World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

STANDARD ANALYSIS OF THE IMPACT OF SOME FISCAL POLICY TOOLS ON THE ECONOMIC PERFORMANCE INDEX IN IRAQ FOR THE PERIOD 2005-2024

Dr. Abdullah Muhammad Rashid Al-Ramli
Faculty of Administration and Economics - Samarra University
abdullah.mr@uosamarra.edu.iq
Dr. Mohammed Madlool Ibrahim
Samarra University, College of Islamic Sciences
mohammed.ma90@uosamarra.edu.iq
Mustafa Ibrahim Abdullah
mustafa.i.a@uosamarra.edu.iq
Faculty of Administration and Economics - Samarra University

Article history:

Received: 7th September 2025
Accepted: 6th October 2025

Abstract:

This research aims to examine and assess the impact of fiscal policy tools on Iraq's economic performance by determining the extent to which tax revenues and public spending have an impact on the GDP for the years 2005–2024. The study is noteworthy because one of the most crucial tools that countries use to influence economic activity and achieve stability and progress is fiscal policy.

The research used a descriptive and analytical approach in addition to conventional methodologies via the use of simple and multiple linear regression models, and it was based on official data made public by the Iraqi Ministry of Finance, the Central Bank of Iraq, and the International Monetary Fund. The proper statistical analytic techniques were used to evaluate the relationship between fiscal policy variables and GDP.

The study discovered that external factors significantly influenced Iraq's fiscal plans, especially shifts in the price of oil. As a consequence, taxes only made up a minor percentage of the general budget, which was now mostly funded by oil income. The results also showed that although current expenditures accounted for the bulk of the budget, insufficient investment spending had minimal impact on real GDP growth.

The study concluded that there is a statistically significant relationship between GDP and fiscal policy instruments, with the strength and nature of the effect depending on the kind of tool and time period. It also showed that the effectiveness of fiscal policy declines when there is a lack of institutional and political stability as well as poor coordination among key players.

The research recommended rearranging public spending priorities, expanding the tax base, tightening the coordination of fiscal and monetary policy, and implementing financial transparency and oversight in order to increase expenditure efficiency and achieve sustainable economic development..

Keywords: Fiscal policy, public spending, tax revenues, economic performance, gross domestic product

FIRST - INTRODUCTION:

Fiscal policy is one of the most important tools of government intervention in the economy. It directs public spending and increases taxes to create economic stability and promote development. Fiscal policy plays a key role in redistributing income, achieving social justice, and addressing economic imbalances such as trade deficits, unemployment, and inflation. In addition to being a tool for economic development, fiscal policy is important in Iraq because it may be used to manage the fallout from the political, security, and economic issues that have dogged the country since 2003. Because of the Iraqi economy's greater dependence on oil revenue, fiscal policy is vulnerable to fluctuations in the world oil price, which directly affects the amount of money the government spends and the pace of economic expansion.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

The three main tools of fiscal policy—taxation, expenditure, and public debt—have varying impacts on indicators of economic performance, such as GDP, investment, inflation, and unemployment. Thus, it's important to look at how successfully these tools supported Iraq's economy over the study period, as well as the trends in the policies implemented and how they impacted stability and growth.

This research attempts to elucidate the nature of the link between Iraq's economic performance and fiscal policy instruments by looking at historical data from 2004 to 2024. It does this by showing how fiscal policy was able to sustain the country's economy despite challenges such as oil price volatility, political upheaval, health problems (such the Corona epidemic), and a lack of economic diversification..

The importance of the study:

The research is important because it looks at how successfully Iraqi authorities may use financial policy variables to improve economic performance, as well as specific financial policy indicators (public expenditure, taxes) and economic performance indicators (gross domestic product)..

Third: The study problem:

Government authorities find it difficult to choose the optimal economic measures to address structural imbalances in the Iraqi economy and improve economic performance metrics since these imbalances negatively impact the economic performance index..

Fourth: Study hypothesis:

The study's main hypothesis is that, from 2005 and 2024, fiscal policy raises Iraq's economic performance index.

Fifth: The aim of the study:

The study aims to determine the actual relationship between fiscal policy and economic performance measures in Iraq, in addition to calculating the relationship..

Sixth: Study methodology:

- ✓ Research methodology: The descriptive analytical method, which examines economic theories, was combined with the quantitative standard method to gather quantitative data in order to ascertain the type and direction of the relationship between the variables under investigation. This was done in order to achieve the study's goal and validate its hypothesis..
- ✓ -Spatial boundaries: Iraq.
- ✓ Time limits: The period between (2005-2024) was chosen, which is the period that witnessed radical changes in the Iraqi economy.

Seventh: Study structure:

The study was divided into three sections. The first section included the economic performance indicator and the conceptual framework for financial policy tools. The second portion was titled "Analyzing Developments in Iraq's Financial Policy Instruments and Economic Performance Index from 2004 to 2024." The final portion was titled "Measuring the effect of certain financial policy instruments on Iraq's GDP from 2004 to 2024."

The first topic

The theoretical framework of fiscal policy, economic performance, and the relationship between them

First: The theoretical framework of fiscal policy:

1. The concept of fiscal policy

Fiscal policy is a plan or program that the government adopts to manage financial resources from revenue and expenditures to invest all idle resources in order to achieve specified rates of economic growth. Fiscal policy can also be defined as a set of measures taken by government officials to alter the amount of tax revenue or total spending in order to achieve economic goals, especially addressing unemployment and inflation, so that increasing government spending has the same effect as lowering taxes and vice versa (Abbas and Abdel Hadi, 2021: 67).

