



THE ECONOMIC EFFECTS OF FUNDING SOURCES: THE 2021 BUDGET AS A MODEL

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Article history:	Abstract:
Received: 14 th September 2022 Accepted: 14 th October 2022 Published: 24 th November 2022	The researcher explores the sources of funding, their types in the Iraqi budget and how they are important as a financial tool through which the government can influence economic activity and consequently the standard of living of individuals. When analyzing the current economic situation in Iraq, we see what Iraq is experiencing. We describe it as a complex crisis that is considered the most influential. In recent history, in terms of the spread of the epidemic in nearly 185 countries, the spread of the epidemic is considered to be known par excellence because along with the lack of complete knowledge of dealing with it made it the most influential. On the other hand, the political crisis that preceded the Corona crisis and the economic crisis that followed and the drop in oil prices all put the country in an exceptional circumstance. Yet, the procedures followed by the government are completely opposite to the procedures that must be followed according to the economic stage the country is going through (recession). Also, the number of the poor was (7.300) million, according to 2018 estimates from the Ministry of Planning and Development Cooperation.

Keywords: Public finance, economic effects, fiscal policy, public debt, deficit.

INTRODUCTION

The challenges faced by various developing countries impose difficulties and restrictions on their economies. These difficulties are represented by economic imbalances, and these imbalances may be due to multiple causes. They are either long-term or short-term imbalances economic imbalances. The latter can be the imbalance between aggregate supply and aggregate demand. Whatever kind of imbalances that the economy is exposed to, they contribute to the loss of the factors of economic stability in it, and thus the lack of access to economic growth.

The importance of the study

The importance of the study stems from two main aspects, namely the intellectual and theoretical presentation of the sources of funding for the general budget and their identification, and the economic effects of the sources of funding on the reality. The researcher also referred to the possible alternative sources of funding and what would affect the economy.

The aims of the study

The study attempts to shed light on how the performance of fiscal policy in light of the rentier reality of the Iraqi economy and the possibility of achieving economic stability and the effectiveness of fiscal policy in developing countries, including Iraq.

Research problem.

The research started from a problem that the general budget in Iraq is limited to a certain type of economic resources represented by oil revenues in light of the complex challenges that the Iraqi situation is going through that effected the economy, specifically 2021.

Research hypothesis.

The research assumes that there are economic effects that exhausted the Iraqi economy as a result of its dependence on oil revenues as a primary source of financing the general budget and the decline in the contribution of other funding sources.

Research Methodology

The study is to achieve the objectives of the descriptive method, by following the theoretical intellectual opinions that dealt with the general budget and its revenues. It also achieves the theoretical base that explains the way the development of financial variables and their relationship to macroeconomic variables during the year 2021.

The first topic: the theoretical framework for funding sources

The concept of finance differs from the concept of financial management, as the former means the process of obtaining funds from the most appropriate sources available. The later includes obtaining funds from the most appropriate sources and their good management and use, in addition to planning and financial control.



The problem of financing is one of the most important obstacles to financial policy in developing countries and Iraq in particular, as providing the necessary funding for the public budget requires great planning by those in charge of fiscal policy. Here, the government has the main role in providing the necessary resources to finance programs, activities and duties, which requires an effective policy to mobilize the necessary financial resources, and search for the best Ways and methods to bring about an appropriate mix between local sources of financing and foreign sources of financing, especially with regard to providing foreign exchange to support its balance of payments and meet the general budget.

Since public finance is concerned with studying public expenditures and public revenues and directing them through a specific program and for a specific period, the role of public finances began to increase, specifically after 1929, and after the development of the state's role in interfering in economic life. Hence the study of the role of public revenues is no longer limited to financing expenditures only. Rather, it allows, in addition, a tool of economic and social guidance, for example, that encourages desirable economic activities or limits those

undesirable activities, and also works to attract investments and fight inflation through increasing taxes (Emara, 2015).

The traditional view of public revenues differed, and they considered them to be nothing but a means to cover public expenditures, and thus they are not imposed on individuals except by the amount of their activity according to the principle of budget balance, while modern thought believed in the necessity of state intervention and transformation from a guard state to an interfering state, which was reflected in the increase in public expenditures. Consequently, public revenues increased and diversified. The role of public revenues not only to cover public expenditures, but rather has evolved to represent the possibility of the state achieving its intervention in various aspects of economic, social and even political life. The structure of public revenues has also evolved. So, public revenues are defined as the sum of money collected by the government from its various public sources to represent final revenue for the purpose of collecting it to finance public expenditure (Emara, 2015).

