
STUDY AND ANALYSIS OF FISCAL POLICY TRENDS IN IRAQ AFTER 2003

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Abstract

This study aims at the mechanism of fiscal policy work in the Iraq after 2003, because of the occupation and destruction of infrastructure and the promise of stability in oil prices, noting that Iraq rentier country depends in its revenues on oil and oil exports as revenue for the general budget by more than 95% and the trends of fiscal policy in Iraq after 2003 can be determined by two directions: Prioritize public government spending on the nature of consumption rather than directing spending (current spending) towards growth, stability and economic development. The second trend: is the adoption of the general budget on an operational basis based on the generation of a wide class of government sector employees (disguised unemployment) This places great burdens on the reality of the Iraqi economy, despite the rise in oil prices and increased revenues, but these revenues are directed towards current spending at the expense of investment spending. Therefore, fiscal policymakers should invest money in long-term fiscal investments that stabilize the country's economy, reject the budget with public revenues, reduce consumer public spending, and reduce disguised unemployment in Iraq. Fiscal policy must also coordinate with other economic policies in order to affect the economy and be more effective through its social, economic and political paths in order to achieve economic stability for the country.

Keywords: fiscal policy, general budget, Iraqi economy.

Introduction

The fiscal policy in Iraq, especially after the events of 2003, is related to the nature of the security, economic and political conditions in which the general budget of Iraq witnessed a continuous financial deficit as a result of those abnormal events that the country went through, which reflected negatively on all joints of the economic sectors of the country, which led to the emergence of many problems, including inflation and unemployment. And a decrease in GDP led to a significant decline in the economic performance of the country and also led to the emergence of administrative and financial corruption since 2003 and until now, so the fiscal policy alone cannot work to advance the economic reality and achieve economic growth and progress for the country unless there is cooperation and coordination between the financial and monetary policies, knowing that the Iraq lacks a real fiscal policy, especially after the transitional situation experienced by the Iraqi economy after 2003. And the conditions and problems that he experienced from occupation, terrorism and destruction of infrastructure and economic sectors.

Search problem

The abnormal external and internal factors experienced by the Iraqi economy, especially after 2003, negatively affected the political and security system of the country and the economic and political decision-makers, and the failure to draw a new policy for the Iraqi economy and the development of economic growth programs, all of which negatively affected the work of fiscal policy. In Iraq in achieving balance, growth and economic stability for the country, as well as raising the level of consumer spending and reducing the level of investment spending, and thus the lack of role played by fiscal policy in achieving economic growth for the country.

The importance of research.

The importance of research is how to analyze fiscal policy in Iraq through its tools, which are government revenue and government spending, especially after 2003.

Research hypothesis.

The research proceeds from the following hypothesis:

There are abnormal circumstances that the country has gone through, such as imbalance, destruction of infrastructure, significant imbalance in the economic sectors of the country, and the emergence of many other problems such as unemployment, inflation and low GDP, all of which have affected the performance of fiscal policy in Iraq, especially after 2003.

Research objective.

The research aims to:

First: Study and analysis of fiscal policy in Iraq after 2003.

Second: Presenting the development in fiscal policy through its tools represented in government spending and public revenues in the post-2003 Iraq.

Research limitations.

Spatial boundaries: Iraq

Substantive limits : fiscal policy in Iraq after 2003

1: Analysis of fiscal policy trends in Iraq after 2003:

Fiscal policy trends in Iraq after 2003 can be analyzed by analyzing their tools, which are as follows :

1-1: Analysis of the nature of the general budget in Iraq after 2003 :

The general budget in Iraq after 2003 witnessed a set of shocks and collapses that negatively affected the Iraqi economy, the fiscal policy adopted measures based on the one-sided dynamic stabilizer, which is the price of oil, through which the actual revenues achieved are determined, since Iraq rentier country depends in its exports on the oil sector only and the increase of imports on Goods and services This means the exacerbation of the increase in the consumer orientation of the fiscal policy instead of the investment orientation and this means

economic weakness in the country and the collapse of the infrastructure of the economy and the exacerbation of structural imbalances that led to the fragility of the Iraqi economy and the weak contribution of its sectors in the formation of GDP and that the Iraq depends in its budget on the budget of the items through which the general budget of the country is divided into public expenditures Public revenues and public budget trends in Iraq can be analyzed through the following analysis. ⁽²⁾.

