

Sources of public budgets and resources affecting them in Iraq under economic development plans

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Abstract:

The aim of the research is to know the size of the general budget, both revenues and expenditures, and to identify the factors affecting it, and a hypothesis of the Iraqi budget, sources of funding and influencing factors in light of the economic plans after 2003. The research concluded that the economic plans and financial attempts did not work to find a funding source that contributes with oil to financing the general budget (90-96%), and thus the oil resource remained predominant over the budget, and the rest of the resources did not represent a reliable percentage, and the rest of the other resources represented almost ratios. It is not mentioned, except for the external debt, which cannot be relied upon as it drains the country's resources. The most important recommendations were to work on reforming the Iraqi public budget preparation programs, taking into account their timing. Setting economic goals to achieve the targeted development and prosperity through the use of financial resources

Keywords: general budget, influential factors and sources.

Introduction:

The public budget is one of the components of the State's financial policy. It carries out its work by controlling the volume of public expenditure, and according to the volume and change of public revenues, as appropriate and proportionate to the country's economic conditions. The Ministry of Finance is responsible for the design and preparation of the general budget and implements it, based on annual laws. The General Budget is an important component of total policy, adopted by its authority. The existence of economic relations and trade activity associated with budgeting is one of the factors affecting them. This has made each State to hedge against the main factors affecting it, fearing that expenditures will overcome revenues or vice versa. This is an annual damage that ultimately affects society. Countries also differ in the factors that finance their balance, including what is rational, including what is industrial, or service. However, they share factors affecting the budget, such as the exchange rate, or the size of foreign trade, and some countries have introduced new instruments in monetary policy, which have taken on additional factors affecting the balance as a foreign currency window. In Iraq, general budgets were taken during 2004-2019, financed through oil revenues, which expose them to annual risks, and then added factors of monetary and trade policy, which influenced the budget, thereby threatening whether it depended on rent oil output, factors developed as currency windows, or higher imports, which drained public budget resources.

After 2003, economic plans were drawn up for the purpose of improving Iraq's financial situation, including the general budget. However, poor planning resulted in a wasteful budget and its dependence on the oil supplier for its financing, as well as other factors that affected the general budget.

The importance of research:

Its importance lies in the important disadvantages used in research and its financial importance for the Iraqi economy. Therefore, the study and analysis of influential factors and public budgetary sources benefit the relevant authorities and the size of the Iraqi economy.

General budget and economic development plans after 2003:

Nature of the general budget after 2003:

The Federal General Budget after 2003 drew its strength from the Iraqi Constitution, which was approved in Article (110) Thirdly, the formulation of fiscal policies shall be the prerogative of the federal authority as recognized in the article (80) Fourth, the general budget and final account are prepared by the Council of Ministers (Iraqi Constitution, 2005: 24-19), in one year (2004) The Law on Financial Management and Public Debt was promulgated by the Provisional Authority's Administrative Order No. (94) It has been applied to the financial budget for the year

(2005) and subsequent years gradually, and includes two supplements: (Financial Administration and Public Debt Act, 2004:106 - 107):

1. Financial management, which includes the legal procedures governing the preparation and implementation of the federal budget of the Government of Iraq in accordance with right estimates of the State's revenues over a future period of time, the assessment of public expenditure in accordance with the specific need of the State in the light of available resources, the identification of deficits or surpluses between estimates and ways of financing the deficit.
2. Public debt includes legal powers and duties to manage public debt and procedures for issuing government debt bonds and issuing reports. According to article 6/1 of the Financial Management Act No. 94 of 2004, the preparation of Iraq's federal budget is based on economic development plans and seeks to stabilize macroeconomic and economic policy. Budgetary interest is the result of its main financing, oil, which accounts for 90% of oil revenues. This proportion reflects the rent nature and distorts the State's economic structure, indicating a rise in financial crises as global oil prices fall, as well as threats affecting the internal oil industry or external factors and higher imports compared to exports. (http://www.iraq2020.org/print_top.php)

The Iraqi economy is thus regarded as a rental economy because it relies on oil revenues to meet its needs for the weak contribution of other sectors as a result of the collapse of most productive industrial enterprises, owing to poor planning and management, as well as the deterioration of domestic agricultural production. (Al-Hiti, 2010, 8), which made it an economy dependent on imports from abroad to meet the increasing domestic demand for productive and consumer goods and the weak flexibility of the productive apparatus. This dependence on oil resources and in light of the volatility in oil prices made Iraq's economy face shocks. (Galilee, 2008:91)

Thus, Iraq's general budget is a reflection of its intended development policy. Since such a policy is not based on clear objectives, the allocation and channelling of public resources is not based on decisions in the light of clear objectives. The general budget in Iraq is therefore usually characterized by the following characteristics: (Bandar and Rajah, 2018:43)

- 1- Lack of productivity of government spending and fruitless cooperation with monetary policy.
- 2- Public expenditure inflated against the exchange of huge foreign currencies to manage expenditure.
- 3- The low-income nature, this burdens the finances to provide greater amounts of foreign currency to balance public spending.
- 4- Public expenditure control tools do not meet technical and economic efficiency criteria, and strict scrutiny of economic policies and alternative convention.

