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Research paper

Analysis of Indicators of Fiscal Discipline in The Iraqi Economy for The Period 2003 - 2023

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Abstract

The policy of Fiscal Discipline in most Arab countries, especially in Iraq, has been characterized by the absence of oversight and non-commitment to the application of the relevant standards and indicators in a correct and meaningful manner, mainly due to financial and administrative corruption and the absence of regulatory and legal regulation. This analytical study aims to evaluate the indicators of Fiscal Discipline policies in Iraq and identify the most important obstacles that represent an obstacle to the progress of this policy and the difficulties it has been exposed to in the past and what it may be exposed to in the future by studying the indicators of Fiscal Discipline in Iraq and showing their impact on economic activity.

Keywords: *Fiscal Discipline; The Golden Ratio; Public Debt Ratio; The Rule of Controlling Public Expenditure.*

1. Introduction

The fiscal discipline program occupies a fundamental place in most of the world's economies and this importance increases with the expansion of the role of the state's intervention locally and internationally, due to the good ability of this policy to face economic shocks and control imbalances, especially financially, in a way that leaves a clear impact on economic stability, which in turn is an important element to achieve economic efficiency. in various economic philosophies.
On the other hand, the phenomenon of financial instability is a constant feature of the Iraqi economy, under a system dominated by the rentier sector, to constitute a major financial crisis, especially in the period 2019-2021, as the consequences on the local economy were severe. Economic downturns, which have left the economy in ruins and the population traumatized by increased unemployment, poverty, and inequality, have had the consequences of financial instability. The liberalization of the economy, especially after 2003, worked to create an economic system in which recurring financial crises determined the pace and pace of domestic economic activity, as the Iraqi economy relied on oil as the main source of financing its budget.
The level of public debt and the general budget deficit is one of the main measures in discussing issues of financial stability and financial sustainability at the global and local levels, as the high ratio of debt and deficit to GDP in light of the weak economic growth has been a major source of concern for economic activity due to its negative economic, social and political effects. In light of the increasing importance of economic reform programs to reduce the problem of exacerbation of indebtedness and budget deficit, fiscal discipline is one of the latest programs that work to Reducing the problems of financial stability in the various economies of developed countries, especially after the sovereign debt crisis and the important role played by the state in managing the country's public finances. One of the justifications for the research is the need to use the method of fiscal discipline to reduce the problem of financial instability witnessed by the Iraqi economy as a result of the exacerbation of the size of the public debt – as the Iraqi economy suffered from indebtedness during the first Gulf War until this moment – in addition to the public budget deficit. This applied analytical study aims to evaluate the indicators of Fiscal Discipline policies using secondary data.

1.1. The importance of research

The Fiscal Discipline Program is one of the latest applied economic reform programs to achieve financial and economic stability by controlling public expenditure and increasing state resources and applying it by the state itself without relying on other countries and international financial institutions, and then the possibility of taking the necessary measures that make the deficit as low as possible, with the aim of reaching a high growth rate with high utilization rates in addition to the stability of the general level of prices.

1.2. Research problem

The Iraqi economy suffers from many crises and structural imbalances as a result of the successive problems it has suffered, represented by wars, blockades, and terrorist organizations, the effects of which have been reflected on the general budget, as well as the instability of

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oil prices, which Iraq relies on as the main source of financing its budget, which has led it to rely on debts to finance its increasing spending, especially the unjustified operational ones, which has generated another problem represented by the accumulation of debts.

1.3. Research hypothesis

There is a correlation between the size of public debt and public expenditures, especially operational expenditures, on the one hand, and the fiscal discipline program on the other.

1.4. Research objective

The research aims to achieve the following:
1) Demonstrating the equation of the general trend between the relevant economic variables with the element of directional time.
2) Determine the relationship between GDP, public debt, public expenditures, public revenues, and the trade balance with fiscal consolidation program policies.

Research Method
The research method is based on combining and reconciling the descriptive analysis of economic theory with the quantitative method based on Fiscal Discipline indicators.

1.5. Spatial and temporal boundaries

Spatial Limits: The research includes the analysis of macroeconomic data of the Iraqi economy.
Time limits: Represented by the period (2003-2024) and according to the availability of data.

1.6. Research methodology

The research adopted the descriptive-analytical approach through various research stations, as it was based on theoretical economic analysis with the aim of identifying some theoretical concepts in Fiscal Discipline, as well as resorting to data analysis that is important in description and conclusion.

2. Fiscal Discipline, The Concept and Importance

2.1. The concept of financial discipline and the factors affecting it

Discipline is a word derived from control, meaning to hold, control, subjugate or accept something. The term "fiscal discipline" has been used extensively in the public finance literature without a clear and integrated definition by academia as well as by professional organizations such as the Association of Government Fiscal Officials (GFOA), the National Association of State Budget Employees (NASBO) and the National Council of State Legislatures (NCSL)). Researchers found the term so broad or vague that they didn't pay much attention to it.
However, with the development of public finance and economic life, the importance of the concept of fiscal discipline and its role in reducing the financial problems that most countries suffer from, especially the deficit, has increased, as the liabilities are greater than the revenues achieved, especially in developed countries, where Fiscal Discipline has become a broader concept than it was used in the past, Fiscal Discipline has been defined as the extent to which the government is able to maintain the health, soundness and smoothness of its financial operations in the long term, and the term fiscal discipline is branched into:

- A multi-year perspective on budgeting, meaning that discipline is not at the level of one year but extends over several years to achieve financial sustainability.
- Mechanisms to maintain financial health and stability throughout business cycles, i.e., the government seeks through its measures to mitigate the effects of economic crises.

The two branches cover three phases of the government financing process:

- Medium-to-long-term planning, estimating public revenues and overheads, and measuring the financial impacts of key management decisions and managing debt.
- Compilation and approval of the budget as well as the structural balance between current income and current expenditure and the approval of the budget before the beginning of the fiscal year.
- Implementing the budget, achieving structural balance, and facing cyclical fluctuations

Fiscal discipline is also defined as the fact that government expenditure does not exceed the allocations set in the budget, or that the deficit in the general budget does not exceed a certain percentage of GDP, which means that there is a possibility to estimate public expenditure in light of the available possibilities and not according to the needs of the different spending units.
Accordingly, fiscal discipline refers to controlling public expenditures, tightening control over them, reducing waste, avoiding unnecessary expenditures, increasing production efficiency, and trying to make the most of the available economic and human resources, to implement the country's strategic plans efficiently and effectively. Investing in the resources and capabilities available to the state, thereby achieving short- and long-term goals. Fiscal discipline is not only about spending money wisely but also aimed at making use of the profits retained in the right investment. Providing appropriate working conditions, infrastructure and financial commitment.
The most important factors affecting Fiscal Discipline are the following:
1) Deficit and inefficient budget planning
The political conflict resolves a large part of the persistence of the deficit in the public budget in a way that puts pressure on financial resources in the interest of financial stability, as the absence of efficient planning of the public budget causes the waste of financial resources and harms the distribution of economic resources, which reflects negatively on economic stability. Fiscal consolidation reduces losses to the economy and addresses the fiscal problems that arise as a result of ignoring chronic budget deficits.
2) Desire to control debt
Fiscal decision-makers seek to control the government's external and internal debt by adopting a package of restrictive measures for financial operations in line with the process of fiscal consolidation and the high debt-to-GDP ratio.

