



CRUDE OIL REVENUE'S ROLE IN THE FEDERAL BUDGET: AN ANALYTICAL STUDY OF IRAQ FOR THE PERIOD (2010-2017)

Hussam El-Din Taha Mohsen Al-Jubouri

General Directorate of Education, Diyala Province, Iraq

Hussamtaha744@gmail.com

Muhanad Mohmood Mansor

General Directorate of Education, Diyala Province, Iraq

muhanadddd66@gmail.com

Abdullah Mohammed Rashid Al-Ramli

Tikrit University, Iraq

abdahll1991@gmail.com

Article history:

Received: March 6th 2022

Accepted: April 6th 2022

Published: May 14th 2022

Abstract:

Crude Oil (Petrol) plays an important role in the economy of Iraq, since the establishment of the modern Iraqi state in 1921 AD, the Crude Oil sector has had a major role in financing development projects in the country. However, this importance has increased since 1951, where the Crude Oil revenues began increase to become the main financier of the public budget, thus economic development in Iraq has become dependent on public revenues, especially Oil revenues. After 2003, as a result of the lifting of the economic blockade and the rise of Crude Oil prices on the other hand, the Crude Oil revenues increased and the budget was greatly affected by the increasing of Crude Oil revenues.

The study aimed to clarify the analysis of the evolution of the general budget structure (public expenditures and revenues) in Iraq, through the fluctuations in Crude Oil prices, and to determine the percentage of the contribution of Crude Oil price fluctuations to explaining the changes that occur at the level of the public budget balance in Iraq of the period (2010-2017). The study concluded that Iraq occupies a great and distinguished position among the world's Crude Oil countries, whether in terms of its proven Crude Oil potential or reserves, and it ranks third in the world behind Saudi Arabia and Venezuela, where it has proven reserves of (143) billion barrels and a potential reserve of (350) billion barrels that qualifies it to be the first Crude Oil producing and exporting country in the world in the coming years. Iraq's Crude Oil revenues increased after 2003 to 2012 , as a result of the rise in global Crude Oil prices, then revenues began to decline, specifically from 2014 to 2017 and could not cope continuing expenses in most years of study due to the security and political situations that the country has experienced.

Keywords: Crude Oil, General Budget, Crude Oil revenues.

INTRODUCTION

Crude Oil is one of the most important sources of energy, due to its high thermal energy production and low cost compared to other energy sources, therefore, most countries have been striving to obtain it in various ways since its discovery until now, where it is considered the lifeblood of the exporting and consuming countries, but it turns into a curse if its administration is not managed by producing and exporting countries in some cases in a way that achieves parallel growth in all economic sectors and this is what actually happens in the economy of Iraq, where the economy of Iraq transformed after producing and exporting Crude Oil into an economy

Unilateral rentierism depends entirely on this sector in providing public revenues, until the overall economy suffers from instability and fluctuation simultaneously with Crude Oil revenues, which are dependent on Crude Oil prices governed by external geopolitical factors, in addition to the permanent deficit in the general budget of the state. The general budget is the main tool used by the legislative authority or the executive and supervisory authority by looking at the revenues and expenditures of this budget in achieving economic and social development and it must be viewed through the social and economic conditions by consider it as a political tool that will help to arrange the economy to achieve development and stability



social justice, raising the citizen's income and reducing unemployment. The problem of the general budget in Iraq consists of the increasing dependence on Crude Oil revenues to cover aspects of public spending, despite the multiple levels of revenue sources, whether natural or sovereign derived from taxes and fees, or those achieved by the public sector as returns for its commodity and service outputs, which at first glance suggests that the general budget is based on a variety of revenue sources, but as we mentioned that the reality indicates the dominance of one source versus of low contribution of other sources.

The problem of the study: The problem of the study revolves around the dependence on Crude Oil revenues mainly to finance the general budget, which made the Iraqi economy affected by the crises that afflict global economies through the significant changes in Crude Oil prices that these crises left behind, and thus the impact on revenues.