Another definition of fiscal policy is the state's strategy for determining the various sources of public revenue for the government, stating their relative importance, and, on the other hand, how these revenues are used to finance (public spending) in the event that the government's social and economic goals are achieved (Al-Bajary, 2022: 17). Another definition of fiscal policy is the use of public revenue, public expenditure, and public debt to balance the government's overall budget and increase levels of total production without resulting in economic inflation. Fiscal policy is the technical term for the state's efforts to achieve overall financial balance. Public financial instruments, such as taxes, fees, public expenditure, and public loans, are used to influence macroeconomic variables and achieve the goals of the state's general economic policy (Alwan et al., 2020: 56).

Some have described it as a set of processes that focus on analyzing the state's financial activities and the ensuing effects in order to diversify the sectors of the national economy. Along with the qualitative components of these expenditure and income sources, these methods also contain a quantitative adjustment to the quantity of public

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

spending and revenues. Development of the national economy, attainment of economic stability, and equitable distribution of income and wealth are the primary goals of these processes (Al-Dajani, 2022: 1–8).

2. Fiscal policy tools

The instruments for fiscal policy are as follows:

Fiscal policy tools are essential for improving economic performance and controlling the overall level of prices in order to attain social justice and quick economic growth. The most important tools in fiscal policy are as follows:

A. Public spending: One of the most important financial policy tools used by government officials to influence economic activity is public spending, which raises the level of aggregate demand in the national economy. Depending on the problem, the government uses public spending policy to either increase or decrease aggregate demand in order to close an inflationary or deflationary imbalance. It does this by utilizing public spending to influence the level of economic activity, either increasing or decreasing it, depending on the status of the national economy. Liberal regimes reduce governmental economic and social expenditure because they provide the private sector broad latitude to cover costs that individuals would have kept if they hadn't spent on investment or consumption. Effective aggregate demand often rises as long as the government employs this financing technique widely and keeps individual spending on investments or consumption from falling. Since subsidies are monetary amounts that the government gives to manufacturers or productive industries with poor profit margins, they are a kind of public spending. For instance, in an attempt to increase the amount of exports from the nation or to make them more competitive on the international market, the government offers subsidies to exporters and the food sector.

B. Revenues and fees from taxes: Subsidies may be used to support the product directly, which boosts production, or to localize industry in representative locations, lowering the ultimate price for consumers (Bakhit, Matar, 2012: 25). Taxes and levies are a major source of financing for the government and one of the most significant tools of financial policy. They stand for both direct and indirect taxes of all kinds, such as income tax, corporate taxes, and customs duties imposed on goods and services, in order to achieve specific goals and support the state's economic policy—such as protecting domestic industries, redistributing actual national income, or influencing imports of goods and services. Taxes are another way that the government expresses its economic and social beliefs. The various income tax schedules are one of the main instruments that may be used to redistribute real national income. According to Abbas and Abdel Hadi (2021: 67), the customs tax structure is a unique tool for protecting local products and fostering the growth of national businesses. It also has a big influence on the size of the import structure. Taxes rank highest among these financing sources since they are the primary source of public income in industrialized countries. This is true both in terms of the financial resources they can provide and the economic and social effects they have, as well as the significance of comprehending taxes (Khaldoun, 21: 2024).).

Second: The concept of economic performance and its indicators

Since economic performance creates the material foundations of society and lays the groundwork for the creation of social wealth, it is one of the most significant variables in determining the degree of economic growth and progress. Consequently, we see that companies and academics are interested in evaluating economic success, whether it is at the national or global level.

Researchers often use a set of metrics, such as the following, to determine the level of economic performance.

The gross domestic product (GDP) is the total value of completed goods and services produced by the national economy over a given year (Al-Khatib, 2014, 13).

The entire value of all output, or the added values obtained in the economic sectors inside the borders of the country with the input of both domestic and foreign sources of production, is what Khalil (1984, 59) defines as the gross domestic product.

Another term for it is the quantity or value of goods and services produced by members of a certain society during a given time period, usually a year, by residents within that nation's geographic area, irrespective of their nationality. Consequently, the country's physical area serves as the basis for the calculation of the domestic product, which is a geographical concept (Amara, 1988, 38). It is also known as the total quantity of completed goods and services produced over time on a community's land. Therefore, although the output of its citizens outside of its borders is not included, that of foreigners residing there is (Lafta, 2016, 14). GDP gives central banks and policymakers a comprehensive view of the state of the economy, enabling them to determine whether it is expanding or contracting, whether it need stimulation or restraint, and if threats such as a recession or high inflation are near. Using national income and product accounts, which form the basis for measuring GDP, policymakers, economists, and businesspeople can analyze the effects of monetary and fiscal policy, economic shocks such as rising oil prices, taxes, and spending plans on specific subgroups and the economy as a whole. Together with better informed institutions and policies, national accounts have been instrumental in reducing the intensity of economic cycles since the end of World War II.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

Third: The relationship between fiscal policy variables and the economic performance index.

