

CHAPTER 13

SECTORS: GOVERNANCE - GOVERNMENT

There is lots of it, but it is not much use. Much of the information that

Policy Administration

System and processes

In Iraq, there are administrative systems and processes that are long standing. Whether or not they are adequate to satisfy all the needs of the government at the present time needs to be assessed. In general it is likely that the systems and processes that carry over from the autocratic regime of the past will be effective, though needing change to reflect new leadership priorities.

While government goals and policies have been changed very substantially, the systems and processes can be effective without much change. There is a need to review these systems and processes and revise the way the work is done so that they are easier to operate and more effective from a financial and administrative perspective.

Administrative capacity

Administrative capacity in Iraq is substantial. Some new administrative offices have been established and some modest progress made towards building a framework of good governance. The administrative system to sustain the initiatives for good governance has to be established, preferably by taking as much of the present system as the foundation.

Technical planning

The capability of the Iraq administration to do planning is untried. There are some staff with good knowledge and capability, and there are staff with substantial knowledge about the region and the technical subject matter. But to what extent these people are engaged in the present planning process is unknown, and the extent of cooperation with the international experts and the local experts is also unknown.

Planning and budgeting

The capability of the Iraqi staff to do financial planning and budgeting is unknown, but I would expect it to be good. There are many educated Iraqis who can easily take technical plans and convert them into financial plans and budgets. It is more likely that the planning constraint is more to do with language and the international experts than it is to do with Iraqi competence.

Policy framework

The policy framework needs to be strengthened by adding substantial new areas of policy that have not yet been formalized.

Training staff

The administrative capacity should be strengthened for the long term with a continuing program of

training. Training should be carried out so that all of the staff have access to training, and are able to learn skills that are of practical use in their work. The training should be organized expecting that a large number of staff who benefit from the training will choose to use their new skills in other organizations. While this does not strengthen the organization, it is of value and importance to the community at large, and should be part of the national plan for human resource development.

Upgrading available equipment

Government offices are sometimes short of needed equipment. The staff should have access to the equipment that they need to do their work. There should also be a good system for tracking office equipment, furniture, fixtures and fittings.

Governance and administration sector

The essential activities of governance and administration are supportive in nature, and only result in tangible economic benefit when there are also productive activities in the economy. Bad governance and administration can be a huge constraint on success, and improvement or diminution of the bad activities in governance and administration can be very favorable.

Getting rid of corruption is the obvious big issue, but there are a lot of other smaller issues that can be addressed. For example, reducing the complexity of procedures to do routine administrative activities, and shortening the time to do these things all helps.

The public sector's most important job is governance and administration. It is important, but it does not in itself create wealth, and is an “overhead” of society and socio-economic development.

These functions facilitate success in a society, and bad governance and bad administration can be a huge constraint on the performance of society and the progress of socio-economic development.

There are a whole host of activities that “government” is expected to provide for the citizens. In the “south” the government has often found itself in a financial bind, and the delivery of services is impossible because of the funding constraints.

A lot of services are best delivered at the local government level rather than by an organization controlled and funded by a remote central government, such as local public works such as street repair and waste removal.

Government Accounting

A basic system of governance

Government accounting is one of the most important tools for establishing strong and fair governance.

Government accounting

In Iraq, it is likely that the government accounting systems are reasonably good, though obviously done in Arabic. Most international experts do not have much accounting expertise and even less Arabic expertise ... yet it is important to know how effective the government accounting systems are for both budgetary control and for project control.

Planning and budget process

Government accounting is usually part of a planning and budget process ... with the budget giving the organizations of government the authority to use government resources.

Budget execution

Sometimes the process of operating the government agencies and organizations is referred to as budget execution. In essence, though, this is the process of implementation and the accounting associated with the implementation.

Reporting

In some jurisdictions the government accounts are placed before the legislative branch of government monthly ... but in too many places the accounts of government are not reported on in a timely way. Where there is timely reporting, there are fewer problems.

Audit

In some jurisdictions there is a requirement that there is an audit office in the government, and that this office carries out both ongoing checks of the financial transactions and periodic checking of the accounts and the reports. In many places this is an effective way of validating the accounts of government, but in some cases the audit is totally ineffective.

Weakness

Most government accounting is done on the cash basis, with little attention paid to the accrual component of the accounts. Cash basis accounting is a weak compared to accrual accounting, and it is very much preferable to have accrual accounting.

Government accounting is also weak as an analytical tool. It serves to control expenditures relative to a budget authorization, but it does little to measure performance against an ideal set of standards or some broader benchmarks.