The hypothesis of the study: International Crude Oil prices are characterized by instability and sharp fluctuations, due to the multiplicity of factors affecting them, which is reflected in the economies of countries negatively and positively, especially the economy of Iraq, where the economy of Iraq is closely linked to the Crude Oil sector, which is a unilateral rentier economy. The fluctuations of Crude Oil prices have a significant impact on various economic balances, and the role of Crude Oil price fluctuations on the balance of the public budget in Iraq can appear in the long term.

Aim of the study: The study aim to achieve the following objectives:- Determining the risks of continuous decline in Crude Oil prices in general and Crude Oil revenues in particular in preparing of the general budget, and analyzing the effect of Crude Oil revenues on the general budget.

Importance of the study: Importance of the study comes from the importance of the problem, which centered around the most important problem that the Iraqi economy is going through, which its dependence on Crude Oil revenues mainly to finance the general budget, which made the Iraqi economy affected by the crises affecting global economies through the changes in prices left by these crises, in addition to that this study will provide an analytical knowledge contribution to the development of the general budget situation and thus its effects on the prospects of the Iraqi economy in the future, and administration of Crude Oil revenues in an efficient manner commensurate with the increase of investment expenditures efficiency, which is positively affected on the development of Iraqi economy.

Methodology of Study: The study relied on the corresponding between the deductive and inductive methodology in analysis to reach to the required results, either the analysis mode was adopted

by the descriptive approach in determining the extent of Crude Oil revenues effect on preparing the general budget of Iraq, also the study adopted on the statistical curriculum for data analysis.

THE RESEARCH WAS DIVIDED ACCORDING TO THE FOLLOWING STRUCTURE:

First topic: reality of Crude Oil sector in Iraq for the period (2010-2017).

Second topic: reality of the federal general budget in Iraq for the period (2010-2017).

Third topic: trends of the relationship between Crude Oil revenues and the federal general budget in Iraq for the period (2010-2017).

The time and spatial limits of the study:

- **Time limits:** The time period was determined from (2010-2017).

- **Spatial limits:** The spatial limits were determined by selecting the economy of Iraq in the study.

The first topic: reality of the Crude Oil sector in Iraq for the period (2010- 2017).

The great interest in Iraqi Crude Oil began in 1871, where the governor (Medhat Pasha) turned to investing in Crude Oil located in the Khanaqin and Mandali , where he brought to them tools and technical experts from Germany, but kicked him out from the state in 1872 prevented its completion. Germany was able in 1904 to sign a covenant with the Private property management for a period of one year, during which it conducts Crude Oil exploration in the fields of Mosul and Baghdad. However, the situations of Iraqi Crude Oil concessions remained unclear until the end of the First World War, which produced new forces in the field of competition to politically and economically dominance. This situation was formalized after the signing a treaty of San Remo in 1920, according to which Britain obtained enormous concessions in the exploitation of Iraqi Crude Oil (Abdul-Ridha, 2011, 203).

The economy of Iraq in general, and the Crude Oil sector in particular, faced major problems after the American occupation of Iraq, and perhaps it was the beginnings of deviation in the economic paths and the entry of the economy of Iraq into the militarization stage, where there was a significant decline in all sectors as a result of the major setbacks that the Crude Oil sector was subjected, and as a result of pressures and mismanagement, where they follow traditional methods in exploration, production and export, and don't to benefit from recent scientific developments (Al-Bassam, 2013, 8).

First: A historical overview of the Crude Oil sector in Iraq:

The Organization of Arab Petroleum Exporting Countries (OAPEC) was established by virtue of the decision of the Arab Summit in Khartoum in August



1968, following its setback in June 1967, with the aim of establishing Crude Oil cooperation between the countries of the organization .(Al-Jubouri, 2017, 72).

The extractive industry began in Iraq since 1925, in the Kirkuk fields, to take over production in other fields, two years after the date of the nationalization of the Crude Oil the Oil industry beginning in 1972 through a process of escalation, where the government administration refined oil in 1952, and the government waited until 1964 for the establishment of the Independent National Iraqi Oil Company to enter into the various industrial phase, including foreign sales, then acquisition on exploration and production operations, until an agreement was reached with large companies that included compensation in 1973, which led to control of state on this sector and then increase of production, then this contribution quickly declined during the eighties of the last century due to the situations of the war in September 1980, which affected the supply of the Crude oil market (Ibrahim, 2009, 49).

