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The role of privatization in financing the state budget: (An analytical study)

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Abstract

Privatization is an economic policy aimed at improving and developing the economy and giving the private sector a major role in developing performance and productivity through restructuring the economy and structuring and legalizing tasks between the government and the private sector. As a result of the fluctuations in crude oil prices, the continued dependence of the budget on the proceeds of oil exports is a continuation of the structural imbalance in the Iraqi economy and its urgent need to diversify sources of income, and therefore the state must reduce the burden on budget items and search for methods and mechanisms to help in this, and research seeks to provide the study The role of privatization in financing the state's general budget as a policy that would reduce the burdens on the public budget, especially after the decline in oil prices to record levels. The general level of the economy, and the provision of job opportunities through the private sector for the unemployed.

Introduction

Public budgets are one of the most important methods used by the administration in order to reach the strategic goals that have been set through the optimal use of available resources, and the continued dependence of the Iraqi budget revenues on the proceeds of crude oil exports is the continuation of the structural imbalance in the Iraqi economy and its rentier nature. Privatization is one of the modern economic concepts that emerged in the eighties, which works to transform public projects into private projects, whether in the field of ownership or management or any of the available appropriate methods.

In light of this, researchers will seek to study the role of privatization in financing the state's general budget as a means to help the state adopt difficult economic and financial decisions to face the deficit or reduce expenditures on the state's general budget, improve the quality of goods and services, reduce costs, and obtain modern technology methods that help support The competitive advantage of its companies, reducing the administrative burden resulting from it, and thus reducing the burden on its budget, and other reasons that are often not related to the low level of income.

To achieve this, the research is divided into an introduction, and then deals with the first topic of the concept of privatization, while the second topic deals with the concept of the state's general budget, and the third topic deals with the role of privatization in improving the public budget, and then the research conclusions and recommendations.

Research problem

The conditions that Iraq has experienced recently in terms of fluctuations in oil prices, as well as the increase in the population, have led to an increase in the state's responsibilities in providing services and improving the existing living conditions in the state, which was reflected in the increase in expenditures in the items of the Iraqi state's general budget, and this coincided with a decrease in revenues. The owner of economic and financial problems and therefore the state must reduce the burden on the budget items and search for methods and mechanisms that help in that and through the foregoing, the research problem can be formulated by the following question:- What is the role of privatization in financing the state's general budget?

research importance

The research derives its importance from:

1- The importance of the state's general budget as a means to achieve the work program that the government seeks to implement.
2- The necessity of addressing the financial deficit that the state budget suffers from.

Research Hypothesis

The research is based on the assumption that privatization has a positive role in financing the state's general budget by contributing to reducing public budget expenditures and increasing and diversifying its sources of revenue.

Research objective

1- Definition and concept of privatization.
2- Getting to know the state's general budget and its financing resources.
3- Discussing and addressing the failures in the general budget.
4- To highlight the treatments provided by privatization to the general budget.

The first topic: the concept of privatization

First: the concept of privatization

Privatization is one of the modern economic concepts. The economic writings that dealt with privatization have referred to more than one name. It has been said that "privatization," or "transition to the private sector." They are all vocabulary that refer to the case of transfer of ownership from government institutions (public sector) to the private sector. Privatization on a broader scale also refers to the introduction of market forces, buying and selling mechanisms, revenues and expenditures into the state budget. Many scholars and researchers have defined it with different definitions, perhaps the simplest of which is the process of transferring ownership and operational management of state-owned enterprises to the private sector, in part or in full, and the private sector can be either institutions, businessmen or foreign companies (Ahmed, 2001: 62)

Donald Stone defined privatization as: "Any transfer of ownership or management from the public sector to the private sector, provided that the full control of the private sector is achieved, which is often only achieved by the actual transfer of majority ownership to the private sector." On the contrary, Rama Nadam 1989 defines privatization as: "a broad continuum of measures extending between denationalization, on the one hand, and the market system, on the other." He describes privatization as the extent to which public enterprise operations interfere within the system of market forces, including liberalization and deviation from government regulations.