Table (1) shows the structure of public revenues.

Table (1) The structure of public revenues in Iraq for the year 2020

Percentage	General revenue	General revenue
%87	45.247.890.096	Oil revenues and mineral resources
%4	1.857.099.319.625	Entry taxes
%2	1.276.569.611.602	Commodity taxes and excise duties
%1	665.556.892.023	Fee
%3	1.529.583.494.482	Budget share of public sector profits
%0.1	32.700.671.179	Capital revenue
%1	436.858.327.121	Transfer revenue
%1	666.632.806.050	Other revenue
100	51.712.891.218.209	The general sum

The table was prepared by the researcher based on Iraqi Ministry of Finance (2015-2020).

Table (1) show gaining oil revenues in the general budget compared to other sources of revenues, which amounted to (45,247) trillion, or 87% of the total public revenues, which makes the Iraqi economy hostage to oil exports, their prices. Also, there are circumstances and obstacles that surround them. Yet, the percentage of income taxes amounted to approximately (1.857) trillion, i.e. 4%, while commodity taxes and production fees amounted to (1.276) trillion, i.e. 2%. Thus, we find a low percentage of the contribution of other sources of revenue to the general total of public revenues.

The second topic: the most prominent features and indicators of the Iraqi economy.

The Iraqi economy has witnessed a number of developments and events that have negatively affected

its level of performance, in the forefront of these developments are the events of 2014 and the entry of the so-called ISIS to about a third of Iraq's area from the northwestern side. This led to Iraq bearing huge economic consequences represented in the costs of the war in addition to the reconstruction of those areas after the liberation, the events of October 2019, the subsequent change of government and the security events that accompanied that uprising. This then adds to closure in 2020 due to the global epidemic and the complications that followed that cast a shadow on the global economy. Among the most prominent features of this were the following:

First: Public Finance: The data in Table (2) indicate a decrease in public revenues from (66470.3) billion



dinars in 2015 to (54409.3) billion dinars in 2016. However, it quickly witnessed an increase in the years 2017, 2018 (77422.2) (106569.8) billion dinars because the increase in world oil prices (1). The public expenditures witnessed a decrease from (70397.5) billion dinars in 2015 to reach (67067.4) in 2016 but quickly witnessed a rise in the years 2017, 2018 (75490.1) (80873.2) billion dinars because of the increase in world oil prices.

Second: Monetary Policy: From the data of Table (2), we find an increase in the money supply in its narrow sense (M1) from (6963) in 2015 to (77825) billion dinars in 2018, while the money supply in the broad sense (M2) reached (84,527) billion dinars in 2015. In 2018, it increased to (95391) billion dinars, and the Central Bank continued to monitor developments in the general level of prices in order to maintain price stability and limit the rise in inflation levels, which amounted to (1.4%) in 2015 and reached (0.4%) in 2018. The reason for this is due to the changes taking place in most of the components of the main sections

of the basket of goods and services prices, resulting from the decrease in the exchange rate in the parallel market as a result of the decrease in the exchange rate .

Third: Gross Domestic Product: From Table (2), we find that the gross product achieved at current prices with the oil and mining sectors an increase after it reached (194681) billion dinars in 2015 and then rose to (1969240.1) billion dinars in 2016, and it reached (221665.7) billion dinars. In 2017, and in 2018, it rose to reach (251064.5) billion dinars, with a growth rate of (13.3%) due to the rise in international oil prices, which came due to the growth and development of the global economy, as well as the high rates of investment at the international level, which affected the Iraqi economy. Oil exports constitute the bulk of its trade balance and general revenues. Also contribution of the oil sector to the GDP in 2015 amounted to (65,194.04) billion dinars, and rose in 2016 to (67,400.2) billion dinars, and continued to rise to reach (117856.3) billion dinars in 2018

Table (2) shows some economic indicators for the period.(2020-2015)

Year	Gross domestic product	General expenditure	general revenue	M ₁	M ₂
2015	194681	66470.3	66470.3	69613	84527
2016	196924.1	54409.3	54409.3	75523	90466
2017	221665.7	77422.2	77422.2	76986	92857
2018	251064.5	106569.8	106569.5	77825	95391
2019	277884	111723	107566	86771	103441
2020	198774	76082	63199	103353	119906

The table was prepared by the researcher based on(Central Bank of Iraq, 2016, 2017, 2018, 2019, 2020) and (Iraqi Ministry of Finance, 2015-2020)

Third: Public Debt: By looking at the total public debt, we find that it consists of two axes (the internal and external public debt).

