

Economic reading of the Iraqi public budget 2017 (deficit causes and treatment)

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Abstract - The general is the real mirror of economic activity of any country and this came the choice of this subject, this study highlights the federal budget of the Republic of Iraq for the year 2017 to analyze the most important items of income and public expenditure , and analysis of sources of revenue and trends in public spending , as well as shed light on the causes of disability, this budget , the study has reached a number of treatments to reduce the deficit through the diversification of sources of public revenues and reduce unnecessary expenses .

INTRODUCTION

Iraq is suffering from the budget deficit in recent years because of the significant drop in Oil price , in addition to the problems of terrorism , because Iraq is a state of rent , which depends on natural resources (Oil) a large dependence and sometimes up to 90% of sources of revenue for a number of reasons , including the high proportion of operating expenses in addition to the high costs of fighting terrorism.

Research importance: The importance of research stems from the negative effects of the large deficit in through internal and external borrowing .

Research problem : The Iraqi economy suffers from major problems, including the budget deficit . As these deficits have become a feature of the budget in recent years , which led to a significant rise in the value of external debt and the burden imposed by the current and future burden on the Iraqi economy.

Research goals : The aim of the research is to find effective and effective means to reduce the budget deficit and reduce the recourse to foreign loans to cover this deficit .

FIRST: DEFINITION OF THE GENERAL BUDGET:

(a unified system that represents the financial program of the state for the next financial year and reflects the economic and social plan) (1) The French law defines it (it is the legislative formula according to which the burden of the state and imports , and authorized and approved by the parliament in the budget law.(2) and defined by US law as " an instrument where by the following years expenditures are estimated and imported according to the laws in force at the time of submission and the proposals for the proposed collection therein (3). As

defined by Iraqi law as (tables containing the guess of imports and expenditures for one fiscal years. (4)

SECOND: THE TYPES OF BUDGET(5)

The various budgets of the state varied according to the recent trends of the general budget and the purposes it seeks , several types of budgets have emerged the most important of these are the budgets of the 1929-1939 financial instruments . This is the first type of budget used by England and is still used in developing countries (Iraq, Jordan and Lebanon) in the United States of America in 1921 , and defines the balance of items (The document in which all the state revenues and expenses as are detailed and detail , and get their approval under the legislative authority and the accounting of the executive authority for any abuses not adopted .

2-Budget Programs and Performance (1939-1960) The idea of balancing the programs and performance dates back to 1912 as a result of the studies prepared by the Taft Committee. The report of this committee pointed to the importance of using this method in the budget classification. In the developing countries, the Philippines is the first country to implement this type of budget in 1955, and can be defined as "a method of tabulation of the budget focuses on attention to the performance of the state of business rather than the purchase of goods and services, has been approved by the government recently this type of budget, Needs time and trained cadres on this kind of budget(6).

Planning and Programming Budget (1960-1970): The planning and programming system was introduced and expanded in the United States of America since 1961, thanks to David Novick of the American Rand Corporation for developing this type of budget in 1954. The design of the system is based on alternative means of achieving objectives that allow continuity of results and cost comparison.

(7) .The Zero Budget System (1976-1981)

The idea of a zero budget is due to Professor Verne Lewis in an article he wrote in 1952 in the Journal of the American Public Administration under the title "The Growth of the Budget Theory". Some budget specialists were concerned with preparing its annual budget. Before the Texas company working in the field of electronic computers The results showed the success of this method, and in 1973, President Carter called for the implementation of the State of Georgia when he was governor of her and Peter (Peter) as a budget planning process requires each administrative director to justify all The contents of his budget to detail Start from scratch.

The zero budget focuses on the planning of the state budget on the establishment of government institutions to review budgets and previous programs as well as approve programs that must be canceled and programs that continue to be implemented and measured by a comprehensive study of the needs of the year concerned and determine the programs to be implemented at the lowest cost and the highest benefit, The requirements of the government institution for the coming year, and requires at the start of implementation at the beginning of the year to be starting from zero to end the end of the year by zero as well. Forms of budget deficit:

1- The organized deficit (intended)

Is one of the most important forms of disability and occurs when the economy is in crisis, when the recession due to the decline in total demand and effective decline in the purchasing

power of goods and services, then the government has three options, either to reduce taxes, or increase public expenditure, or both together, and collect these. The options lead to a deliberate deficit. The conditions of instability make both fiscal and economic policy influence the overall demand. Therefore, the public budget is a weapon to counter instability. According to Keynes and his supporters, public spending and taxes are determined according to demand. The desire not to equate public revenues with public expenditures, as in the case of classical thought and the theory of impotence is the product of Keynes' views. It emphasizes the government's increased total demand for effective economic movement once again, and the scope of application of the theory of disability is determined in states economically developed because of the availability of conditions for the success of this policy. Structural Deficit: The structural deficit occurs if public revenues do not consistently cover public expenditures, due to the increase in government expenditures at a rate that exceeds the financial capacity of the national economy itself, so that it will be difficult to solve this deficit if only financial means are used.

