

Devaluating the Iraqi Dinar in Tough Year

Alternative Treatments

Dr. Nawfal Kasim Ali Shahwan

Introduction

In the turbulent year 2020, Iraq's economy faced the most significant contraction in two decades of 11%. Gross domestic product fell the most among the OPEC countries by share of oil. The budget deficit has expanded by more than 20% of the budget size since 2004 to reach nearly 40% for the year 2021. The debt-to-GDP ratio is among the highest in OPEC+, and it rose more than 20% in 2020, to reach 60% of it, which is the high rise. The only one in Iraq numbers. The value of net foreign assets expects to drop significantly from 50 billion dollars in 2020 to 10 billion dollars in 2024.

The devaluation of the Iraqi dinar was an insufficient recourse to bridge the budget deficit, and it will not be the last devaluation. Therefore, the government was supposed to treat the other side of the budget instead of reducing the dinar's value, which is the central bank's task. Furthermore, it should have focused on fiscal policy

instead of monetary policy in the treatment, but this did not happen for reasons revealed by this study.

Analyzing the effects of a currency devaluation for Iraq, the paper decided to determine the dimensions of the economic decline in Iraq due to the Corona pandemic and the possibilities of economic fallout. The analysis called for examining the societal conditions and evaluating the devaluation of the dinar exchange rate to save Iraq's economy. The general budget 2020 must

review analytically to determine the center of the fiscal deficit. It turns out that overhead is the key to treatment. To some extent, this is sufficient to arrive at the evaluation results and identify the necessary proposals. Perhaps it is worth mentioning among those proposals. The most prominent, among many, application of a public economics principle, consumption, and investment expenditures for this challenging year and beyond. It is prioritizing the society interest over the gains of the state and the officials responsible for it, who benefit from the investment budget. The monetary and fiscal policy treatments are expanding to the natural and profound maximization of public revenues and the application of sovereign policies. Any devaluation of the currency will negatively affect the level of inflation, and society suffers, among many, from the exacerbation of natural poverty and extreme poverty rates.

The treatments will divide into five topics: the decline of the economy, an overview of internal conditions, the reduction of the dinar exchange rate a successful measure to save the general budget? And what about expenses? The paper came out with critical proposals. The inductive analysis of the paper has organized into three sections: determining the dimensions of the economic decline in Iraq due to the Corona pandemic and the possibilities of economic fallout; the consequences of societal conditions; And assessing the dinar exchange rate reduction to save the general budget and risk the economy. Unlike many treatments, the study here emphasizes the center of the fiscal deficit, focusing on expenditures that are key to addressing it. Therefore, the most prominent results of the analysis suggest reversing the significant devaluation of the dinar and adopting an average exchange rate between the announced reduction and the previous rate, that is, to 1300 dinars to the dollar. It proposes, best of all, a fiscal measure of austerity, pressure on current public expenditures, and a freeze on investment expenditures.

Downturn the Economy

The Iraqi government decided to try to adjust the course of the economy and get out of a severe financial impasse. The Covid-19 pandemic swept the world, and with it, the Iraqi economy slumped by more than 20%. Most of the economies recovered except for Iraq, which took a sudden collapse. Howev-

er, Iraq is one of the ten wealthiest countries globally, with natural resources such as oil, natural gas, copper, uranium, phosphates, sulfur, and iron. Commercial revenues from airports, communications, and border crossings, and billions of public services revenues. The Border Ports Authority's imports, for example, in one month exceed 100 million dinars, but only 10% of them reach the state treasury. The Communications Commission's imports The Ministry of Finance does not know anything about its accounts. Ministries acquire the regular budget allocations with 100% fake contracts—manipulating the Presidency of the Parliament allocations of the treasury of investment and reconstruction projects.

The draft law of the Iraqi Public budget for the federal state has leaked in early 2021, after a significant delay. It was delayed more by the Iraqi parliament about two months for the amendment and its approval, and it was in the amount of 150 trillion dinars, equivalent to 120 billion dollars. The uproar that aroused local public opinion was too great to pass the budget.

The economy of Iraq, which is the second oil exporter in OPEC, has suffered from a drop in oil prices due to the COVID-19 pandemic. He also suffers from the economic - health - economic effects of the spread of the virus to the point of starting economic disintegration³.

. With the marginalization suffered by most productive sectors over the past two decades, the economy quickly exposed a terrible deficit and is on the verge of collapse⁴.

Therefore, during 2020, the state was unable to maintain its income, approve a minimum budget, or pay salaries without loans. The budget exceeded hundred and twenty billion dollars, and its pace escalates annually. It has an annual repayment of more than five billion dollars in interest only. The budget deficit reached a limit that could not be exceeded even with loans, and the Central Bank was unable to repay its debts.

According to a study by one of the specialized international websites, the first reason is that "Iraq does not constitute a real, economic, politically unified state. Instead, it scattered geographical parts rich in resources. Groups

absorbing wealth languish in collusion, threat, or blackmail. The real Iraqi state, politically, economically, and militarily, is not. A source of incompetent mismanagement, corruption, and failure to manage resources. The most dangerous thing is that the same structure continues to dominate, and the greater danger is that the people will recycle it.”⁵

The dinar devaluation was a desperate attempt to address the deficit. However, as mentioned above, it added a third problem to the people’s suffering. It is the case with the decline of the petrodollar and a stagnation slowdown with artificial inflation to finance inflation. The Iraqi government began to face financial distress, followed by an economic crisis caused by low oil prices and reductions in crude oil production⁶ levels, according to the production quota within OPEC. With the reasons indicated above, the government, specifically the Ministry of Finance, coordinated with the Central Bank and the Iraqi parliament and persuaded them to reduce the official price of the Iraqi dinar from about 1190 to 1450 per dollar⁷.

