



# Financial Resources Development

2015

## Presentation topics

first: legal framework for province's financial resources

second: local revenues and their sources

third: local revenues management

fourth: monitoring the local revenues

**First: legal framework for the province's  
financial resources**

- This can be determined through:
- Iraqi Constitution ( text of Article 122/Second “ The provinces not organized into a Region shall be delegated wide administrative and financial authorities that would enable them to discharge their affairs according to the administrative decentralization.This should be regulated in a law”)
- The provinces not organized into a region Law No. 21 of 2008.Article 7/Third provides for (issuing local legislation, regulations and instructions to regulate the administrative and financial affairs to enable them to discharge their affairs according to the administrative decentralization in a manner that would not be inconsistent with the Constitution and federal laws, and sixteen ( approving by absolute majority of the council members of accepting or rejecting donations and gifts received by the province and Article 44
- Decision of the federal court No. 16/federal/ 2008 which clarified the authorities of provincial councils to promulgate laws on imposing, levying and spending local taxes and laws on imposing, levying and spending fees, fines and
- Financial Management Law No. 95 of 2004

# **Legal Framework for Province's Financial Resources**

**Constitutional Article  
122/Second**

**Law 21-Article 44  
and 7- Third and  
sixteenth**

**Decision of Federal  
Court No 16 of 2008**

**Financial Management  
Law No 95 of 2004**

Second: local revenues and their sources

## Sources of local revenues as per Article 44 of law 21 of 2008

**First:** The financial budget granted by the federal government according to constitutional standards drafted by the Ministry of Finance and approved by the Council of Representatives

**Second:** revenue collected by the province as a result of the services it delivers and investment projects it carries out

**Third:** revenues from local fees and fines imposed in accordance with the Constitution and federal laws in force

**Fourth:** donations and gifts received by the province in a manner that does not conflict with the Constitution and applicable Federal laws

**Fifth:** revenue earned from considerations of sale and lease of state's movable and immovable property according to the law of sale and lease of state's property and other laws in force

## A- Importance of local revenues

1. Strengthening the financial allocations to support the federal budget allocated to the departments within the limits of the province.
2. Providing better services to citizens and working to enhance the ability of local government to speed up building the infrastructure to attract investments.
3. Achieving economic stability by achieving balance in the distribution of revenues.
4. Providing an incentive to service departments in the province to develop and expand their capabilities in providing services.

## B- Requirements for achieving local revenues

- local economic development
- legislation
- local community's education

# Local Economic Development

Local revenues contribute to achieving economic development at local level. This requires::

- developing a strategic plan for local development
- Expanding investment
- Activating commercial, industrial and tourist activities in the province
- The local revenues increase curve must run parallel to the curve of province's economic development and not to get ahead of it.

## Legal Legislation

- Conducting studies for measuring the social and economic impact to levy local revenues and how far fairness is achieved under the burden falling on the citizen
- The process of levying and spending local revenues requires legislation granting power to local authorities
- Legislation by the provincial council consistent with the Constitution and federal laws

## Local Community's Culture

- Though collection of local revenues requires legislation to become compulsory, i.e. differing from donations, community education to contribute to these revenues is also required. This education may be generated through:
  - Transparency in the collection of revenues and areas of spending them
  - Real feeling of citizens that collected local revenues are to be translated into services to be delivered to them.
  - Media role by local government which contributes to raising citizen's awareness with regard to local revenues.

C- Local revenues development

- Money runs like blood in the body, and without the money governments are not able to achieve development and deliver services to citizens. Due to deteriorating infrastructure and growing needs of modern life and technical progress, which calls for spending more money; and due to lack of funds allocated by the federal government to carry out these tasks, it has become important to supplement these allocations with local revenues to be collected according to the Iraqi constitution and the provinces law as indicated to empower the local governments to shoulder their duties and achieve sustainable development for their areas, taking into account the studies and statistics it carries out to determine the targeted segments and sectors to achieve justice in collecting these revenues. Based on the foregoing, this requires a general framework for these revenues and their base, estimates or proportions or for the purpose of achieving sustainability and continuity in collecting them. This requires: -