3) The nature of fiscal policy in the face of cyclical fluctuations
The discrepancy between the planning and implementation of the public budget has a clear impact on the behaviour of economic variables, which negatively affects economic stability. Fiscal policy should be counterproductive to the direction of economic fluctuations in order to serve economic activity by creating a budget surplus in times of boom and vice versa.
4) Intergenerational Justice
The continuation of the public budget deficit, the worsening of public indebtedness, the decline in economic activity, and the weakness of the financial resources that fuel economic activities, achieve the state of injustice between the current and future generations, as the burdens of public debt are borne by the current and future generations without future generations benefiting from the benefits of the increase in public expenditures and the gains obtained by the current generation, which harms the fairness of the distribution of national income among the generations.

2.2. The importance of fiscal discipline and its objectives

The importance of fiscal discipline lies to a large extent in promoting growth in the long term, as reducing the deficit and achieving a budget surplus, which is a form of saving, as the state uses it to increase financial assets, which is reflected in the rise in national income in the future, as discipline works to achieve a stable, measurable and predictable economic environment.
Fiscal discipline also plays an important role in achieving macroeconomic stability, as it can avoid inflationary pressures and balance-of-payments problems, and enables fiscal policy to cope with cyclical changes in economic activity. It also does not constrain the effectiveness of monetary policy in reducing fiscal dominance and the consequences of loose fiscal policy, allows economic policymakers to pay attention to spending programs and the efficiency of the tax system, allowing for efficient allocation of resources and the potential for growth, in addition to providing the possibility of accommodating emerging financial pressures, whether predictable (e.g., public pension liabilities) or unpredictable (e.g., contingency liabilities).
As is well known in fiscal discipline, the total expenditure of the State does not exceed the quantities agreed upon in the general budget. Similarly, fiscal deficits do not exceed a specific percentage of GDP, and fiscal expenditure falls within the capacity and resources available to the State during a specified period. It is therefore necessary to link the requirements of financial management to the general budget of the State, although the allocations set during that period have not been exceeded. Thus, there is a relationship between fiscal discipline and both monetary and tax policy, and fiscal discipline can affect monetary and fiscal policies by influencing their instruments as described below:

- Gross National Product (GNP): An increase in government spending, investments, and the money supply will increase a country's GNP.
- Investment: An increase in GDP leads to an increase in investment, while a rise in both the interest rate and the exchange rate leads to a decrease in investments.
- Depreciation: Increasing both workers' wages and the money supply leads to increased consumption, while increasing taxes leads to lower consumption.
- Demand for Labor: Increased GNP, investments, and the inflation rate increase the demand for labor, while an increase in the wage of a worker leads to a decrease in demand.
- Inflation: Increasing workers' wages leads to an increase in the inflation rate, while a decrease in the money supply, unemployment rate, and interest rate leads to a decrease in the inflation rate.
- Demand for money: Increasing GDP will increase demand for money, while higher interest rates will lower demand for money.
- Money Supply: An increase in GNP increases the money supply, while a higher interest rate decreases the money supply

From the above, fiscal discipline can affect monetary and fiscal policy instruments and thus have a positive impact on improving the above indicators, ultimately improving the economic indicators of the economy in general, and achieving economic growth.
The most important objectives that Fiscal Discipline seeks to achieve are the following:
1) Planning the financial management of the public budget in the long term, i.e. planning the general budget for a number of years.
2) Anticipate public budget problems before they occur in order to identify the necessary remedies to fix them.
3) The soundness of financial operations in terms of maintaining the growth of public revenues and stable growth of public expenditures.
4) Achieving the structural balance of the public budget in terms of the structure of public expenditures and revenues through rationalization of public expenditures and reform of the tax structure.
5) Achieving financial stability in the economic system.
6) Reducing the worsening of public debt, balancing the budget, and addressing the impact of fiscal deficits and macroeconomic stability.
7) Exploit economic resources in the best possible way.
8) Countering cyclical fluctuations and internal and external shocks and adapting financial operations for macro-stability.
9) Reducing the pressures of crises, shocks and fluctuations facing the economy, minimizing financial risks, and making fiscal policy more flexible and responsive to crises.
10) Financial adaptation of financial operations and enhancing financial sustainability by minimizing the economic and social costs of financial crises

3. Analysis of The Relevant Indicators of The Iraqi Economy for The Period (2003-2023)

3.1. Growth of GDP at constant and current prices for the period (2003-2023)

After the end of the war in 2003, work was done to gradually return life to normal, after the war removed the obstacles that were preventing the achievement of growth, the economy was freed from international sanctions and the stage of militarization of the economy ended, and then the Iraqi economy began to witness a remarkable improvement in some of its variables. Table (1) shows the increase in the GDP at current and constant prices in 2005 by (20299 and 1706) billion dinars, respectively, compared to 2004, achieving an average Positive annual growth of (38.13%) for current prices and (1.68%) for constant prices, due to the increase in the contribution of the transport and services sectors despite the decrease in the contribution of the oil sector in these two years. In the years 2006 and 2007, the GDP increased at current and constant prices, with positive growth rates of (29.99% and 16.60%) respectively for current prices and (5.64% and 1.8%) respectively at constant prices, and the reason for the increase in 2007 is due to the relative improvement in the country's economic situation and the increase in exported oil revenues resulting from the rise in oil prices globally. The year 2008 witnessed a significant increase in output at current and constant prices, as the annual growth rates at current prices (40.89%) and constant prices (8.23%) were due to the rise

in oil prices, and to the success of the Central Bank in following an appropriate monetary policy that led to achieving stability in the price level, reducing the inflation rate, maintaining a stable financial system, raising the standard of living for citizens, in addition to improving the security situation.

By 2009, the GDP at current prices declined, achieving a negative annual growth rate of (-16.80%), and the reason for this decline is due to the global financial crisis that occurred in the United States of America and then it spread to the rest of the countries, which led to a slowdown in economic activity and a decrease in the prices of goods, including imports, while the GDP at constant prices achieved a positive annual growth rate of (3.38%), and the disparity in the annual growth rates in GDP is due to The aggregate of both prices to the effects of the implied reduction of GDP. The GDP at current and constant prices increased at different rates during the period (2010-2013), as it recorded a positive annual growth rate for the year 2013 amounting to (7.62%) for current prices and (7.63%) for constant prices, and this increase is due to the increase in oil prices during those years, as the price of a barrel of crude oil increased and the quantity produced in 2012 increased by (13% and 11.0%) respectively, and some economic activities, especially mining, electricity and water activity, banking activity, insurance, and construction activity witnessed an improvement in annual growth rates. By 2014, which was described as the worst year in the history of the Iraqi economy in the new millennium due to the failure to approve the general budget and the decline in global oil prices to unprecedented levels, the price fell below $50 per barrel, as a result of which the GDP at current prices decreased to record a negative growth of (-6.84%), while the annual growth rate of output at constant prices reached (2.26%). In 2015, the Iraqi economy witnessed a clear recession and recession in most economic activities and sectors, which was represented by a negative growth rate for the economy as a result of the decline in global oil prices, especially in the second half of 2014, and the situation that resulted from this is a real economic crisis resulting from the nature of the rentier economy, and as a result, the GDP at current prices decreased to a negative growth rate of (-23.62%), while the output at constant prices recorded a positive growth rate of (2.61%).