First : Analysis of trends and components of public revenues in Iraq after 2003

Second : Analysis of trends and components of public expenditures in Iraq after 2003

Third : Analysis of the net general budget in the Iraq after 2003.

These points can be clarified through the following :

First : Analysis of trends and components of public revenues in the Iraq after 2003.

Oil revenues are the main source of public revenues for the Iraqi government because Iraq depends in its revenues on oil export revenues in a very large way and through Table No. (1) we can display the components of public revenues in Iraq as it is shown through the table that public revenues increased after 2003 due to the rise in global oil prices Revenues increased from (0 5 8 8 9 2 3) million Iraqi dinars in 2004 until they became equal to (1 4 0 1 4 6 0 8) million Iraqi dinars during 2008 that began to decline during 2009 to reach approximately (7 2 5 3 4 2 5 5) million Iraqi dinars during 2009 due to the global financial crisis that occurred during 2008, as public revenues decreased by approximately (4 1 5 7 9 3 5 2) Million Iraqi dinars from 2008 to 2009 and then increased public revenues during the years (2010, 2011, 2012) and very significantly due to the rise in oil revenues and since revenues depend heavily on oil revenues led to an increase in public revenues have become equal to approximately (22 2 2 7 1 8 9 1 1) Million Iraqi dinars during 2012 and then public revenues began to decline from 2013 to 2014 due to the entry of terrorist ISIS into Iraq, which negatively affected the country's economy and the country's orientation towards military equipment, which led to an increase in military spending, and then public revenues began to decline during 2019, as they reached approximately (3 6 4 1 8 0 9 0 1) One million Iraqi dinars, due to the Corona pandemic, which negatively affected global oil prices, and we note through Table No. (1) the work of the Iraqi budget, as it was not stable, but fluctuating, due to its dependence on international oil prices, because Iraq country is aware that its revenues depend on the oil sector to a very large extent and the low contribution of other economic sectors in the formation of revenues of the general budget of the government Iraqi .

Table (1) General revenues and their components in Iraq for the period 2004-2021 .

Million dinars

Years	Public revenues (1)	Oil Revenues (2)	Non-oil Revenues (3)	1/2 Percentage of oil revenues from public revenues %	1/3 Percentage of non-oil revenues from public revenues %
2004	32988850	32593011	395839	98.80008	1.199918
2005	40435740	39360064	1075676	97.33979	2.660211
2006	49055545	46534311	2521234	94.86045	5.139549

2007	54964850	51949251	3015599	94.51359	5.486414
2008	80641041	76297027	434014	94.61315	0.538205
2009	55243527	50190202	5053324	90.85264	9.147359
2010	70125921	36594168	6584055	52.18351	9.388903
2011	103989089	98241562	5747527	94.47295	5.527048
2012	119817222	111326166	8491058	92.91333	7.086676
2013	113840076	105695825	8144251	92.84588	7.154116
2014	97618556	97072410	546146	99.44053	0.559469
2015	66470251	57654597	8815654	86.73744	13.26256
2016	54409269	44653244	9674722	82.06919	17.78139
2017	77422172	65496776	11925397	84.59692	15.40308
2018	106569833	96062935	10506899	90.14083	9.859168
2019	107566993	99216318	8350675	92.23677	7.763232
2020	63199689	54448514	8751175	86.15314	13.84686
2021	109081463	95270298	13811165	87.33867	12.66133

Source: Prepared by the researcher based on the data of the Ministry of Finance, the Economic Department, the data for the period 2004-2021.