The Crude Oil sector in Iraq faced a significant deterioration due to the economic blockade imposed on Iraq in the nineties of the last century as a result of the Gulf War, then after the US occupation of Iraq the expectations indicated an increase in oil production after 2003 to the range between 3-4 million barrels until 2006, however the oil sector in Iraq during this period suffered from the suspension of Oil facilities due to instability, which in turn led to a decrease in the annual production rate (Al-Jubouri, 2017, 72).

Second: Crude Oil reserves in Iraq for the period (2010-2017):

Iraq has confirmed reserves estimated at about (143) billion barrels according to statistics of 2015, which makes it occupy the third reserve in the world after both Saudi Arabia and Iran, but the unconfirmed oil reserve, it is much more than certain, as some experts expect that this reserve constitutes only

approximately (10%) of surveyed lands in Iraq, some also expect that the oil reserves in Iraq depend on the reserves of other Arab Gulf states when searching and excavating in lands that have not received a complete geological survey, where the geological surveys have stopped due to the wars since the date of the discovery of Crude Oil in 1909. This means that Iraq has a giant Crude Oil reserve makes it the first in the world (Moussa, 2010, 300).

Many of the Western Desert lands have not been drawn up with accurate petrological maps, and it is expected that they contain a large quantities of Crude Oil, where preliminary expectations indicate to possibility of the presence of another 100 billion barrels, and Iraq's natural gas reserves are estimated at (110) trillion cubic feet, Economists are classified Crude Oil fields of Iraq in first of the world's rank due to the presence of Crude Oil near the surface of Earth and the low cost of production and the absence of geological obstacles. Iraq have (72) Crude Oil fields that have not been fully exploited except (15) fields, it is possible to imagine the low production of Iraqi Crude Oil compared to the stock, if we know that the number of producing wells in Iraq between (1500-1700) wells, While the number of wells is expected to reach 100 thousand approximately after the completion of the research (Ahmed, 2016, 49).

The contribution of Iraq's reserves of Crude Oil relative to the world represents a large percentage due to the decline of Crude Oil reserves in some oil-exporting countries, such as (Britain and Norway), whose market will turn into a total importer of petroleum during the end of the first quarter of this century, and the Crude Oil reserves Both (Russia and China) will be depleted at the end of the first half of this century, so this will increase of a relative importance of Iraq's Crude Oil reserves (Organization k, 2005, 35).

Table1: Crude Oil reserves in Iraq for the period (2010-2017) billion barrels

Year	Iraq's Crude Oil reserves	Annual growth %	Relative importance %	compound growth %
2010	142283	-	14.18	0.907
2011	141350	-0.66	14.09	
2012	143100	1.21	14.27	
2013	143100	0.000	14,27	
2014	142800	-0.21	14.24	
2015	142100	- 0.49	14.17	
2016	148400	4.43	14.79	
2017	153000	3.09	13.23	
Total	1156133			

Source: by researcher based on:

*** Ministry of Planning - Central Statistical Organization - Directorate of National Accounts for different years (2010-2017)**



*Annual growth rate = $[(p_2 - p_1) / p_1] \times 100$

** Compound growth rate = $\ln(\text{Duration last value}) / (\text{Duration first value}) / (\text{Number of observations}) \times 100$