System and process improvement

There is a need to review the government systems and processes and revise the way the work is done so that they are easier to operate and more effective from the technical planning, budgeting, financial and administrative perspectives.

Public Finance

Government Revenues

Sources of government revenue

Sources of government revenue are derived mainly from taxes and duties. Because of the cash basis of accounting used in most governments, humanitarian and development assistance grants and loans, as well as commercial loans to government, are all considered as revenues of government, even though the loans must be repaid in the future with interest.

In poor countries the amount of tax revenue that is derived from tax in income is small ... much more of the revenue is derived from taxes on consumption ... the value added tax (VAT) or sales tax, and from duties imposed on imports, but also in some cases also on exports.

Resource rich countries get revenues from the royalties derived from the exploitation of the resources, and from the sale of concessions. These revenues have the potential to be very large, but it is not at all clear how much financial control there is over these fund flows.

Improving government revenue base

The government revenue base is substantial because of oil, but arrangements need to be made so that this fund flow is sustained after oil is consumed.

Customs, export taxes and port fees

Customs duties, export taxes and port fees are additional sources of public sector revenue. The basis systems for collection and accounting for these revenues are sound, but it is likely that there are some losses due to inappropriate practices by some of the more prominent traders and businessmen.

Public Debt

Government borrowing

The government has borrowed substantially from the international community in the past and Iraq is going to be expected to make good on these loans even though most of the benefit accrued to contractors and the ruling elite.

Grant finance

Iraq may be benefiting now from considerable fund flows that are in grant form. aid, but a large part has been as a result of emergency and humanitarian

Creating a formal public finance capability

It would be appropriate to create a formal public finance borrowing program to tap the available resources both in the country and in the Diaspora. A system of short term treasury bills and longer term notes could be implemented.

Establishing a development fund

A development fund could be established for use as a mechanism to loan funds to communities. The advantage of such a facility is that all transactions would be in local currency and the impact of

exchange rate fluctuations would be minimized.

Public finance

In Iraq, there should be very little development constraint caused by a public finance constraint. The essential services of government should be easy to fund, as well as a lot of development essentials.

The potential economic growth and the general wealth building in the economy can build a solid tax base to fund government in a sustainable way.

Pay scales in the civil service

The pay scales in the civil service should be sufficient to attract good staff who are qualified and experienced enough to do the work that they need to do.

Policy Framework

Huge need for critical controls

I used to think that less government was absolutely the best government until I watched corporate and societal behavior when regulations were removed and unfettered economic behavior was allowed. This made me change my mind, and has convinced me that while enterprise and opportunity and the behavior of markets are better drivers of economic progress than anything else ... there also has to be official oversight and regulation so that abusive excesses are not sources of profit for the unscrupulous and are appropriately controlled.

The natural order of things is for excellence to lead to success and for success to lead to abusive excess. It is seen in behavior in the multi-billion dollar corporate world, in politics everywhere, and also in petty market traders and middlemen in remote markets in poor countries.

Natural resource policy framework

The oil resources of Iraq dominate the economy. It is of critical importance for the future peace and stability of Iraq that there are appropriate agreements about how this wealth is to be managed, and specifically for whose benefit.

One strategy is to keep information about the oil wealth secret and use the resources for the benefit of a powerful corporate and private elite, or the wealth can be managed in the open with the wealth used for the benefit of the country, and to support the future prosperity of the country.

Corporate wealth policy framework

Merely knowing about the value chain and having the information easily available will have a substantial impact on corporate behavior. As long as the corporate world can profit and remain in the shadows and anonymous, bad things will happen as long as there is profit in it. But big companies do not like well informed bad publicity.

Corporate wealth is largely created because a corporation is able to mobilize financial, material and human resources in ways that are better than the competition, and give benefit to its customers at a profit. This is a key source of modern world wealth and explains how and why this segment of the world is wealthy. To the extent that low costs are achieved by abusive economic behavior, or high prices are achieved by abusive market control, a corporation deserves to be held accountable ... but not for being efficient and highly productive.

Military

National defense

The main reason for the military is national defense. Few would argue that this is a legitimate goal of government and reasonable that the military are maintained for this purpose.

A good army is a national asset ... and can prove to be very valuable in an emergency. The US Army has been of help from time to time in US natural disasters ... for example Hurricane Andrew in Florida in the early 1990s. More recently, the performance of the Indian army in connection with recovery after the South Asia tsunami disaster of December 2004 was valuable, and the Indian army has conducted itself well in many other situations of this type. So also, the performance of the Pakistan army in the aftermath of the earthquake in remote areas of Pakistan.