It means a 22% devaluation of the dinar against the dollar. On Saturday, December 19, 2020, the government announced that it was devaluing the currency for the first time since the US-led invasion in 2003 to reduce pressure on public finances while trying to secure billions of dollars in foreign aid.

The Central Bank of Iraq justified that this is the first devaluation of the currency since 2003. The dollar will sell through local banks at 1460 dinars per dollar. How does the Central Bank of Iraq abandon its role in monetary policy and leave it to the Ministry of Finance? Iraq, which is suffering from a lack of liquidity, asks companies to pay two billion dollars in advance for oil. These are steps to avoid the depletion of its foreign exchange reserves. The justification was that the Coronavirus drained energy demand and caused prices to collapse. In late 2020, the government sought advance payments for a long-term crude supply contract to help alleviate its dire financial situation.

The thing is, the government fell into a contradiction with the error of the procedure it took. Nevertheless, it is one of the solutions attributed to the Minister of Finance, and he could not deny it. To get out of the impasse, the

minister suggested alternative measures! Including reducing the salaries of university professors and government higher education, claiming that they are high salaries. Nevertheless, after he was confronted with condemnation and denunciation and described as unprofessional and unrelated to the state's financial affairs, he suggested imposing income tax on all Iraqi state employees! The justification is that the government's reserve for payable salaries is only sufficient for several months. These proposals were subjected to severe criticism locally and internationally. For example, Bloomberg published an article stating: "Currency devaluation has been an inevitable tactic due to low global oil prices and budgetary pressures facing Iraq.⁸"

Any analyst should pause at the last statement; (And the budgetary pressures Iraq faces). So what are those pressures? The government has not announced any government austerity measures in the public expenditure budget, nor any cuts in the investment expenditure budget. Investment projects and their development programs, who knows, are closer to zero, and they are a significant reason for the popular uprising, October 2019. World governments first resorted to reducing public expenditures. It is a self-evident method that does not require professional knowledge or specialization. In Iraq, the current and investment budget amounts increased, and the deficit widened more and more, despite all the repercussions.

The government said that this reduction happened once and will not repeat. However, published indications indicate that this is not the case. The result was a widespread reaction with the resulting increase in the cost of living, inflation rising by 20-22%, and the loss of real per capita income of one-fifth, with no government austerity.

The Prime Minister (Mr. Mustafa Al-Kazemi, who assumed the premiership in May 2020) warned that the government would struggle to pay employees' salaries without increasing debts. The threatens to repeat the unrest that brought down the previous government of Mr. Adel Abdul Mahdi that year, which saw hundreds of protesters killed.

The demonstrators had expressed in Tahrir Square in Baghdad at the end

of October 2019 their regret for the policies of corrupt officials, with the deterioration of public government services, such as the deterioration of electrical power supplies, dilapidated health services, the deterioration of the already dilapidated infrastructure and the lack of jobs. Furthermore, they urged the government to ignore the OPEC production quota cuts, contrary to international trends.

The Iraqi economy is deteriorating and is turning into a threat to OPEC. The International Monetary Fund expects Iraq's economy to shrink by 12% in 2020, more than any OPEC member state under a production quota. Its budget deficit will be 22% of GDP. At a time when the Prime Minister of Iraq bet on economic reforms.⁹

It estimated that the level of inflation had increased by more than 23% within days, more than the devaluation rate of the dinar mentioned above. This step came as part of a broader plan to reform Iraq's oil-dependent economy. Moreover, that the government will reduce public salaries, as was indicated. Nevertheless, what saved the situation is that these proposed government measures have already met with opposition from members of parliament who were afraid of angering voters after the mass protests that rocked the country.

Strangely enough, the Iraqi government insisted on devaluing the dinar and persuaded Parliament to approve it when the economy was collapsing. The government said the devaluation would be a one-off. Furthermore, after approving the devaluation of the dinar, the implementation did not cause a recurrence of fatal disturbances, but there are expectations that it is the beginning of a painful adjustment⁰¹.

How? The devaluation of the dinar will be painful for ordinary people, and it is unlikely to be a one-time devaluation. The decrease in the foreign exchange reserves that topped the budget may lead to a further adjustment and decrease in the dinar value either officially or more likely in the market¹¹. The analyzes of this study came to indicate the roots of the problem, not its manifestations and effects¹².

Financial situation

Although Iraq is the world’s third-largest oil exporter, its economy has suffered from the coronavirus pandemic that has weakened global demand. The quotas agreed upon with other oil exporters to stabilize the market also mean that the ceiling of its oil exports that Iraq can achieve is restricted, which narrows his options to increase revenue. According to the latest estimates of Iraq’s economy will shrink during 2020 by 11%. Although this ,³¹the IMF drop is less than the fund’s initial forecast of 12.1%, it still leaves Iraq with the most significant contraction among OPEC members subject to production caps, highlighting its excessive dependence on oil. Moreover, real GDP growth has become one of the most harmful and slowing growth rates among the OPEC countries (Figure 1). The question is about the likely direction of .this horrific decline