During 2016, the Iraqi economy recovered remarkably represented by a positive real growth rate for the economy despite the security conditions witnessed in the country represented by the war against the terrorist organization Daesh, as the output at current prices recorded a positive annual growth rate of (1.15%) due to the increase in crude oil production quantities by (19.2%) for this year, and the output at constant prices recorded a positive annual growth rate of (13.79%). In 2017, the output at current prices increased only, achieving an annual growth rate of (14.62%) The reason for this increase was the increase in crude oil production by (2.5%), while the output at constant prices recorded a negative growth rate of (-3.77%).

By 2018, the price of a barrel of oil increased by (33.1%) and the daily rate of exports increased by (21.2%), and as a result of this increase, the GDP achieved a significant increase, whether at current or constant prices, as this increase achieved a positive annual growth rate of (17.99%) for current prices and (0.85%) for constant prices. In 2019, the Iraqi economy began to gradually recover and stabilize, despite the turmoil that occurred at the end of the year, which led to a decline in crude oil prices by (8.5%), but the growth of sectors, especially agriculture, electricity and industry by (38.7%, 10.8%, and 6.6%), worked to increase the GDP, achieving a positive annual growth rate of (3.16%) for current prices and (4.4%) for constant prices. The compound annual growth rate of output and at both current and constant prices was (15.7% and 6.7%, respectively). Output declined in 2020 due to lockdowns and lockdowns as a result of the repercussions of the coronavirus. This was followed by an increase in output, which is a nominal increase as a result of the change in the official exchange rate in 2021, and a decrease in 2023 as a result of the decline in global oil prices, which reflected on the Iraqi economy as it is unilateral.

Table 1: Evolution of GDP At Current and Constant Prices for the Period (2003-2023) (BD Billion)

year	Gross domestic product (GDP) at constant prices (2007)1	Annual Growth Rate of 2%	CAGR 3%	GDP at current prices4	GDP5 growth rate	CAGR 6%
2003	*---			29586		
2004	101845			53235	80	
2005	103551	1.7		73534	38.1	
2006	109390	5.6		95588	30.0	
2007	111456	1.9		111456	16.6	
2008	120627	8.2		157026	40.9	
2009	124702	3.4		130643	-16.8	
2010	132687	6.4		162065	24.1	
2011	142700	7.5		217327	34.1	
2012	162588	13.9		254225	17.0	
2013	174990	7.6	3.97	273588	7.6	12.83
2014	178951	2.3		254870	-6.8	
2015	183616	2.6		194681	-23.6	
2016	208932	13.8		196924	1.2	
2017	201059	-3.8		225722	14.6	
2018	202776	0.9		254870	12.9	
2019	211790	4.4		262917	3.2	
2020	195402	7.7-		204681	22.1-	
2021	198496	1.6		275468	34.6	
2022	214123	7.9		375446	36.3	
2023	213500	0.3-		330000	12.1-	

3.2. Evolution of public expenditures for the period (2003-2024)

We note through Table (2), which shows the development of public expenditures in Iraq, as we note that the volume of public expenditures in 2004 amounted to (31521.5) billion dinars, and the value of current expenditures amounted to (27597.2) billion dinars, so that its relative contribution to the volume of public expenditures amounted to (87.55%), while the value of investment expenditures amounted to (3924.3) billion dinars, constituting (12.45%) of the volume of public expenditures. The year 2005 witnessed a decline in the volume of current and investment public expenditures, recording a negative growth rate of (-1.92%) for current expenditures. When comparing the volume of public expenditures in 2005 with 2004, we find the increase in the volume of expenditures in 2004, which is due to the increase in expenditures in order to control the security situation and adjust the wages and salaries of employees, as well as covering the expenses of reconstructing some areas affected by the war and compensating the affected people, in addition to the amounts that were withdrawn to the account of the Commission During the period (2006-2008), public expenditures increased again at varying annual growth rates, as the growth rate for the year 2008 reached (71.15%) and the growth rate of current expenditures reached (59.85%), which constituted a contribution percentage (77.74%) of the volume of public expenditures and investment expenditures constituted (22.26%), due to the increase in oil prices and consequently the increase in oil revenues by 57% for the year The increase in demand for crude oil in the world market led

to a rise in oil prices and then an increase in oil revenues, which led to an increase in the volume of current expenditures due to the enormity of the Iraqi economy on the one hand, and its dependence mainly on oil revenues on the other hand, as well as the political and social conditions constituted a factor of pressure on the Iraqi government to address the problem of unemployment and employment. In 2009, public expenditures decreased to (55589.8) billion dinars, recording a negative growth rate of (-17.37%), and the growth rate of current and investment expenditures reached (-12.16% and -35.57%) respectively, and this decrease in the volume of public expenditures was due to the decline in oil revenues, which led to a fiscal deficit. At the same time, the ratio of current to public expenditures decreased by (66.10%) on account of the increase in the percentage of investment expenditures compared to the previous year, and the reason for this increase in expenditures is due to the government's efforts to develop the economy and economic sectors to achieve economic growth and stability.

The years (2014-2016) witnessed a decrease in public expenditures with negative growth rates of (-4.75%, -37.96%, and -4.73%), respectively, as the reason for the decrease in 2014 was due to the non-approval of the general budget, which led the Ministry of Finance to restrict the expenditure by (1 to 12) of the actual current expenditures for each similar month of 2013. In 2015, the Iraqi economy witnessed a clear financial crisis, represented by a clear deficit in the federal general budget, resulting from the Iraqi economy's exposure to a double shock as a result of the fall in oil prices below $50 per barrel, in addition to the costs of the war on terrorism, which reflected negatively on the budget, as well as the expenses of sheltering, supporting the displaced and paying their dues, which generated additional pressures on economic resources and the financial burdens imposed by the transfer of the salaries of the employees of self-transfer companies to central finance, and the expenses of reconstruction Liberated areas that have been damaged by military actions. All of these expenditures are offset by the small and limited non-oil imports and Iraq's lack of a policy of diversifying sources of income. Public expenditures increased again during the period (2017-2019), as the volume of public expenditures in 2019 amounted to JD111723.6 billion with a growth rate of (38.15%), current expenditures recorded a growth rate of (30.20%) and investment expenditures achieved a growth rate of (76.72), the reason for the increase in expenditures for the above period is due to the increase in expenditures in both (current and investment) sectors. The compound growth rate of the development of the volume of public expenditures during the period (2003-2019), the current expenditure was (29.61%), and the investment expenditure was (37.85%).