The first part: the internal public debt: Table (3) shows that the total internal public debt amounted to (32142) billion dinars, consisting of the details

contained in the table, and it rose in subsequent years to reach (41822) billion dinars in 2018 and amounted to (38331) billion dinars in 2020 and all those debts in order to finance the gap achieved between public expenditures and revenues under the borrowing law of 2020

Table (3) The structure of the internal public debt and its components for the period (2015-2020) (Billion dinars)

Year	Ministry of Finance	Discounted transfers	Bond	financial institutions	internal public debt
2015	2355	6225	14	10461	32142
2016	2355	16225	1696	10546	47362
2017	2155	16225	2682	10546	47678
2018	1955	14925	1953	9501	41822
2019	1755	14125	1921	8651	38331
2020	1555	5653	1916	14668	64246



The table was prepared by the researcher based on Central Bank of Iraq (2015); (Central Bank of Iraq, 2016, 2017, 2018, 2019, 2020) and (Iraqi Ministry of Finance, 2015-2020, 2019).

The second part: External Public Debt: Table (4) reveals that the external debt has recorded a continuous increase as of 2015, where the external debt amounted to (68590.4) billion dinars, constituting (35.2%) of the GDP, and reached (71404.8), (78,136.6) billion dinars in 2016 and 2017, constituting (63.3%)

(35.2%) of the GDP. Also, the levels of public debt continued to rise until it reached (79,350.4) billion dinars in 2018, and its percentage of GDP reached (31.6) due to the decrease in the percentage, but rather the increase in the gross domestic product.

Table (4) External public debt and its ratio to GDP for the period (2015-2020). (Billion dinars)

Year	external debt	public	local production	Debt to Output Ratio%
2015	68590.4		194681.0	35.2
2016	71404.8		196924.1	36.3
2017	78136.6		221665.7	35.2
2018	79350.4		251064.5	31.6
2019	117000		272031.0	33.1
2020	76.000		288120.1	35.6

The table was prepared by the researcher based on Central Bank of Iraq (2015); (Central Bank of Iraq, 2016, 2017, 2018, 2019, 2020), The Iraqi Ministry of Planning and Development Cooperation (2015-2020) and (Iraqi Ministry of Finance, 2015-2020)

Fourth: The net general budget: Table (5) is a result of the developments that took place in the general revenues and expenditures of the public budget, the net budget in 2015 amounted to (-3927.2) billion dinars, at a rate of (-2.0%) of the gross domestic product. Also, the 2016 record was (12,658.1) billion dinars, at a rate of (-6.4%) of the output, due to the drop in oil prices in the international markets, which affected the total public revenues, causing a decrease in their coverage of public expenditures, as well as the suspension of some oil fields as a result of terrorist organizations' control

over them, while the net budget was achieved in 2017. The surplus amounted to (1932.1) billion dinars, or (0.9%) of the GDP, due to the gradual rise in oil prices, which was reflected in the increase in public revenues that coincided with the liberation of Iraqi lands from the control of terrorist organizations, and the net budget continued to achieve surpluses. In 2018, it achieved (25696.6) billion dinars, at a rate of (10.2%) of the gross domestic product, and this increase in the contribution rate was achieved as a result of the large increase in public revenues.

Table (5) External public debt and its ratio to GDP for the period (2015-2020). (Billion dinars)

Net budget/GDP ratio	net budget	general	Total expenses	Total revenue	year
(2.0)	(3927.2)		70397.5	66470.3	2015
(6.4)	(12658.1)		67067.4	54409.3	2016
0.9	1932.1		75490.1	77422.2	2017
10.2	25696.6		80873.2	106569.8	2018
5.4	2422.5		107566	111723	2019
2.5	192.7		63199	76082	2020

The table was prepared by the researcher based on Central Bank of Iraq (2015); (Central Bank of Iraq, 2016, 2017, 2018, 2019, 2020) and (The Iraqi Ministry of Planning and Development Cooperation, 2015-2020)

The third topic: the economic effects of public revenues for the 2020 budget.