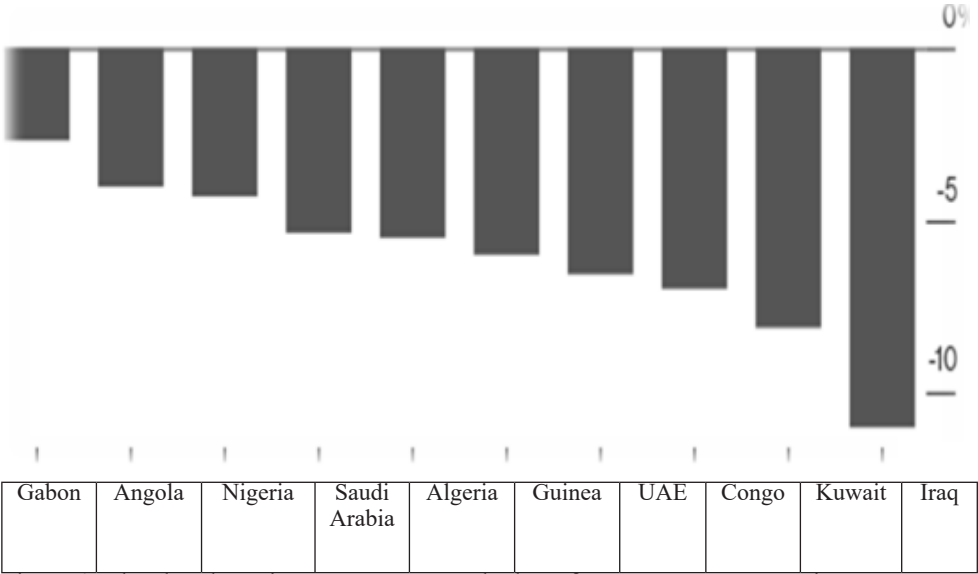


Figure 1: The slowdown in Iraq’s economy, the largest among OPEC countries
GDP growth in 2020

.Source: International Monetary Fund

Is Iraq’s Economy Crumbling?

In this challenging year, Iraq’s economy is declining the most among

OPEC members, according to the oil quota. Moreover, the International Monetary Fund expects that Iraq’s net foreign assets will continue to decline sharply until 2024. So the question with this situation is, can Iraq’s economy rise again? The debt-to-GDP ratio is among the highest in OPEC+, including non-OPEC oil exporters such as Russia. At the international level, the collapsed economy in Iraq is turning into a threat to OPEC. It also notes the (ratio of government debt to GDP and illustrative indicators in Iraq (Figure 2

Financial Problems

The Iraqi budget deficit assessed to expand that year at its most considerable extent since 2004, exceeding 20%. The budget draft for 2021 was leaked before the currency devaluation and shared by the community and the world.⁵¹Moreover, it is expected for Iraq another challenging year



Unit	Period	Less Value	Higher Value	Previous Value	Middle Value
GDP %	2020-2010	32.00	344.30	46.90	68.30

Figure 2: Government Debt to GDP Ratio and Indicators in Iraq 2010-2020

Source: IMF data, trade economics.

<https://tradingeconomics.com/iraq/government-debt-to-gdp>

Oil exports were estimated in the budget at an average of 3.25 million barrels per day, with an assumed average real-time price of 42 dollars. Therefore, the budget adopts a 58 trillion dinars (45 billion dollars) deficit. If and only if

the policies are correct and the objectives achieved. The following framework details the operational and investment expenditures of the proposed general .(budget plan for the Iraqi government 2021 (Box 1

Operating expenses 122,676 trillion dinars Capital expenditures 27,375 trillion dinars, assets, and projects Special programs 967 billion (about a trillion) dinars Total for capital expenditures 27.375 trillion + special programs 967 billion (0.967 trillion) = 34228 trillion. Add 2 trillion dinars for the reconstruction and development of projects in all governorates = 30.342 trillion to the investment budget, and the truth is the biggest hole in the pockets of the Iraqi pants. It comes with the painful fact represented by the indebtedness, which is the internal and external public debt installments amounting to 14,762 trillion dinars in early 2021.
Box 1: Operational and Investment Expenditures for the Iraqi Government's Proposed General Budget Plan 2021

In the proposed budget plan, which the Council approved of Ministers¹⁶ on Sunday, December 29, 2020, in the hope that Parliament will approve it during December 2021, the support prices from the International Monetary Fund amount to about six trillion dinars, which is a small part of the deficit. Some analysts said the devaluation was necessary to demonstrate to international lenders that Iraq was serious about reform. Nevertheless, it is not enough to unlock the aid the government wants. “The budget cuts will be needed to get significant financial support,” said Mark Bohlund, senior credit research analyst at REDD Intelligence.

Freefall:

The central bank’s net foreign assets started declining in 2018 and continued to decline in the following years. Usually, net foreign assets will continue to decline significantly until 2024. However, since the announcement of the dinar devaluation on December 19, 2020, the gap between the official exchange rate and the dinar price on the black market has narrowed, indicating that the adjustment helped relieve pressure on the financial markets in his time.

Nevertheless, the government formed after the 2019 protests that toppled

former Prime Minister Adel Abdul Mahdi remains fragile. Struggling with the brunt of opposition to plans to roll back the public sector in a country where politicians have bought their loyalty for money for decades, it has been providing government jobs.