While Lee Kuan went on to define privatization as "the transfer or transfer of any activity or regulation of any function from the public business sector to private economic activity." Privatization is also defined as “the transformation of the state’s economy into an economy that is highly dependent on the private sector, by selling assets and production units owned by the state - wholly or partially - to the private business sector, either directly or by offering the company’s shares for sale in the financial markets.”(Abdul Qadir, 2002: 102)

Based on the above, privatization can be defined more specifically as an integrated set of policies and procedures that ensure the transfer of ownership and management of public or joint projects to the private sector, in order to achieve development based on freedom of competition, encourage individual initiatives, mobilize private sector resources, and reform the administrative apparatus of the state, and simplification of government procedures.

In most Arab economies, the public sector is in control of most economic activities in the state, and it interferes in all aspects of the economy, directly or indirectly, because the state owns the basic elements of production, which clearly marginalizes the role of the private sector and ultimately the failure of the public sector to manage the economic process and finance The general budget in the correct manner that achieves the required development. The performance of the public sector was below the required level, and the general indicators for measuring the degree of efficiency in many Arab economies on most public sector institutions indicated low profit rates, the emergence of deficits in public budgets, low productivity and lack of exports. Production is absolutely a wrong principle and has proven to be a failure. A large role must be given to the private sector to contribute to managing the economy, and the best way to do that is “privatization” (Abdullah, 1999: 47).

Second: Objectives of Privatization:

Privatization is a way of thinking and a utilitarian tool based on the conception of a new system for dividing the labor and tasks of the state economy, between the government and the private sector. It is a one-way division of labor, i.e. the possibility of the government and the public sector giving up some jobs and activities for the private sector, and not the other way around. The objectives of privatization can be defined as follows:-

A. Raising the level of economic efficiency for managing funds within the country, by strengthening competitive financial markets.
B. Reducing the burden on the state’s general budget, with regard to the support provided by the state to unprogrammed economic facilities, directing its resources to support the education, scientific research and health sectors, and paying attention to infrastructure and economic facilities with a strategic dimension.
C. Laying the foundations for financial and future integration between the public and private sectors by expanding the areas available to the private sector and giving it a greater role.
D. Availability of the state's proceeds from the sale of public units, in order to be able to meet the public budget deficit.
E. Overcoming the inefficiency of control and accounting systems in public units (Pilmens, 2008: 190).

Vickers and Diaro have defined the objectives of privatization as

A. Reducing the state's intervention in the industrial sectors to a large extent.
B. Raising the productive efficiency of privatized industries.

C. Solving the problems of making spending decisions for the public sector.
D. Expanding the ownership base for shareholders, by encouraging employees' ownership of shares (Abdul-Saheb, 2007: 21).

As for the developing countries and the Arab countries, privatization has a main goal, which is to try to remedy the economic crisis through economic stabilization programs and structural adjustment of budget financing sources. Therefore, these countries were forced as a result of the weakness of international financial institutions, especially the World Bank and the International Monetary Fund, to adopt the principle of privatization, to treat the economic crisis. Which invaded most of their economies, and here the governments of these countries begin to activate privatization procedures or structural adjustment programs, which is a package of economic policies that differ from one country to another and usually include: -

A. Suspending government support for goods and services and public sector institutions.
B. Raising the standard of living of the individual and achieving higher levels of welfare as a result of the increase in revenues resulting from raising the efficiency of performance and thus increasing production.
C. Liberalizing the prices of goods and services and reducing government spending.
D. Reducing control over foreign exchange, and liberalizing interest rates so that they are real.
E. Ending the non-tariff protection enjoyed by the local industry, and tightening credit control.
F. Encouraging the private sector to lead the economic development process in order to allow entry to all economic sectors that were the monopoly of public sector institutions.
G. Directing inputs towards productive purposes instead of investing in marginal sectors through selling public facilities to investors in the form of shares that the largest number of people can buy (Abdul Qadir, 2002: 3).

Privatization is an integral part of the policy package of economic reform and structural adjustment programs and its role is to treat the economic crisis by correcting the negative effects of the financial performance of the public sector, which caused a crisis in the state’s general budget, by reducing financial support for it and increasing its revenues, in addition to raising the efficiency of privatized institutions Assuming that the private sector is more efficient than its public counterpart, and therefore this will lead to an increase in the country's economic growth rate and reduce the size of the financial and economic crisis.

And the economic and financial crisis that Iraq is going through as a result of the mismanagement of the state and the public sector and the spread of corruption in a rampant way can only be resolved by following privatization in all public sector institutions and supporting the private sector greatly in order to be able to overcome this crisis that Iraq is going through (New York and Geneva, 1995). :5).