Fiscal policy is the process of using the budget of taxes, loans, and public expenditure to achieve economic goals, chief among them being the preservation of the internal balance and stability of the national economy. The tools of the policy are government revenue and spending. By reducing government spending, increasing private sector taxes, or a combination of these measures, the government's fiscal policy may assist cut inflation. If private spending tends to be excessive, the government may reduce its own expenditures to minimize the degree of inflationary pressure. However, in the modern day, reducing or postponing government spending is not an easy task. There may already be certain efforts under progress, and it is clear that they cannot be postponed. Similarly, different types of spending could be needed to meet the usual needs of communal consumption in society. After that, there can be social costs for things like health care, education, etc. that are difficult to reduce due to negative political effects. Therefore, the main goal of fiscal policy during inflationary times is to raise taxes in order to reduce private expenditure. Lower private spending is often the outcome of tax rises. As direct tax rates on wages and profits increase, private disposable income decreases, which often results in less money spent on private consumption. Compared to new or increased taxes on goods, price rises will have a more direct impact on consumption (Al-Zaghbi, 2020, 11). To clarify the theoretical relationship between fiscal policy variables and a few indicators of economic performance, the following actions are taken:

✓ **The impact of government spending on some economic performance indicators**

Government spending is one of the most important and practical tools of fiscal policy. Since it has a significant impact on a range of economic activity and clearly influences many macroeconomic indicators, including the inflation index, it is the main component of the state's general budget. The state intervenes through its fiscal policy by implementing an austerity policy if the macroeconomic situation is experiencing inflationary pressures. This is done in order to lower inflation rates caused by an increase in aggregate demand brought on by the increase in the amount of money in society as a result of the increase in government spending, which is one of the elements of injection into the macroeconomic situation. Therefore, the Ministry of Finance continues to reduce government spending until inflation rates return to their normal level. 14 (Rahman Abdul, 2021).

While the volume of output declines during an economic downturn or recession, government spending increases, increasing the gross domestic product.

Government spending is seen to be the main way that the state can reduce the severity of unemployment, generate new jobs, and partly absorb its momentum. Because of this, there is an inverse relationship between unemployment and government spending, which means that the lower the unemployment rate, the more the state spends on public expenditures. Government spending policy is considered one of the most important economic methods to fight the state of economic recession because of its long-term nature and significant impact on economic activity (Al-Zaghbi, 2020, 25).

✓ **The impact of taxes on some economic performance indicators**

One of the best ways for the state, represented by the Ministry of Finance, to accomplish social, political, economic, and financial objectives at the same time is via taxation. To reduce the financial mass of the public, the Ministry of Finance may raise taxes, which are a deduction of a portion of society's money and return it to the state treasury, in the event of a high rate of inflation. This reduces inflation rates by shrinking the amount of aggregate demand. However, in order to increase its cash reserves and, therefore, the amount of investments it makes, the Ministry of Finance employs an expansionary financial strategy during periods of social unemployment by lowering the tax rates on economic activity. Because there are more job openings, unemployment rates decrease as a result (Al-Zaghbi 2020, 12). In addition to the contribution of taxes to GDP growth, this is accomplished by implementing an expansionary fiscal policy. Fiscal policy reduces tax rates when its goal is to boost economic activity and the GDP. Reduced production costs benefit producers, investors, and entrepreneurs, which encourages them to boost output and investment, eventually raising the gross domestic product of finished goods and services (Abdul Rahman, 2021, 55).

Chapter Two: Analysis of the Reality of Financial Policy Instruments and Economic Performance in Iraq for the Period 2005-2024

First: Analysis of the reality of financial policy tools

1. Analysis of the reality of the public spending index

Since public expenditure is impacted by economic circumstances to differing degrees, it is seen as one of the variables determining aggregate demand. In order to address fundamental necessities, policymakers try to modify public expenditure rates. By raising government spending while keeping tax rates the same, public policy may combat recessions, boost demand, and move the economy closer to full employment. (Al-Majmai :2018, p. 46.)

It is evident that, particularly in light of the surge in oil prices worldwide, the Iraqi government pursued an expansionist strategy centered on raising public expenditure after 2003. Inflation resulted from this increase, particularly in current

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

or operating expenses. Approximately 7.5 million civilian and military workers and pensioners worked in the public sector as of the end of 2015, and current expenses accounted for more than 70% of all general budget expenditures. However, for a number of reasons, including the global economic crisis, the rise in military spending due to the war with ISIS, the fight against the Corona pandemic, and the financial and administrative corruption that impacted the majority of the Iraqi economy, the general budget experienced a deficit in 2020, 2019, 2016, and 2015. Investment expenses were incurred as a result of this. An examination of Iraq's public spending index from 2005 to 2024 is shown in Table 1.

Table (1)
An examination of the actual public spending index in Iraq from 2005 to 2024 (in millions of dinars)

Ratio (1:3)%	Investment expenditures (3)	Ratio (1:2)%	Current expenses (2)	growth rate	Public expenditures (1)	year
12.4	3,924,260	87.6	27,597,167	-	31,521,427	2005
12.2	3,764,975	87.8	27,066,167	-0.02	30,831,142	2006
14.1	5,276,622	85.9	32,217,608	0.22	37,494,459	2007
16.8	6,588,511	83.2	32,719,837	0.05	39,308,348	2008
22.3	14,976,014	77.7	52,301,180	0.71	67,277,197	2009
17.3	9,648,659	82.7	45,941,062	-0.17	55,589,722	2010
22.2	15,553,341	77.8	54,580,859	0.26	70,134,201	2011
22.7	17,832,114	77.3	60,925,554	0.12	78,757,566	2012
27.9	29,350,954	72.1	75,788,622	0.33	105,139,576	2013
26.3	40,380,750	73.7	78,746,805	0.13	119,127,556	2014
30.9	38,752,700	69.1	86,568,374	0.05	125,321,074	2015
26.4	18,564,679	73.6	51,832,827	-0.44	70,397,515	2016
23.7	15,894,008	76.3	51,173,425	-0.05	67,067,434	2017
21.2	14,744,313	75.7	52,599,836	0.04	69,430,753	2018
17.1	13.820.332	82.9	67,052,856	0.16	80,873,189	2019
21.9	24,422,602	78.1	87,300,921	0.38	111,723,523	2020
4.4	3,370,030	95.6	72,712,413	-0.32	76,082,443	2021
13.0	13,322,974	87.0	89,526,686	0.35	102,849,659	2022
10.3	12,018,490	89.7	104,941,090	0.14	116,959,581	2023
9.3	11,035,225	90.7	108,198899	0.02	119,234,124	2024