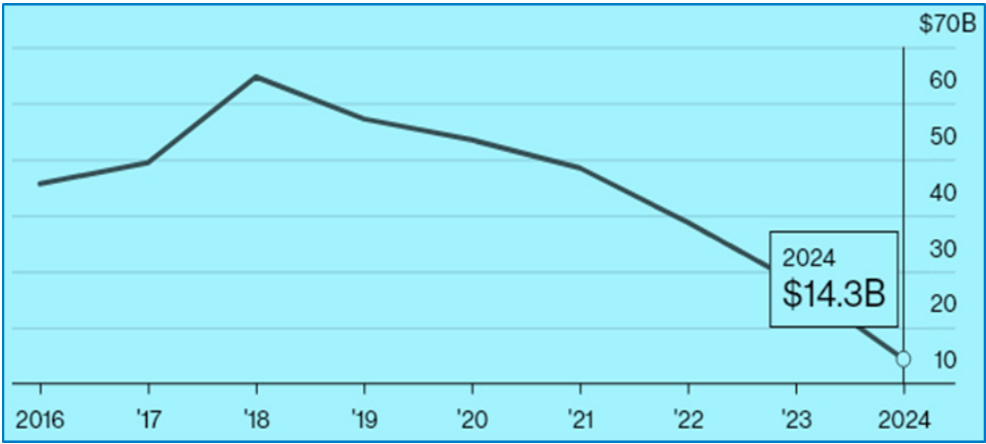


Figure 3: Decline in net foreign assets in Iraq since 2018 and its expectations until 2024

Source: IMF data

Facts are circulating among analysts about the financial situation of the Iraqi state, indicating that: “The Iraqi government will have a problem responding to the emergencies that Iraq is witnessing, with passing budget reforms through Parliament.”⁷¹.

It is an expected impression because the transitional government will deal with these problems. Somebody may wonder if there is or will be an increase at another time, or in the sense that there is another government devaluation of the dinar’s value. Unfortunately, the only notable rise in Iraq is a high flight in the ratio of Iraq’s debt to the gross domestic product. This over flight is among the highest rates among OPEC members, as shown (Figure 4). Therefore, it is inevitable that alternative, more appropriate financial measures to be adopted by the Central Bank, the sponsor of monetary policy, instead of the government.

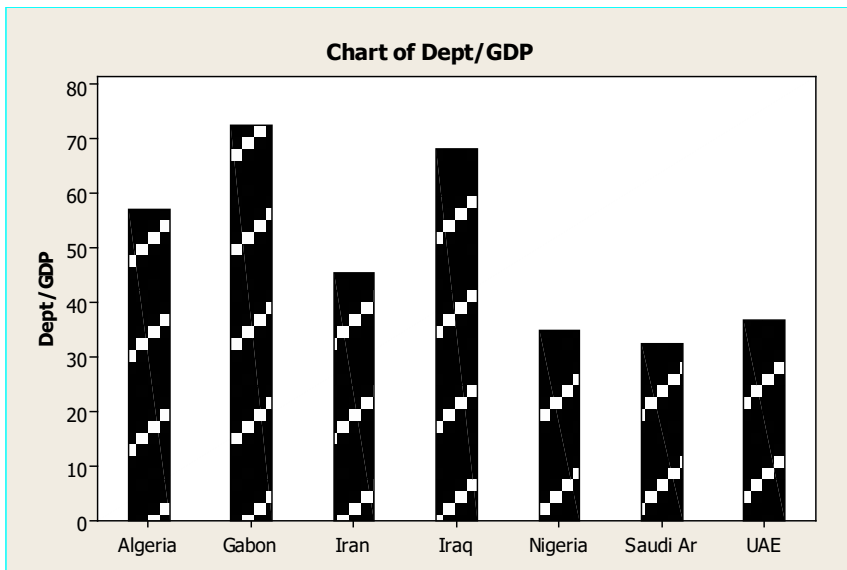


Figure 4: Debt-to-GDP ratio in OPEC countries

Source: IMF data

Implications of Societal Conditions

Financial distress is a result of the drop in global oil prices. The shrinking of the shares of the exporting countries, which led to a significant slowdown and stagnation and a drop in global demand, these two matters were directly reflected in Iraq. On the one hand, a local decline in economic activity due to the Corona pandemic. On the other hand, there was pent-up inflation due to the control of the dinar exchange rate for more than ten years, especially between 2010 and 2020. Moreover, Iraq emerged from a war against terrorism that had drained its material and human capabilities.

This study expects that international oil prices will soon return to their movement with / or without measures regarding prevention methods from the Covid-19 virus. The markets will resume their activities, or at least 70-80

It is unreasonable for the state's revenues to be 91 trillion dinars (72 trillion dinars from oil and the rest from other resources) and public expenditures 122 trillion dinars. An intentional deficit of forty trillion dinars, an added and imposed deficit from Iraq's international obligations in terms of loan installments, annual interest, and very many external and internal items, amounting to thirty trillion dinars, bringing the total budget deficit to seventy trillion dinars.

Box 2: The Planned Iraqi Budget Deficit, 2021

The devaluation of the dinar was a haven for some modification in the fiscal deficit of the 2021 budget. However, this devaluation is not sufficient to bridge the budget deficit. Nor will it be the only or last reduction (Box 2). Of course, it is difficult to predict developments in the economic realities, but the evidence broadly indicates that this measure is the only recourse before the Ministry of Finance, and it will remain so unless alternative measures are considered. Most notably, deep spending cuts will not be enough to prevent more incredible economic pain. Moreover, what are the best areas of treatment that suggest alternatives next?