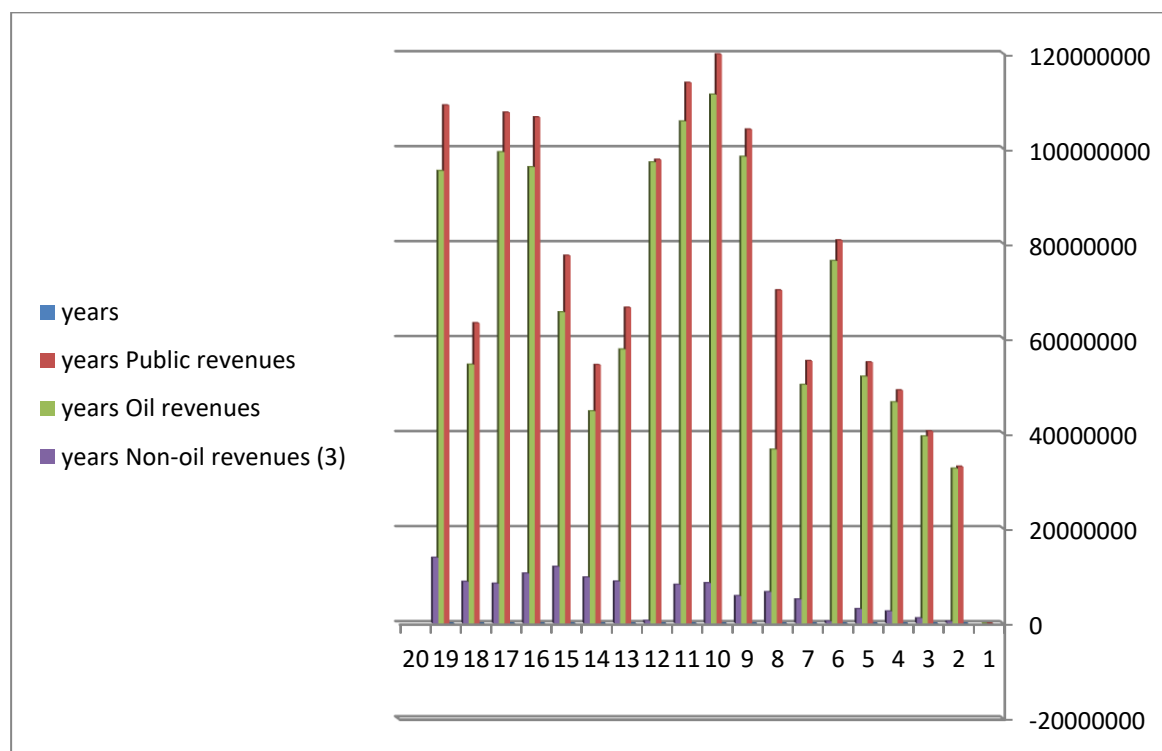


Figure 1 General revenues and their components in Iraq for the period 2004-2021

Source: Prepared by the researchers based on the data of Table No. 1 through the use of Excel.

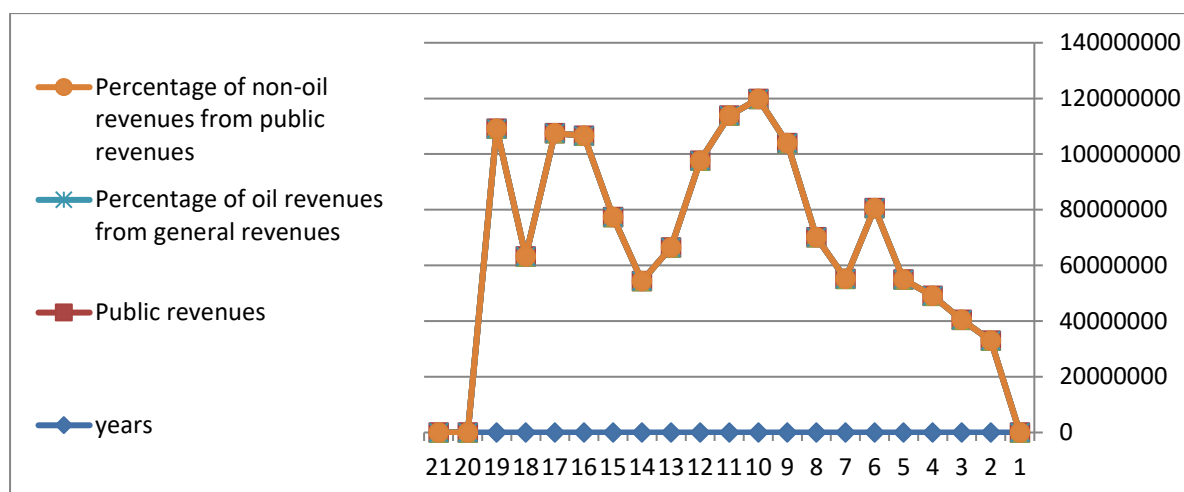


Figure (2) Percentage of oil revenues and non-oil revenues from public revenues for the period 2004-2021

Source: Prepared by the researcher based on the data of Table No. 1 through the use of Excel.