Third: The Challenges of Successful Privatization

Privatization is difficult to implement according to the current conditions for most Arab countries due to the spread of corruption and the fundamental development represented in the failure of most developing countries or what the third world termed idiomatically in light of keeping pace with the capitalist and communist systems, and their struggle in a balanced transition during the first transformation and in predicting the transformation of the second. This is due, according to our view, mainly to the negative success of the majority of developing countries, including the Arab countries, in moving to the feudal system from the geospatial level to the economic sectoral level. This control is socially unacceptable according to the theories of civil and human rights. This system, which represents the interests of a group of large property owners and new wealth owners personally associated with decision-making centers within developing countries, has worked to abandon geographical spatial control and move towards sectoral control, and they have succeeded relatively (Dahal, 2000: 7).

Fourth: Practical applications of privatization

Privatization takes two methods, the first is to sell state-owned assets to the private sector, and the second is for the state to stop providing services that it previously carried out directly and depend on the private sector to provide those services.

The privatization process is described today as a global phenomenon, in the sense that a private company performs a public service that was carried out by a government institution. The first privatization process in the world dates back to when the New York Municipality allowed a private company to clean the city's streets in 1676. The use of privatization as an economic policy or a practical means to bring about a programmed transformation in the economies of countries, it began in the seventies of the twentieth century. The word privatization has more than one political connotation because it is linked to the completion of the process of economic and social transformation in countries that were following central planning, as well as what privatization aims to facilitate the integration of developing countries into the global economy and restructure their economies in line with the pattern and mechanisms of a free economy.

Privatization has become one of the basic items adopted by both the World Bank and the International Fund as one of the remedies for the deteriorating financial conditions in developing countries, where public ownership in developing countries represents about 10% of GDP on average, which indicates that there are many public institutions still in the hands of governments. The pace of privatization has increased in developing countries as a crucial element in the process of economic transformation in all developed and developing countries alike. Extensive programs have been implemented in Britain and Japan, which are industrialized countries, as well as in smaller economies such as New Zealand and Chile. According to the latest report issued by the Organization for Economic Cooperation and Development in 2000, governments all over the world have increased the sale of their shares in public companies to the private sector, and the value of the proceeds of privatization reached more than 10% of what was achieved ten years ago, equivalent to 145 billion US dollars. The largest sale took place in Italy, valued at $14 billion, representing 34.5 percent of the shares in the largest public electricity company.

During the years 1996-1997, sales of public institutions in Europe amounted to 53 billion US dollars, 17 billion in Latin America, and 9 billion in Asia. This may reflect the diminishing role of the public sector as the owner of productive assets in the economy. As for the World Bank data issued in 2000, it was shown that privatization has become a well-known trend during the past ten years. The number of countries that implemented privatization programs and operations increased from 12 countries in 1988 to more than 80 countries in 1995 (Hassan, 2003: 13).

It is noteworthy that the World Bank data covered about 88 countries that sold assets worth 135 billion dollars in 3,800 operations, each of them estimated at more than 50,000 dollars during the period from 1988 to 1995, and they are divided as follows:

A. Latin American countries led privatizations with total sales of $54 billion, or 46% of the total value of privatized public assets in the world.
B. In East Asia, which ranked second, sales reached 28 billion, equivalent to 25% of the total privatized public assets in the world.

C. In Europe and Central Asia, including the countries of the former Soviet Union and the countries of the planned economy in Eastern Europe, sales amounted to 20 billion, equivalent to 17% of the total privatized public assets in the world.

D. The rest of the developing countries of the world achieved sales of 12% of the total sales from privatization in the world (Abdullah, 2002: 5).

Fifth: Factors that contribute to activating the role of privatization

The success and activation of the role of privatization depends on the clarity of the required goals, which the state aims to achieve by converting a number of its public institutions to the private sector, because the role of privatization depends on these goals. If the state suffers from economic conditions and seeks to increase its revenues, it begins by privatizing large and profitable institutions, but if it seeks to increase performance efficiency and use modern technologies, it works to manage these institutions through the partnership of foreign institutions, or if it seeks to improve the level of income, it will Transformation of the public corporation into the private sector. Three main factors can be identified to encourage and succeed privatization, which are:

1- The understanding, conviction, acceptance and support of the members of the state community for the privatization process.