Alternative Proposal

An option that imposes itself is to reconsider the articles of the 2021 budget—in particular, reducing expenditures. An obvious choice, but the decision is one of the most challenging decisions for the government. Its advantage is that it removes the risks of inflation from 62% of the population of the middle and poor classes. In addition, there is an inventory list of items that the government is responsible for reducing its expenditures

Table 1: Main Financial Indicators, Iraqi Government, 2020

Iraqi Government Finances	Financial Index	Less Value	Highest Value	Previous Value	Last Value
Government debt to GDP	percent	32.00	344.30	46.90	68.30
government budget	from GDP	34.90-	10.70	0.90-	17.50-
The value of the Government budget	percent	16599895.00-	61244368.00	131747.00-	1472988.00
government revenue	from GDP	1119448.00	119466403.00	17311942.00	24994967.00
financial expenses	million Iraqi dinars	468749.00	111723523.00	17443689.00	23521979.00
military spending	million Iraqi dinars	217.00	949493.00	7599.00.	6994.00
Credit rating	million Iraqi dinars	less value			23.00

Reducing public expenditures is a harsh measure for the government, but it spares the economy's woes and requires great courage in adopting and implementing it. The list can be reached and published within the proposals' details. Now, the Iraq economy is in early January 2021. The budget has been sent by the Secretariat of the Council of Ministers to the Iraqi parliament. The latter stated that he needed between 20-30 days to read it and deliberate on its approval—the symposium this paper presented on January 10, 2021. The vision can contribute by presenting the most appropriate scientific and practical proposals for the economy. The proposal is to stop all projects and investment expenditures, saving 30.342 trillion Iraqi dinars. Thus reducing the deficit or perhaps avoiding it entirely.

At the same time, it could stop the permissible corruption of the ruling class. Political elites are preparing on the side of the budget. Not according to this. Most of the parties and levels in the executive government follow and intrude, for the most part, on the stems and branches of the current budget. Even salaries were affected by terrible administrative corruption that affected public funds

Economic Valuation, the Dinar Exchange Rate Devaluation

The exchange rate devaluation came after the Covid-19 pandemic and the drop in oil prices to save Iraq's economy from trouble. They caused stagnation, to which the inflation factor was added, which generated stagflation in the economy. The question is: Is currency devaluation in a crumbling economy the right decision?

Revenues

In the first chapter of the proposed budget, revenues from the export of crude oil were calculated based on an average price of (42) dollars per barrel and a daily export rate of 3.250 million barrels, including 250 thousand barrels per day «from the quantities of crude oil produced in the Kurdistan region» and based on an exchange rate of 1450 dinars per dollar. (Article-1-first-b)

Revenues are estimated at 92 trillion dinars, 73 trillion of which are from oil, and the rest is non-oil revenues at 17.78 trillion. The draft stipulates, «The Kurdistan Regional Government is obligated to deliver an average of (250,000) crude barrels per day of crude oil produced from its fields. This quantity is marketed through the Oil Marketing Company, SOMO. The oil and non-oil revenues shall be delivered exclusively to the state's public treasury» (Article - 11-Second-A-).

The question is also: Does the «Mineral Wealth» paragraph include export returns and the proceeds of selling them in the local market?

1- According to the official data of the Ministry of Oil, the average (unilateral) region's exports during the period (from March to the end of October 2020) amounted to about 432 thousand barrels per day. Therefore, assuming the same rate continues, the regional government will continue to export and retain revenues of 182,000 barrels per day, in addition to its share of the federal budget.

2- Since oil production in the region is counted within Iraq's production concerning (OPEC +) agreements. Moreover, that Iraq's share, according to

the previous agreement, will be in January 2021 at 3.857 million barrels per day, so the region's continued «export» of 432 thousand barrels per day will make it difficult for Iraq to export 3 million barrels per day, due to covering the requirements of Iraqi refineries, which estimated at 550,000 barrels per day, as in November. However, the Ministry of Finance did not address this issue and did not consider it when preparing the draft budget.

3- Previously, official work was prepared and submitted to the Council of Ministers on December 31, 2019, estimating the total damages resulting from the quantities of oil that the region spent and that the regional government did not hand over to the federal government, it exceeded 128 billion dollars, so how did the matter turn?

4- Because of wrong decisions and corruption, the regional government, lost many cases before the London Court of International Arbitration, resulting in billions of dollars for losing the cases. These fines contributed to the fiscal deficit.

5- «Pre-sale» of the region's oil contributed to the accumulation of the region's debts and the high interest on them, and so on.

6- Among the significant, very confusing matters mentioned in the draft budget is the consideration of the «operational cost of transporting crude oil exported by the region» within the «sovereign expenditures» (Article 10-Second)! It turns out that the region exported 432,000 barrels per day without the federal government's approval. No one dollar delivered to the state treasury, so how can the costs of exporting that amount be considered among the sovereign expenses?

7- The same thing repeated when «the federal government commits to pay the operational costs of transportation up to 350 thousand barrels per day of crude oil exported through the export pipeline. Of these, 250 thousand barrels are from the region's oil and 100 thousand barrels...» (Article 11-fourth). Here, a drafting glitch was observed—an unexpected defect from the Ministry of Finance. The figure (350) refers to a thousand barrels per day, while the figures (250) and (100) refer to a thousand barrels (without a day)! This may be a typo, but where does it come from, and to whom does the quantity

(100) thousand barrels per day return?

Fiscal Deficit Center and Expenditure Key Processing

The second chapter referred to the allocation of ١٥٠ trillion dinars for public expenditures, of which 122 trillion are operational expenses, and the rest are capital expenditures for investment projects. The deficit will be 58 trillion dinars, compared to the estimated revenues of 92 trillion dinars. As a reminder, the proposed law for Iraq's federal budget for the year 2020 indicated that the amount of the deficit is for social support for the poor classes and those with limited income, and a large part of it is for the salaries and privileges of senior state employees and the three presidencies, investment expenditures and financing lagging projects and others. Where is the defect?