It is clear from Table (1) that there is a structural imbalance in the contribution of the composition of public expenditures during the period of the study, as it is clear that the current expenditures had the largest percentage of the contribution as it ranged between (93.13%) in 2006 to (66.10%) in 2010, and this indicates the inconsistency of the components of public expenditures and the occurrence of a structural imbalance in favour of current public expenditures, which is originally the payment of financial obligations on the government to individuals and institutions in exchange for a significant decline in the contribution of investment public expenditures, which contributed between ((33.90%) in 2013 and (6.87%) in 2006, and this comes due to the adoption of an expansionary fiscal policy in favor of consumer spending versus investment spending, which led to the fragility of fiscal policy, weak relations between financial and monetary variables, and the deterioration of real activity, which led to the Iraqi economy being unable to face external shocks as well as internal shocks, as well as the annual growth rates of both current expenditures and investment expenditures were not stable during the study period. He pointed out that public expenditures are highly dependent on oil revenues, which are determined in the global markets, which leads to the fluctuation of the growth behaviour of both current and investment expenditures according to the type of crises to which the global markets are exposed, which negatively affects the behaviour of macroeconomic variables, the decline in the structure of the local economy, and the weakening of the forward and backward links between the sectors of the national economy. The end of the term has increased due to appointments by the Federal Service Board.

Table 2: Evolution of Public Expenditures in Current and Investment Sectors in Iraq for the Period (2003-2023) (Billion Dinars).

year	Current expenditures	Annual Growth Rate %	Investment Expenditures	Annual Growth Rate %	Total Overhead Expenses	Annual Growth Rate %
2003	1784	----	198	-----	1983	----
2004	27597	1447	3924.5	1882	31522	1489
2005	27066	-1.9	3765.1	-4.1	30831	-2.2
2006	34918	29.0	2576.5	-31.6	37495	21.6
2007	32720	-6.3	6588.3	155.7	39308	4.8
2008	52301	59.8	14976.2	127.3	67277	71.2
2009	45941	-12.2	9648.8	-35.6	55590	-17.4
2010	54581	18.8	15553.2	61.2	70134	26.2
2011	60926	11.6	17821	14.6	78747	12.3
2012	75789	24.4	29350.9	64.7	105140	33.5
2013	78747	3.9	40380.5	37.6	119128	13.3
2014	77986	-1.0	35487.6	-12.1	113474	-4.7
2015	51833	-33.5	18564.5	-47.7	70398	-38.0
2016	51173	-1.3	15894.4	-14.4	67067	-4.7
2017	59026	15.3	16464.1	3.6	75490	12.6
2018	67053	13.6	13820.1	-16.1	80873	7.1
2019	87301	30.2	24422.6	76.7	111724	38.1
2020	65.429	25.1-	6571	73.1-	72000	35.5-
2021	90828	38.8	10812	64.5	101640	41.2
2022	102543	12.9	14357	32.8	116900	15
2023	126900	23.7	26600	85.3	153500	31.1

3.3. Evolution of general revenues for the period (2003-2019)

Table (3) shows the development of public revenues in Iraq and we note that the general revenues in 2004 amounted to (32983) billion dinars, while oil revenues amounted to (32298) billion dinars and constituted (98%) of the total public revenues, while tax revenues were (295) billion dinars and constituted (0.9%) of the general revenues. Public revenues continued to increase until 2008, as the total public revenues reached (80641) billion dinars and an annual growth rate of (46.7%) compared to 2007 with the continued dominance of oil revenues as they constituted This increase in revenues is due to the rise in oil prices and Iraq's dependence on oil revenues, as tax revenues continue to suffer from a decline in their revenues in a manner that is disproportionate to the trend towards finding other sources of financing that will alleviate the burden in the general budget deficit resulting from the escalating increase in public expenditures, especially current expenditures.

In 2009, public revenues began to decline with a negative growth rate of (-31.5%), with the contribution of oil revenues decreasing to (91%) compared to the previous year, due to the decline in oil prices after the mortgage crisis in the United States, which affected the rest of the world, including Iraq, which is an economy that is highly affected by external shocks. during the years (2010-2012), achieving varying growth rates, as the highest growth rate in 2011 reached (55%), with the percentage of oil revenues contributing to the total revenues (93%) and tax revenues (1.6%) for the same year, and the dominance of oil revenues over public revenues and the deepening of the rentier aspect in the Iraqi economy. In 2013, public revenues began to decline as they reached (113840) billion dinars with a growth rate of (-5.0%), the growth rate of oil revenues reached (-0.3%) while tax revenues achieved a positive growth rate for the same year of (9.3%), this decrease in general revenues is due to the decline in oil prices to (103) dollars per barrel from (107) dollars per barrel compared to the previous year, as well as the decrease in the amount of Iraqi oil exported. The decline in public revenues continued during the years (2014, 2015, and 2016) with negative growth rates of (-7.2%, -37.1%, and -18.1%), with a decline in the percentage of oil revenues for the above years, which amounted to (90%, 87%, and 81%), and the reason for this decline is the continued decline in oil revenues, in addition to other reasons, including the country's exposure to a security crisis that affected the quantities of oil exported, as well as the Iraqi government's resort to increasing its financial resources other than oil. During the observation of the increase in the percentage of tax revenues to (3.5%) in 2015.

During the years (2017, 2018, and 2019), the total public revenues increased to (77336, 106570, and 107567) billion dinars respectively, with the continued dominance of oil revenues, which constituted (84%, 90%, and 92%) respectively, and this dominance was accompanied by a decline in the percentage of tax revenues, especially in 2018 and 2019, where the percentage of contribution reached (4.3% and 4%). The compound growth rate of total revenues was (29.8%), while the compound growth rate of oil revenues was (121%), and the compound growth rate of tax revenues was (86%).

By observing Table (3), it can be said that the federal general budget in Iraq is completely dependent on oil revenues, and in the event of a crisis in the world, it will affect oil prices, or in the event of an internal crisis, revenues will be greatly affected, as the percentage of oil revenues contributed to (98%) in 2004. However, Iraq did not benefit much from this increase in revenues, as Iraq still suffers from poor services, high unemployment, and an increase in poverty. As for tax revenues, their contribution to total revenues decreased due to the high tax evasion, as it reached its highest contribution rate (8.1%) in 2017. Table (3) also shows that the growth rates were different for all types of revenues, as they were not stable but fluctuating, which indicates the lack of financial control in the financial operations of the general budget in a way that leads to achieving structural balance in both aspects, which resulted in the persistence of the problems of the general budget and the extension of their roots, which reflected negatively on the output structure and the decline in economic performance. It is noted that public revenues for the period (2020-2023) have declined as a result of the decline in global oil prices due to the comprehensive ban due to the Corona virus, as can be seen from the oil revenues column, and although it may increase in 2022, this increase is only nominal as a result of the change in the official exchange rate of the dinar against the dollar.