Emergency assistance

Involvement with politics

But the army does not always produce good results, as for example when it becomes the dominant political power and serves to empower strong man regimes that have little interest in the wellbeing of the people. In many countries over the past many years the military has also been a player in national politics, either because of coups and the establishment of military governments, or because of alliance between the military and the head of government or head of state.

International military assistance

The US military in Iraq is a huge constraint on success. The US military were very successful in defeating the military forces of Iraq, taking Baghdad and forcing the end of the Saddam Hussein regime. They are not the organization that should be tasked with the rebuilding of Iraq or policing the population.

Military and internal security

The big difference between the military and the police is that the military win in one move ... and the police are required to win using a judicial process that gives some appropriate protection to the public. The military have no role in internal governance, except from time to time when there is a state of emergency and martial law is declared.

Good Reasons for the US Model

There are good reasons for the US constitutional system which precludes the US national military from carrying out any activity in any State in the Union without the specific request of the State.

While “security” is a legitimate concern, the military should not be engaged in protecting privilege or maintaining illegitimate power. The military is often used to these ends. Building back the power of the military in Iraq is not a good idea ... rather there should be a broader set of organizations that work together to achieve security, but would not easily subvert the civilian nature of government.

Worry About the Power of a Big Army

I was in on an assignment in West Africa when the Falklands war was in progress. I was surprised that my African colleagues were supportive of the British response to the Argentinian takeover of the islands ... until they explained that they were all worried that a “big army” should not have any right to come into a nearby country and take it over. They were from a variety of African countries, and big armies were everywhere.

Making sure that the military use their power in an appropriate way depends more than anything else of the quality of the leadership and the training of the soldiers. There is a lot of good military leadership, but it is not universal.

Getting a high professional standard for all soldiers around the world is a valuable thing to do.

Demobilized soldiers

Some of the demobilized soldiers are still loyal to the regime of Saddam Hussein. The former combatants are a security threat in part because they had a strong loyalty to the deposed Saddam Hussein and they had a good training. These people need to be given the opportunity to participate in the new economy. They should get training and they should be helped to get employment and get started on a life that has a future.

Police

The nature of police work

Police are NOT soldiers dressed in blue. The work of the police is fundamentally different and the techniques for success totally dissimilar. The British police have a good reputation, and it is not by accident that they do their work unarmed. It is but rarely that police work requires armed confrontation.

The police in Iraq should be recruited and trained and their salaries funded so that they are able to do the sort of work that a good police force should do. They should be organized so that they know what is going on in the community ... this might mean community organization rather than national organization. The police should also be trained so that they understand the issues of their own society and can work in ways that have respect for the way communities have lived for hundreds of years.

The New York Experience

Some years ago the New York Police were not highly regarded by the populace ... but today things are very different. The police force now is highly trained, and professional, and there is a level of management that gives the community a lot of confidence in the police.

Behind the scenes there is a lot of hard work and technology deployed so that criminals are apprehended and the community at large is not bothered too much by the criminal element.

Is the system perfect? No ... but it is very good, and trying to be better all the time.

20 years ago, nobody would have thought it possible that NYPD would be one of the most highly regarded police forces in the world.

Community police

Community police have the advantage that they know the community and some of the good aspects of community policing can be achieved. But a community police force also has the potential to be diverted to working for the local elite rather than the people as a whole.

National police

National police can be better or they can be worse than community police forces. They can have better resources and be better trained. They can also be subverted to a national agenda that is not in the best interest of local communities.

Local and national police in combination

Some countries have adopted a combination of police systems, with both community police forces and national police forces. This results in a balance of power between community interests and national interests that can serve for the good of society.

Handling sectarian violence

A police force is not going to be successful merely by force of arms. Force is likely to add another front to the fighting and add complexity and another level of violence rather than bringing peace. The police should bring police knowledge to the community ... and police knowledge should support moves that result in judicial proceedings against those engaged in unlawful activities.

Gun control

There was a time when the only guns in society were controlled by the army and the army kept its guns under tight security in an armory. The global world market in guns is a feature of modern society that is

nothing but obscene for a civil society, and something that makes it very easy for guns to be obtained for anti-social purposes, and makes it very difficult for police and law enforcement to be effective without themselves having to resort to lethal arms.

Preventing police abuse

The prevention of police abuse needs to be at the top of the police agenda, as well as the oversight authorities. If there is no oversight authority or the oversight is weak or ineffective, it must be expected that there will be police abuse.