*** The Relative importance = $((\text{value of current year}) / (\text{total total})) \times 100$

Table (1) shows that Crude Oil reserves of Iraq reached to (141350) billion barrels in 2011, which is the lowest reserve during the study period, and the relative importance in the same year was (14.09), while Crude Oil reserves recorded an estimated (143100) billion barrels for the years (2012-2013) i.e. that there is an increase in the Crude Oil reserves and the relative importance was (14.27), and the Crude Oil reserves of Iraq recorded of (142,100) billion barrels in 2015 and the relative importance was (14.17), the Crude Oil reserves of Iraq have decreased of (142283) billion barrels in 2010, where the relative importance was (14.18) and the reserves amounted to (141350) billion barrels in 2011, while the reserves recorded 143100 billion barrels for the years (2012-2013) and decreased to (142,800) billion barrels in 2014, also decreased to (142,100) billion barrels in 2015, this decrease is due to the increase in costs, while the Crude Oil reserves in Iraq reached to (153,000) in 2017 billion barrels, which is the largest reserves for Iraq during the period of study, and the compound growth rate was (0.907%).

Third: Crude Oil production in Iraq for the period (2010-2017).

Iraqi Crude Oil production has many advantages, the most important of which is the large size of discovered Crude Oil fields, which number approximately (100) fields, some of which are productive and the other nonproductive. Crude Oil production in Iraq is concentrated in three main fields (Kirkuk field, West Qurna field and Rumaila field where it contribution (80%) approximately from the total production (Mirza, 2013, 18).

This device is also characterized by obsolescence and undeveloped, this means not using modern technology that helps to increase production, but it is characterized by a low cost of production, where it reaches in some fields 1 dollars per barrel due to the proximity of Crude Oil to the surface of the earth and its automatic flow due to the pressure in the reservoir of Crude Oil i.e. it does not need compressors that help extract Crude Oil to the surface, which increases the cost of production, as is the case of North Sea, where the cost of producing a barrel is more than 18 dollars per barrel (Ahmed, 2016; 52).

The following table shows Crude Oil production in Iraq for the period (2010-2017).

Table 2: Crude Oil production in Iraq for the period (2010-2017) (billion barrels)

Year	Production of Iraq	Annual growth %	Relative importance %	compound growth %
2010	860.7	-	9.814	4.888
2011	934.0	8.51	10.650	
2012	1054.6	12.91	12.026	
2013	1088.0	3.16	12.406	
2014	1135.3	4.34	12.046	
2015	1279.0	12.65	14.584	
2016	1145.1	- 10.46	13,058	
2017	1272.6	11.13	14.511	
Total	8769.3			

Source: by researcher based on:

* Ministry of Planning - Central Statistical Organization - Directorate of National Accounts for different years (2010-2017).

From Table (2) it is clear that production of Iraq's oil about (860.7) million barrels in 2010, which is the lowest amount during the period of study and the relative importance was (9.814), while the production

recorded (1088.0) billion barrels in 2013 with relative importance of (12.406), and the production amounted to (1279.0) billion barrels in 2015 and the relative importance was (14,584), the highest amount of Oil



production during the period of study as a result of the licensing rounds submitted by the Ministry of Oil for a certain number of Foreigners Oil companies wishing to invest in the Oil sector in Iraq, the compound growth rate reached to (4.888%).

Fourth: Average prices of Iraqi exported Crude Oil for the period (2010-2017):

The effects of Iraqi exported Oil prices are reflected on the general budget, where the highest value of the

average price of a barrel in Iraq reached to (106.01) US dollars in 2012 due to the increase of global demand, while Its lowest value was in 2016 where it amounted to (36) dollars, and the average of Oil prices for the period (2010-2017) were (76.73) dollars, and the compound growth rate was (-5,360%), as in Table (3)

Table 3: The average price of a barrel of Iraqi oil exported for the period (2010-2017) (US dollar).

Year	Oil prices	Annual growth %	average price of a barrel %	compound growth %
2010	75.7	-	76.7375	- 5.360
2011	105.0	38.7		
2012	106.0	0.95		
2013	102.3	-3.5		
2014	94.9	-7.2		
2015	44.7	-52.9		
2016	36	-19.5		
2017	49.3	36.9		

Source: by researcher based on:

*** Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.**

The second topic: the reality of the federal general budget in Iraq for the period (2010-2017).