Table 3: Development of Public Revenues in Iraq for the Period (2003-2023) (Billion Dinars)

year	Total Revenue 1	Annual Growth Rate of General Revenues % 3	Oil Revenues 4	Annual Growth Rate of Oil Revenues % 5	Ratio of Oil Revenues to Total Revenues % 6	Tax Revenues 8	Annual Growth Rate of General Taxes % 9	Ratio of Tax Revenues to Total Revenues % 10
2003	2146		1842			0.349		
2004	32983	1437	32298	1653	98	295	84427	0.9
2005	40503	22.8	39360	21.9	97	529	79.3	1.3
2006	49056	21.1	46534	18.2	95	562	6.2	1.1
2007	54965	12.0	50721	9.0	92	1228	118.6	2.2
2008	80641	46.7	75311	48.5	93	986	-19.7	1.2
2009	55244	-31.5	50190	-33.4	91	3095	213.9	5.6
2010	70178	27.0	62062	23.7	88	1532	-50.5	2.2
2011	108807	55.0	101278	63.2	93	1784	16.4	1.6
2012	119817	10.1	108693	7.3	91	2633	47.6	2.2
2013	113840	-5.0	108324	-0.3	95	2877	9.3	2.5
2014	105610	-7.2	95174	-12.1	90	1891	-34.3	1.8
2015	66470	-37.1	57655	-39.4	87	2305	21.9	3.5
2016	54409	-18.1	44267	-23.2	81	3862	67.5	7.1
2017	77336	42.1	65156	47.2	84	6298	63.1	8.1
2018	106570	37.8	96063	47.4	90	4556	-27.7	4.3
2019	107567	0.9	99216	3	92	4015	-11.9	4
2020	54925	48.9-	47489	52.1-	86	3120	22.3-	5.7
2021	105483	92.1	96251	102.7	91	5042	61.6	4.8
2022	161643	53.2	154394	60.4	95	4210	16.5-	2.6
2023	134500	16.8-	121000	21.6-	90	5850	39	4.3

3.4. Excess or deficit in the general budget for the period (2003-2024)

When we observe Table (4), it is clear that the general budget achieved fiscal surpluses for the period 2004-2008, as the budget surplus in 2004 as a percentage of GDP recorded an increase of (2.74%) to (8.51%) in 2008, due to the increase in oil revenues on the one hand, as well as the deviation of the level of utilization of the absorptive capacity of investment expenditures, which then turned into an added financing factor within the annual expansion of current expenditures for the next year. -0.27% of GDP due to the global financial crisis, which affected global markets, including the oil market. During the years (2010, 2011, and 2012), the budget achieved a surplus, as in 2012 it reached (5.77%) of the GDP, and the reason for this lies in the improvement in the oil markets as well as the increase in the quantities of oil exported, but these surpluses were wasted due to ill-considered and planned spending plans, which turned into operational expenses. In the years (2013, 2014, 2015 and 2016), the effect of the double shock represented by the economic recession on the one hand, and the decline in global oil prices on the other hand, and the increase in the volume of government spending on the war against Daesh, all of these factors led to the imbalance of the general budget and the occurrence of a deficit, as the deficit in 2016 amounted to (-6.43%) of the GDP. In 2017 and 2018, the budget achieved a fiscal surplus of (0.82%, 10.08%) of GDP due to the improvement in oil prices, which was reflected in about It is important for the reality of the general budget, as oil revenues have achieved an increase, but poor planning by the government has increased the volume of its operating expenses to track the financial deficit in the country, and this is shown in 2019, when the deficit reached a percentage of (-1.58%) of the GDP.

Through the path of the general budget for the period (2020-2023), we see the strength of the escalation of public spending, especially the current expenditures, which the oil supplier is almost unable to keep up, which means that the elements of expenditures and revenues are more of a reflection of the economic situation than a tool for change, and since Iraq does not have accumulated financial surpluses to be used as a reserve for financial stability, here it has two options: Either borrows or reduces expenditures, and the choice between the two is difficult, and therefore efficiency is guaranteed only to the extent that the budget is supported in its preparation and implementation according to two principles: the first is the cost-effectiveness principle, so that expenditures are conditional on the lowest costs to achieve the required goals, or the cost-benefit principle, i.e., the highest return on expenditure, and the Food Security Law was approved instead of approving the budget in 2022.

Table 4: Net Public Budget in Iraq for the Period (2003-2023) (BD Billion)

year	Net Budget (1)	Net Budget to GDP % (2)
2003	163	0.55
2004	1461	2.74
2005	9672	13.15
2006	11561	12.09
2007	15657	14.05
2008	13364	8.51
2009	-346	-0.27
2010	44	0.03
2011	30060	13.83
2012	14677	5.77
2013	-5288	-1.93
2014	-7864	-3.09
2015	-3927	-2.02
2016	-12658	-6.43
2017	1846	0.82
2018	25697	10.08
2019	-4157	-1.58
2020	-17075	-8.34
2021	3843	1.39
2022	44743	11.92
2023	19000	-5.76

4. Indicators of Fiscal Discipline in Iraq

4.1. Indicators of public expenditures and public revenues

4.1.1. Public expenditure index

When observing Table (5), the ratio of public expenditures to GDP fluctuates during the study period, as it reached its highest percentage in 2004 (59.21%) and its lowest percentage (6.70%) in 2003, which indicates the low levels of Fiscal Discipline, while the years that achieved fiscal control proportional to the optimal size are (2007, 2016, 2017, and 2018) where they achieved percentages of (35.27%, 34.06%, 33.44%, and 31.73%) respectively.

As for the index of the growth of current expenditures to the growth of public expenditures and GDP through Table (5), we note the increase in current expenditures to GDP for the period (2003-2023), which is due to several reasons, including the section of employee compensation (wages and salaries, including various allocations), the paragraph of grants, subsidies and social benefits, and the paragraph of goods and services for the public sector, as they constituted respectively the three main paragraphs in the Iraqi current expenditure. The volume of military spending to counter the terrorist organization ISIS increased in 2014, with current expenditures of a consumer nature accounting for the largest proportion of public expenditures. Current expenditures increased from JD1784 billion in 2003 to JD87301 billion in 2019. With the help of the table of public expenditure indicators, we find that the annual growth rates of current expenditures were fluctuating and unstable, and this is an indication of the mismanagement of the public budget, the lack of economic stability, and the lack of funding for real investment to preserve the rights of future generations, by creating infrastructures capable of accommodating and meeting their future needs. Economic. We note that most of the years were fiscal adjustments commensurate with the optimal size of expenditures, except for the period (2003-2006), in which the percentages exceeded the optimal limit, especially in 2004, when the percentage of current expenditures in GDP reached (51.84%). About the index of the growth of investment expenditures to the growth of public expenditures and GDP, the emergency circumstances that Iraq went through (wars, sanctions, occupation) highlighted the need for investment to reconstruct and establish infrastructures, and to advance the reality of the oil, industry, and agriculture sectors. In this case, foreign investment and the private sector in Iraq may have a role to play, but as far as our topic is concerned, the role of government investment is weak in achieving these goals, as evidenced by the modest proportion of investment expenditure compared to current expenditure during the research period. On the other hand, the Iraqi economy, especially after 2003, has witnessed major challenges such as economic and security instability, the deteriorating state of services, and the increase in current spending. All these reasons have led to the lack of implementation Investment programs as planned within the required development strategies, as the investment allocations were not actually disbursed at the appropriate time and place, in addition to the poor efficiency of the implementation of the required economic programs, as the implementation rates of the investment projects to be implemented were not reached, which, even if they existed, would be inaccurate. This is illustrated in Table (5), which shows the ratio of the contribution of investment expenditures to public expenditures and GDP, as the percentages were fluctuating and not high, as it was the highest percentage in the best conditions (33.90%) in 2013, which witnessed a significant increase in oil prices, which was reflected in the increase in the financial allocation of investment expenditures, which amounted to (40380.7) billion dinars. As for the rest of the years, despite the lack of financial allocation for investment spending, the full amounts were not disbursed due to misuse and inefficiency of the implementers, which reduced the implementation rates, which were the highest in 2009 when it reached about (88.6%), then it soon decreased in the following years to reach (224%) in 2015. Therefore, it is necessary to address this deteriorating situation and implement it in the appropriate time, and not to waste money and make the best use of it, while in 2023 alone, the ratio of public expenditure to GDP reached 46% as a result of the appointments of the Service Council and the increase in operational

expenses, and as a result of the inefficiency of the Iraqi productive apparatus and the failure to keep pace with this increase, which was reflected in the increase in the general level of prices.