Temporary disability (periodic)(8)

This type of deficit is related to the level of economic activity and the economic fluctuations that affect it. The deficit occurs here because of the contraction of the general resources obtained as a result of the low national income. This deficit can be accepted as temporary, especially if it follows a specific fiscal policy and is dictated according to the national economy balance. Reducing government spending. Or by increasing public revenues or using the two means together.

Cumulative Deficit:

This type of deficit appears in times of crisis and is normal and there is no fear of accumulating year after year because, when the boom occurs, revenues increase from taxes and the state can cover the deficit in previous years. Vulnerability and power deficits:

The weakness of the government is reflected in the government's assistance in economic and social terms and in raising the growth rates in the economic sectors.

Components of the budget:

FIRST: PUBLIC REVENUES(9)

The revenues of the general budget for the fiscal year 2017 (79011421000) thousand dinars (seventy nine trillion one billion and one hundred and one hundred and twenty million Iraqi dinars) with the calculation of revenue from the export of crude oil on the basis of average sale price of (42) dollars per barrel and the export rate of Three million and seven hundred and fifty thousand barrels (3750000) of the time (250000) barrels per day for the quantities of oil produced in the Kurdistan region and (300000) and three hundred thousand barrels through the oil produced in the province of Kirkuk on the basis of the exchange rate (1182) dinars per dollar, Public revenues are actually final revenues for the state treasury .

Public Revenue Sections :

A - Oil revenues (67950225000) Seventy six trillion nine hundred and fifty billion and two hundred and fifty million dinars.

B - Non-oil revenues (11061196000) eleven trillion and one and sixty billion and one hundred and ninety-nine million dinars.

Non-oil revenues from public revenues account for 14%

SECOND: PUBLIC EXPENDITURES (100671160790) The amount of (one hundred trillion six hundred and seventy-one billion one hundred and sixty million ninety thousand dinars) financial expenditures for the year 2017, including the amount of (560,888,300) five trillion six hundred and eight billion eight hundred and ninety-eight million and three hundred thousand dinars, the amounts of premiums Internal and external religion. Expense sections:

Investment expenditures: The amount of (25454018000) twenty-two trillion four hundred and fifty-four billion and eighteen million dinars, project expenditures, and the proportion of investment expenditures of total expenditure 25.37%

B - Operating expenses: The amount of (75217142790) seventy-five trillion two hundred and seventeen billion and one hundred and forty-two million seven hundred and ninety thousand dinars current expenditure accounted for the proportion of total expenditure 74.72% .

C. Budget deficit(10)

The general budget deficit is defined as the amount of the difference between public expenditures and public revenues, where the deficit reached (21659739799) twenty one trillion nine hundred and fifty nine billion seven hundred and ninety nine million and seven hundred and ninety nine thousand dinars, and the proportion of the budget deficit of the total budget 21.5%

D. Disability financing:

1-Internal finance: balances of accounts of ministries and entities not linked to the Ministry of government banks (1 billion) billion dinars.

The balance in the account of the Ministry of Finance (billion dinars).(2-

.National bonds to the public 128,652,790 dinars.3

4-Treasury bills and transfers to the government banks and deducted with the Central Bank of Iraq (5500000000) dinars.

5-Total internal funding (8786521790) dinars, the percentage of internal financing of funding budget deficit 40.5% ..

External Financing:

A - World Bank loan to support the public budget (1182 billion) dinars.

B - IMF loan to support the public budget (2009400000000) dinars.

C) JICA loan (354.6) trillion.(

D) Secured loans to Britain, France, Canada through the World Bank (945.6 billion) dinars.

Foreign bonds (JD 2364000000).(

And - EU loan (118.2 billion) dinars(G) Transfers through commercial banks (20000000000000) dinars.