2- The state's commitment to the privatization process and working to achieve it and its success in a rational manner, i.e., reconsidering the role of the state to manage the Iraqi government's responsibility towards the Iraqi economy and organizing the state's administrative structure in light of the new role, and removing the overlap in the competencies between government agencies to raise the productive efficiency in the government sector.

3- That the privatization process be accompanied by a comprehensive economic reform process, because privatization is part of the factors of economic reform, and the measures it includes that work to liberalize and develop the economy and improve the sources of budget

4- Strengthening the supervisory role of the state. Controlling monopoly and setting up an appropriate and public mechanism for setting and adjusting prices will enhance foreign investment programs. The separation of the supervisory role from the state's investment and consumer role should be taken into account to reduce conflict of interests and lay foundations to protect state sovereignty in the strategic areas that It will be customized (Karim, 2010: 170).

The second topic: the general budget

First: its concept, definition

In the beginning, the term budget was used to refer to the money bag or the general portfolio, then he meant the state's finances after that. In all cases, the word "general budget" means the state's public revenues and expenditures, and the word "budget" was used for the first time in Britain and meant the set of documents contained in the portfolio of the Minister of the Treasury, which is In the process of submitting it to Parliament for approval by the Legislature. The general budget is a forecast view of the state's revenues and expenditures for a future period of time, usually a year, subject to a permit from the competent authority.

The budget is defined as a combination of information flow, procedures and administrative processes, and at the same time part of long- and short-term planning, and a system for controlling various aspects of activity in the facility, and the related considerations alone or with others, as a criterion for evaluating performance that officials abide by when implementing. It determines the deviations that are a basis for making corrective decisions, accounting accountability, and evaluating performance (Al-Fadl and Nour, 2002: 144).

The general budget includes an estimate of the state's expenditures and revenues, i.e. what the executive authority is expected to spend and the revenues it is expected to receive during a later period. There are expenses that are easy to estimate accurately assuming their continuity, such as employee salaries, and there are other types that are difficult to estimate, as it depends on factors that are difficult to control, such as investment expenditures, while estimates of public revenues are affected by economic activity for the subsequent period. Therefore, when estimating both public revenues and expenditures, estimates should be made of the expected economic and social situation during the period.

The legislative authority's adoption of the general budget is intended to approve the government's expectations regarding public expenditures and revenues for the coming year. The accreditation feature also includes granting the executive authority prior permission to spend and collect revenues, and therefore the general budget is not considered final until after it is approved by the legislative authority, after which it is up to the authority The executive (the government) again to implement the items of the general budget with spending and collection within the limits issued by this authority's authorization with the intention of achieving the goals of society (Zaltsman, 2008: 23).

The budget is viewed in terms of an accounting concept "as it represents arithmetic numbers representing revenues and expenditures," and from an oversight concept "that it represents the oversight tool in the hands of the legislative authority to monitor the performance of the executive authority," and from a political concept "that it represents one of the most important tools in formulating government policy, and from a legal concept "Because it is considered a law in many countries, including Iraq, and from a planning concept" as it represents an essential tool for planning, and from an economic concept" as it includes the most important mechanisms for implementing reform and economic plans (Al-Saray, 2014: 5).

It is also defined as a financial expression of the goals of the state that you want to achieve, which are apparent in the budget items, whether in terms of expenditures or revenues, either in terms of the financial figures contained therein or in terms of revenue details and expenditures. It is also the state's means to achieve the work program that it undertakes to implement, that is, it is the financial program of the plan, so it is considered the basis and the financial document or the accounting table that shows the financial content of the budget, and represents estimates of public expenditures with their divisions, as well as includes estimates of public revenue with an explanation of its various sources (Al-Tarwana, 2005: 55).

Therefore, the general budget has become the framework that clarifies the state's choice of its goals with the means to achieve them, because the goals in general can be achieved through the general budget, both revenue and spending. Public finance scholars met that the preparation of the budget must be subject to a set of rules, so that the budget becomes clear, in order for it to be easily understood by the legislative authority, and to impose oversight on its implementation. In order for the budget to be an honest expression of the financial activity of the state, these rules are as follows:

1- Annual rule: It is an estimate of the state's uses and resources, for a future period of time, lasting one year. The fiscal year begins on the first of July and ends at the end of June of the following year. The annual rule is one of the most stable principles when preparing the state's general budget, and then Expenses and revenues during this period are characterized by repetition, and the year is an appropriate period for evaluating the performance of the executive authority.
2- Unit rule: that is, all the uses and resources of the various units of the executive body

of the state are included in one budget, which helps to know the economic and financial conditions that the state is going through, as well as the ease of exercising control during the stages of budget implementation.