5- Failure to discuss the different methods of evaluating the feasibility of many government programs. Especially how to get local revenue to cover public spending instead of using foreign currencies.

The budgetary problems arise in Iraq. On the one hand, oil rents are affected by the decline in the monetary value of the economies consumed by this commodity, which results in a decline in the real value of the general budget income. A fiscal deficit could destabilize the State's financial position. On the other hand, the economy and society continue to rely on public expenditure, there is no alternative in the near term that can assume some public expenditure responsibilities. (Janabi, 2007:47). It can be said that Iraq's general budget faces a real and complex problem rather than an administrative, digital or crisis that can be resolved within the framework of the current economic and social realities. The existence of that problem may have limited the State's choices and restricted its movement to address the continuing budget deficit.. It was also obliged to borrow and bear debt burdens, thereby postponing difficult decisions on budget reform and subjecting public expenditures to the criteria of utility from public expenditure. These advantages have been adversely affected by monetary policy, and monetary policy has been affected by imbalances in the general budget. As a result of the situation in the budget, several challenges were attached: - (Issam, 2020:32)

Low efficiency of institutional performance:

1- The continuing failure of the Government of Administration to subject the logic of proper economic calculation and the principles of effective management of public resources within a comprehensive framework is deepened by the continuing disconnect between government investment programs and allocations from the State's general budget, as well as the lack of public finances and monetary implications within a broader framework and long-term prospects, with economic mismanagement to diversify the productive structure of the Iraqi economy

2- A large government administrative system and low productivity.

That the breadth of the administrative and governmental authority, the low efficiency of its functioning and its unjustified extension of the waste of resources and to serve personal and factional interests and their complicity with the values of their content, that the State is the personal right of its employees, It is its duty to take care of its employees and not to prejudice their privileges as part of their incentive system. It contributed to the delay in the reconstruction and restructuring of government authorities within the management reform program and on a cost-cutting basis while ensuring efficiency and the disposal of resources.

3- Distortion of the sectoral structure:

The oil sector remains the dominant sector in the general budget and GDP, as the oil-to-GDP ratio has risen from (51.26%) in 2010 to (55.1%) in 2015, as a result of the failure of the economic policy required to diversify, while the share of the agricultural sector's contribution to

GDP generation fell from (4.17%) 2010 to (2.20%) 2015, manufacturing sector contribution decreased from (2.1%) 2010 to (0.84%) 2015. (National Development Plans, 2014-2018: 25)

Trade imbalance

4- The absence of a trade policy that takes into account the need for economic conditions necessary to maintain international competitiveness. The continued growing imbalance in the domestic product structure has led to a higher trade balance in terms of the high proportion of oil exports to (99%) of Iraq's total exports, with a spectacular diversity in the structure of imports, and a significant economic openness with foreign trade to GDP ratio (50.25%) in 2015.

5- External shocks

Oil revenues continue to rank first in the general budget revenue ladder, which accounted for 95.9%, making the general budget responsive to the external shocks of oil and domestic price volatility, and the turmoil of not diversifying non-oil revenues. (Jabouri, 2017:75)

6- Increase in public debt:

The extensive reliance on public (internal and external) debt to cover the budget deficit is more than a development constraint and is an alternative opportunity to finance it from non-oil sources. This debt also constitutes a burden for present and future generations, and with the lack of coherent macroeconomic policies work to invest it highly efficiently. (21.6%) of the estimated general budget, financed through internal and external loans, thus becoming external debt (19.1) billion dinars for 2016 and the amount of internal debt (48.469) trillion dinars. (Zini, 2006:64)

7- Underdevelopment of the banking system:

Ageing of techniques currently used, classification of management methods and laxity of administrative staff that do not respond to modern technological changes The absence of an environment conducive to dealing with customers and the vulnerable in the marketing of non-traditional banking products has made banks and administrative systems working with them unable to keep pace with banking systems in terms of some indicators such as the high value of doubtful debts, which is about (3,079.7 billion dinars in 2015, which constitutes a burden on financial stability, as the failure to pay credit to government banks was 67.1%. (Jawad, 2009:40)