Table 5: Public Expenditure Index for the Period 2003-2023

year	Ratio of Actual Current Expenditure to GDP %	Ratio of Actual Investment Expenditures to Total Public Expenditures	Ratio of actual investment expenditure to GDP	Ratio of actual public expenditure to GDP
2003	6.03	9.98	0.67	6.7
2004	51.84	12.45	7.37	59.21
2005	36.81	12.21	5.12	41.93
2006	36.53	6.87	2.7	39.23
2007	29.36	16.76	5.91	35.27
2008	33.31	22.26	9.54	42.84
2009	35.17	17.36	7.39	42.55
2010	33.68	22.18	9.6	43.28
2011	28.03	22.63	8.2	36.23
2012	29.81	27.92	11.55	41.36
2013	28.78	33.9	14.76	43.54
2014	30.6	31.27	13.92	44.52
2015	26.62	26.37	9.54	36.16
2016	25.99	23.7	8.07	34.06
2017	26.15	21.81	7.29	33.44
2018	26.31	17.09	5.42	31.73
2019	33.2	21.86	9.29	42.49
2020	31.97	9.13	3.21	35.18
2021	32.97	10.64	3.93	36.9
2022	27.31	12.28	3.83	31.14
2023	38.45	17.33	8.06	46.52
2003-2023	31.8	18.5	7.2	39.1

4.1.2. Public revenue index

About the index of growth of public revenues to GDP growth, 35% of GDP has been set as an appropriate size to face public expenditures, i.e., it can be considered an appropriate percentage in covering public expenditures, and what exceeds that percentage will be directed to investment fields to promote the infrastructure of society and the establishment of sovereign funds and funds to guarantee the rights of future generations or funds to hedge in the event of low oil prices and scarcity of resources.

It can be seen from Table 6 that the ratio of public revenues to GDP exceeded the specified ratio, except for the years (2015, 2016, and 2017), in which the ratio reached (34.14%, 27.63%, and 34.26%), respectively. As for the indicators of the growth of oil and tax revenues to the growth of public revenues and GDP, when observing Table (6), we find that there is a structural imbalance in the Iraqi economy resulting from the dependence on the revenues of a primary commodity for export, which is oil, which plays the main role in financing the budget while the decay of other resources to meet the increasing expenditures. We can see from the table the increase in the percentage of the contribution of oil revenues from the total revenues, as it reached the highest percentage (97.92%) in 2004, and the lowest percentage (81.36%) in 2016, and although it represents the lowest percentage of contribution, it remains a high percentage that will lead to the decay of other state resources such as taxes and dependence on the oil supplier, which makes the Iraqi economy very sensitive to external shocks. Table (6) also shows the decline in the contribution of tax revenues from the total revenues, as the highest percentage of contribution was (8.14%) in 2017, and the lowest percentage was (0.02%) in 2003, and the reason for the decrease in the contribution of tax revenues is due to several factors, the most important of which are: increasing the tax allowances for employees' salaries and exempting all employees in the public and private sectors from taxes, especially after 2003, in addition to developing an annual plan for the General Tax Authority that is not done according to a study or written equation. This means that the role of taxes in the Iraqi economy is not affected because of the great importance of oil revenues in financing public expenditure. The weakness of the tax administration in the collection of taxes also leads to a decline in tax revenues due to the acute lack of information and data necessary to accurately count taxpayers and the spread of financial and administrative corruption in all administrative circles of the tax system.

Table 6: General Revenue Index for the Period 2003-2023

year	Ratio of Oil Revenues to GDP %	Ratio of Tax Revenues to GDP %	Ratio of Public Revenues to GDP %
2003	6.23	0.00	7.25
2004	60.67	0.55	61.96
2005	53.53	0.72	55.08
2006	48.68	0.59	51.32
2007	45.51	1.10	49.32
2008	47.96	0.63	51.36
2009	38.42	2.37	42.29
2010	38.29	0.95	43.30
2011	46.60	0.82	50.07
2012	42.75	1.04	47.13
2013	39.59	1.05	41.61
2014	37.34	0.74	41.44
2015	29.62	1.18	34.14
2016	22.48	1.96	27.63
2017	28.87	2.79	34.26
2018	37.69	1.79	41.81
2019	37.74	1.53	40.91
2020	23.2	1.52	26.83
2021	34.94	1.83	38.29
2022	41.12	1.12	43.05
2023	36.67	1.77	40.76
2003-2019	37.98	1.26	41.32

4.1.3. The rule of controlling public expenditure

The standard ratio of this index is (100%), i.e., revenues equal to expenses, but through Table (7) it is clear that this base was higher than its standard percentage in most of the years of the study, which is derived from the impact of financial surpluses resulting from the sale of oil in high quantities and prices on the one hand, and on the other hand, the decline in the implementation of public sector institutions, especially investment projects and infrastructure, except for 2009, which amounted to (99.38%) due to the impact of the global financial crisis, and the years (2013-2016). Their standard ratios reached (95.56%, 94.42%, and 81.13%) respectively as a result of the oil price crisis and the resulting decrease in revenues, and this was accompanied by the unstable situation in Iraq caused by the terrorist operations carried out by ISIS, which led to an increase in funding and military spending to confront these operations.

Table 7: Rule for the Control of Public Expenditure for the Period 2003-2023.

year	Ratio of Public Revenues to Public Expenditures %	Year	Ratio of Public Revenues to Public Expenditures %
2003	108.22	2015	94.42
2004	104.64	2016	81.13
2005	131.37	2017	102.45
2006	130.83	2018	131.77
2007	139.83	2019	96.28
2008	119.86	2020	76.28
2009	99.38	2021	103.78
2010	100.06	2022	138.27
2011	138.17	2023	87.62
2012	113.96		
2013	95.56	2003-2023	108.83
2014	93.07		

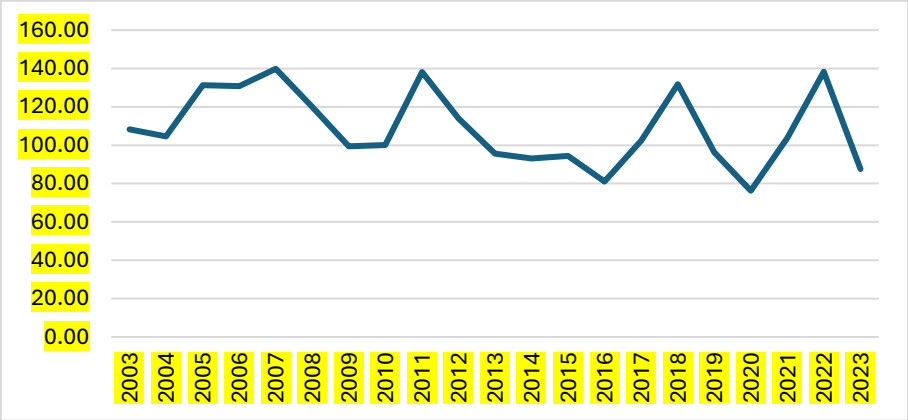


Fig. 1: The Rule for Controlling Public Spending in the Iraqi Economy for the Period (2003-2023).