3- General rule: It means that the general budget includes both resource and usage estimates in its entirety, without offsetting some of its sections or items and others, for the purpose of achieving effective control over all state resources and uses.

4- Non-allocation rule: It means that it is not permissible to allocate resources that it specifies to meet specific uses. The non-allocation rule requires that all resources be directed to all uses, and therefore it is not permissible to allocate a specific resource, such as the tax on cars, for example, to spend on road construction and maintenance. .

5- The rule of balance: that is, expenditures are equal to revenues, and despite the soundness of this rule, the changing and intertwined economic conditions, for most countries of the world, have led to the acceptance of the idea of a deficit or surplus in the public budget, as the deficit is covered by loans, both local and international. , and carry over the surplus to the next period. (Hou, Yilin, 2007:22).

Second: Factors affecting the construction of the general budget items

There are factors that affect the construction of the general budget items, which are as follows:

1- The general budget is prepared on old data, while calculating a specific growth rate annually.

2- The budget depends on implicit negotiation as an essential element in allocating funds on the budget’s chapters and assets.

3- There is no link between the national goals (institutional strategic planning) and the budget.

4- The general budget does not focus on expenditure outputs, but rather focuses a lot on inputs.

5- The basis adopted in building the budget does not take into account the existence of a clear financial vision and a target deficit.

6- The aspects of spending are not clearly defined and are mostly general.

7- Classification of budget items does not achieve transparency and ease of dealing with data.

8- Balancing items is important for control purposes and does not measure the efficiency of management.

9- The budget of items approves all previous programs and activities, whether they were completed efficiently and effectively or otherwise. (Hadi, 2014: 187).

Third: Interpreting and addressing the failures in the general budget

One of the duties of the Minister of Finance in preparing the state’s general budget is to reflect the national priorities by monitoring the allocations for each unit of government spending, and then working on implementing the general policy directives, by dividing each ministry or body of the financial appropriations allocated to it between spending and investment, as The distribution of allocations between operating expenses and capital project expenditures to achieve the required balance between public services and achieve an economic growth rate appropriate to the volume of investment expenditures for the purpose of expanding the reconstruction process (Al-Daoudi, 2006: 11).

The continued dependence of budget revenues on the proceeds of crude oil exports is considered to be the continuation of the structural imbalance in the Iraqi economy and the consolidation of its rentier nature, and its urgent need to diversify the sources of output generation. Real economic reform, which requires the transformation of the economic system into a “best performing system” at the very least, not to mention impeding the process of flexible, gradual and efficient transition to a diversified economy based on sound standards of productivity, economic calculation and competitiveness, while recognizing the important role of the private sector.

It is not possible to accept the transformation of the process of preparing, discussing and approving the budget estimates for the proceeds of Iraq's exports of crude oil. And that every time that crude oil prices rise or fall in the global market, the budget estimates are reviewed and sent from the House of Representatives to the Council of Ministers and vice versa. and achieving its revenues (Howish and Al-Ammar, 2012: 12).

For example:- The 2009 budget arrived at the House of Representatives in December of 2008 two months later than the scheduled date for submission to the House, and it was withdrawn by the Council of Ministers twice to adjust it according to the drop in oil prices, and it was resubmitted in its final form to the House of Representatives in February 2009 to be delayed Submission to the Council is four months from the scheduled date of submission under the provisions of the Financial Management Law No. 94 of 2004.

The third topic: the role of privatization in improving the public budget

The privatization program would reduce the burden on the state’s general budget, especially after oil prices fell to record levels, pointing out that privatization in itself is not a goal, but rather a means of improving and developing the economy and giving the private sector a major role in developing performance and productivity, and that citizens are one of the partners The main beneficiaries of privatization.

But it is necessary to develop an integrated and clear program if the government wants to privatize some facilities or reduce some government services in favor of private sector companies, and that the investor will present a greater incentive, if he knows exactly what economic decisions will be taken in the short and medium term, for example, raising subsidies and increasing prices fuel and others.