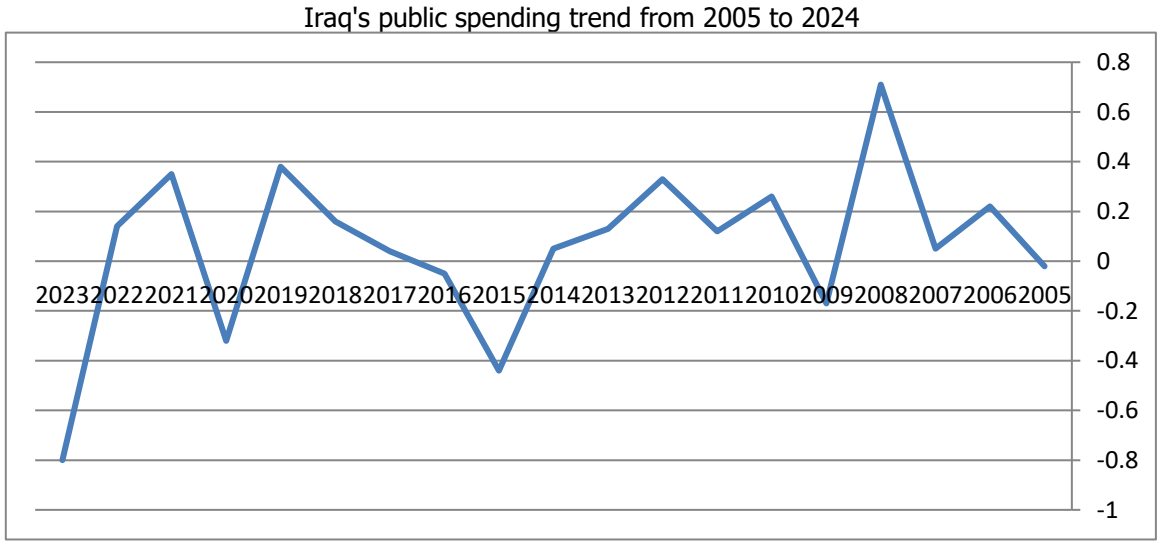
Source: "Ministry of Finance data / Economic Department / Unpublished data / Data from open general budget documents for various years / Central Bank statistical bulletin for various years"

Although it varied between increasing and falling, Table (1) clearly shows that the general trend of public expenditures, including current and investment, was expanding during the study period (2005–2024). Investment expenditures reached their lowest amount during the study period at 3,924,260 million dinars, representing their lowest percentage of public expenditures at 12.4%, while current expenditures totaled 27,597,167 million dinars in 2005, representing a higher percentage of public expenditures at 87.6%. Public spending amounted to 31,521,427 million dinars in 2005. Financial sustainability is weakened by this lack of financial control over the distribution of public money, which are considered unproductive since they were not used for initiatives that increase economic growth and the GDP of the different economic sectors.

According to observations, state expenditure increased significantly from its lowest position in 2006 (30,831,142 million dinars) to its highest point in 2024 (119,234,124 million dinars). Graph (1) illustrates the public expenditure trend in Iraq from 2005 to 2023 as follows:

Figure (1)

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628



Source: "Prepared by the researcher based on data from Table (1)"

1. Tax Revenue Index

Tax income is one of the most important financial instruments the government utilizes to regulate the macroeconomy. Since tax revenues represent the entire amount of money the government receives to pay for public expenditure, this is particularly true given the flaws in the tax system and the pervasive financial and administrative corruption in many government departments and institutions, particularly at customs ports. According to Abdul and Obaid (2022: 60), these factors have made Iraq's reliance on the rentier economy worse and caused an imbalance in the country's total budget.

The table illustrates the development of general tax income in Iraq from 2005 to 2024 using three main variables: years, tax revenues (in millions of dinars), and yearly growth rate. This table illustrates the efficiency of Iraq's tax structure and its ability to generate consistent revenue despite changing political and economic conditions. Tax revenues increased significantly in 2006, reaching 647.3 billion dinars, with a high growth rate of 2.09, after starting at a low level of around 209.8 billion dinars in 2005. Growth continued in the years that followed the passage of the first reforms and the expansion of the tax base, reaching 3.3 trillion dinars in 2010, indicating a relative improvement in collection efficiency over the years after 2003. From 3.3 trillion dinars in 2011 to 1.5 trillion dinars in 2011, revenues fell sharply throughout this period. This decline was attributed to widespread tax evasion, poor tax compliance, and the impact of political and security concerns. Revenues remained between 1.7 and 2.5 trillion dinars over these years, with a weak growth rate. Revenues began to recover in 2016 and reached 5.5 trillion dinars in 2021 as a result of the introduction of administrative and technical reforms as well as the commencement of measures to combat tax fraud. The relatively increasing growth rate throughout these years (ranging from 0.39 to 0.73) indicates that the effectiveness of the tax system has been gradually increasing. Despite sales reaching 5.6 trillion dinars in 2022 and 5.98 trillion in 2024, the growth rate was very modest, ranging from 0.03 to 0.16. This implies that there is still a large dependence on oil revenue, that expansionary tax policies are weak, and that collection capabilities are comparatively saturated.