Economic development plans under surplus budgets:

Despite surplus budgets, Iraq's economic development during the period 2003-2009 was characterized by a lagging reality at all levels and institutions of the State. In 2010, the drafters of plans and strategies focused on creating a suitable political, economic and administrative environment for the operation of investment programs and projects and strengthening State institutions, benefiting from explosive budgets, both at the sectoral and governorate levels. rational use, good governance and effective implementation of the actual expenditure of investment allocations, resulting in an increase in the productive capacity of society, and

ensuring the quality of services provided to beneficiaries (private sector, civil society organizations) as follows:

I: National Development Plan (2014-2010)

The plan was launched with eight objectives. The development plan translates the strategic vision through the following general objectives:

- 1- Increase in GDP.
- 2- Diversification of the economy through gradual increases in the proportion of productive, agricultural and industrial sectors' contribution to GDP.
- 3- Improving the level of productivity and developing the principle of competition.
- 4- Optimizing the exploitation of available natural resources, without prejudice to generational rights and keeping abreast of global developments.
- 5- Strengthening the role of local governments in provincial development and building crisis capacities.

Through these objectives, we note the focus on diversifying sources of income through the contribution of productive sectors to increasing GDP, making optimum use of available resources and identifying their development priorities, particularly in the provision of social infrastructure services (Ministry of Planning of Iraq, National Development Plan (2014-2010))

II: National Development Plan (2017-2013):

The government approved a new plan, which complements the plan (2014-2010), due to the weak political environment and deteriorating security conditions that impede the approval and implementation of development programs and government projects in order to avoid past distractions and challenges. Its objective is to:

- 1- Building a diversified and prosperous economy led by agriculture, industry and energy sectors that are fundamental development poles.
- 2- Federal budgetary orientations should conform to the plan's objectives, in the light of balanced macro-policies for financial and monetary stability.
- 3- The competitiveness and diversity of the economy.

This plan focused on a series of hypotheses, the most important of which were:

- 1- To change the identity of Iraq's economy, in order to move from a rent to a productive economy.
- 2- Effective partnership between the public and private sectors and civil society in achieving sustainable development, Ministry of Planning of Iraq (National Development Plan (2017-2013))

Third: National Development Plan (2022-2018). (Ministry of Planning, 2017: 4-19).

The philosophy of the proposed development model of the plan was based on the premise that unbalanced and stimulating growth of the productive sectors (energy, industry, agriculture and tourism), based on policies to improve the management of assets enhanced for infrastructure activities, should be adopted by directing investments sectorally and spatially according to the comparative advantage criterion based on the integration of development decision-making and its implementation between different departments and the private sector.

This plan focused on a range of hypotheses, the most important of which were:

1. The existence of the security challenge.
2. Weak and inconsistent sectoral policymaking system.
3. Low productivity of public investment expenditure and minimal private investment expenditure.
4. The existence of corruption, associated practices that impede the development process

The Plan's fiscal policy objectives are as follows:

1. Correction of public expenditure structure.
2. Diversification of revenue structure and increase of non-oil revenues.
3. Address the real deficit in the State's general budget.
4. Improving public financial management. and take advantage of Cambodian revenues.
5. Reduce annual deficit rates.

The main objectives of monetary policy were:

1. Maintain inflation rates within one decimal place.
2. Maintain the stability of the local currency's exchange rate. And activate the control of the currency window.
3. Work to create a growth-inducing credit activity.
4. Strengthening the international reserve.
5. Activating the Central Bank's role in Iraq by promoting monetary and financial integration.

The main economic challenges identified were:

- 1- Deteriorating investment climate.
- 2- The imbalance in production structure, that is, the oil sector continues to dominate GDP,
- 3- Trade balance imbalance.
- 4- Imbalance in the general budgetary structure.
- 5- High public debt.
- 6- Defect the bank balance.
- 7- Limited scope of the private sector.

Thus, past national development plans have not been able to lift important economic sectors from their realities, and the economy has remained a one-sided rentier economy, with imports overwhelming exports, as evidenced by its financial and trade indicators. (Iraqi Ministry of Planning, National Development Plan (2022-2018)).