Initially, the government said through the Minister of Finance that this devaluation of the dinar is for one time. The facts indicate otherwise and that the country's trend with stagflation will be repeated later. The devaluation of the currency proved directly within hours that it is painful for simple people in their various transactions and painful for the government because it will reduce the foreign oil reserves on which the budget depends and which will require further adjustment. This modification is a prelude to subsequent reductions, either officially or in the market. The reduction, in principle, contradicts the goal of economic stabilization, which most oil-producing countries have practiced, to maintain economic stability. The Iraqi government, with this approach, has undermined this rule and not only violated it because the issue says:

Iraq's economy is going through the most challenging times 2020-2021, and economic growth is the lowest among OPEC countries in 2020, as it is about 11%, which is even lower than the initial expectations of the International Monetary Fund by 12.01. The debt-to-GDP ratio of Iraq is the highest among the members of the oil-exporting countries. The devaluation of the dinar did not contribute to reducing the deficit. Instead, he added societal tragedies and misleading government monetary policies (of the Central Bank of Iraq). Here, the analysis must address the structure of expenditures.

Expense Structure

Three entities account for 54% of the total monthly salaries, with a total amount of 1.8 trillion dinars: the Ministry of Interior 28% (934 billion dinars); Ministry of Defense 16% (556 billion dinars); The Council of Ministers, the Presidency, the General Secretariat and related bodies 10% (316 billion dinars); Parliament and retired parliamentarians by more than 16%¹⁸.

By adding the last 45%, the proportion of the salaries of the sovereign and security authorities becomes 70% of the total salaries. All the remaining ministries participate in the remaining 30%, and here it is possible to imagine the shape of the salary scale in the Iraqi state, and this issue is not a point of discussion here.

Perhaps the most important thing here is to know the distribution of the provinces' allocations. The capital, Baghdad, gained 6.5% (amounting to 218 billion dinars); Kurdistan 6.34% (213 billion); Higher education is 5.16% (172 billion); Education 4.15% (138 billion); Then health 2.44% (81.5 billion). Distribution needs justification and clarification in the introduction to the draft budget file. Despite this, the analyst stops at several points where there is no opportunity to discuss who placed the distribution of expenditures included in the budget, nor how they placed. Let us note the following on expenses, for example, but not limited to:

- There is an item under the Welfare mod!
- The accumulated salaries of the martyrs and the central and local public administration (the central received twice),
- The Financial Supervision Bureau, the Supreme Judicial Council, and the Federal Court occupy a particular category as if the judiciary has its own house of money. While the financial budget is supposed to cover their expenses within the expenses of the Ministry of Justice. Does this privacy reassure those parties on their budgets in exchange for their satisfaction with the general budget? Alternatively, they have a financial authority above the central bank's authority, the financial state within the Iraqi state! It is a case of

structural imbalance in the distribution and the usual inflations in the structure of the state itself.

- Successive governments worked for nearly two decades, have allowed the problems to aggravate and pass them on through heredity without treating anyone to maintain what is known as the overall stability, nor ensure the sustainability of essential services that the government is asking about. This point allowed state salaries and pensions to reach more than 120% of oil revenues.

- Allocations: It needs to put them before a financial official in the Ministry of Finance to discuss them, find out their details, and review with the foundations of carefully planned financial control with development goals. What is meant is the extent to which the assignments correlated with the desired returns.

- The Ministry of Higher Education and Scientific Research is less than the Popular Mobilization: 2.2 compared to 2.5 trillion dinars. This hand-built for the country's generations enjoys less than the entity that supports the Ministry of Defense and the other security agencies. Nevertheless, the economy has been driven by waves of the decay of security systems, past and present, and perhaps later.

- The Ministry of Finance allocates 46 trillion dinars to its entity. While Baghdad governorate received about 3.3 trillion dinars only.

- The governorates of Dhi Qar, Babil, Wasit, and Nineveh were allocated randomly to each of the same expenditures, one trillion dinars for each. As a result, the first three governorates share the spread of poverty and unemployment due to their cumulative neglect for years. Nineveh suffers from the central government's neglect of investment allocations, but it is the second-most populous governorate after Baghdad. The first is the destruction after the control of ISIS and the destruction left by the inevitable war of liberation.

- In the distribution of ministries sums, the Ministry of Oil and the Ministry of Electricity separately consume what Parliament and retired parliamentarians

spend, 16 trillion dinars. Salaries, allowances, and expenditures with broad powers for employees make them two destinations of preference and attraction for requesting an appointment over others. What illustrates this is the allocations to other ministries. For example:

- The Ministry of Education is 2 trillion dinars; Health 3.4 trillion dinars, and their total allocations of 5.4 trillion dinars are less than what is allocated to the Ministry of Labor and Social Affairs, which amounted to 5.8 trillion dinars. The Ministry of Commerce has 4 trillion dinars.

On the other hand, if the Ministry of Health and Trade are institutions that achieve financial returns and revenues in exchange for the first services and outlets for the second, then the Ministry of Education, public and corner services in the developmental contribution to education, has the minor allocations. It corresponds to the Ministry of Social Affairs, which is similar to the Ministry of Education, in that services have the highest allocations over the four ministries. Most likely, the vast social welfare expenditures cause. However, the poverty rates recorded in Iraq are the highest in the Arab region, except for the Kurdistan region. Its indicators call for development policies more than allocations.

- For Basra governorate 1.54 trillion dinars, Nineveh 0.4 trillions, Anbar 0.225 trillions, and Salah al-Din 0.184 trillions. With a total of 0.809 trillion, it represents half of what is in the Basra governorate because of the petrodollar, which raises the question about development in Basra and reconstruction in the other three, especially Nineveh and Salah al-Din.