Table (2)
An examination of Iraq's actual public revenue index for the years 2005–2024

growth rate	tax revenues	years
-	209,820	2005
2.09	647,355	2006
0.14	739,543	2007
1.38	1,762,503	2008
0.65	2,916,837	2009
0.14	3,335,125	2010
-0.54	1,532,438	2011
0.16	1,783,593	2012
0.30	2,311,139	2013
0.09	2,518,683	2014

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

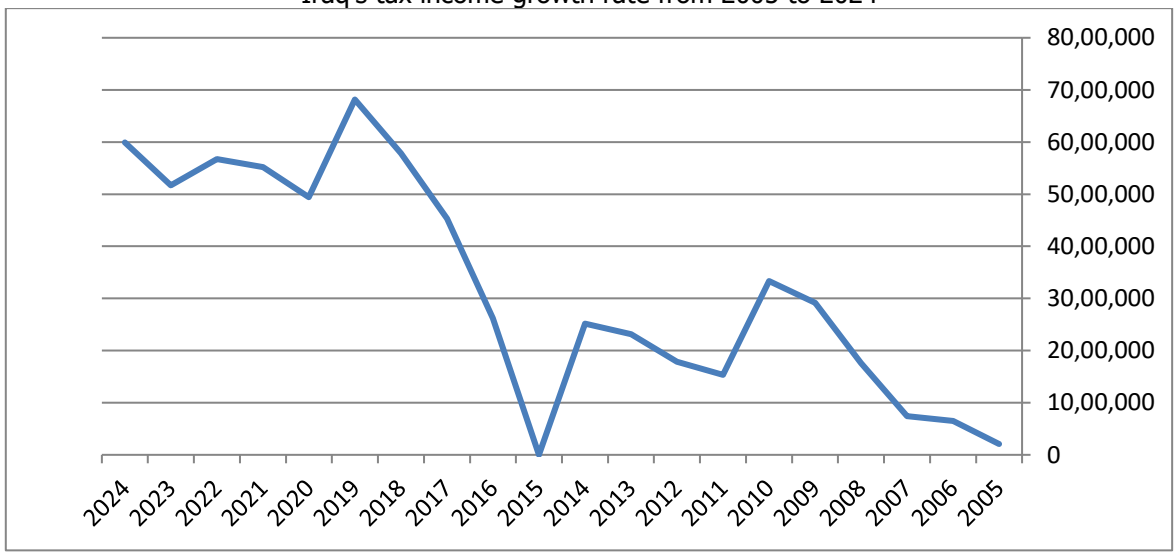
-0.25	1.885,127	2015
0.39	2,622,055	2016
0.73	4,530,452	2017
0.28	5,780,389	2018
0.18	6,815,679	2019
-0.28	4,939,497	2020
0.12	5,516,728	2021
0.03	5,674,124	2022
-0.09	5,169,333	2023
0.16	5,989,315	2024

Source: "Prepared by the researcher based on data from the Ministry of Finance (Republic of Iraq) // Ministry of Planning, Central Statistical Organization // Publications of the Central Bank for various years".

It should be noted that tax receipts increased significantly from their lowest levels in 2005, when they reached 209,820 million dinars, to reach a high of 5,989,315 million dinars in 2024. Graph (2) displays the tax revenue trend in Iraq from 2005 to 2024 as follows:

Figure (2)

Iraq's tax income growth rate from 2005 to 2024



Source: "Prepared by the researcher based on data from Table (2)"

Second: Analysis of the reality of economic performance indicators in Iraq for the period (2005-2024)

The gross domestic product is considered one of the most important measures of economic performance and one of the most important variables of the macroeconomy as it includes all macroeconomic sectors and national components. This product's development during the study period can be explained, and its data is essential for determining overall economic performance. See Table (3).

Throughout the research period, the GDP varied (increased and dropped), as Table (3) illustrates. With a positive annual change rate of 42%, it increased gradually from its 2005 peak of 73,911,088.3 million dinars to its 2008 peak of 158,443,584.4 million dinars. The primary reasons for this growth are the opening of the Iraqi economy to the global economy and the removal of the economic embargo that existed before 2003. Another contributing aspect is the increase in oil prices on the global market, which increased oil earnings and, therefore, the country's citizens' level of life. In 2009, the GDP fell to 131,632,210.0 million dinars, representing a negative annual change rate of -17 percent. The reason of this decline is the decline in oil prices on the worldwide market as a result of the fallout from the global financial crisis of 2008. In reference to (2010), it rose again. Having a 24% positive change rate, it came to 163,104,739.2 million dinars. After then, it grew even more, with a positive annual change rate of 7%, reaching 274,745,875.0 million dinars in 2013. The hike in 2010–2013 was triggered by an increase in oil shipments and a resurgence in oil prices after the financial crisis' negative effects on the global economy ended. In 2014 and 2015, the gross domestic product dropped to 267,262,787.8 and 19,203,013.3 million dinars, respectively, with negative change rates of -3 percent and -27%. This reduction is due to the war on terrorism and increased military expenditure, as

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

well as the closing of many oil wells due to terrorist attacks and their transfer from central government control. The GDP continued to progressively increase in the next years, reaching 279,757,642.6 million dinars in 2019 at an annual growth rate of 3%. The central government's re-control of oil wells, a rise in oil exports, and better economic and security circumstances brought about by increased oil prices were the main causes of this growth. With a negative change rate of -0.21%, it dropped to 221s593,971.7 million dinars in 2020, mostly due to declining oil prices. Following that, it continued to climb gradually until reaching (412,345,435.3) in 2024 at a growth rate of 5%, as seen in the table below:

