



مركز البيان للدراسات والتخطيط
Al-Bayan Center for Planning and Studies

Iraqi Defence Procurement: Challenges, Reform, and Institutionalisation

By Hashim Shubbar



Al-Bayan Center for Planning and Studies Series

About

Al-Bayan Center for Planning and Studies is an independent, nonprofit think tank based in Baghdad, Iraq. Its primary mission is to offer an authentic perspective on public and foreign policy issues related to Iraq and the region.

Al-Bayan Center pursues its vision by conducting independent analysis, as well as proposing workable solutions for complex issues that concern policymakers and academics.

Copyright © 2023

**www.bayancenter.org
info@bayancenter.org**

Since 2014

Iraqi DefenceProcurement: Challenges, Reform, and Institutionalisation

By Hashim Shubbar *

Introduction

The Iraqi state has faced a multitude of existential security challenges since the US-led invasion and subsequent occupation of 2003. Insurgency, sectarian violence, and most recently the threat of the Islamic State in Iraq and Syria (ISIS) or Da'esh, have all contributed to a continued degradation of the security environment in the country. Consequently, the Iraqi state has been heavily investing in its defence sector, focalizing on the modernization of its security apparatuses and the acquisition of critical advanced weapons systems and equipment. However, this procurement process has been persistently plagued by corruption, unaddressed inefficiencies, lack of transparency, and a scarcity of expertise. As a result, Iraqi defence procurement is characterized by its delays, cost overruns, and more critically, poor quality equipment. The Covid-19 global pandemic has furthermore exacerbated the abovementioned challenges, as the Iraqi government struggled to face newfound economic pressures, principally linked to the reduction of state revenues due to the fall of oil prices prior to the crisis in Ukraine. Given these challenges, it is imperative for Iraq to begin taking steps towards reform within its defence procurement process in pursuance of more effective and efficient systems and equipment acquisition, all the while addressing the malignant elements of corruption and opacity plaguing defence procurement. This policy paper will attempt an analysis of the current nature of the Iraqi defence sector, dissecting the various challenges and offering recommendation for general reform.

* Researcher.

The paper will provide an overview of Iraq's defence sector, including current capabilities, and will detail the ecosystem constructed around the defence procurement process currently in place. This will enable a holistic examination of the challenges facing Iraqi procurement, particularly the corruption, procedural and financial opacity, as well as the inefficiencies present in current planning and coordination efforts. Finally, concrete recommendations and protentional opportunities for reform will be presented, namely the increasing of competition, transparency, and accountability, as well as the strengthening of the role of oversight bodies in the procurement process. The paper will present its policy recommendations as they pertain to Iraqi defence procurement, considering the unique political, economic and security context in Iraq. The overall objective is to provide a framework for reform which targets the weaknesses currently inhibiting the procurement process in Iraq. Enhancing the effectiveness and efficiency of defence procurement, the promotion of transparency, and the introduction of concrete accountability all ultimately are aimed at contributing to reinforcing the state's capacity to guarantee greater security and stability for Iraq and Iraqis.

This paper will render the urgency for reform in the Iraqi defence procurement process clear, while attempting to offer practical pathways for the achievement of said reform. However, the opacity in which this process is treated in Iraq means that the amount of information and reliable data available is limited, thus the recommendations subsequently explored were formulated with the information currently available and take into account this deficiency.

Observations

The Iraqi defence sector is segmented between two main state institutions: The Ministry of Defence (MOD) and the Ministry of Interior (MOI). The MOD is technically responsible for the country's external defence and occupies the primary role in the processes of systems and equipment procurement. The MOI is responsible for internal security and substantively maintains its own, separate procurement process. Effectively however, both the MOI and the MOD, along with their respective security apparatuses, share a substantial overlap in terms of their needs in equipment and weapons systems. Despite the two entities maintaining subpar cooperation, their material and logistical needs during the conflict against the Islamic State were notably synergetic. This effectively creates an opportunity for interinstitutional cooperation which could help bolster respective budgets for collective sourcing and other cost-effective, efficiency enhancing practices.