The general budget is the main tool that the government uses to implement its economic priorities in the short and long term. The budget must be set to suit the economic, social and political conditions that the country is going through, in order to contribute to directing the economy towards raising the rates of economic development rates and increasing the rate of income and reducing inflation and unemployment, where the budget is set to achieve the set goals, especially the redistribution of income among the groups of society through transfer expenditures, in addition to achieving full employment and eliminating unemployment and raising the standard of living for members of society, and working to mobilize human and economic resources.

First: A historical overview of the general budget in Iraq.

The first Iraqi budget appeared with the formation of the first Iraqi government in 1921, where this budget was prepared according to the basic principles of organizing the traditional budget, depending on the

Ottoman Accounting Law issued in 1911, and the instructions issued by the British Mandate Authority and the Interim Government, The country's constitution, which was announced at the time, included the right of parliament to discuss and approve the budget as stated in Article (100) from the Basic Law as follows "the Minister of Finance must present to Parliament all legal regulations as well as the budget law and all regulations related to loans implemented by the government" (Rasan , 2008, 104).

Matters related to budget organization and implementation became derived from the system of authority in financial matters No. (715), which was issued in 1924, either in 1925, When the constitution was issued, the sixth chapter stipulated on the financial matters and the rules regulating the budget and that they must be approved by Parliament and determine the monitoring style over them. In 1940, the Public Accounting Principles Law No. (28) amended to organize government accounting work in Iraq and prepare the budget and the third article of the aforementioned law stipulated (Ministries and departments must prepare the estimates of



expenditures and revenues related to them and deposit them at the Ministry of Finance before the end of July of each year and the Minister of Finance, after checking it and making the adjustments he deems necessary, considering the financial situation of the treasury In order to approve it, he must prepare the general budget and submit it to the Council of Ministers to take the necessary measures to legislate it, where Iraq adopted the principle of multi-budgets until the issuance of Budget Law No. (117) in 1985.

In 2003, especially after the American occupation of Iraq, the Financial Management and Public Debt Law was issued pursuant to Order (94) of the Coalition Provisional Authority, where the budget was defined as a financial program based on annual assessments of the government's revenues, expenditures, transfers and transactions in-kind, while the federal budget was defined in paragraph (17), as an estimate of the total annual revenues as approved by the federal government, this law determined the frameworks and procedures that govern the management and implementation of the federal budget for Iraq in accordance with the principles of comprehensiveness, integrity and harmony with the new economic reality of Iraq. The budget began to appear to the citizens and is published annually in the Official Gazette, after it was considered a government secret (Al-Ghazi, 1970, 78).

Second: The reality of the general budget in the Iraqi economy.

1. Financial policy in Iraq.

Iraq lacks financial policy in the true sense, where the work of the Ministry of Finance in drawing up its financial policy is similar to the work of a cashier, who adopts the task of restricting public revenues in the

accounting records and redistributing spending according to the allocations of ministries and institutions not associated with a ministry, so the spending is often estimated on the basis of the allocations of ministry in the previous year, taking into account the new changes in public revenues, which almost emanate from the export of Crude Oil, after the collection of these revenues, they enter the Central Bank, which carries out the implementation process in an almost automated manner (Al-Zubaidi, 2014, 93).

2. Structure of the general budget in Iraq:

The general budget mainly consists of two parts: the public expenditures side, in which all expenditures made by the state are recorded, where its points are restricted to the debit side of the budget, while the other side is the public revenues side, which expresses what the state obtains from the income and its points are restricted to the credit side of the budget, the general budget combines these two aspects in one financial document to express of the financial situation of the state and what was achieved at the end of the financial year, whether it was a deficit or a surplus. (Abdullah, 2001, 58).

a. The reality of public revenues in the Iraqi economy for the period (2010-2017):

It is clear from Table (5) that the public revenues in Iraq reached the highest value of (119,466) billion dollars in 2012, due to increase of Crude Oil prices and the increase in the quantities exported from it, which led to an increase in Crude Oil revenues, while they decreased to reach (54409) in 2016, and the compound growth reached to (3.5-3%), as a result of the drop in global Crude Oil prices.

Table (5): The reality of public revenues in Iraq for the period (2010-2017) (billion dollars).