Economic plans and financial attempts have not worked to find a source of financing that contributes with oil to the financing of the general budget, thus remaining the oil supplier predominantly to the budget, and the rest of the resources do not represent a reliable proportion. These sources include:

Petroleum resources and local taxes

Table 1 shows that the largest proportion of oil revenues, when compared with domestic taxes, is contrary to either planned after 2003 or to the development plan's reference to the fiscal planning objective of diversifying public revenues. (National Development Plan, 2018-2022: 67), which means a lack of conformity with what is planned and implemented in the financial plans prepared by the authors of these plans. During the period (2009-2019) the average contribution of oil revenues to total tax revenues (92.5%) in 2009, the percentage decreased in oil revenues after 2014 - 2019, reaching 2016 by (90.8%) because in this period, after the decline in oil prices, the Government checked the withdrawal of domestic tax resources from the departments and the Ministry, and withdrew the banks' surplus funds, resulting in a decrease in the credit rate. It is clear from the foregoing that Iraq's economy depends on crude oil and this exposes it to the influence of external variables through rising and falling oil prices in world markets, which exposes it to vibrations and strong shocks that are harming its fragile economic reality. The other source is tax revenues that the Government relies on to finance its public expenditures, so if oil revenues are formed between (90% - 99%), for most years of study, this means that taxes are only important in budget financing. (10%) at best, indicating the inefficiency of Iraq's tax system and the inability of taxes to finance public expenditures within public budgets. The highest percentage in 2016 was 10% and the highest tax revenue (5590228 million dinars). But the rise in the price of oil was greater than the tax revenues. Higher tax revenues are also in total revenues. Especially after 2014, due to this increase, production of productive and service enterprises was not developed but because of increased government fees and taxes. Increase the revenue from mobile phone companies by increasing the tax rate by 2% while paying their fines. Also, 3.8% of the salaries and allowances of all State employees to cover their expenses are deducted from the salaries of the military and the displaced. and this demonstrates that Iraq's general budget relies heavily on oil revenues to cover and finance public expenditures, This makes it vulnerable to a permanent deficit depending on the volatility of oil prices as well as not taking advantage of opportunities in the years in which the general budget has achieved surpluses, The budget for some years has been characterized by the availability of massive financing due to high crude oil prices and increased exports financial and administrative corruption and waste of public expenditure ". This increased the risk of global crises penetrating oil prices and revenues, and the conclusion was that the financing was based on oil by 96%

during the study period. Non-oil exports are the main focus of economic policy-making, and one of the most important sources of foreign income that relieves pressure on public finances. A country's export growth strategy aims to provide producers through the established economic policy which aims to increase the ability and competitiveness of goods and services in the global market and that the study of the development of national exports is of particular importance in the follow-up and evaluation of the foreign trade sector as the analysis of their data enables the knowledge of financial diversity, This was pointed out by many economists who stressed the need to maintain export promotion because this will contribute to the growth of the economy by increasing productive capacity, because there is a correlation between exports and the improvement of the general budget Therefore, after 2003, the ministries and the authorities took up the diversity of exports to finance the general budget. However, the data that emerged to the 2019 as in the table (2-2) Where non-oil exports were at best in the amount (985115) million dinars in 2014, when oil exports weakened, attention turned to non-oil exports, while oil prices fell, and the country passed through a financial crisis as a result of the 2014 unity, although it was 1.51%. With regard to treasury remittances, to which the State is constantly looking to meet the need for maintenance, and rises when there is a real need to fund the budget or go through a crisis, the State went to it, especially in 2016, when it reached (34450143) million dinars, and its ratio also increased to run prices of oil revenues, forcing the government (Ministry of Finance) increased issuance of central treasury remittances to fill part of the general budget deficit gap during the years (2017-2018) The volume of Treasury remittances at the Central Bank and commercial banks decreased. When compared with oil revenues, it shows that it does not represent a large proportion of oil revenues, it was in the worst conditions (4.56%) and in the best case it was (285.54%) in 2019, due to the accumulations of previous years that witnessed Iraq's events, as well as external debt, and low oil prices.

The State's external debt, which is met when its domestic financial capacity is weakened, is noted in table 2-2 that external debt exceeds oil revenues for almost every year and decreases when compared with oil revenues from 2004, from 207.68% to 64.12% in 2018.

Source: Central Bank of Iraq, Financial Stability Reports 2004-2019

-3- Size of the general budget and the resources affecting it in Iraq

General income and expenditure:

Note from Table (3) in the years between (2004-2008) Public revenues increased owing to higher oil prices, possibly due to surplus annual revolving budget, and in the year (2009) General revenues decreased markedly (55209353) million dinars and at a rate of change of (-6836350), owing to lower oil prices and lower global oil demand due to the 2006 working crisis, and in the years (2010-2012) Public revenues as a result of higher oil prices rose to a 2012 rate of change (26381910), as well as because of the establishment of ministries bringing the number of ministries to 45 in a year (2013), new bodies, provincial councils, High Electoral Commission, Social Protection Network, Debt Repayment, Kuwait War Compensation, Gulf Cooperation