- The Shiite Endowment Office has 0.8 trillion dinars + its Sunni counterpart 0.23 trillion + the endowments of other religions and sects are 0.008 trillion dinars, the total equals 1.038 trillion.

- For the Ministry of Finance 45 trillions + for oil 16.4 trillions + for electricity 16.8 trillions = 78 trillion dinars for these ministries, which is more than half of the total general budget.

- By adding 12.5 trillion Kurdistan region allocations, the total will be 90.5 trillion.

The proposal is to reduce capital expenditures (investment and current) and temporarily suspend special programs.

In a statement to the Minister of Finance in December 2020: When preparing the budget, we resorted to laying down new foundations and mechanisms to increase public revenues (how?) by putting in place texts through which we can maximize revenues, as well as turning us as much as possible to find solutions to reduce expenditures further possible extent⁹¹. The statement acknowledged: that Iraq has been living lower than its capabilities and lacked a federal budget law for 2020. Additional burdens by adopting 1/12 of 2019. The new government was nothing but recognition of the scale of the problem. The most prominent constraint to controlling public finances is keeping the deficit within acceptable limits. It contradicts many things (from the same statement, p. 104).

Processing: The first internal borrowing was handled by 15 trillion dinars in June 2019 and the second by 12 trillion dinars in November 2019. The government's measures adopted to support agriculture by purchasing grains at prices higher than international prices and the cost of 2.5 trillion dinars for the year 2020, except for subsidizing the inputs by half a Trillion dinars, plus: subsidies for other inputs such as irrigation water resources, well water, quantities, outlets, individuals, material movement and public finance.

Naturally, significant efforts done in distributing allocations and adopting various ministerial proposals and financial advice in dealing with the extensive tabulations of unplanned expenditure. Instead, the advisory proposals met with the ministerial recommendations to advance the scheduled burdens according to each ministry's budget separately. In other words, specialists in the Ministry of Finance were significant efforts to avoid inherited problems on the one hand and not to prejudice fixed public spending items under the accounts referred to in the previous section, which are tabs that are not subject to discussions. There are no specific annual economic goals or plans related to economic growth.

The first draft of the current research paper has been presented as a working paper²⁰ at the Legal Economic Symposium²¹. One of its most prominent

recommendations is to reduce expenditures and maximize revenues, with detailed paragraphs. After parliamentary-governmental deliberations, the Iraqi government approved the 2021 budget in April, with a significant reduction²², to reach the size of 101 trillion dinars

Evaluation Results and Suggestions

The study drew the general trends of the budget echoes popularly from the official statements and publications of the Central Bank of Iraq and the Iraqi Ministry of Finance. Moreover, it leaked information from the meetings of the Iraqi Council of Representatives 2019-2020 regarding the 2021 budget and meetings of Parliamentary Committees 2020 and theoretical contexts from scientific references in college policies. Furthermore, if we wanted to address the budget deficit, and for a rentier country like Iraq, attention would need to focus on the economic treatments of the 2021 budget deficit problem and all other deficits before or after it on two aspects, namely: (1) reducing expenditures; and (2) maximizing non-oil revenues. It has proven that these lines were taken as a text, as stated in the Parliamentary Finance Committee's clarification on 6/7/2021 how to cover the budget deficit entirely from the surplus oil revenues after it rose to 77 dollars if oil prices remain at this level so that the 2021 budget will be without a final deficit. Therefore, it will be Covering all the budget deficit from the surplus oil revenues after the price hike²³

Expense reduction includes Salary issues for fictitious and double or triple employees; adjusting the actual employee database on the one hand; And the reduction of other secondary and tertiary expenditures for the 2021 budget, which are very many and dangerous within the current expenditures, in addition to the large slope in the curve of the state's salary scale and the vast discrepancy between the lowest and highest salary. It assumed that the argument for the salary of the highest grade in the country should not be more than (20) twenty times. Moreover, the lowest salary for the lowest grade is one million dinars (equivalent to \$800 per month) at prices before the devaluation of the Iraqi dinar or \$600 after the reduction). From a development point of view, .this eliminates income poverty and living poverty together

On the other hand, it stops all investment budget expenditures, the gateway to significant corruption in light of the failure to present any real or substan-

tial projects that serve the economy and the economy alone for nearly two decades. In short, stop the drains that brought the economy to its knees and tarnished its reputation as a country that not only lacks the elements of development or progress but is on the verge of severe collapse. It is in addition to the notes mentioned in the text as follows:

- **Monetary Policies**

1. They are determining the official exchange rate of the Iraqi dinar at 1,300 dinars/dollar.
2. Cancellation of the currency sale auction, which has considered a precedent unparalleled globally, became an outlet for currency smuggling out of Iraq.
3. The Central Bank's control over the dollar's exchange rate against the Iraqi dinar in the Iraqi markets.
4. It is re-evaluating private banks and exchange companies and reducing the number of private banks that have become outlets for currency smuggling and money laundering.
5. Raising the interest rate on money deposited with banks encourages citizens to save.
6. Thirty.

- **Financial Policies**

First: Rationalizing Salaries;

Salaries of employees and retirees: not to prejudice the salaries of employees under any pretext and for any reason whatsoever, and this includes bonuses and promotion

The salaries of the vast presidencies: Reducing the salaries of the three presidencies by fifty percent

Huge presidencies' privileges: Cancelling privileges, allowances, and social benefits for the three presidencies.