We note from Table (1) that the percentage of oil revenues from public revenues was much greater than the percentage of non-oil revenues from public revenues, and this means that the Iraq depends very much in financing its revenues on oil revenues as a rentier country that depends on the oil sector in its exports without the contribution of its other economic sectors, as we note from the table above that the highest percentage of oil revenues from public revenues was approximately 99%, while the highest percentage of non-oil revenues was Of public revenues were approximately 17%, which is very small compared to the percentage of oil revenues, and this means the weak contribution of other non-oil economic sectors in the formation of the revenues of the general budget of the Iraqi government and the weakness of its contribution to the formation of GDP. ⁽³⁾ (1).

Second: Analysis of trends and components of public expenditures in the Iraq after 2003.

Public expenditures express the financial allocations in the general budget that the Iraqi government spends in order to meet the needs of the country's requirements, as these public expenditures must be classified into investment expenditures and current expenditures, which will be presented in Table (2), where we note that the public expenditures of the Iraqi government are high despite The government's orientation towards consumer spending without investment spending and this negatively affects the country's economy and that the reason for the high level of public spending is due to the war on terrorism, which led to the allocation of nearly 60% of the revenues of the general budget for military spending at the expense of spending in other productive areas, and that consumer expenditures occupied the largest proportion of the total public expenditures, as investment spending did not exceed 30% of public expenditures, as well as a significant decline in the implementation of strategic projects. By approximately 40%, investment expenditures are directed towards infrastructure

projects that do not give an agricultural or industrial commodity return or production in kind, but rather restore the country's infrastructure as a result of the destruction it suffered politically, militarily and economically. ((5)). ((7)).

Table (2) Overhead expenditures and their components in Iraq for the period 204-2021.

Million dinars.

Years	Overhead (1)	Current Expenses (2)	Investment Expenditures (3)	1/2 Current expenditure percentage of public expenditure %	1/3 Percentage of investment expenditures of public expenditures %
2004	31521427	30660381	861046	97.26838	2.731621
2005	30831142	30374573	456569	98.51913	1.48087
2006	37494459	36902594	591865	98.42146	1.57854
2007	39308348	32719837	6588511	83.2389	16.7611
2008	67277194	52301180	14976014	77.73984	22.26016
2009	55589721	45941062	9648659	82.64309	17.35691
2010	70134201	54580859	15553341	77.82346	22.17654
2011	78757668	60925554	17832114	77.35825	22.64175
2012	105139572	75788622	29350954	72.08382	27.91618
2013	119127555	78746805	40380750	66.10293	33.89707
2014	113473516	77986166	35487350	68.72631	31.27369
2015	70397506	51832827	18564679	73.62878	26.37122
2016	76067433	51173425	15894008	67.27376	20.89463
2017	75490114	59025654	16464460	78.18991	21.81009
2018	80873188	67052856	13820332	82.91111	17.08889
2019	87300932	86769424	531508	99.39118	0.608823
2020	72873537	72712413	161124	99.7789	0.221101
2021	102849660	89526686	13322974	87.04617	12.95383

Source: Prepared by the researcher based on the data of the Ministry of Finance, the Economic Department, the data for the period 2004-2021.