It can be seen from the figure above that the expenditure control index fluctuates as it is directly related to global oil prices instead of related to the rules of fiscal control, as it is noted that the central authority lost the ability to control expenditures in the years of crisis, as the percentage decreased in 2020 to (76.26%) and (81.12%) in 2016, but it increased in 2023 to reach (87.62%) as a result of the adoption of the expansionary fiscal policy adopted in the tripartite budget and the appointments of service magazines, which made operational expenses rigid and inflexible towards a decrease General Revenue

4.2. Public debt and net budget indicators

4.2.1. Public debt index

The Public Debt Growth Index to GDP Growth is a guideline for assessing the government's fiscal position and indicating its commitment to the specific controls to achieve sustainability, the most important of which is not proceeding with the financing decision for past debt burdens. In some countries, a certain percentage of public debt is set by political commitments between parties (such as in Canada and Finland), or by regional treaties that are part of the financial rules that bind members, such as in the EU member states, according to the Maastricht Treaty, where the percentage does not exceed 60%. In the West African Economic and Monetary Union, the percentage should not exceed 70 percent, or constitutional ceilings should be set as in Hungary and Poland. Some set legal ceilings, such as the Public Debt Act or the Public Financial Management Act. In Iraq, a public debt ratio of 35%-40% of GDP may be appropriate given that public debt has implications for the economy in addition to Iraq's dependence on the oil resource. When we note Table (8), we note that during the years 2003 to 2007, the standard ratio of this index, which amounted to (245.89%, 151.85%, 91.08%, and 69.36%) exceeded the level of indebtedness, which implies an increase in indebtedness despite the Iraqi government's settlement of previous debts with the IMF and the World Bank. . On the other hand, the high percentage of this index during the aforementioned period is due to the government's adoption of a fiscal policy with an expansionary approach, accompanied by the lack of and limited public revenues due to the financial crises that the Iraqi economy experienced during the study period. During the years (2008-2019), the index ratio was within the acceptable percentage following the benefit of the financial surpluses achieved as a result of the increase in oil revenues due to the increase in export volumes following the rise in oil prices in the international market, in addition to the decline in inflation rates, as the Iraqi economy ranked first in terms of low inflation levels among the group of Middle East and North African countries, according to the World Economic Outlook Report., as well as following a fiscal policy with a deflationary and austerity approach during that period. It is noted that during recent years, the fiscal policy in Iraq has been oriented towards internal borrowing to meet the financing needs of the general budget through the issuance of remittances, and this is illustrated by the percentages shown in Table (8), which show the increase in the growth rate of internal debt to the growth of total debt, as the contribution rate increased from (4.47%) in 2004 to (51.09%) in 2019. As for the external debt, the Iraqi economy has borne many large debts as a result of the wars and the circumstances it went through, and the resulting compensation.

However, as a result of the increase in oil prices, the growth of external debt to total debt has been decreasing, and this is shown in Table 8, as the contribution rate decreased from (95.53%) in 2004 to (48.97%) in 2019. However, if this percentage increases at rates that exceed the safe rates due to the government's continued tendency towards deficit financing, in this case, the indicator poses a danger to the Iraqi economy, and therefore the government's policy should be reviewed not to over-borrow, especially foreign loans, because this makes the economy dependent on other countries and their conditions that accompany these loans, as well as the inability to achieve financial sustainability.

Table 8: Public Debt Index for the Period 2003-2023

year	Ratio of Domestic Debt to GDP %	External debt to GDP ratio %	Public Debt to GDP Ratio %
2003	15.67	732.36	748.02
2004	11.39	243.50	254.89
2005	8.97	142.88	151.85
2006	5.91	85.18	91.08
2007	4.66	64.70	69.36
2008	2.84	34.81	37.65
2009	6.46	40.31	46.77
2010	5.66	34.31	39.97
2011	3.43	24.31	27.74
2012	2.58	20.27	22.85
2013	1.56	18.24	19.80
2014	3.74	19.77	23.50
2015	16.51	27.04	43.55
2016	24.05	26.53	50.58
2017	21.12	32.41	53.53
2018	16.41	19.08	35.49
2019	14.58	13.99	28.57
2020	25.8	17.2	43
2021	22.4	12.1	34.5
2022	18.25	7.4	25.65
2023	21.3	6.8	28.1

It can be seen from the table above (except for 2003-2004 because Iraq was not subject to any international standard, but this changed after the debt cancellation under the Paris Club Agreement in 2004) and although public debt ratios were lower than the standard ratio agreed under the Maastricht Treaty, this does not reflect real fiscal consolidation because Iraqi governments relied on drawing from cash reserves rather than direct external borrowing, as well as GDP inflation as a result of high oil prices This can be seen from the figure below:

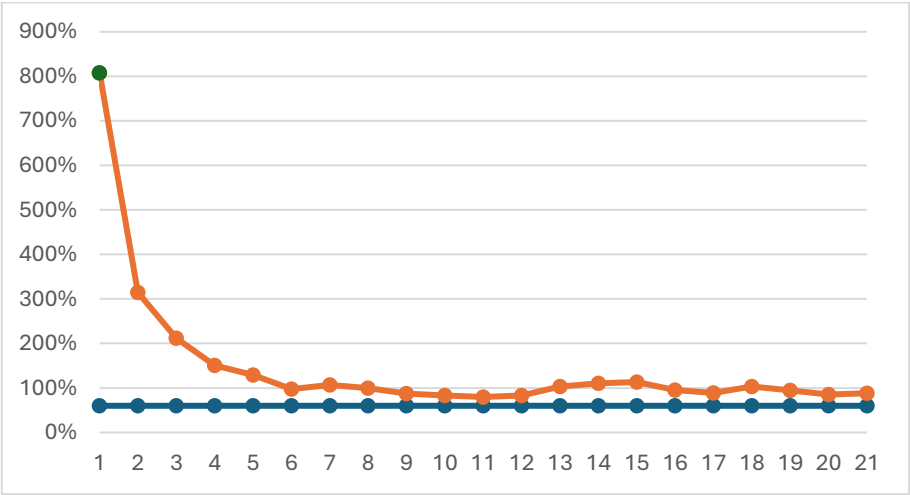


Fig. 2: Public Debt Index of the Iraqi Economy Compared to the Standard Ratio Agreed Upon in Masteryacht.

Source from the researcher's work based on Table 8).

4.2.2. Public debt index

Several criteria have determined the growth rate of surplus or deficit to GDP growth, including what is determined by the Maastricht Agreement of the European Union, where the ratio is determined not to exceed (3%) of GDP, on the other hand, many opinions and ideas have emerged that allow exceeding this percentage, provided that this deficit is directed towards achieving the society's economic goals in development, stability and employment (full employment), and this deficit is not directed towards expenditures current that increases the financial burden of indebtedness. Modern thought has concluded that government debt must be increased in order to absorb any excess purchasing power or idle money and reduce liquidity in times of boom, and that government debt must be repaid or increased in times of depression to increase liquidity in the national economy.