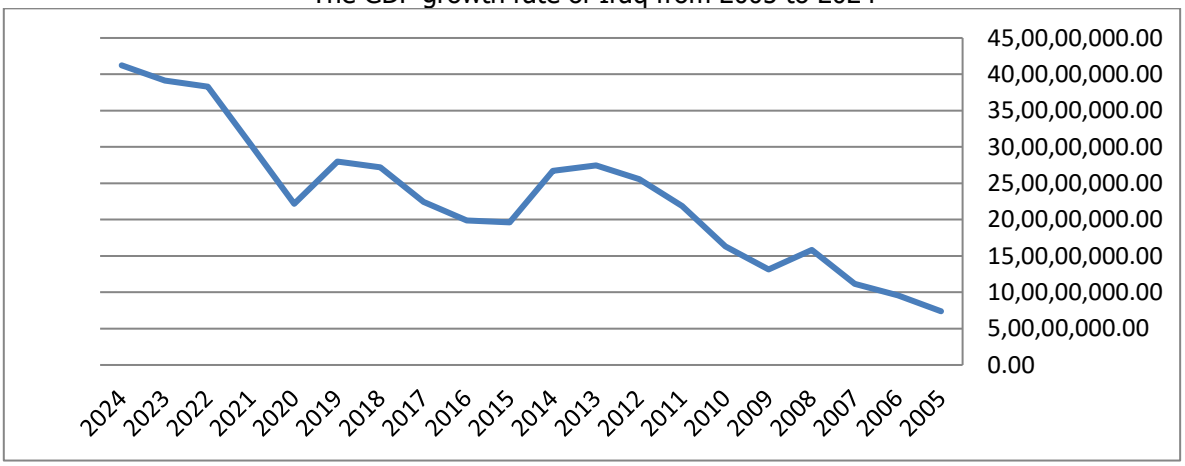
Table (3)
Iraq's GDP trends between 2005 and 2024 (millions of dinars)

Annual rate of change%	gross domestic product	years
-	73,911,088.3	2005
0.29	95,587,954.8	2006
0.17	111,455,813.4	2007
0.42	158,443,584.4	2008
-0.17	131,632,210.0	2009
0.24	163,104,739.2	2010
0.34	218,617,834.8	2011
0.17	255,727,068.5	2012
0.07	274,745,875.0	2013
-0.03	267,262,787.8	2014
-0.27	196,203,013.3	2015
0.01	198,774,369.4	2016
0.13	224,636,323.2	2017
0.21	272,083,889.0	2018
0.03	279,757,642.6	2019
-0.21	221,593,971.7	2020
0.37	302,691,912.5	2021
0.27	383,064,152.3	2022
0.02	391,431,910.5	2023
0.05	412,345,435.3	2024

Source: "Prepared by the researcher based on data from the Ministry of Planning / Central Statistical Organization / Accounts / Central Bank of Iraq bulletins for various years".

Notably, the gross domestic product reached its highest level in 2024 at 412,345,435.3 million dinars, after a decline to its lowest level in 2005 at 73,911,088.3 million dinars. Graph (3) displays the tax revenue trend in Iraq from 2005 to 2024 as follows:

Figure (3)
The GDP growth rate of Iraq from 2005 to 2024



Source: "Prepared by the researcher based on data from Table (3)"

The third topic

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

The statistical aspect of the impact of fiscal policy tools on economic performance (GDP for the period 2005-2024)

First: Study variables:

Table (4)
Study variables

Description	Variable name	Variable symbol
independent variable	public expenditures	X1
independent variable	tax revenues	X2
dependent variable	gross domestic product	Y

Source: Table based on model description.

Second: Standard Model Tests (Unit Root Test)

(PP) test demonstrated that the data are stationary at the level and at the first difference, which makes the model appropriate for economic assessment, as shown in the following table:

Table (5)
Phillips-Perron test statistic results

Stability test						
	LevelLevel			1 st DifferenceFirst difference		
Variable	PP	Sig.	Result	PP	Sig.	Result
X1	-2.2234	0.0125	stationary	-2.1009	0.0000	stationary
X2	-4.9923	0.0034	stationary	-2.2344	0.0000	stationary
Y	-2.3456	0.0099	stationary	-2.4565	0.0000	stationary

Source: Eviews.13 output table.

Third: Estimating the impact of fiscal policy tools on economic performance (gross domestic product)

It is evident from the foregoing that there is no need to proceed to the second difference since the research data are stationary at the first level and difference. It satisfies the following requirements of the ARDL methodology::

1. Initial estimate of the ARDL model.

Table (6)
Initial ARDL model estimate results

Dependent Variable: Y				
Prob.	t-Statistic	Std. Error	Coefficient	Variable
233454662	Mean dependent var		0.8045263	R-squared
92873239.2	SD dependent var		0.7986913	Adjusted R-squared
0.14250015	Durbin-Watson stat		137.87859	F-statistic
			0.000000	Prob(F-statistic)

Source: "Table Outputs (13 Eviews)"

According to the R2 test findings in the above table, 79% of the variation in economic performance (GDP) could be explained by fiscal policy instruments (R = 0.7986913). Additionally, the model's overall statistical significance was shown using the F-statistic test. This entails proceeding to the following procedures for confirming, using the boundary tests, that there is a long-term equilibrium connection between the study variables in accordance with the ARDL model.t

.