1. Constructing or developing money-generating investment projects
2. Developing an efficient system for revenue collection
3. Continuous analysis of economic activities and conducting continuous studies to identify new outlets for revenues or targeting new segments
4. Transparency, disclosure and fairness in revenue collection
5. Citizens feel an improvement of size and type of services on a continuous basis as a result of their contribution in paying the fees; thus, instilling in them an incentive for engagement

## **Third: Management of local revenues**

Legal framework has granted provincial councils the right to impose and collect local revenues as per the laws. Therefore, local administrative authority (department/section) should be in place to undertake collection of local revenues according to local laws that are to be consistent with federal laws, provided that this is done in accordance with applicable financial instructions and accounting systems. This administrative authority should undertake the process of drafting the budget to determine the size of revenues expected during the year and at the same time determining the size of spending estimated for the same year, as well as identifying where these revenues are to be spent according to public budget items.

work requirements ( department/section) as follows:

- Forming an administrative structure for the authority which will undertake the process of collecting and spending revenues
- Formulating a specific mechanism for revenue collection
- Providing specialized staff to perform this job
- Obtaining proper approvals for opening a bank account in the name of this unit
- Adopting the applicable financial and accounting instructions

## Basic Functions of (Department/Section) as Follows:

- I- drafting the planning budget (department/section)
  - A- determining the size of expected or estimated annual revenues
  - B- estimating the size of spending and its annual distributions by chapter and item (with the possibility to conduct transfers between them)
- 2- conducting financial studies and plans related to development of local revenues and a plan for spending them
- 3- following up on collection of local revenues and coordinating with local departments on the mechanism of revenue collection and transferring
- 4- transparency in exhibiting their financial reports and accounting statements

- 5- following up on enforcement of collection regulations and instructions issued by the local government
- 6- preparing, regulating and updating the department's database related to revenues and expenditures, their tabulation and classification

Fourth: Oversight of local revenues

- Revenues are considered the cornerstone of the process of planning and formulating the state's public policy in the economic and social development. The size of expenses and province's future activities depend on the size of revenues. If there is manipulation of these revenues, the impact will be reflected on the services delivered to citizens by the government. So, the overall revenue and spending process must be subject to control at the official and unofficial levels for the purpose of achieving the goals and preventing use of public funds for personal benefits or unethical practices. This requires activation of the monitoring role to preserve it and guide it in the right direction. It also requires transparency and accountability in achieving oversight work and stimulating the role of self-monitoring by employees in charge of the process.

# Importance of Oversight

The importance of oversight arises from the fact that it is an effective means to enhance the management's capacity to readjust its options on a continuous basis due to the continuous changes in different environmental variables. It serves as a test for plans, procedures, policies and programs

Other purposes of oversight include:

- Improving the operational efficiency
- Facilitating the change management
- Developing the directorate's culture
- Assisting in applying modern management methods

- There should be in place a mechanism that would provide effective transparency and accountability; this mechanism will support legislative action under which fees or fines are imposed and hold the executive authority the responsibility to provide sufficient transparent reports about its role in the imposition and collection of revenues and the use of public funds and the implementation of the agreed upon policies and priorities to citizens through their representatives in the provincial council. Performing a good role ensures effective accountability and gives citizens confidence in the integrity of their government and contributes to creating an environment conducive to stability and economic growth. The absence of such a mechanism, or a lack of transparency or lack of financial information would mean depriving the voters and their representatives of their authority and the loss and misuse of public funds, as well as lacking of trust in public institutions and hostility toward the government and undermining of economic growth.

# Legal Framework for Monitoring Revenue Management in Terms of:

## 1- constitutional and legal bases for monitoring revenues:

The council's power to exercise oversight of government's policies in general and financial policy in particular and parliamentary accountability in addition to resource collection laws

## 2- authorities and institutions responsible for revenues:

Like directorates, government interests and other institutions, bodies and authorities that have influence on revenues

## 3- authorities concerned with revenue monitoring:

Council of representatives, Ministry of Finance and its branches, Supreme Audit Board and Commission of Integrity

## 4- civil society organizations

Thank you