Year	public revenues	annual growth %	relative importance %	compound growth %
2010	69521	-	7.4	% -0.05
2011	99999	43.8	10.6	
2012	119466	19.5	12.7	
2013	113767	-4.8	12.1	
2014	105610	-7.2	11.2	
2015	66470	-37.1	7.1	
2016	54409	-18.1	5.8	
2017	69227	27.234	6.8	
Total	1011070			



Source: Ministry of Finance, Budget department.

The Central Bank of Iraq, the General Directorate of Statistics and Research, various bulletins for several years

- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.

b. The reality of public expenditures in the Iraqi economy for the period (2010-2017):

From Table (6) it becomes clear that public expenditures amounted to (64,352) billion dollars in 2010, which is the lowest value during the study period, while the highest value of public expenditures was recorded, where it was reached

to (113474) billion dollars in 2014, as a result of the war that Iraq fought against the terrorist gangs of ISIS, and the annual growth was (6.2%), then it was decreased to reach (67,067) billion dinars in 2016, as a result of the decline in Crude Oil prices and the decrease of the Crude Oil revenues and the compound growth was reached to (0.59%).

Table 6: The reality of public expenditures in Iraq for the period (2010-2017) (billion dollars).

year	public revenues	annual growth %	relative importance %	compound growth %
2010	64352	-	11.05	%1.32
2011	69640	8.2	11.96	
2012	90375	29.8	15.52	
2013	106873	18.3	18.35	
2014	113474	6.2	19.49	
2015	70398	-38	20.09	
2016	67067	-5	11.51	
2017	71571	6.7	10.94	
Total	653750			

Source: Ministry of Finance, Budget department.

The Central Bank of Iraq, the General Directorate of Statistics and Research, various bulletins for several years

- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.

C. Surplus or deficit in general budget of Iraq for the period (2010-2017):

From Table (7) it is clear that the general budget has achieved a surplus over the period (2011-2013) due to the increase in public revenues compared with the increase of government expenditures, where the public revenues was increased from (69521) billion dollars in 2010 to (119,466) billion dollars in 2012, then to (113767) billion dollars in 2013 in comparison with the increase in public expenditures from (64,352) billion dinars in 2010 to (90,375) billion dinars in 2012 , then to (106873) billion dollars in 2013, this led to the creation of a surplus in the general budget that amounted to (30359) billion dollars in 2011, after it was (5169) billion dollars in 2010, all this is due to the rise of Crude Oil prices and the increase in the quantities exported from it, which led to an increase in Crude Oil revenues, which had a clear effect in achieving the surplus in the public budget, so the

public revenues declined in the last three years of the study (2014, 2015, 2016) significantly due to the decrease in Crude Oil prices with the increase of public spending, where the public revenues was reached to (105610) billion dollars in 2014 and it was decreased to (66470) billion dollars in 2015 , also it was decreased in 2016 to reach (54409) billion dinars, while the public expenditures amounted to about (113,474) billion dollars in 2014, then it were decreased to reach (70,398) billion dinars in 2015, then decreased to (67,067) billion dinars in 2016, which caused a financial deficit in the last three years, which amounted to (-7864) billion dollars in 2014 , (-3928) billion dollars in 2015 and (-12658) billion dollars in 2016 until the deficit in 2017 was reached to (-2344) , the reason for this deficit is due to the war against ISIS , also increase of spending on purchasing of weapons.



Table 7: Surplus and deficit in the general budget of Iraq for the period (2010-2017) (billion dollars)

year	general revenues (1)	public spending (2)	surplus and deficit (1)-(2)	annual growth %
2010	69521	64352	5169	-
2011	99999	69640	30359	487.3
2012	119466	90375	29091	-4.2
2013	113767	106873	6894	-76.3
2014	105610	113474	-7864	-214.1
2015	66470	70398	-3928	-50.1
2016	54409	67067	-12658	-222.3
2017	69227	71571	-2344	-81.4

Source: Ministry of Finance, Budget department.

The Central Bank of Iraq, the General Directorate of Statistics and Research, various bulletins for several years

- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.