2. Bound Test.

Table (7)
Bound Test Results

Null hypothesis: No relationship levels		
Value		Test Statistic

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

4.284119		F-statistic	

1%		5%		10%		
I(1)	**I(0)**	**I(1)**	**I(0)**	**I(1)**	**I(0)**	**Sample Size**
5.59	**4,558**	**4.07**	**3,288**	**3.465**	**2.738**	**60**

Source: "Table Outputs (Eviews 13)"

The Bound Test in the preceding table demonstrated the presence of a long-term equilibrium connection, or joint integration, between fiscal policy instruments and GDP. The effect parameters may be calculated both in the short and long term using the data above, as shown in the tables below.:

3. The impact of fiscal policy tools on economic performance (GDP) in the short term

Table (8)
consequences of the short-term effects of fiscal policy instruments on GDP

Dependent Variable: D(Y)				
Method: ARDL				
Prob.	t-Statistic	Std. Error	Coefficient	Variable
0.0000	-4.269695	0.002094	-0.088942	COINTEQ*
0.0002	3.956103	0.462547	1.829884	X1
0.0011	-3.446213	4.269003	-14.71189	X2

Source: "The table was prepared by the researcher using the (Eviews 13) program".

- ✓ The aforementioned table, which focuses on estimating the short-term impact, makes it evident that public expenditures (X1) and the GDP index (Y) are directly correlated. At a significance level below 0.05, this implies that the higher the public expenditures, the higher the GDP.
- ✓ At a significance level below 0.05, it is evident from the above table, which focuses on estimating the short-term impact, that there is an inverse relationship between tax revenues (X2) and the GDP index (Y), meaning that higher taxes have resulted in lower GDP.

4. The impact of fiscal policy tools on economic performance (GDP) in the long term

Table (9)
Findings about the long-term effects of fiscal policy instruments on GDP

Prob.	t-Statistic	Std. Error	Coefficient	Variable *
0.0238	2.31864429	0.8476871	1.9654850	X1
0.0966	1.68823599	9.7964047	16.538643	X2
0.2659	1.12316325	94300917	105915325.	C
Note: * Coefficients derived from the CEC regression.				

Source: "The table was prepared by the researcher using the (13 Eviews) program".

- ✓ At a significance level of less than 0.05, it is evident from the preceding table, which deals with assessing the long-term effect, that public expenditures (X1) and the GDP indicator (Y) are directly related. Accordingly, the GDP increases as governmental spending increases.
- ✓ At a significance level of less than 0.05, it is evident from the following table, which focuses on assessing the long-term effect, that there is no relationship between tax revenues (X2) and the GDP indicator (Y). This implies that taxes will have less of an impact on GDP the higher they are..

5. Post-tests.

- ❖ The results of the ARCH test for heterogeneity of variance revealed The homogeneity of error variance is not an issue since the (F-Test) statistic indicates that it is not significant..

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

Table (10)
test for homogeneity of variance

Heteroskedasticity Test: ARCH			
F-statistic	93.7900	Prob. F(1,73)	0.2234
Obs*R-squared	10.50132	Prob. Chi-Square(1)	0.1276

"Statistical program outputs (Eviews 13)"

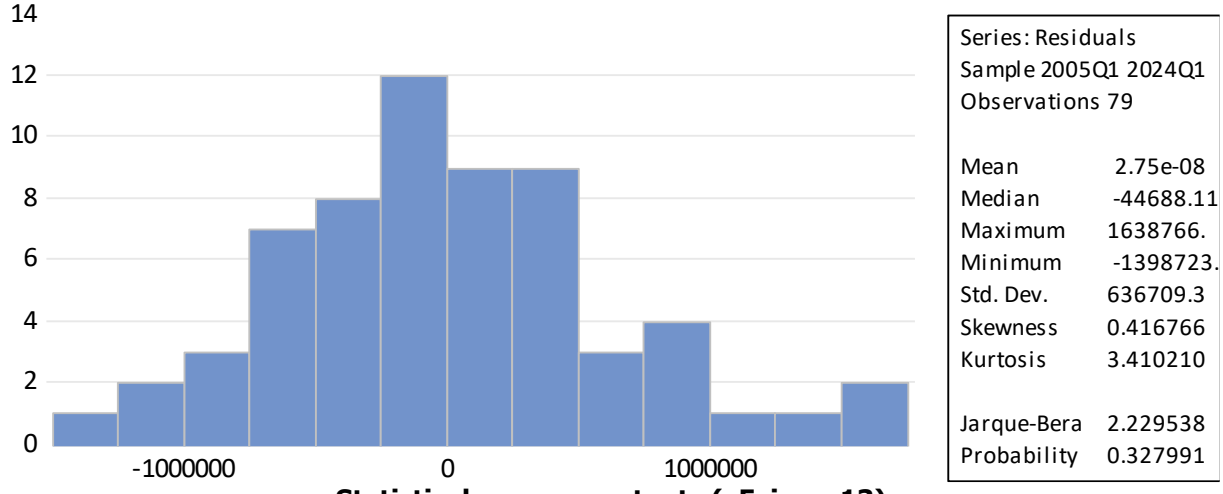
- The issue of autocorrelation: The findings of the LM were not significant, according to the F-Test statistic, indicating that autocorrelation was not an issue..

Table (11)
The autocorrelation problem's outcomes

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	839.5586	Prob. F(2,70)	0.0997
Obs*R-squared	72.95846	Prob. Chi-Square(2)	0.0854

Statistical program outputs (Eviews 13)

- The normal distribution issue: The normal distribution graph makes it evident that the model is free from the normal distribution problem in the following ways:



Statistical program outputs (. Eviews 13)
Figure (4) normal distribution.