We can see from Table (9) that during the period (2005-2008), the period (2011-2012), and 2018, the ratio of surplus and deficit to GDP exceeded its standard ratio, due to the accumulation of financial surpluses achieved as a result of the sale of oil. The percentage was negative in the years (2009, 2013, 2014, 2016, and 2019) due to the crises witnessed in the Iraqi economy, which required more spending in tandem with the decline in revenues.

This indicates that the fiscal policy during the period (2003-2023) did not follow the fiscal rules tightly, which led to a kind of instability or the achievement of fiscal discipline, due to social and political events that directly affected the economic situation, as this period was triangulated by the period of political transformation and the lifting of the embargo on Iraq and its openness to the outside world.

Table 9: Net Budget to GDP Index for the Period 2003-2023

year	Net Budget to GDP Ratio %	Year	Net Budget to GDP Ratio %
2003	0.55	2016	-6.43
2004	2.74	2017	0.82
2005	13.15	2018	10.08
2006	12.09	2019	-1.58
2007	14.05	2020	8.34-
2008	8.51	2021	1.39
2009	-0.27	2022	11.92
2010	0.03	2023	5.76-
2011	13.83		
2012	5.77		
2013	-1.93	2003-2023	2.65
2014	-3.09		
2015	-2.02		

Source: From the researcher's work based on Table (1, 4).

4.2.3. Net budget to investment expenditure growth index (golden rule)

The standard percentage of this index is less than (100%), and this index is considered the fairest and fairest, as it distributes the debt burden for investment projects and infrastructures for current and future generations, as the years (2005, 2006, 2007, 2011, and 2018) recorded rates higher than the standard ratio of this index due to the increase in oil exports, while the years (2016, 2019, 2020 and 2023) recorded negative growth rates due to the conditions that have hit the country. He points out that the government used to borrow or resort to the legal reserve to finance operational expenses (salaries) and not for investment projects, which is considered a clear violation of the most important rules of public financial sustainability, and this is evident in the graph below, which was compared to what was stated in the Maastricht Agreement, which assumes the ratio at (-3%).

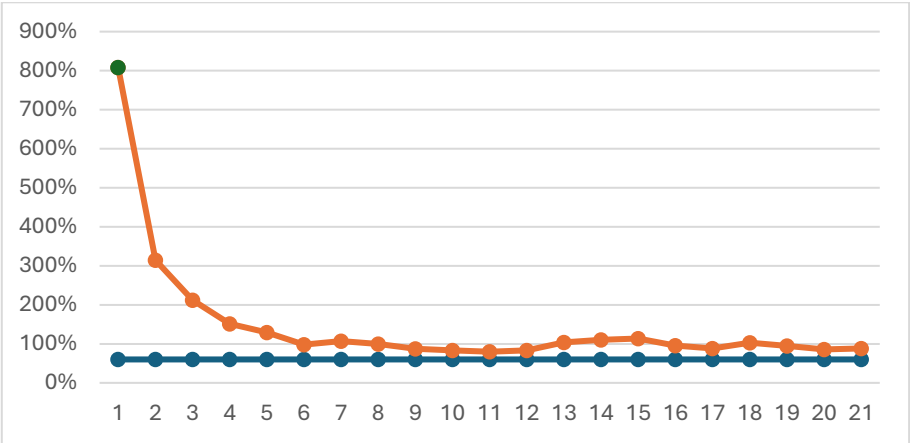


Fig. 3: The Golden Ratio of the Iraqi Economy Compared to the Standard Ratio Agreed Upon in Master Yacht.

Source: The researcher's work based on Table 10.

Table 10: Net Budget to Investment Expenditures Index for the Period 2003-2023

year	Golden Ratio	Sunnah	Golden Ratio
2003	82.32	2016	-79.64
2004	37.23	2017	11.21
2005	256.88	2018	185.94
2006	448.71	2019	-17.02
2007	237.64	2020	259.85-
2008	89.23	2021	35.54
2009	-3.59	2022	311.64
2010	0.28	2023	71.43-
2011	168.68		
2012	50.01		
2013	-13.09	2003-2023	78.42
2014	-22.16		
2015	-21.15		

Source: From the researcher's work based on my tables (2, 4).

5. Conclusions and Recommendations

5.1. Conclusions

- Inefficient management of economic, social, and political resources, and the widespread problem of administrative and financial corruption.
- The inflexibility and inefficiency of the private domestic production apparatus towards economic changes in the face of public sector inflation
- Crowding the public sector with the private sector

- Fiscal policy during the period (2003-2023) did not follow financial rules tightly, which led to some kind of instability or lack of access to Fiscal Discipline.
- Despite the low debt-to-GDP ratio, the amount of public debt tends towards consumer spending, i.e., to finance current spending, which creates difficulties and problems facing the local economy at the maturity date of public debt and its interest.
- The difficulty of implementing the policy of controlling public expenditure in the Iraqi economy is due to the following reasons:
- It is difficult to obtain international financing to stimulate the local economy due to the uncertain features of the Iraqi economy and the high degree of political, security, and investment risks.
- The inflexibility and inefficiency of the private domestic productive apparatus in the face of economic changes, in the face of public sector inflation.
- The ineffectiveness of the Iraqi tax system.
- Public sector employees are the main source of effective demand, so any reduction in their wages would be an economic shock that would stagnate the economy.

5.2. Recommendations

- To stop the financial bleeding and remedy the problem of the rule of controlling public spending, a time limit for operational expenditures should be set in the budget so that the inflation rate does not exceed within a period of two years. Issuing a decision prohibiting reliance on borrowing, whether internally or externally, to finance public expenditure, and limiting it to for-profit projects that benefit the community.
- Diversifying non-oil sources of revenues and activating electronic automation in the collection of taxes and customs within a period of 5 years to overcome the effects of low oil prices, and Saudi Arabia's experience in raising the value-added tax to compensate for the shortfall in oil revenues, and launching the financial sustainability program can benefit
- Establishing a Financial Stability Fund to Absorb Oil Shocks and Prevent Their Transition to the General Budget, and the Future Generations Fund in the State of Kuwait can benefit
- Optimal use of the financial surpluses resulting from the difference between the price of a barrel of oil and the price set in the general budget, through their investment in sovereign projects or in sovereign and global savings funds that generate a relatively stable return.
- Activating the role of the tax authority in financing public projects through the development of laws and regulations that would reduce tax evasion and re-evaluating the tax base.
- Developing the stock market to ensure the mobilization of local savings and the availability of the necessary liquidity to be used to finance productive projects, which helps the local economic sectors to obtain the necessary financing.
- Working to break the link between the fluctuations of public expenditures, the fluctuations of oil revenues, and the GDP, which leads to activating the role of fiscal policy in confronting the fluctuations of the economic cycle.
- Controlling and rationalizing public expenditure through the reform of public expenditure items and their various aspects, improving the efficiency of expenditure and public debt management, and budgeting from a medium-term perspective that takes into account available resources and sets goals.

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