The third topic: Trends of relationship between Oil revenues and the federal general budget in Iraq for the period (2010-2017).

The Iraqi economy is a rentier economy, one-sided, where it relies on the Crude Oil sector as a main source of revenues, which constitutes (95%) of its public revenues and is the main factor for financing the public budget in Iraq, where the increase in public revenues incomes from the increase in Oil revenues that were due to the rise Crude Oil prices globally (Al-Jubouri, 2017, 85).

First: The relationship between Oil revenues and Public revenues in Iraq for the period (2010-2017):

Table (8) shows that the public revenues during this period reached to (119,466) billion dinars in 2012, as well as for Oil revenues, which was reached the highest value during the study period to reach (116,597) billion dinars in 2012 proportion to public revenues in general and Oil revenues in particular as a

result of economic situation improvement and the rise in Oil prices, then, public revenues were decreased to reach (54409) billion dinars in 2016, as well as Oil revenues also decreased to reach (44267) billion dinars in 2016, as a result of the drop in Oil prices and the collapse of the security situation, we conclude that there is a direct relationship between public revenues and Oil revenues, where the public revenues increase with the increase of Oil revenues: Table (8) shows that percentage of Oil revenues from public revenues are (98.1%) in 2011, which is the highest percentage during the study period as a result of the rise in Oil prices and the increase of global demand for it, and the rest is due to other non-Oil revenues, then it decreased continuously, where the percentage in 2015 was the lowest percentage during the study period as a result of the decline in Oil prices and the drop in global demand for it, then the proportion of Oil revenues from public revenues were reached to (97.3%) in 2017, this can be seen through the following Table.

Table (8): The relationship between public revenues and Oil revenues in Iraq for the period (2010-2017) (billion dollars).

Year	public revenues (1)	Oil revenues (2)	percentage of Oil revenues from public revenues (1)/(2)*100
2010	69521	66819	96.1
2011	99999	98090	98.1
2012	119466	116597	97.6



2013	113767	110677	97.3
2014	105610	97072	91.9
2015	66470	51312	77.2
2016	54409	44267	81.4
2017	69227	67395	97.3

Source: by researcher based on:

- Ministry of Finance, Budget department.
- The Central Bank of Iraq, the General Directorate of Statistics and Research, various bulletins for several years
- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.

Second: The relationship between Oil revenues and public expenditures in Iraq for the period (2010-2017):

From Table (9) the highest value of public revenues was recorded, where were reached (116,597) billion dinars in 2012 as a result of the rise in Crude Oil prices, while the highest value of public expenditures was recorded where its value amounted to (113,474) billion dinars in 2014 due to the war that Iraq fought against ISIS, while the Oil revenues amounted to (97072) billion dinars in 2014 and the public

expenditures amounted to (70,398) billion dinars in 2015 while for Oil revenues were amounted to (51312) billion dinars in 2015 and the public expenditures amounted to (67067) billion dinars in 2016 and the Oil revenues were recorded (44267) billion dinars in 2016. We note from this data that Oil revenues cover public expenditures during the study period except the last three years (2014, 2015, 2016), where the public expenditures exceed the Oil revenues due to the security situations of Iraq, in addition the drop in Oil prices globally, this can be seen from Table (9).

Table (9): the relationship between Oil revenues and public expenditures in Iraq for the period (2010-2017) billion dinars.

year	Oil revenues	public expenditures
2010	66819	64352
2011	98090	69640
2012	116597	90375
2013	110677	106873
2014	97072	113474
2015	51312	70398
2016	44267	67067
2017	67395	71571

Source: by researcher based on:

- Ministry of Finance, Budget department.
- The Central Bank of Iraq, the General Directorate of Statistics and Research, various bulletins for several years
- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts.

CONCLUSIONS:

1- It's clear the growing role that the Crude Oil sector plays in the economic, social and political situation of Iraq, where Crude Oil revenues contribute effectively to formation of the total local production, as well as in enriching the public financial budget, so that it has become necessary to diversify the sources

of income in Iraq and depend on the Oil sector in the future for managing the process of development and reconstruction from Oil revenues, knowing that Iraq is facing difficulties in reconstruction due to the financial deficit.