The Iraqi defence budget has seen serious fluctuations over the last decade, largely due to the instability of the security environment and recent economic challenges which placed serious constraints on defence and security budget allocations. The government's heavy reliance on oil revenues, compounded by the country's political instability and its recent history of conflict, have weakened Iraq's economy. Consequently, the country's defence budget has seen a degree of volatility which has rendered long term planning and procurement policies difficult and thus currently virtually non-existent. According to the Stockholm International Peace Research Institute (SIPRI), Iraq's defence spending in 2018 was estimated at \$19.6 billion, accounting for approximately 16% of the country's total government expenditures. While this represents a significant increase from the estimated \$12.8 billion spent on defence in 2013,

the country's existential fight against the Islamic State had rendered such an increase obligatory for state survival. This is reflective of the reactive rather than proactive nature of policy making which has characterized defence procurement since 2003. Nevertheless, the urgency for reform in the defence sector which the arrival of the Islamic State signaled did motivate political will for institutional rejuvenation of the country's defence technological and industrial base.

The defence procurement ecosystem in Iraq is principally overseen by the MOD and its respective procurement entities, notably the State Company for Military Industries (SCMI) and the ministry's Joint Contracts Awarding Committee (JCAC). The procurement process is outlined and governed by the Public Procurement Law No. 30 of 2010 and the Iraqi Defence Procurement Guidelines; and is organized into the stages of requirement identification, specification preparation, bid solicitation, bid and proposal evaluation, and finally the awarding of contracts. In its essence, the current technical processes in place are within the instructional norms found in other countries. However, Iraq's defence procurement has been suffering under systemic corruption, mismanagement, and political interference for decades. Furthermore, the opacity of the entire procurement process has resulted in the acquisition of often overpriced, redundant, and sometimes poor-quality equipment. The lack of skilled personal, specialized in the management of critical procurement activities, has also further enabled the exacerbation of the aforementioned shortfalls in Iraqi defence procurement. This bureaucratic and institutional reality, compounded by the effects of the state of military disarray in the wake of the invasion of 2003 leading to the loss of much of the country's defence infrastructure, have had a serious negative impact on the state's defence capabilities.

Challenges

The observations outlined present a serious need for institutional and bureaucratic reforms to inspire much needed change at the superstructural level of the defence procurement processes across the multitude of government bodies and instructional actors. The challenges facing Iraqi defence procurement continue to hinder a cost-effective, timely and efficient acquisition and maintained of critical weapons systems and equipment. Addressing these challenges should be approached and understood as a critical facet of Iraq's effort to reconstruct its defence capabilities and equip its armed forces' modernization. The following are the identified key challenges facing the Iraq's defence procurement ecosystem:

Corruption: the most malignant and principal challenge facing Iraqi defence procurement, and a key factor behind the delays, cost overruns and poor return on investment characterizing the process. The lack of transparency, and the consequent lack of accountability facilitates the flourishing of said corruption. Procurement officials can favor certain vendors or suppliers motivated by personal relationships or direct bribes. The lack of human capital specialized in defence procurement and its management renders the detection and prevention of such corrupt practices extremely difficult.

Lack of Transparency: is a superstructural problem which has enabled the mismanagement of the country's public and defence procurement efforts. The limited access which the public has to information on defence spending and procurement activities renders it virtually impossible to effectively hold officials accountable for acts of corruptions or mismanagement of this critical aspect of the country's national security effort. Compounded with the lack of expertise with regards to defence procurement, the lack of transparency has discouraged international vendors and suppliers from attempting bids

for contracts, as the requirements and demands are often not rendered clear by the responsible bodies.

Insufficient Planning and Coordination: due to the deficit of specialized education, skills and resources within the government bodies charged with the management of defence procurement, there has been a pronounced lack of developed procurement plans, resulting in often inconsistent procurement strategies plagued with inefficiencies largely inadequate budgeting. A closely related consequence of this deficiency is the weak levels of coordination between different ministries and bodies responsible for Iraq's defence procurement, compounded by the lack of clarity regarding roles and responsibilities, resulting in duplication and thus waste of effort and resources.

Limited Competition: having been characteristic of the Iraqi procurement process for decades, limited competition has reduced the pool of available partners while simultaneously reducing incentives for said vendors and suppliers to provide Iraq with high-quality systems and equipment at the necessary competitive prices. While this limited competition is partially due to the limited number of defence contractors operating in Iraq, the lack of transparency and accountability in Iraqi procurement discourages new actors to enter the market. The current business environment, which creates serious asymmetries of information, discourages the construction of long-term business relationships between the Iraqi government and potential defence partners.