The Iraqi economy is one of the rentier economies that depends on the revenues of natural resources, foremost of which is oil in financing government activity and the



state's general budget. It was prosperous as in the seventies of the last century. In contrast to the years when oil prices were declining, the characteristic that accompanied this economy was represented by central economic policies. So economic activity in Iraq became dependent on government activities that were unable to raise the level of economic activity to the levels of developed and even developing countries (al-Moussawi, 2018).

In the middle of 2014, the Iraqi economy got stuck in a very sensitive and difficult stage that affected the security situation and the complexity of the political scene as well as the economic situation, as nearly 40% of Iraq's crushing sites were subjected to occupation by ISIS gangs, as well as the decline in oil prices in the international market as well as a result of the exacerbation of the water scarcity problem with (Turkey and Iran). This resulted in the displacement of nearly 5 million citizens to safer areas, and this requires the government to provide subsidies to the displaced as well as liberated areas and allocations for the reconstruction of those areas, expenses for fighting terrorism, and securing the salaries of state and sector employees. All these difficult circumstances were reflected on the movement of work and the exacerbation of unemployment.

The current economic situation in Iraq is a complex crisis that is considered the most influential in modern history. In terms of the spread of the epidemic in nearly 185 countries, the spread of the epidemic is considered to be globalized par excellence, as the speed of the epidemic's spread and the lack of complete knowledge in dealing with it made it the most. On the other hand, the political crisis that preceded the Corona crisis and the economic crisis that followed and the drop in oil prices all put the country in an exceptional situation. The number of poor is (7.300) million, according to 2018 estimates from the Ministry of Planning and Development Cooperation.

First: public finance.

This crisis needs quick, short-term solutions and other long-term strategies and plans to avoid what the country is going through in terms of a deficit in the public budget or, as some call it, its bankruptcy, because the situation has reached the government, not with the inability to finance its investment expenditures, but even operational and beyond that, financing salaries. The reason for this is the drop in oil prices and the quantities exported from it, all because of the low level of economic activity as a result of the Corona pandemic. This economic situation will continue for a number of years, as is known, and therefore requires solutions.

Second: The amount of debt:

The problem of public debt in general is one of the most important economic problems that have a direct impact on the economies of countries, especially developing countries, where they suffer from structural imbalances as a result of the lack of financial and economic resources. This led to a chronic deficit in the state's public budget, as public debt is in the form of bonds Negotiable/non-tradable or treasury bills as one of the financial policy tools, and a source of public revenue that the state resorts to finance its public expenditures. This is because of the continuing increase in the public budget deficit, which is being borrowed to face it. It is considered one of the most serious problems of the economy, which the government is forced to borrowing to cover this deficit, whether from local or external sources, and with the increase in the cost of borrowing. The burden of debt service increases from interest and installments from year to year, taking into account exchange rate fluctuations until the benefits became the largest item of current spending, that Iraq faces international obligations. It is evident from the high level of external debt, which constitutes the largest proportion of the total public debt due to the ease of borrowing from international institutions (Aday, 2016). The problem of Iraq's foreign debts is one of the serious problems facing the Iraqi economy at the current stage, and that foreign debts are intended to be sums of money obtained by the state when it signs contracts with individuals, banks, and other financial institutions coupled with conditions represented in refunding the principal amount and interest for durations based on its terms (Shendi, 2011).

Thus, Iraq suffers from an obstacle of external debt, which in turn has led to burdening the budget, as it is a major challenge facing the Iraqi Ministry of Planning. This is in particular because Iraq is currently suffering from an exacerbating financial crisis, as a result of the decline in crude oil prices and its negative impact on oil revenues, as the size of the Iraqi debt was up to The year 2020 is distributed as follows:

- The size of the external debt is 27 billion dollars, equivalent to 30.250 trillion dinars
- The internal debt is equal to (32 trillion in 2019) (29 trillion in 2020), meaning that the internal debt is equal to 61 trillion
- There are outstanding debts amounting to 41 billion dollars belonging to some countries and they are covered by the Paris Club Agreement, as well as 15 billion sovereign guarantees. Since the debt is



a burden, these debts do not represent a real burden, so they are excluded.