Council Debt, Kurdistan Region Allocations, Petro Territories Development Program Dollar, as well as establishment of committees in the House of Representatives, as well as the Law (32) For the year (2011) the establishment of the Housing Fund, which provides for the Ministry of Finance to fund this fund from federal budget allocations (2012-2016) for the purpose of financing housing projects (various laws, Iraqi Law Library of Local Government, www.Iraq-lg-low.org)

But the decline soon returned; Due to the decline in oil prices and accompanied by the country's security crises in the years from 2013 to 2016 to reach a rate of change (-3330078) and between 2016-2018, the rate of change in public revenues increased to 5383074 million dinars 2018 the impact of improved oil prices. The average income during the period was 77591449.

The overhead side and through the data in the table (2-3) Expenditure during the duration of the study has gone upward, as we observe an increase in current expenditure in general during the duration of the study, and in particular during the duration of the study. 2013-2004 this expenditure after 4166486 million dinars in 2004, a very significant increase can be observed in 2013, with 119127556 million dinars including an upward rise between these two years. The significant difference in high current expenditure during this period is due to the Government's pursuit of an expansionary fiscal policy, consisting of a higher component of employees' compensation, which includes salaries, wages, allowances and pension equivalents for ministries and centrally funded government departments, which accounted for the largest proportion of current expenditure as average duration (2019-2004) by (48.4%), followed by a share of social welfare from current expenditure that achieved a percentage (22.7%), while the share of grants, subsidies and debt servicing in current expenditure was at a rate (12.1%), while the share of commodity and service supplies is low (10.3%) of operating expenses resulting from the provision of production supplies to government departments. After 2013, spending decreased during the years (2016,2015,2014), reaching (113473517), (70397515) and (67067437) million dinars, respectively, owing to the lack of a general budget from the second half of 2014, on the one hand, and the decline in oil prices and increased military expenditures, on the other hand, owing to the security conditions to which the country was exposed, expenditures returned by rising later in the years. (2019,2018,2017), amounting to (75490115), (80873189) and (87300932) million dinars respectively, caused by these rises to the recovery of crude oil prices, but in 2019 by (87300932).

Analysis of deficit and surplus ratio:

Note from table (4) that in the years between (2004-2012) Note that the budget has seen a surplus, if it reaches the highest surplus value in 2011 to reach (25231423) million dinars, accompanied by a rise in domestic product, and amounting to GDP (11.6) The reason for the surplus is higher oil revenues and a reduction in public expenditure, but in 2010 the surplus experienced a significant decline , due to fears of a financial crisis during the years. (2013-2015)

We note the emergence of budget deficits due to low oil prices, wars, the country's situation and Iraq's recourse to IMF borrowing.

These years were affected by political disagreements and the conditions of ISIL's control over certain Iraqi territories, resulting in the failure to approve the general budget and thus the lack of clarity about the Government's fiscal directions and the spending plan or the route of its projection of general revenues and expenditures in accordance with that year's fiscal policy. It should also be noted that the existence of a fiscal deficit within the planned fiscal budget contradicts what I have been going through, namely, the objectives of the national development plans, which set the goal of addressing and reducing the fiscal deficit. (Development Plan 2013-2017: (45)

The deficit (-5287480, 7919667 and -3927263), respectively, was 1.9%, 3% and 2%, after which the budget reached a surplus to 2018. The year 2019 was a deficit due to the coronavirus pandemic and low oil prices.

As for the thresholds to be set by the outline of the general budget compared to the size of GDP for the current year "Most of the years of the school period selected from 2009 to 2019 were recorded in excess of the percentage determined by Iraqi law and represented 3% of GDP so that the average planned deficit or surplus ratio is 9.3% of GDP; it refers to the authors' failure to restrict the above-mentioned legal ratio. The general budgets planned during the period of the study were not financially disciplined, and the objective of financial planning was not achieved with the question of the need to restrict fiscal policy for the fiscal discipline of Iraq's general budget by adjusting the upper ceilings to balance public expenditures.

It is also noted from the ratios listed in table (2-4) that they were initially relatively high until one year 2009 and then the ratio began to gradually decrease until it reached (0.03) per thousand in 2010, Then it rose relatively to 11.6% in 2011, after which the ratio went back to negative to -3.6% in 2019, and then to a relative increase in two years. (2019 and 2020), due to popular demonstrations in 2019, and the effects of the coronavirus pandemic on the direction of spending in the 2019 general budget.