The Ministry of Finance shall study the government to determine and evaluate the volume of government services required so as not to conflict with the services provided by the private sector. The state has issued a privatization law, and the law is considered as a general framework directed at privatization, leaving details to be worked out by subsequent laws. The law focuses on a gradual process, stressing that the privatization program will contribute to improving both the service and production sectors, especially in the field of tourism, communications, transportation, electricity, water utilities, ports, airports and postal services. Accordingly, the government privatized a number of its economic activities and facilities.

The development of the partnership between the private and the government reduces the burden of the budget, and businessmen stressed the importance of strengthening partnership between the government and the private sector to overcome economic challenges due to low oil prices, and that the private sector is ready to increase its contribution to supporting the national economy through various relevant government programs, including privatization, and that the partnership between The public and private sectors are among the most important factors that help reduce the burden on the budget.

He pointed to the need for an integrated privatization program that includes a timetable for implementation, and identification of projects that can be transferred to the private sector, with the aim of raising the efficiency and productivity of operation and benefiting from the technical, marketing and administrative capabilities that it is characterized by, especially since the private sector has the financial and administrative ability to establish large investment projects that contribute to increasing Productive efficiency and economic development.

The state is obliged to adopt difficult economic decisions to achieve economic reforms to reduce the burden on the state's general budget, and we must be aware this time that when oil prices improve as expected, we do not distribute the savings directly to society, but rather use them in medium and long-term development programs that lead to economic diversification real, including investing in the knowledge economy, encouraging and investing in innovation, higher education, telecommunications, and others.

The private sector has financial capabilities that can be employed more in investment, but it needs government support by continuing to develop legislation and regulations, and giving greater confidence to foreign investors, pointing to the contribution of the privatization program to attracting foreign direct investment, which helps the process of revitalizing the local economy and thus Finding new job opportunities (God's Dimension, 1999: 49).

And that privatization is an economic policy aimed primarily at increasing the rate of economic growth in general, that is, by restructuring the economy and structuring and legalizing tasks between the government and the private sector and benefiting from the advantages of the private sector that is completely free of bureaucracy in making decisions related to companies, and its ability to improve quality. innovation, competition and attracting investment to contribute to managing the economy.

On the part of the Association of Foreign Investors, it welcomes the privatization programs proposed by the government, provided that this is done according to a clear and studied approach for each project separately. Also, the investor must know the most accurate details of the project or institution that the state intends to privatize, in order to be able to improve it and raise its level of performance. And transferring it from loss to profit and doubling its profitability, "It is no secret to anyone that we are living in a period of investment anticipation, especially with the new laws regarding lifting subsidies on a number of government services and products and talking about the upcoming lifting of subsidies on electricity and fuel, and these are essential matters that a foreign investor should have. He was aware of it before he took part in any government project, hence the signing of a clear economic plan by the government for a period of five years, to help investors know the details and take the appropriate decision" (Mann, 1987: 30).

And that resorting to the privatization of some government facilities and projects is not imposed by the decline in oil revenues. Rather, there are countries that resorted to privatization and were in their prosperity, such as Britain, and achieved excellent results, but other countries such as Malaysia where privatization programs failed in a terrible way, and some studies showed various international experiences in this field. .

There are many reasons for privatization, including the government's desire to improve the efficiency and performance of some of its projects, or to improve the quality of goods and services, or to reduce their expenditures, as well as to obtain modern technological methods that the private sector is ideal for ownership, and the desire of the state to enhance competitiveness in the market and accelerate economic growth. And reducing the administrative burden resulting from it, and thus reducing the burden on its budget, and other reasons not related to the low level of income in many cases (Al-Desouki, 1995: 51-52).

First: the most prominent treatments provided by privatization to the public budget

There are problems facing the government when implementing the privatization program, including the clear identification of the projects to which privatization will be applied, and the development of solutions for surplus labor, as well as determining the costs of implementing the privatization program, and addressing the problem of destroyed infrastructure. My agencies: -

1- Reducing government spending:

Reducing government spending is one of the basic requirements for structuring the economy in the long run, and the importance of reducing government spending stems from the fact that most developing countries suffer from deficits in their trade balance and balance of payments, which has led to a continuous aggravation of foreign debt, so justifying the privatization process by reducing government spending is It is acceptable, as it is believed that public revenues in low-income countries are structurally inappropriate to meet development needs, and since the external sources of financing have dried up and the budget deficit has become unbearable, the state must set its priorities correctly and reduce spending on areas that are no longer in existence. It is necessary, and instead of doing many things with low efficiency, the state should move towards limited active work with high efficiency.