Third: Presentation of foreign exchange and reserves:

The money supply is one of the basic factors of monetary policy. It is determined by the state, whether it is of an expansionary or deflationary pattern. The money supply is one of the most important monetary variables that reflect the image of the economic situation in a certain period of time, and it is often called the monetary mass. These changes make important changes in other economic variables such as prices, output, exchange rates and interest rates, and the central bank is the monetary authority that controls the money supply, whether through the issuance of legal money or through the monetary multiplier or banking and credit control in general.

This means that the money supply is one of the monetary policy tools. Through it, it is inferred that monetary policy is an expansionary or contractionary policy, and the central bank can change the money supply from time to time depending on its procedures and the public's preferences to keep it or not to keep it in one way or another.

The Iraqi currency supply until the year 2019 was distributed as follows:

- M1 = 96.7 trillion (34.9 trillion current deposits + 51.8 trillion currencies in circulation)

Also, the foreign reserve was 67.6 billion dollars for the year 2019 and decreased to 57.5 until the month of 10 of the year 2020. The total sales, the currency sale window for the year 2019, is 32.1 billion dollars.

Fourth: Budget Deficit: Public spending is financed from various sources (whether by increasing taxes, issuing government debt or issuing managed money) and it is considered a restriction on public expenditures because of its effects on the economy.

$$PG = PT + B + H$$

PG is the nominal value of government spending, PT is the nominal value of tax collection, B is the nominal value of public debt, and H is the nominal value of the change in managed money. In the short term, any increase in government spending financed by the issuance of managed money is a greater incentive for the national economy than the method of financing does for the issuance of debt, but in the long term, on the contrary, since the economic situation changes in the long term, it requires an adjustment of policies to meet these changes. Most governments rely on their

financial positions on short-term results (Ebdgman, 1999).

From the foregoing, the government should work on reforming its financial system and financing the deficit, through:

First: Fiscal Policy Measures: Funding the deficit arising in the general budget is usually covered through public debt (external or internal), tax increases or expenditure reductions, cash issuance (managed money).

Public debt is either external or internal borrowing, and external borrowing is from international financial institutions such as the International Monetary Fund or the World Bank. Loans from these institutions are of low interest, but they contain significant social risks, or from the financial markets, and the benefits are very high in both cases. External borrowing represents deduction of part of the wealth and it goes abroad, in addition to its cost being borne by future generations.

In terms of internal borrowing as a quick solution, there are a number of objections. Although the repayment of these debts does not represent the departure of part of the wealth outside the country, and that future generations do not bear its full burden. On the contrary, it is said that future generations will benefit, and the objections are:

- 1- Those who prefer depreciating the exchange rate to the internal debt, their argument is that the internal debt leads to investment competition, as this reduces the ability of the private sector to invest (this is certainly in countries where there is a private sector independent of the public sector).
- 2- Also, their desire to change the exchange rate as an alternative solution to internal borrowing because of their argument that internal borrowing will lead to an expansion of the monetary base, which in turn affects price stability. This diagnosis is inaccurate because the government borrows from surplus units. This leads us to wonder what is the amount of financial surpluses in Iraq or are there financial surpluses or not?

The answer to that is that:

- 1- All the loans that the government borrowed from the inside are all from the government banking system only, not to mention what the private banking system owns and the huge capital it owns and the profits that it achieves from the currency sale window are guaranteed and do not bear any risks.
- 2- There are large surpluses in the banking system, where liquidity in the banking system reached 51%, according to the estimates of the



Central Bank in 2019, and it is considered a very large percentage, if we know that the monetary mass is approximately 80 trillion and 80trillion - 35 trillion = 45 trillion. This money is hoarded outside the banking system. Therefore, governments must follow means to attract huge capital and use it well.