Currency auction (window):

It is the main official channel to meet foreign currency demand, and was introduced in 2004 by the Central Bank of Iraq, for the purpose of maintaining a stable exchange rate, is an important objective for central banks and can be used as a monetary policy tool to stabilize price levels.

The nature and structure of Iraq's economy, with its undeveloped financial system, (Abrihi, 2014:112) as the Central Bank of Iraq has intervened since 2004 in the foreign exchange market using the auction window as an open market tool. To sell foreign currency, the function of the Central Bank was to replace foreign currency in general and the dollar in particular received from the Development Fund for Iraq with the corresponding local currency required by the

Ministry of Finance to finance the general budget, including public expenditures; The Central Bank uses foreign currency in the auction to achieve the objectives it seeks, including support to the general budget through the Central Bank obtaining new local funds as a result of the sale of foreign currency in local currency. And so this procedure supports the general budget when you go through a disability situation, This provides government authorities with the possibility not to borrow from abroad or internally. The auction will also reduce remarkable inflation, this provides value for the general budget, and provides the auction for individuals to retain dinars received from the state, instead of holding the dollar, and this supports the approval of the budget by individuals and acquiring its resources. (Dbash, 2019:75)

Exchange rates change

In accordance with Law No. 56 of 2004, which provides for the restructuring of the Iraqi economy and the orientation towards the market economy in order to improve and stabilize the value of the Iraqi dinar by controlling the exchange rate in the market and through the foreign exchange display window, the exchange rate is determined in accordance with the mechanism of foreign currency supply and demand.

In the currency window, two rates for the first exchange will produce the official exchange rate, the local rate in the window, representing the sale rate of the dollar to banks and transfer companies, while the parallel rate represents the market rate, which is the rate at which banks and companies follow and convert the dollar to traders and dealers,

They are based on supply and demand laws, as the Central Bank attempts to influence the market rate and meet window targets, and represents the difference between the window rate and the exchange gap market price. If the foreign currency spent in the window is less than the demand for it increases its market price, increasing the gap between the official price and the parallel price, negatively affecting the value of the general budget, in this case requiring the Ministry of Finance to sell large quantities of dollars to close the gap, (Passing and morning, 2019:32), and any delay will be at the expense of the general budget. The exchange gap widens depending on its impact by several factors, including: (Khalaf, 2018:21)

- 1- Ratio of foreign exchange sales coverage by volume of total foreign currency demand (supply coverage of demand)
- 2- Nature of sales in the window (cash/transfers/documentary credits). The increase in cash sales reduces the exchange gap owing to the intensity of commercial dealings with a State that is prohibited from the banking system.
- 3- Foreign Exchange Display Window Instructions and the interconnection of control procedures between government institutions relating to the Foreign Exchange Offer Window and the use of official documents issued by these institutions are essential requirements by the Central Bank in order to meet dollar purchase orders from a window and calculate them as evidence of the banks' obligation to pay their tax obligations.

On the general budget side, when income and expenditure are unequal in the general budget, or expenditures are higher than revenues, the State turns to the exchange rates to devalue the local currency when it depletes its resources. This option is better than the issuance of a new currency and its impact on the currency, so we note through the table (5) That the period (2004-2013) marked a clear decline in the exchange rate of the Iraqi dinar against the United States dollar, reaching 2004 (1453) and continuing to 2013 and reaching (1166), as a result of the decline in the Central Bank's foreign exchange purchases (USD) from the Ministry of Finance and hence the exchange rate increased in one year (2014) to (1188), as a result of lower oil prices, as well as lower foreign currency sales by the Ministry of Finance to the Central Bank and in the period (2015-2019) Exchange rate stabilized at (1190), at which time improved due to improved oil prices.

The foreign trade sector in Iraq's economy plays a major role in influencing the movement of economic variables, especially the general budget. In particular, Iraq has now become a State with a globally open economy that exercises freedom of trade in line with the directions of the new regime, At the same time, Iraq's economy suffers from extensive structural imbalances in its industrial, agricultural and transformative sectors. which called for an outward orientation in order to meet its essential requirements through imports, Iraq's policy of freedom of foreign trade after 2003 has made the Iraqi market a place for the disposal of the worst products in the world, causing damage in the public and private productive sector. This has weighed down the general budget.

From table 6, it is clear that Iraq's trade balance is characterized by fluctuating data, as it is in surplus, owing to higher global oil prices, increased exports from Iraq and a further deficit due to lower world oil prices. as well as import chaos, which rises as public spending rises, Higher exports, and it is noted from the table that net trade balance achieved negative surpluses, The reason for this is the high volume of unjustified imports, which are financed from the foreign currency window, As much of the window's resources tend to be imported, affecting the net balance of trade, This leads to pressure on the public budget and fiscal policy to sell foreign currencies to the central bank, and then return to financing imports again. We note that the growth of overhead expenditure during 2004-2019 was 20.90% and for revenues was 3.32%. For exports (8.53%), any rise in expenditure will stimulate higher imports.