The phenomenon of bodyguards: reducing the number of their bodyguards

to no more than one hundred and twenty individuals.

Ministers' salaries: Ministers' salaries resolve to be reduced by twenty-five.

Commissions Privileges: Cancellation of privileges and protections for particular degrees from independent commissions and general managers heads.

7. Limiting the number of their protections to no more than eight individuals and three wheels.

8. The National Assembly and the Governing Council: Freezing the pensions of members of the National Assembly and the Governing Council until enacting a law by the House of Representatives to abolish them.

Multiple salaries: permanently canceling multiple salaries and limiting beneficiaries to one salary determined according to entitlement.

Salary ceiling for exceptional grades: The salary of higher unique grades has to be determined by no more than four million dinars for category A and three million dinars for category B.

Pension salaries and social protection: Freezing the salaries of retired security services residing outside Iraq who enjoy social welfare salaries in their countries of residence

Privileges: Cancellation of privileges and social benefits granted to ministers and heads of political blocs.

Rafhawiya salaries: Freezing the plurality of pensions for the Rafha fighters in the same family until the Council of Ministers submits a bill to abolish it to be issued by the House of Representatives.

Five-year leave with a nominal salary: Facilitating the procedures for granting leave for five years at the employee's nominal salary while collecting pension contributions to calculate the leave for retirement purposes.

New Appointments: Freeze appointments for one year

Second, Reduce Costs;

Stop the import of oil derivatives and restart the oil refineries in Iraq.

Suspend the import of cars for two years, except for production cars.

Suspend the import of luxury items, cosmetics, and accessories of all kinds for one year.

Closure of Iraqi embassies in countries with no Iraqi community and with which we have no commercial relations.

Reduce the number of diplomatic missions employees in embassies and attachés by fifty percent.

Suspend delegations outside Iraq, except with the approval of the Council of Ministers for critical and governmental cases.

Early retirement or retirement for those who served twenty-five years of service provided for in Article Nine - A - of the Law of the First Amendment to the Unified Retirement Law.

Cancel the hospitality allowances in all state departments.

Reduce fuel and maintenance allowances for government wheels by fifty percent.

Stop buying wheels for officials for the next two years.

Suspend spending on furniture purchase for the offices of officials of the rank of general manager or above for two years.

12. Accountability of all those who caused the licensing rounds disaster that mortgaged Iraqi oil to foreign companies and caused Iraq to lose billions of dollars annually without any justification, and work to reconsider them in the hope of canceling them in the future by a bold government decision.

Forming a committee to check the areas of agricultural lands, identify those invested in agriculture, and offer the uninvested for rent by the law.

The government provides facilities to farmers, protects the local product, and stops importing agricultural products.

Protect livestock in Iraq and prevent the import of their products when

achieving self-sufficiency for any of them.

Work to support the private sector and provide the means and ingredients for its success.

Secure a safe investment environment and encourage foreign investors to bring their capital into Iraq.

Third: Maximizing Revenue;

Local production: Re-operating government companies, factories, and laboratories that can be used, and selling the other part to investors, provided that a deadline is set for them to restart them, provided that priority in working in them is for Iraqi workers.

Revenues from public services: levying water and electricity fees, setting a ceiling for the ampere price of private generators, and imposing fines on transgressors.

Looted funds: Opening the door for settlement with those accused of corruption and theft of public money, starting with the giant whales of corruption, and prosecuting those who fled from Iraq, provided that the stolen money is to return to the state treasury.

Control of border crossings: tightening state control over border crossings in all governorates and transferring their resources to the central treasury.

Monitor the border crossings: Forming a higher committee to monitor and audit the border crossings from representatives of the Financial Supervision Bureau, the Integrity Commission, a representative of the Security Department, a member of the General Secretariat of the Council of Ministers, and a member of the Border Guard Command.

State real estate: Opening the state real estate file, reassessing its prices according to the market price, and granting a reward not exceeding five percent of the real estate value to anyone who reports on real estate that has been transferred to persons by fraud and returned to the State for sale or lease according to the law.

State debts: Settling the debts owed by mobile phone companies and setting a fixed annual date for paying the amounts due to the government, otherwise its leave will be canceled.

Free Natural Gas (Free and Associated): Working on investing in natural gas.

Frozen Iraqi funds: Forming a committee of judges, lawyers, the Financial Supervision Bureau, the Ministry of Finance, the Central Bank, and the Rafidain and Al-Rasheed banks to follow up on the Iraqi funds frozen outside Iraq, as well as the funds smuggled abroad with the help of the US Treasury, and to negotiate with Kuwait to extinguish the remaining funds related to compensation.

Embezzlements and Acquisitions: Forming a committee to audit movable and immovable funds for everyone who took office, starting from a general manager up to the President of the Republic, and subjecting them to a law (from where did you get this?).

1- Sovereign policies of the state

2- Prohibition of haram money: Issuing a fatwa from the esteemed religious authorities forbidding public money and applying the strictest provisions for corruption cases of all kinds. The Ministry of Finance is the Islamic House of Money for all sects of the population.

3- Loyalty: Prohibiting the participation of non-Iraqi nationals only in any of the political and administrative authorities.

It is necessary for the ruling elites to unanimously agree on the imperative to work in the interest of the economy and give preference to that over personal interests if and only if they declare serving Iraq, advancing its economy, and serving its society. Therefore, it is more beneficial to abandon the participatory consensus in governance and quotas in sharing positions and areas of influence among the ruling blocs. The best is a government majority and a competitive opposition, an expression of the actual democratic economy and serving its society.

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