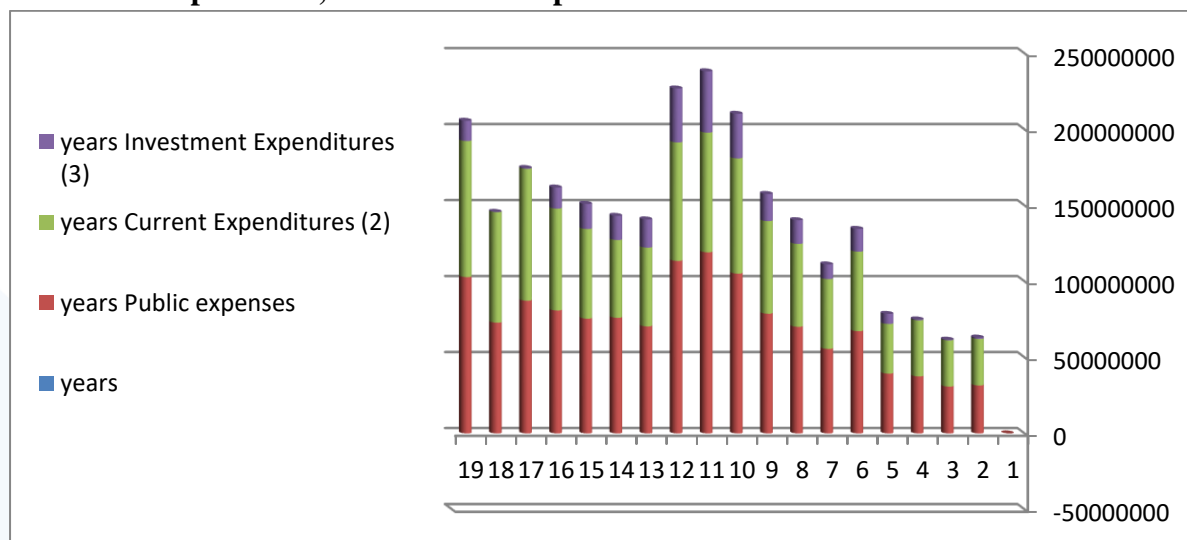


Figure 3 Overhead and its components in Iraq for the period 204-2021.

Source: Prepared by the researcher based on the data of Table No. 2 through the use of Excel .

We note from Table (2) that the highest percentage was (the ratio of current expenditures of public expenditures) equal to approximately 99%, while (the ratio of investment expenditures to public expenditures) was the highest percentage equal to 33%, and this means a large percentage of spending directed towards consumption such as wages, salaries and others instead of spending on investment, and this is what makes the general budget of the Iraqi government suffer from a deficit instead of a fiscal surplus and resort to foreign debt in order to finance that deficit on Despite the financial burdens and problems caused by those debts.

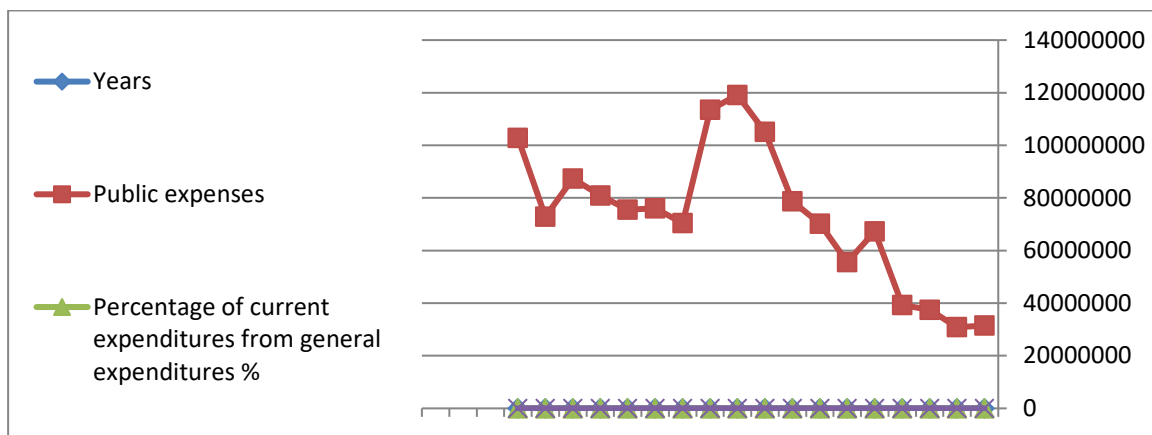


Figure 4: Percentage of current and investment expenditures of public expenditures in Iraq for the period 2004-2021.