- 3- Safe limits of public debt, meaning that internal borrowing is still within the safe limits of public debt, and according to this indicator. Also, the sum of foreign cash reserves to the broad money supply must be at least 50% ie = 58 billion dollars / 90 billion dollars = 64%, which indicates that this percentage is large and commensurate with foreign reserves.
- 4- One of the criticisms of the public debt is that continuing with the public debt will lead the country to exceed the threshold of sustainability, i.e. exceeding 60% of GDP: 95 = trillion / 200 trillion = 47%, which indicates that the threshold of sustainability has not been exceeded according to this indicator.

Second: Monetary Policy Measures: Since the Central Bank is primarily responsible for monetary policy, it has become necessary to respond to the current crisis in accordance with the requirements of the economic phase (recession) and to coordinate with fiscal policy. I found a research to determine inflation worldwide for the period (2004-2020). Every 1 dollar is equivalent to 1.19 dollars, which indicates that yesterday's dollar is not today's dollar. Its value has decreased by 19 cents. Certainly, in contrast to the stability of the dinar, this is what makes imports cheaper than local production. Goods abroad are getting cheaper and in Iraq their cost is increasing, because more dinars are paid to buy them where the purchasing is at a low value. This contradiction was not resolved by the Central Bank, despite the ease of this procedure of providing financial resources to supplement the budget, but its adoption to reduce the exchange rate will have great social effects, specifically the poor and fragile social groups. In particular, if we know that the number of the poor is about (7,300) million, we do not forget that these measures are that there are large numbers close to the poverty line. According to the exchange rate reduction measures, a comprehensive tax includes everyone, rich and poor, and in my personal estimation that this procedure is random, even if it is necessary. Yet, the situation of the Iraqi economy and the stagnation it is going through, the most prominent features of which are high unemployment, before analyzing the effects of the exchange rate devaluation, which indicates a decrease in the purchasing power of the Iraqi dinar, especially if we know that most of the

commodities in the market are imported, i.e. This measure will lead to inflation coinciding with the already existing unemployment and the existing poverty. One of the researchers mentions that the result of this measure will increase the readers to 12 million poor, not to mention unemployment and the ominous social effects that this produces in light of the prevailing conditions. The defenders of this decision, most of whom are from the upper classes of income, claim that the inflation resulting from the devaluation of the exchange rate can be controlled in the future. Also, they did not pay attention that the fiscal policy satisfied many types of income, which soon became burdensome to the income. In addition, one of the advantages of inflation is that it works to reduce the value of the government debts and the debt value is depreciated.

Third: Regulatory Procedures for Governmental Authorities: A large number of researchers indicate that there are a number of regulatory procedures at all levels based on what was mentioned in some international reports, which require decision makers to work on a number of aspects, including:

At the revenue level as follows:

- 1- Smuggled and stolen money, cash and deposits estimated at \$500 billion.
- 2- Completing the fees of the telecommunications and mobile phone companies.
- 3- Improving the means of tax collection and developing the entire tax system structure without increasing the tax.
- 4- Inventory and know the costs of selling petroleum products inside Iraq, which is very large money, specifically we are an oil country.
- 5- Determining a quick mechanism for collecting customs revenues, fees and revenues from border crossing points.
- 6- Water, electricity and other municipal services fees.
- 7- Problems with the region and its oil resources and the revenues of the outlets, in accordance with the principle of revenue is not allocated.
- 8- Reconsidering some political agreements, such as oil exported to Jordan, etc.
- 9- Iraq's property outside of Iraq reports indicate its enormity.
- 10- Improving the conditions for licensing rounds.

At the level of expenditures as follows:

- 1- Rationalizing the so-called political spending (hospitality allowances, protections, social benefits, housing allowances and fuel) for senior officials.
- 2- Dual salaries and multiple salaries and what is contained in news and reports about space employees.



- 3- Expenses of the diplomatic corps and missions, particularly in some countries where there is not a large number that amounts to a large diplomatic representation.
- 4- Operational expenses subject to postponement, reducing the expenses of endowments and minorities, and organizing their work.