H. Loan (JBIC) (59.1 billion).(

I) World Bank loan to support liberated areas (165.44 billion) dinars.

US loan for armament purposes (1952664000000) dinars.

K - British Loan (Export Loans) (118.2 billion) JD.

L - Chinese loan (to buy from the two Chinese companies arming and forward payment (984606000000) dinars.

E. The German loan (22458 million) dinars.

Y - Swedish loan (17.73 billion) dinars.

N - Islamic bank loan (591 billion) dinars.

M - Italian loan (158388 million) dinars.

The total external financing (12873218000000) JD, or 59.5% of the budget deficit funding..

REASONS FOR THE BUDGET DEFICIT IN IRAQ

The analysis of the general budget for 2017 shows that one of the main reasons for the deficit in the general budget to the following:

1-not keep pace with resources and public revenues for growth in public expenditure.

2-The failure of the tax system and the phenomenon of tax evasion.

3-apparent causes, including increasing population at an increasing rate as well as the existence of the phenomenon of inflation.

high ratio of operating expenses to total expenditure..4-

5-Absence of the policy of rationalization of spending and weak efficiency where the predominance of profligacy and waste.

.The spread of government corruption.6-

7- Lack of aggregate demand and increased overall supply.

.Significant increases in military expenditure.8-

)9- Dutch disease) the prevalence of the economy of rent and dependence on oil, which contributed to the paralysis of other economic sectors.

Great decline in oil prices.10-

Table (1)

Shows the general revenues, general expenses and the deficit in the general budget for the years 2004-2016

Noting that the deficit began in 2014 / million dollars

year	Expenses	Revenues	Disability
2004	22699	22104	+ 595
2005	27002	17583	9419+
2006	32709	25358	+ 7324
2007	43117	26497	+ 16620
2008	66544	49257	17287 +
2009	47027	44776	2251 +
2010	59981	59144	837 +
2011	92996	67176	25682+
2012	102759	90176	12583 +
2013	97631	102168	4535 +
2014	120000	146000	26000-
2015	80383	102104	21721 -
2016	69120	89590	20470-

RECOMMENDATIONS:

1- Rationalization of public expenditure through.

(A) Suspension of appointments and lifting the hand of the State from complying with appointments.

(B) Abolish government subsidies and give the private sector an opportunity to undertake projects that can be carried out.

.2-Review and develop tax regulations

3-Privatization of public sector projects, especially private ones, and sell them to the private or foreign sectors.

4-Adopt a monetary policy of deflation by raising interest rates to stimulate savings and absorb inflation and benefit from the existing monetary mass of individuals rather than external borrowing.

5- Find new resources as an alternative to dependence on oil revenue.

6- Development of the agricultural sector to achieve self-sufficiency, and reduce the importer from abroad.

7-Attention to the tourism sector as a promising sector can provide large imports.

8-The establishment of projects for the manufacture of oil derivatives rather than the export of crude oil being more economically feasible, because the price of crude oil will not rise in the near future for the following reasons:

A-(Political reasons)

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Political reasons are being pursued by Saudi Arabia and the Gulf against Iran and Russia..

Economic reasons, including the discovery of rock oil as a strong competitor and instead of oil.

8-benefit from the price difference between the sale price of the dollar, which is carried out by the Central Bank, where the Central Bank sold the dollar at (1182) dinars to the dollar, while the market price about (1300) dinars per dollar and the difference is (118) dinars per dollar We know that the Central Bank sold in 2016 about 33 billion dollars according to the announcement of the bank, the total difference is (3894 billion) dinars, or about four trillion dollars can contribute to reducing the deficit - the best solution is to devalue the local currency. (1400) and (1500) dinars per dollar is appropriate for the current stage for reasons mechanism:

If we consider the difference between the current dollar price (1182) dinars and the supposed price (1500) dinars, which is (318) dinars and if we take into account the volume of sales of the dollar for 2016 of (33) billion dollars, the difference is about (10.5) trillion dinars, That covers half of the current budget deficit.

B - devaluation of the currency enriches the government to reduce the salaries of employees and their negative effects on the government.

C - devaluation of the currency leads to higher prices of imported goods, which encourages the reduction of imports and also reduces the exit of hard currency.

D - The high prices of imported goods encourages the production of goods locally and increases the ability to compete with foreign goods and the re-operation of closed factories and the accompanying operation of labor, which contributes to the movement of economic activity.

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