Source: Prepared by the researcher based on the data of Table No. 2 through the use of Excel

We note from Table (2) that public expenditures increased during 2004, which amounted to approximately (7 2 4 1 2 5 1 3) million Iraqi dinars due to the expansion of public expenditures, especially after the destruction that lasted for Iraq through the war of change that occurred in 2003 and the negative effects that followed that war on Iraq. After that, public expenditures began to decline. Gradually, if it decreased during the year 2005 and then continued to decline gradually until 2009 and reached approximately (1 2 7 9 8 5 5) million Iraqi dinars due to the repercussions of the global financial crisis, the public expenditures of the Iraqi government increased during 2013, 2014 and 2015 due to the entry of the terrorist ISIS into the Iraq, which led to an increase in public expenditures and their orientation towards military spending and spending rates increased in general for the years (2015 ,2016,2017 until 2019 Then public expenditures began to decrease during 2020 and reached approximately (7 3 5 3 7 8 2 7) million Iraqi dinars, due to the Corona pandemic, then public expenditures on health and what requires treatment and prevention of Corona disease Covid 19 increased, all of which led to an increase in public expenditures during 2021 to reach approximately (0 6 6 9 4 8 2 0 1) million Iraqi dinars and that this increase in expenditures negatively affects the reality of the Iraqi economy because the Iraqi government resorts to financing those expenditures through external debt and that these debts have many effects and problems on the reality of the economy , whether at the present time or in the future. ((6)).

Third: Analysis of the net public budget in Iraq after 2003.

We mentioned earlier that the Iraqi economy is a rentier economy that depends on the oil sector only in the formation of its revenues without the contribution of other economic sectors, so that the revenues of the general budget depend on oil exports to a very large extent, knowing that Iraq country imports all goods and services from abroad, that is, it does not depend on domestic production to meet its needs, and this means that the volume of government spending is greater than its revenues, and this also means a deficit in the general budget of the government. This caused many problems for the country, as well as other obligations such as the external debt that we mentioned earlier and others in order to finance the deficit and finance large government spending. ⁽⁴⁾.

Table (3) Net General Budget in Iraq for the Period 2004-2021. Million dinars

Years	Public revenues	Overhead	Net public budget (surplus or deficit)
2004	32988850	31521427	1467423
2005	40435740	30831142	9604598
2006	49055545	37494459	11561086
2007	54964850	39308348	15656502
2008	80641041	67277194	13363847
2009	55243527	55589721	(-346194)
2010	70125921	70134201	(-8280)
2011	103989089	78757668	25231421
2012	119817222	105139572	14677650
2013	113840076	119127555	(-5287479)
2014	97618556	113473516	(-15854960)
2015	66470251	70397506	(-3927255)
2016	54409269	76067433	(-21658164)
2017	77422172	75490114	1932058
2018	106569833	80873188	25696645
2019	107566993	87300932	20266061
2020	63199689	72873537	(-9673848)
2021	109081463	102849660	6231803

Source: Prepared by the researcher based on the data of the Ministry of Finance, the Economic Department, the data for the period 2004-2021.

** (The number in parentheses indicates the deficit in the general budget in Iraq).

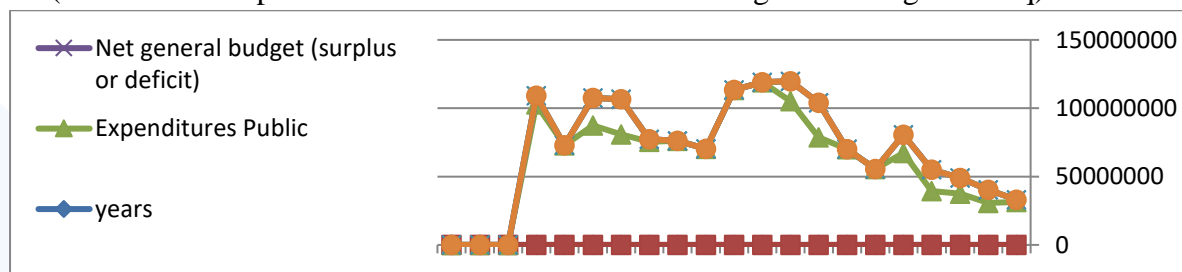


Figure (5) Public expenditures with net general budget in Iraq (deficit or surplus) for the period 2004-2021

Source: Prepared by the researcher based on the data of Table No. 3 through the use of Excel

