amounted to 1.7 trillion and 700 million Iraqi dinars, to the Development of Regions budget for the year 2021.

Regarding the latest number of 1,400,000 beneficiaries, the minister stated that more than 25% of these beneficiaries are not eligible for the allowance. Most of these individuals either have jobs in the private sector, are government employees, or retirees. There were cases of government employees receiving the social welfare allowance, totaling more than 26 thousand between employees and retirees. They were suspended, and approximately 55 billion Iraqi dinars were recovered and redistributed to eligible beneficiaries across all provinces. This statement highlights the urgent need to work on a unified database for state employees and retirees and to develop verification mechanisms to ensure fair and effective distribution of the allowance.

As for the qualified and capable individuals for work, there appears to be a challenge in some of them not being able to work, even in unskilled jobs, due to the entry of foreign workers into Iraq. Their entry may be with the approval of the Ministry of Labor (work permit) according to Iraqi labor law, or randomly through granting them visit visas or entering illegally. According to a statement by the Parliamentary Labor Committee, the number of foreign workers reached one million in 2021, but the minister denied this number. According to the statistics possessed by the ministry, there are more than 450 thousand unregistered foreign workers, and the number of registered workers is 277 thousand. This is also because there is no comprehensive system that registers the number of these workers. This poses a significant challenge, adding a burden to the state treasury and leading to their inclusion in the social welfare program due to non-compliance with government laws and regulations.



## Current Government Measures:

Within the current government agenda, the government adopts a series of measures aimed at supporting the poor, vulnerable, and low-income groups among citizens. These measures come as part of government efforts to address the economic and social challenges facing society. This commitment reflects the government's responsiveness to the needs of the most vulnerable groups and seeks to promote equality of opportunity and improve their living standards.

One of the key measures taken by the government is conducting field surveys before approving the budget, aiming to complete routine procedures until the budget is approved. This allowed for the addition of no fewer than 600 thousand beneficiaries to the welfare social allowance.

Social welfare also included (300,000) beneficiaries from food security allocations, and these amounts were deferred from 2022 to 2023 to make the total number of beneficiaries (900,000). Additionally, a cash assistance program was allocated for students from families included in social welfare, in cooperation with the Iraqi Ministry of Education.

Furthermore, a special fund was established to support the poorest provinces, which are determined by the Ministry of Planning based on annual surveys. This fund is allocated to address poverty cases in the provinces most affected by difficult economic conditions. The total number of beneficiaries of the social welfare allowance reached (2,153,000) families by the end of 2023. The total number of beneficiaries exceeded (7,400,000) individuals, with the disbursed assistance amounting to the highest limit, estimated at (468,847) billion Iraqi dinars monthly, equivalent to more than (5.5) trillion dinars annually.

The monthly allowance varies among households depending on their situation and the number of individuals, averaging (215,000) Iraqi dinars per month. It can increase or decrease depending on individual and family circumstances. Additionally, the "Arzaq" service was launched, providing loans to social welfare beneficiaries, with a financial allocation of (100) billion for this service by the end of 2023. The number of beneficiaries of this service reached (2,800) by the end of 2023.

The free health insurance was also activated through surgical operations and hospital stays in private wing departments, with the number of beneficiaries of this service reaching over (183,000) in Baghdad province alone, with work ongoing in other provinces. The "Construction Basket" service was launched, which involves purchasing building materials for social welfare beneficiaries in cooperation with the Iraqi Ministry of Trade, with a financial loan of up to (10) million Iraqi dinars. Additionally, beneficiaries of social welfare receive additional food items distributed to them through ration cards in cooperation with the Iraqi Ministry of Trade, with the number of beneficiaries reaching more than (6) million.

The government also launched a recovery campaign, where allowances were suspended for (207,000) exceeding individuals, who were subsequently terminated, and these numbers will be included for eligible individuals.

## **Analysis and Evaluation:**

To conduct an objective analysis and evaluation of the current government's measures, each action taken by the government during the previous period should be analyzed and evaluated in terms of both positives and challenges, as illustrated in the table below: (Next page)

## **Overall Evaluation:**

The government's measures demonstrate significant efforts to support vulnerable groups, but their implementation must be carefully monitored to ensure the achievement of desired goals. Regular evaluation of programs is necessary to ensure their continuity and effectiveness in addressing economic challenges and improving citizens' livelihoods.

Table No. (3) Objective Analysis and Evaluation of the Current Government's Measures in Terms of Positives and Challenges.

Procedure	Positives	Challenges
1. Field Survey	- Governmental commitment and integration of efforts through conducting field surveys before budget approval, reflecting effective response to the needs of the poor and vulnerable. - Increase in the number of beneficiaries by at least (600) thousand indicates expansion of social welfare coverage and government efforts to lift the living standards of the poor.	- Quality monitoring of the field survey is necessary to ensure accurate data collection to ensure aid reaches those most in need.
2. Support Fund for Poor Provinces	- Targets the most impoverished provinces, allowing for addressing economic hardships in those regions. - Reflects commitment to improving life across Iraq, not just in urban areas.	- Ensuring fair and effective distribution of funds to ensure support reaches targeted groups.
3. Launching of "Arzaq" Service (Loans)	- Provides opportunities to improve the situation of beneficiaries by offering loans.	- Evaluation of beneficiaries' ability to repay loans is necessary to ensure they do not fall into debt traps.
4. Activation of Health Insurance and Construction Basket Service	- Providing free healthcare services enhances healthcare coverage for eligible individuals. - Provision of building materials promotes sustainable housing.	- Need for infrastructure improvement to deliver high-quality healthcare services. - Conditions and guidelines for the use of construction loans need to be effectively determined.
5. Distribution of Additional Food Items	- Enhances social protection by providing essential food items.	- Achieving balance in the distribution of food items and ensuring they reach deserving groups.

## Conclusion:

In Iraq, the government faces a significant challenge in combating poverty and improving the standard of living for citizens. Despite the efforts made so far, there is a need for new policy recommendations to achieve greater progress in this area. Given that Iraq is an oil-rich country, oil prices play a crucial role in the national economy and government resources. However, fluctuations in oil prices make it difficult to predict the future and plan policies effectively. Therefore, these funds must be invested wisely and efficiently to achieve sustainable development and improve the standard of living for citizens.

I propose that this financial grant be linked to the Labor Office in the Ministry of Labor and Social Affairs. Each beneficiary of this assistance should be identified and assigned an account manager or personal development manager. The beneficiary's profession and skills should be communicated to them. If the beneficiary is unable to find employment due to certain circumstances, their name and skills should be registered in the private sector employment section and state investment projects. If the beneficiary does not have any profession or skill, they should be directed to available training courses at the Vocational Training Center in the ministry. The appropriate course should be selected for them based on their educational level and abilities. This measure ensures that the individual becomes productive and contributes to society, rather than being a burden on the state.

Additionally, age considerations should be taken into account in this policy, where it should be available to individuals aged between (15-45) years. This allows young people to receive the necessary training and develop their skills to increase job opportunities and improve their future.

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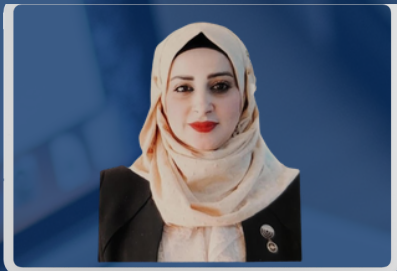


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