Conclusions:

- 1- Economic plans and financial attempts have not worked to find a source of financing that contributes with oil to financing the general budget (90-96%). Thus, the oil resource remains predominantly the budget. The remainder of the resources do not represent a reliable proportion, and the rest of the other resources represent negligible ratios, with the exception of external debt, which cannot be relied upon as depleting the country's resources.

- 2- The general budget is fluctuating in surplus and deficits due to fluctuating oil prices; As for the ceilings, the scheme for the general budget compared to the volume of GDP is 3% of GDP for the current year. However, the period from 2009 to 2019 exceeded the percentage determined by Iraqi law and the planned deficit or surplus was 9.3% of GDP, it points out that financial planners do not restrict the legal ratio.
- 3- One of the most important factors affecting the balance is the change in exchange rates and currency window and this window has the function of selling and buying foreign currency, and the function of the Central Bank has been to replace foreign currency with the corresponding local currency required by the Ministry of Finance to finance the public budget including public expenditures and exchange rates were revoked when income and expenditure were not equal in the general budget, Or expenditures exceed revenues, the country turns to exchange rates to devalue the local currency when it depletes its resources, and this option is better than issuing a new currency.
- 4- The growth of public expenditures during 2004-2019 was 20.90% and for revenue has reached 3.32%, and for exports (8.53%). Thus, any rise in expenditures will stimulate higher imports.

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Table (1) Main sources of funding for Iraq's budget 2004 - 2018-term (1 million dinars)

Oil Contribution to Revenue%	Total oil and tax revenues	Total tax revenues	customs tax	tax revenue	oil revenues	years
0.994	62806133	386813	81020	305793	62419320	2004
0.986	56406746	810412	118177	692235	55596334	2005
0.983	54151993	898717	219080	679637	53253276	2006
0.975	53033757	1332457	229080	1103377	51701300	2007
0.980	59054720	1164733	376541	788192	57889987	2008
0.925	50423490	3774157	590692	3183465	46649333	2009
0.971	56358110	1650668	466008	1184660	54707442	2010
0.978	65854545	1447075	432406	1014669	64407470	2011
0.976	76142410	1852761	523439	1329322	74289649	2012
0.972	72166359	2032557	603517	1429040	70133802	2013
0.971	67142273	1950127	513257	1436870	65192146	2014
0.951	50910634	2516217	416236	2099981	48394417	2015
0.908	51751230	4779347	643466	4135881	46971883	2016
0.925	65078250	4860503	1228776	3631727	60217747	2017
0.934	81240792	5400800	2212321	3188479	75839992	2018
0.934	84249771	5590228	2343654	3246574	78659543	2019
0.960	62923201	2527973.3	687354	1840619	60395228	average

Source:

- General Customs Authority.

- The Republic of Iraq, the Ministry of Finance, the Budget Department, the General Tax Authority, the Planning and Follow-up Sections and the Real Estate and Turbine Section for the years 2004-2019.

- Republic of Iraq, Ministry of Finance, Economic Service, Technical Information Section, tables of final accounts for the years 2004-2019.

2-2- Non-oil exports, treasury transfers and external debt

Table (2) Secondary sources of funding for the general budget for the 2004-2019 term (1 million dinars)

Remittances/oil revenues	Debt/oil revenues	Non-oil/oil revenues	Total Treasury Remittances	External debt	Non-oil revenues	Oil revenues	years
7.10	207.68	0.03	4434707	129630480	17700	62419320	2004
4.47	188.98	0.04	2486121	105066720	23579	55596334	2005
9.75	152.89	0.06	5193705	81418012	30298.7	53253276	2006
40.33	139.47	0.08	20848807	72109684	39412	51701300	2007
4.56	94.42	0.11	2642328	54658564	63417.9	57889987	2008
11.08	112.90	0.08	5169133	52667550	39311.4	46649333	2009
55.49	101.63	0.09	30359253	55597230	51589	54707442	2010
22.79	82.03	0.12	14677648	52836030	79342.5	64407470	2011
7.12	69.37	0.13	5287480	51536034	93898.4	74289649	2012
11.21	71.16	0.15	7863671	49908298	105695	70133802	2013
6.02	77.27	1.51	3927263	50375864	985115	65192146	2014
26.32	108.77	1.33	12739471	52638006	644552	48394417	2015
73.34	111.20	1.49	34450143	52234944	697734	46971883	2016
50.43	121.48	1.13	30368686	73153440	679502	60217747	2017
36.60	64.12	1.02	27758823	48625780	771603	75839992	2018