Security Environment: although seeing notable improvement since 2017, the fragility of the security environment in Iraq, which continues to fight terrorism and low-intensity insurgency, does pose particular challenges for the country's defence procurement efforts. Security volatility can make it difficult to conduct accurate market research and produce the efficacy of the evaluation of potential

vendors and suppliers. Furthermore, in terms of transport and logistics, security challenges can disrupt procurement processes by delaying or disrupting equipment deliveries due to security concerns.

Recommendations

Improve Transparency and Accountability: establishing clear and public guidelines and procedures implemented by the bodies responsible for defence procurement is critical for addressing corruption, improving accountability, and establishing accountability. These guidelines should detail rules on conflicts of interests, establish anti-bribery measures, and guarantee transparency through the entirety of the procurement process. The norms established by the procurement guidelines should be perpetuated through the establishment of an independent body charged with the oversight, monitoring and evaluation of procurement activities. This body should be provided with the authority to investigate complaints, prosecute cases of corruption, impose sanctions on individuals found guilty, and more generally recommend corrective action when necessary.

Strengthen Procurement Planning and Coordination: the creation of a central procurement authority to oversee all defence procurement activities on a monthly level is critical for the improvement of Iraq's procurement planning and coordination. This procurement authority will be responsible for the development of procurement plans, conducting of market research, evaluating proposals, and the awarding of contracts. Operating in a transparent manner, the authority should coordinate with other relevant agencies, including most notably the MOD and Ministry of Finance. Such a central procurement authority, quasi-universal amongst militarily advanced nations, will ensure that procurement activities remain consistent with national defence objectives and budgetary constraints.

Build Procurement Capacity: in order to increase the quality, skill and resources of Iraqi human capital involved in the procurement process, the Iraqi government should invest in training and capacity-building programs for procurement staff. These programs should include specialized training on procurement planning, defence market research, proposal evaluation techniques, and contract management. The Iraqi government can also engage the services of certain procurement activates and outsource to private sector firms which possess expertise in defence procurement.

Encourage Competition: enabling greater competition and the encouraging more vendors and suppliers to attempt to enter the Iraqi market and compete for contracts is critical for the cost-effectiveness and reduction of corruption within the Iraqi defence procurement process. The responsible bodies should develop a concrete database of vendors and suppliers which fulfill Iraq's material military needs. The central procurement authority should introduce performance-based awarding of contracts, which will enable greater trust in the business environment and encourage offers of higher quality equipment and services at more competitive prices.

Enhance Security Measures: security guarantees upon the defence technological and industrial base and upon procurement activities are necessary and will ensure the timely delivery of equipment and services.

Relevant agencies, including most notably the MOD and MOI should provide security escorts for procurement officials and private sector personnel contracted as part of the country's procurement effort.

These agencies must also establish contingency plans for procurement activities in areas of the country that have been affected by violence or suffer from greater instability.

Conclusion

The outlined observations and challenges identified highlight the importance of reform in Iraq's defence procurement process. Corruption, lack of transparency, inadequate planning and coordination must be addressed for the Iraqi state to realize its objectives towards the modernization of its armed forces. The proposed recommendations can serve as an institutional framework for the achievement of some of these reforms.

The security threats facing Iraq will continue to evolve and become more complex as the internal and international dynamics continue to evolve rapidly. The Iraqi defence procurement effort is crucial to the state's capacity to bolster national security and sovereignty. Introducing accountability, improving transparency, developing planning and coordination, as well as the induction of more defence market competition synthesize into a great leap forward in the achievement of Iraq's security and defence aspirations.

References

“Iraq’s Procurement Reform: Enhancing Transparency and Competition in a Challenging Environment” by the World Bank Group (2019).

“Iraq Defence Budget Analysis: 2013-2018” by the Stockholm International Peace Research Institute (2019).

“Corruption in Iraq: The Misuse of Public Resources” by the Carnegie Middle East Center (2019).

“Iraq Defence Market - Growth, Trends, and Forecasts (2020 - 2025)” by Mordor Intelligence (2020).

“Iraqi Defence Market - Attracting Investment in a Challenging Environment” by the Middle East Institute (2019).

“Iraq’s Military: Building a Military from Ashes” by the International Crisis Group (2019).