2- There are many internal and external challenges facing the Oil industry in Iraq, and



there are some reasons that led to these challenges including the financial deficit, political and security factors and the administrative and financial corruption that negatively affected on investment in this sector and its development and made it suffer from low levels of production and low of export capacity despite of the huge reserves, which made the need for large investments in this sector really urgent.

- 3- It appeared from the analysis that there are strategic imperatives to expand and develop of Oil investments required by the current stage to increase production and exports in order for Iraq to take a place to its real position in the international Oil market and this proves the validity of the hypothesis from which the study was launched.
- 4- The Oil revenues were not used to achieve the economic surplus and It did not create the capital accumulation required for development, rather, it was used for purposes that did not achieve the required economic development, where they did not exceed the spending process on imports and covering the deficit of payments.

REFERENCES

- 1- Al-Ali, Rida Sahib, (2002), the Public Finance, University House for Printing and Publishing, Basra, Iraq.
- 2- Ibrahim, Ahmed Iyad, (2009), Measuring the effect of Oil Revenues on the growth of Iraq's Economy for the period (1970-2005), Master's Thesis in Economic Sciences, College of Administration and Economics, Al-Mustansiriya University.
- 3- Ahmed, Shaima Muhammad, (2016) " The effect of changing Oil prices on the general budget of Iraq for the period (2003-2014)", thesis of Higher Diploma in Applied Statistics, College of Administration and Economics, University of Baghdad.
- 4- Al-Bassam, Siham Hussein, and Shareeda, Samir Fawzi Shehab, (2013), "The risks and problems of Oil prices Reduction on preparing of the general budget for Iraq and the necessities of activating non-Oil sources of incomes", Journal of Baghdad College of Economics, Issue 6.
- 5- Al-Jubouri, Hussam Al-Din Taha Mohsen Jassem, (2017), "The effect of Oil prices fluctuations on economic growth, Iraq, pattern of study for the period, (2005-2015)" , Master's thesis, College of Administration and Economics, Tikrit University.
- 6- Al-Jubouri, Khalaf Muhammad Hamad, (2017), "Determinants of Sovereign Creditworthiness and Their Effect on Government Investment Expenditure in International Traders with Sign to Iraq", PhD thesis, College of Administration and Economics, University of Baghdad.
- 7- Al-Zubaidi, Batool Hussein David, (2014), "Assessing the performance of the general budget in Iraq for the period (2003-2012)", master's thesis, College of Administration and Economics, University of Wasit, Iraq.
- 8- Al-Azzawi, Ibtisam Ali Hussein, (2003), "Analysis the Effect of Economic Factors on Tax Energy and its Measurement in the Economy Iraq for the Period (1985-1995)", Unpublished Master's Thesis, College of Administration and Economics, University of Baghdad.
- 9- El-Ghazi, Ibrahim AbdulKarim, (1970), "Financial Legislation in the General Budget of State", Basra Press, Basra, Iraq.
- 10- Journal of the College of Administration and Economics for Economic Sciences, University of Anbar, Volume 4, Issue 9.
- 11- Mohamed, Zachary, (2014), "Study of the relationship between public expenditures and economic growth in Algeria during the period (1970 - 2012)", master's thesis, College of Economics and Commercial Sciences, and Management Sciences, University of M'hamed Bouguerra Boumerdes, Algeria.
- 12- Mirza, Ali Khudair, (2013) Iraq: "Reality and Economic Prospects", a paper presented to the first scientific conference of the Iraqi Economists Network, Beirut.
- 13- Moussa, Rahmani, (2005), "Relationship of import policy with the internal growth of the national economy in the period (1970 - 2001)", master's thesis in economic sciences, College of Law and Economic Sciences, University of Ouargla, Algeria.
- 14- Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, report for different years (2010-2016).
- 15- Organization of the petroleum Exporting Countries (OPEK), (2005), prined by Ueberreuter print and Digimedia.