285.54	157.76	0.98	27546949	49857656	774563	78659543	2019
40.75	116.32	0.521	14734636.75	64519643.25	318582.05	60395227.56	Average

Table (3) of Iraq's general budget for the 2004- 2019 term (1 million dinars)

Rate of change in expenditure	public expenditure	Rate of change in income	Public revenues	Years
-	4166486	-	32982739	2004
7520151	26375175	22208689	40502890	2005
8552655	38806679	12431504	49055545	2006
5543906	33545144	-5261535	54599451	2007
25652677	59403375	25858231	80252128	2008
-25042775	52567025	-6836350	55209353	2009
14968870	70134201	17567176	70178223	2010
33810866	78757666	8623465	103989089	2011
15828135	105139576	26381910	119817224	2012
-5977148	119127556	13987980	113840076	2013
-8286226	113473517	-5654039	105553850	2014
-39083598	70397515	-43076002	66470252	2015
15230551	67067437	-3330078	81700803	2016
-2689382	75490115	8422678	79011421	2017
12632245	80873189	5383074	91643666	2018
6427743	87300932	5012810	96656476	2019
4339244.7	67664099	5447967.5	77591449	Average

Source: Ministry of Planning, Central Bureau of Statistics. Miscellaneous Reports 2004-2019.

Table (4) Ratio of deficit or surplus to GDP (1 million dinars)

Deficit or surplus ratio to GDP% 2/1	gross domestic product (2)	deficit or surplus (1)	Years
41.0	70232121.1	28816253	2004
19.2	73533598.6	14127715	2005
10.7	95587954.8	10248866	2006
18.9	111455813.4	21054307	2007
13.3	157026061.6	20848753	2008
2.0	130643200.4	2642328	2009
0.03	162064565.5	44022	2010
11.6	217327107.4	25231423	2011
5.8	254225490.7	14677648	2012
-1.9	273587529.2	-5287480	2013
-3.0	266332655.1	-7919667	2014
-2.0	194680971.8	-3927263	2015
7.4	196924141.7	14633366	2016
1.6	221665708.5	3521306	2017
4.2	254870184.6	10770477	2018
-3.6	259873431.6	-9355544	2019
7.83	183751908.50	8757906.88	Average

Source: Column Data (1-2) Central Bank, Directorate General of Statistics and Research for the Period (2004-2019)

- Column (3) data from the researcher's preparation

Table (5) Exchange Rates in Iraq for the period 2004 – 2019

parallel exchange rate	Window Exchange Price	Years
1453	1453	2004
1472	1469	2005
1475	1467	2006
1267	1255	2007
1203	1193	2008
1182	1170	2009
1182	1170	2010
1196	1170	2011
1233	1166	2012
1232	1166	2013
1214	1188	2014
1228	1190	2015
1229	1190	2016
1200	1190	2017
1200	1190	2018
1200	1190	2019

Source: Central Bank of Iraq, Economic Reports 2004-2019.

3- Volume of foreign trade

Table (6) Export and Revenue Values for 2004-2018 (Million dinar)

Net Balance of Trade	Total imports	total exports	public expenditure	Years
-4094.949	34050969.0	29956020.0	4166486	2004
5181756-	45145710.0	39963945.0	26375175	2005
11865682.8	36914707.8	48780390.6	38806679	2006
19735286.1	31422753.0	51158039.1	33545144	2007
30778790.1	48249768.6	79028558.7	59403375	2008
147420.0	51326145.0	51473565.0	52567025	2009
8648055.0	55232658.0	63880713.0	70134201	2010
36214776	60316542.0	96531318.0	78757666	2011
39171536.8	73980251.4	113151788.2	105139576	2012
32603575.4	75910914.2	108514489.6	119127556	2013
23706179.2	80008354.8	103714534.0	113473517	2014
1096980-	68289455.7	67192475.7	70397515	2015
3207357	52145112.0	55352469	67067437	2016
17486781.6	57333501.0	75180282.6	75490115	2017
42498573.6	67227432.0	109726005.6	80873189	2018
-53543574.7	57394800	110938374.7	87300932	2019
20466147.59	55934317.16	75283935.55	67664099	Average
	3.32%	8.53%	%20.90	compound growth

Source: Ministry of Planning, Central Statistical and Research Agency, National Accounts 2004-2019

Column (3) of the researcher's work (exports - imports = balance of trade)