At the organizational level:

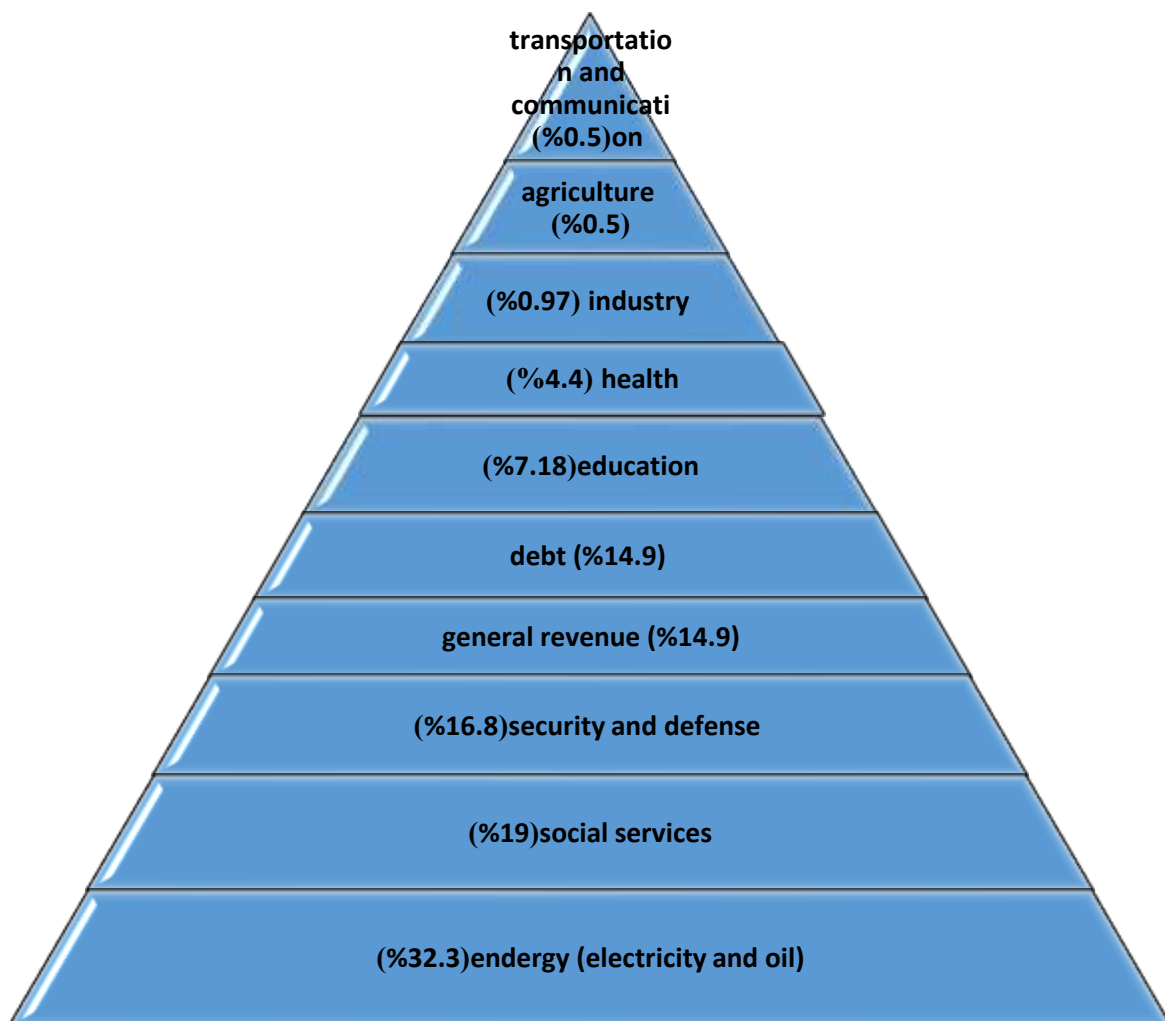
- 1- Determining the income levels of the members of society and knowing how each level of income will be affected after taking measures by the government. Each impact needs an appropriate action.
- 2- We must study and determine the limits and size of our resources, and we must take measures commensurate with the size of those revenues, and develop plans and mechanisms to enhance those revenues and then rationalize them.

- 3- The pension fund and its mechanisms: in 2003, approximately one million retired employees returned to their jobs and returned the pension award, which is a small amount. They returned to the job and after a certain period asked to be referred for retirement and receive a grant from the retirement fund at today's price and the amounts were very large, in addition to burdening the fund with new salaries. Members of the House of Representatives and other segments.