Judicial System

Legal and justice system MUST be functional

A legal and justice system needs to be in place. This can be either a central system or a local system, but it must have a functioning and have enough people and money to operate. It does not matter so much whether the system has a modern or traditional form ... what does matter is that it functions and that there is a socially acceptable ethical foundation for the society.

There are a lot of pieces in a fully functioning legal and justice system including (1) police; (2) courts; (3) prisons; (4) lawyers; and (5) legislators. The system is labor intensive and only works when there is sufficient reach for the criminal and illegal elements in society to have a reasonable expectation of being caught and convicted.

The rule of law needs to be fair, and justice needs to be universal. There is a lot of work that needs to be done so that everyone has some of the benefits of fair laws and equal justice. There are too many situations where the law serves to make something unethical, immoral or unjust, legal. This is particularly true in a lot of areas of commercial law, real property law and intellectual property law. In the case of Iraq, the whole question of fund flows related to oil has the potential to escalate into some form of violent power struggle.

Justice at the end of a gun is far too common around the world. Guns are bad news and guns are not a good part of a system of justice.

The judiciary should be trained and their salaries funded so that they are able to build an enabling environment for the local communities, for international trade and investment, and assure security. They need to be trained and the framework established so that the government judiciary is compatible with traditional local law and its procedures.

Customary Law

Places where there is social tranquility usually have a system of local, traditional or customary law that is functioning well. In my experience, even where there is no visible presence of “modern” law, a society still functions on an ethical basis that is for all practical purposes universally acceptable.

Iraq seems to be in chaos without very much respect for law ... but at the personal level and the family there is a lot of respect for law, both secular and religious. The fact that there are factions with guns and bombs and no respect for law and civil behavior does not translate into anything like a majority of the people being in favor of this kind of behavior.

The role of traditional law should be taken into consideration. The role of clan law needs to be better understood by those seeking to give advice and assistance in development, economic management and governance. Good governance in countries with poor economies and weak public finance requires a clever combination of what is good from traditional law and governance and what is generally accepted in the modern context.

Costs for a legal and justice system

I have helped prepare government budgets and plans in various parts of the “south” and have been faced with the need for legal and justice activities to be paid for through the budget. A modern legal and justice system along the lines of the systems used in the “north” is beyond the financial capacity of most “south” governments. When staff are very lowly paid, or paid late or intermittently, then all sorts of petty corruption starts, but when there is only a small reasonably paid staff it only reaches as small part of the population.

Increasingly communities in the “south” have had to address the issue of a working legal and justice system by reverting

to traditional systems ... in many cases with excellent results.

During my work in Somaliland, I was able to learn something of the traditional system of clan justice, and was impressed with its reach to every single member of the clan. The fact that all of the society was part of the same system of traditional law made it more useful than the modern law, that had little impact on daily life for anyone except a very few.

In Mozambique, after its long civil war, it was impractical for the government to go through lengthy modern legal processes for all the young soldiers who had committed various forms of atrocity in connection with the war. They did not have the money nor the people to do it. Instead they reverted to community level traditional systems to punish and reintegrate everyone into their society. The system made it possible for the country to become a lot more stable and reintegrated than would have been possible using a more modern formal “north” approach.

And of course, the Truth and Reconciliation Commission in South Africa broke tremendously valuable new ground in bringing together people who had been sworn enemies and committing atrocities for years in a reasonable length of time and at a manageable cost.

Prisons

A prison service

A prison service is needed in addition to police and courts. The prison service is needed so that there can be punishment and people can be incarcerated where the courts have determined that there is a breach of law and incarceration is called for.

Handling violent offenders

A prison service is a specialized activity that requires considerable expertise and it also requires a substantial budget.

Handling petty crime

Petty crime should be taken seriously, but it should not be handled in a way that encourages petty offenders to move on to more serious crime. Rather, a first offense should be handled in a way so that a first offense is also a last offense.

Prisons

Prisons need to be improved in terms of their physical facilities and the recurrent costs associated with their operations. These establishments are not nice places. Some work on rehabilitating inmates needs to be available as well as resources for their general operation.

The prisons in Iraq are terrible. Prisons are needed in almost any society, but they ought to be able to meet certain minimum standards of human dignity. Neither system at the present time comes up to the minimum standards that one would hope to see.

Disarmament, De-Mining and UXOs

Extent of the problem

The problem is huge and not talked about very much. Guns, ammunition, landmines and unexploded ordnance carry over from any armed conflict ... much of it for years.

I am old enough to remember swimming in the sea in England and being told by my parents never to touch any metal object that I found on the beach or in the sea. Every summer (1946 to 1949) I witnessed the removal of mines and bombs from the beaches ... and it kept going for many years.