CONCLUSIONS AND RECOMMENDATIONS

First: Conclusions

The study's theoretical and applied examination of data for Iraq from 2005 to 2024 yielded many important conclusions, including:

1. Public spending, particularly current expenditures, accounted for the bulk of the general budget throughout the years under investigation. This had a negative impact on real growth rates because it was not appropriately distributed to the productive or investment sectors.
2. Political, economic, and security concerns caused Iraq's fiscal policy to be unstable over the study period, making it hard for it to significantly influence long-term, sustainable economic growth.
3. Because the results of the Phillips-Perron (PP) test showed that the data are stationary at the level and at the first difference, the model is suitable for economic evaluation.
4. According to the R2 test (0.7986913), fiscal policy measures could account for 79% of the variance in GDP. Additionally, the F-statistic test was used to demonstrate the overall statistical significance of the model.
5. The Bound Test showed that economic performance (GDP) and fiscal policy tools work together.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

6. It is clear from the results of the short- and long-term impact calculations that there is a direct relationship between public expenditure (X1) and the GDP index (Y) at a significance level less than 0.05. As a result, as government expenditure rises, so does GDP.
7. The short-term impact estimate results show an inverse relationship between tax revenues (X2) and the GDP index (Y), meaning that the higher the taxes, the lower the GDP, at a significance level of less than 0.05. There is no long-term correlation between tax receipts (X2) and the GDP index (Y), suggesting that the higher the taxes, the lower the GDP, at a significance level below 0.05.

Recommendations

The research's conclusions suggest the following:

1. To boost economic development and lessen reliance on the oil industry, Iraq's public expenditure priorities should be reorganized to prioritize investment spending, especially in productive areas like manufacturing, education, and agriculture.
2. Modern accounting methods and the Financial Control Bureau's role in preventing corruption and guaranteeing effective expenditure must be implemented in order to improve transparency and monitoring of the general budget's execution.
3. Creating medium- and long-term financial discipline via the adoption of a sustainable financial framework that aims to keep the public debt ratio within safe bounds and progressively reduce the budget deficit.
4. Encouraging cooperation between monetary and fiscal policies in order to strike a balance between promoting development and maintaining price stability, particularly in light of the Central Bank of Iraq's independence.
5. Expanding the tax base and developing the tax system by improving collection efficiency, simplifying procedures, and adopting fair tax policies, thus enhancing non-oil revenues and increasing the flexibility of fiscal policy.
6. Investing in building statistical and research capacities within the Ministry of Finance and relevant authorities, with the aim of supporting financial decision-making based on quantitative models and realistic forecasts.
7. Capitalizing on oil surpluses during periods of high prices by establishing a sovereign fund that will be used to support domestic investment and mitigate shocks during periods of low prices.

SOURCES

1. Al-Bajari, Ahmed Ibrahim Hussein, Measuring the Effectiveness of Fiscal Policy Tools in Containing Budget Deficits in Selected Countries for the Period (2002-2019) with Special Reference to Iraq, PhD Thesis, College of Administration and Economics, University of Mosul, Iraq. , 2022
2. Bakhit, Haider Nima, Matar, Fariq Jiyad, Fiscal Policy in Iraq and its Role in Influencing Money Supply during the Period 1970-2009, Al-Ghari Journal of Economic and Administrative Sciences, College of Administration and Economics, University of Kufa, Issue (25), Volume (8), Iraq , 2012
3. Al-Khatib, Farouk bin Saleh, Diab, Abdul Aziz bin Ahmed, Advanced Studies in Macroeconomic Theory, First Edition, 2014.
4. Khaldoun, Kurdoush Dawood , The Role of Fiscal Policy in Achieving Economic Development: A Case Study of Iraq for the Period 2014–2019. Arab Journal of Humanities and Social Sciences (23) , (2024.(
5. Khalil, Sami, Macroeconomic Theory: Basic Concepts and Theories, Al-Ahram Distribution Agency, Cairo, 1994, 628.
6. Al-Dajani, Murtadha Jassim Muhammad, The Impact of Non-Oil Public Revenues on Economic Growth in Iraq for the Period (2004-2020), Master's Thesis, College of Administration and Economics, Tikrit University, Iraq , 2022
7. Al - Zaghbi , Muhammad. "The Impact of Fiscal Policy on Economic Growth in Arab Countries." An-Najah University Journal for Research – Humanities, Volume 32, Issue 2, 2020.
8. Abbas, Sobhi Hassoun, Abdul Hadi, Aya Alaa El-Din, The Impact of Fiscal Policy on Achieving Monetary Stability in Iraq - An Analytical Study for the Period (2004-2020), Journal of Administration and Economics, Volume 39, Issue 130, Iraq , 2021.
9. Abdel Rahman, Yasser. "The Impact of Fiscal Policy Instruments on Unemployment Rates and Economic Growth in Egypt." Arab Journal of Economic and Administrative Sciences, 2021.
10. Alwan, Falah Thamer, Azal, Nasir Muhammad, and Maki, Muhammad Rasool , Fiscal Policy and its Role in Achieving Economic Development in Iraq for the Period (2010-2017), Iraqi Journal of Economic Sciences, Volume 18, Issue 64, Iraq , 2020.
11. Ali, Abdul-Moneim Al-Sayed, Introduction to Economics, Part Two, College of Administration and Economics, Al-Mustansiriya University, Baghdad , 1984.
12. Amara, Rania Mahmoud Abdel Aziz, Principles of Economics, First Edition, Arab Studies Center for Publishing Al-Amiri, Hisham Safwat, Public Finance Economics and Fiscal Policies, Part One, First Edition, 1988.

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 52, November 2025
ISSN: 2749-3628

13. Lafta, Amira Khalaf, Environmental Management as an Approach to Achieving Sustainable Development with Reference to the Reality of Development in Iraq, Journal of Engineering and Technology, Vol. 4, No. 4, 2016, Iraq.