It is worth noting that some literature indicates that mostly in the short term, the savings achieved by developing countries go to their public spending to service debt, and it is not expected that the proceeds of the privatization process will lead to an increase in spending on priority areas in the near term (Al-Khawaja, 2003: 11).

2- Increasing economic efficiency

Raising economic efficiency through the privatization of public sector institutions is the main objective of reform programs. Economic efficiency consists of productive efficiency and the efficiency of the privatization process. The efficiency of resource allocation is achieved when the relative prices of resources reflect their real value, the scarcity value of those resources, or the value of their alternative opportunities. The goal of production efficiency depends on the ability of institutions to produce the same quantity with minimal costs or to produce a larger quantity of the product at the same costs, and based on this, the goal of raising economic efficiency depends on the gains related to production efficiency (Al-Anbaki, 2007: 2).

Some believe that public institutions are characterized by greater inefficiency in their internal operations when compared to private institutions, due to several reasons, including the fact that the public institution is often protected from competition, which leads to the use of inputs in a way that does not lead to the achievement of the maximum production limit for its resources. Some believe that public institutions often access capital in a subsidized manner, which leads to its use in a way that does not reflect its true cost, and the property rights school believes that the incentive for management to maximize profitability and reduce cost is weak in the case of public ownership, because bureaucracy and the absence of shareholders who are They have an interest in maximizing profits, minimizing pressure on management in pursuit of performance efficiency and maximizing profitability.

Another point of view in the privatization literature says that the inefficiency of the public sector is in fact due to several reasons that have nothing to do with economic causes, as it is known that public institutions have social goals that often conflict with the goals of economic efficiency. be the real reason behind their inefficiency (Abu Hat, 2007: 4).

Privatization has important implications for the distributive efficiency of resources, which can be achieved when the relative prices of the resources show their true value. However, some believe that the basic condition for achieving the optimal distribution of resources under the shadow of privatization is the freedom of enterprise to operate, so that it exits from sectors with low returns to sectors with higher profitability. Some literature finds it difficult to accept the prevailing belief that the efficiency of resource distribution will improve by applying privatization, as distributive efficiency is considered one of the tasks of the market structure and not the form of ownership. Of the monopolistic institutions becomes an important goal in order to achieve overall efficiency gains. In a clearer way, the transformation of public monopolistic institutions into private monopolistic institutions will not lead to an improvement in distributive efficiency (Al-Jubouri, 2008: 76).

Second: The Role of Privatization as an Economic Policy for Financial Reform of the Public Budget

The role of privatization is not denied if the conditions for its success are intended to reduce the financial imbalance that most developing countries suffer from. Figures of financial returns from privatization operations can indicate that many countries started reaping the fruits of privatization in the period from 1990-1996, for example, Brazil, which achieved $22.4 billion, Argentina 16.3 billion, and Mexico 24.9 billion as a result of the privatization process. As well as small economies such as Peru, which earned one billion dollars, the Philippines 3.7 billion, and Poland 3.8 billion.

The process of privatization in light of the lessons learned is necessary to launch the individual initiative in the societies of developing countries, not only at the economic level, but also to include the social and political aspects, and without removing restrictions to the launch of individual and private initiatives that collectively constitute collective initiatives. There is no way for these societies to reach the heights of urbanization, except when the values of justice, equality and freedom prevail (Clarkson, 1990: 180).

Third: The methods of privatization and its financial motives

Privatization methods are many and varied and mostly depend on the sector to be privatized. There is privatization by restructuring institutions, privatizing them by regulating the sector, and privatizing by transferring management.