But the problem is, I believe an order of magnitude bigger in places where civil war or occupation by foreign troops has been going on for any length of time.

I worked in Afghanistan shortly after the Soviets troops had withdrawn, and became familiar with the operations of the demining organizations working in the area ... and the dangers they had to face. Mines are lethal for years after they are put down, in fact, until they are physically removed or safely blown up!

I was in Djibouti some years back ... and almost everyone in the airport waiting area was an amputee. I am not sure what brought so many together ... maybe a conference ... but it was a wake-up call that alerted me to the human cost of this awful weaponry.

According to reports of the International Committee of the Red Cross (ICRC) and Physicians for Human Rights (PHR), the mine injury crisis is significant. Injuries from land mines are a dangerous health issue because of the very limited health services available in rural areas, and even at hospitals in the area urban centers.

Mines also do damage to livestock.

Funding de-mining

There are funds available internationally for demining, but these funds should not be needed in the Iraq situation. Funding needs to be available

There is a need for funding to complete this work in the shortest possible time.

Important in terms of safety and employment

The demining programs are important not only in terms of safety but also employment. The work of de-mining is dangerous, but the former combatants who had a role on putting these mines in place already have some knowledge that is needed for the demining process

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Economic Security

The oil resource

There should be no issue of economic security in Iraq. The oil revenues for the next few decades should be sufficient to ensure that all Iraqis are well taken care of, to the extent that they do not individually accumulate substantial wealth.

The commercial economy

The large scale commercial economy has economic security in the form of savings, some in the form of overseas holdings. The small scale trader also may have savings, but small. The latter group needs the economy to succeed in order to have economic security.

Employees

The formal employment sector is not the only economic sector in Iraq. The current rules about employment and wage levels do not provide much economic security. Employees need the economy to succeed in order to have jobs in order to have economic security.

Vulnerable groups

Vulnerable groups, particularly female headed families, disabled and aged are a particular problem. These groups have traditionally been cared for within the community as a whole, and this is the best way for this problem to be addressed for the long term. The community will do a good job caring for these groups if the community itself is stable and reasonably economically secure. For these groups, the value of caring and belonging is important, just as getting money or getting food.

From emergency to development

Analysis of the development process suggests there must be a very strong commitment to ending emergency interventions and putting the available resources to work in a development mode to build economic growth. In an emergency intervention, the assumption is that the beneficiaries have no economic security, and must rely totally on the provision of emergency goods and services. Sustainable economic growth will not result in an end to the “need” for emergency assistance as long as there is the possibility of emergency assistance.

Income generation and employment

The foundation for economic security is a solid base of income generating activities and employment. Almost all the initiatives proposed for the sustainable development of the area and the reintegration of refugees, returnees and displaced persons are based on the concept that the economic base must be strengthened. To this end, the various proposals for upgrading of physical infrastructure are seen not only as long term investments for the improvement of the economy, but also as critical short term stimulus to employment in the economy.

Vulnerable groups

Vulnerable groups make up a special case. Many people in this group have lost the community links that would have helped them in more ordinary times. This is a problem that must be solved in a manner that is compatible with the social structure and community structure. Money and assistance may continue to be given to this group during a transition period, but must be taken over by a community based initiative within a limited time frame. Funding for the community initiative should be systematically transferred from official international aid to becoming a local responsibility together with other forms of aid and charity.

Enabling Environment

Iraq has potential to be a good business environment

The private sector needs to be the driving force behind success of the Iraq economy and peace. This is probably a widely held belief in the business community in Iraq.

Though the oil industry is big in Iraq, and generates huge fund flows for the country and the government, the climate for business investment is not good because of the government's instability and widespread insecurity.

The legal structure and the rules and regulations could be improved, and the rule of law is subject to a constitution that is a long way from being finalized. Foreign business people want clear and favorable rules and regulations, and want to be sure about the way they are enforced.

And even though the law, policies, rules and regulations may be written to encourage trade and investment, it is also important that the operating systems and processes at the bureaucratic level also function to encourage trade and investment.

Trade and investment promotion for the area should be initiated in neighboring countries as well as in other key centers around the world.

Improve infrastructure and services

Sustained expansion of trade and investment requires that telephone, fax and Internet communications are improved. They need to be efficient and available at internationally acceptable prices.

In addition the transport services need to be efficient both in terms of frequency, reliability and cost. Logistics today has become one of the most important components of competitive advantage.

- Sectors: Infrastructure