Fifth: Ratios of public expenditures on sectors:

Figure (1) is percentage of public expenditures on the transport and communications sector and the agricultural sector amounted to (0.5%) of the total public expenditures. Also, the expenditures on the industrial sector were (0.79%) etc., while the public expenditures on the industrial sector amounted to (0.79%). Also, energy sector is (32.3%).

Figure (1) shows the contribution of public expenditures in a number of sectors in the Iraqi economy.



This figure is prepared based on Iraqi Ministry of Finance (2019).

Sixth: Figures (2) and (3) illustrate the economic effects that result from public revenues, their collection, and the alternatives to obtaining those revenues

Figure (2) The economic effects of funding sources in the Iraqi economy.

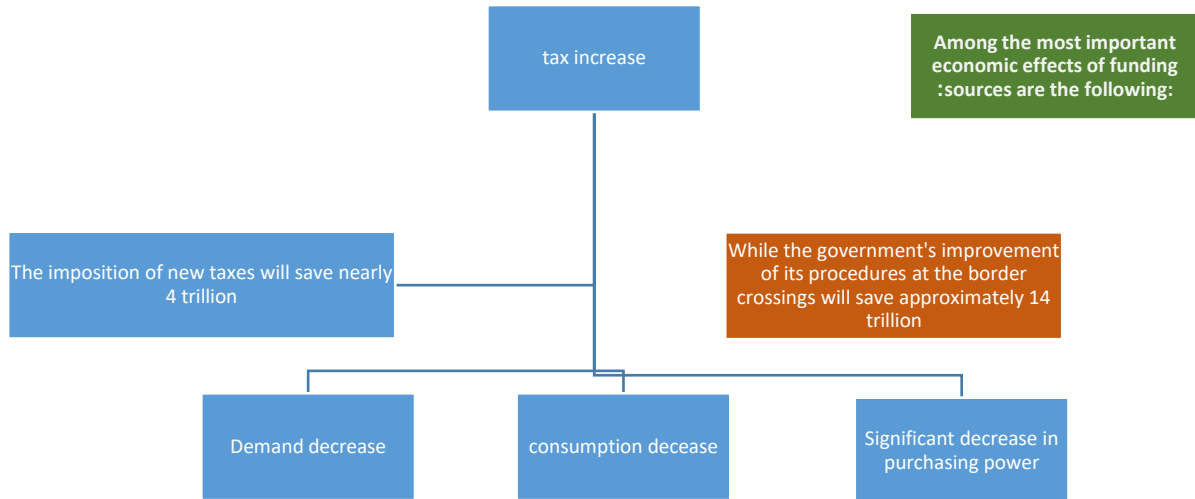


Figure (2) The economic effects of funding sources in the Iraqi economy.



CONCLUSIONS.

- 1- The general budget in Iraq declined due to the consequences of the wars and the economic sanctions that were imposed on the economy.
- 2- The central bank, which is the head of monetary policy, has suffered from the same circumstance, and more than that, it has sold it to the financial policy measures (financial hegemony).



- 3- The general budget would have been able to work to achieve economic stability, had it not been for the economic changes and the policy that surrounded it, which disrupted most of its allocations.
- 4- High levels of public debt at the internal and external levels to cover the deficits generated as a result of the increase in public expenditures and a decrease in public revenues.
- 5- The structure of public revenues and the oil revenues item occupies about 92% compared to other items.

RECOMMENDATIONS.

- 1- Preparing a budget to face the economic and political conditions surrounding the Iraqi reality in order to overcome those confrontations, and to follow accurate methods to get out of that crisis.
- 2- Working on the independence of the Central Bank and confront the principle of financial dominance and coordination along with financial policy to maintain economic balance.
- 3- Adopting trends for the work of the fiscal policy to confront the economic cycles, benefit from those surpluses, reduce inflation levels, and reach the state of economic recovery and growth.
- 4- Working on debt scheduling and developing a national strategy emanating from the economic reality to alleviate the burden of the budget in paying off the debt burden.
- 5- Adopting a different approach in diversifying the structure of public revenues and establishing a sovereign fund in which oil revenues are deposited, and benefiting from the surpluses of those revenues in diversifying the structure of the Iraqi economy, leading to a state of sustainability in resources.

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