1- Privatization through corporate restructuring

And it is through the transformation of a certain institution from the public sector to the private sector. For example, if the state has airlines or an institution for exploration and extraction of minerals, the privatization of the institution is by converting the institution into a public joint stock company owned by the government, and then the government shares in that company are sold to the private sector. Thus, the ownership and management of the institution has moved from the public sector to the private sector. This type of privatization is resorted to for several reasons, including: to avoid the administrative slack that is apparent in the institution, which affects the type of service or commodity produced by the institution, and to avoid the large financial burdens that are rampant in the institution as a result of administrative corruption and random and redundant employment, which is Its basis is nepotism and favoritism, and finally the indifference of the public sector and its lack of business foundations so that the institution realizes losses instead of profits. Finally, it must be noted that the government usually keeps part of its shares in the company that has been privatized without selling it to the private sector, in order to ensure that part of the profits of that company flow to the treasury once it is achieved (El-Desouki, 1995: 51-54).

2- Privatization by regulating the sector

This method of privatization is adopted when it is intended to privatize an entire sector, such as electricity, communications and transportation, or even a large part of the sector, such as land or sea transportation. Privatization is accomplished by liberalizing the concerned sector, which was previously monopolized by the public sector. However, this liberalization is not random, as the public sector establishes a regulatory authority or institution to monitor regulatory matters in the concerned sector (such as the Telecommunications Regulatory Authority). This authority undertakes all regulatory matters related to the sector in question, such as issuing licenses to companies operating in the sector, setting tariffs, regulating competition between companies in the sector...etc. After the establishment of this authority, the sector is liberated before private companies, so that they have the right to apply to the concerned authority for licensing applications to establish projects within that sector.

This type of privatization is resorted to for several reasons, including raising the quality of performance, the speed of specific service in the concerned sector, and developing the sector completely. The government may be unable to invest in the infrastructure or technology required to develop the sector, so it withdraws from this sector to play the role of regulator while leaving the various companies the task of development. Competition between the various companies in the sector requires raising the level of service through direct investment in infrastructure and technology resources. Government profits from this type of privatization are in the form of a deducted share of the profits of companies operating in the relevant sector, so that the license granted to any company operating in the sector usually includes a condition under which a percentage of the company’s profits are deducted to the government (Abu Omariya, 2008: 20).

3- Privatization by transfer of management

This method of privatization is adopted for the same reasons stated in paragraph (1) above. However, it is adopted when the government has a large project that requires huge financial resources that the government cannot provide, such as the expansion of a specific airport or the construction of a railway. This project is implemented by giving a private company (usually under a bid) the right to build and manage the project for a certain period (between 15-30 years) and keeping most of the financial resources generated when managing the project (BOT: Build, Operate Transfer). The government's profit in this method is the annual fee paid by the company running the project to it in addition to the priority of all expansions, upgrades, buildings and infrastructure to the government after the expiry of the management contract. There are many forms of this method of property, including: MOT, BOOT, BTO, BOO, BLOT and others, but these forms have different applications, some of which are not based on the transfer of ownership of the project to the government after the contract period (Hatem, 1994: 71).

Conclusions

1- Privatization is not a process of transferring ownership or management of a government institution to individuals. Rather, it must achieve stable macroeconomic policies in terms of financial and monetary aspects.
2- Privatization can offer positive advantages in accordance with a clear economic vision and scientific foundations based on economic theory, which guarantees the adoption of Iraq's economy mechanism.
3- The governments that implemented privatization in their economy benefited, as they reduced many of the burdens on their shoulders, such as reducing the burdens of the

increasing public debt, increasing their profits at the general level of the economy, and providing job opportunities through the private sector for the unemployed.

Recommendations

1- Informing public opinion of this process by clarifying the positives and negatives that may be achieved through the application of the privatization program, knowing that its positives will have a significant and effective impact on Iraq's economy and for the future as well. As well as preparing the administrative and technical cadres to facilitate the investigation process through the formation of committees, and within the membership of the concerned ministries.
2- Preparing the draft general budget law and reformulating the general framework of the fiscal policy, i.e., preparing the new budget figures, in terms of total expenditures and revenues for the next fiscal year, and the amount of deficit and surplus, if any.
3- It is necessary to determine the priorities, estimate the total financing and prepare the capital plan, and the Minister of Finance may consult with the Minister of Planning and Development Cooperation about the priorities and the estimates of the total financing and the basics of preparing the capital plan.
4- Preparing and studying the final accounts of previous years and follow-up reports for the elapsed period of the current year to identify the aspects of expenditure, the percentages and rates of change, and the results of the actual implementation of privatization and compare it with the allocated appropriations.

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