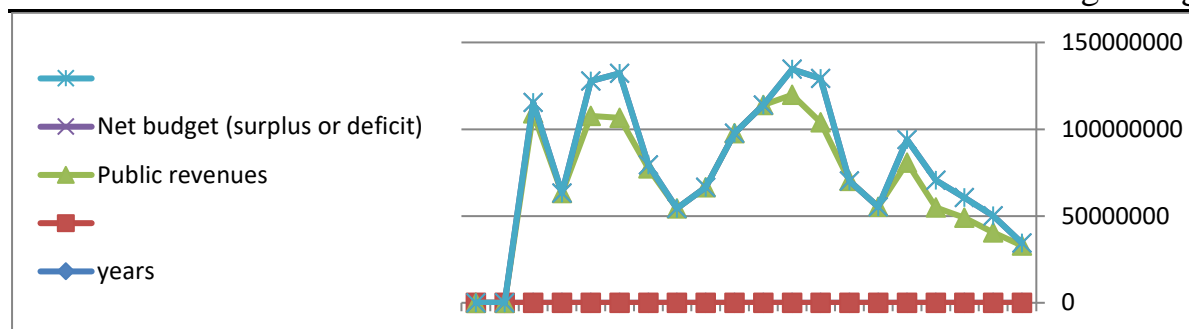


Figure (6) Public revenues with net general budget in Iraq (deficit or surplus) for the period 2004-2021

Source: Prepared by the researcher based on the data of Table No. 3 through the use of Excel

As we note through Table No. (3) that the general budget achieved a financial surplus for the years (2004, 2005, 2006, 2007, 2008) as the public revenues were greater than public expenditures, which led to a financial occurrence in the general budget for the years mentioned above, as shown in Table No. 3. Then the general budget achieved a financial part for the year (2009, 2010) estimated at (4 9 1 6 4 3) million Iraqi dinars for the year 2009 and (8280) million Iraqi dinars for the year 2010 and this means a significant decrease in the revenues of the Iraqi government against its expenditures and then the public revenues began to rise for the years 2011 and 2012, which means a financial surplus in the general budget for the years 2011, 2012 and in the years 2013, 2014 2015, 2016, 2017, public expenditures began to increase and a large financial deficit as a result of the country's exposure to terrorism and an unstable political war as a result of the entry of the terrorist ISIS and the destruction of the country's infrastructure and the cessation of most of its economic sectors, then public revenues began to recover and rise gradually to achieve a financial surplus in the general budget for the years (2017, 2016, 2019) But during the year 2020 and as a result of the Corona pandemic that occurred, it led to an increase in public expenditures and a decrease in the revenues of the Iraqi government, which caused a financial deficit for the general budget of (8 4 8 3 7 6 9) million Iraqi dinars during the year 2020, and then the global economy began to recover gradually, which led to a rise in oil prices and thus an increase in revenues The state and achieving some financial surplus in the general budget of the Iraqi government during 2021 estimated at (3 0 8 1 3 2 6) million Iraqi dinars because the general budget and its revenues are closely linked, as we mentioned earlier, to the rise in world oil prices as Iraq is a country that exports only oil and imports all other goods and services, and this means that in the event of a rise in oil prices, it means that the revenues of the Iraqi government will rise and therefore the occurrence of A fiscal deficit in the public budget and vice versa in the event of a decline in global oil prices.

Conclusions and recommendations.

First : Conclusions

1. The nature of fiscal policy in the basic Iraq after 2003 lacks a real fiscal policy commensurate with the situation of the country and the problems it is going through, which led to the deterioration of its economic sectors almost completely. Especially after 2003.
2. The fiscal policy in Iraq after 2003 is characterized by a high volume of public expenditures of the country and a decrease in its revenues, noting that current spending is the largest percentage of investment spending, which in turn has a negative impact on the development and progress of the country economically.
3. The adoption of the general budget of the Iraqi government on the revenues of the oil sector only in supplementing the revenues of the general budget of the Iraqi government without relying on other sectors, considering that the oil sector is a guaranteed sector with a very large return that differs from other economic sectors that are semi-disabled in Iraq.
4. The economic, political and security conditions experienced by Iraq after 2003 led to the exposure of the Iraqi economy to major crises that worked without achieving progress and economic development of the country.
5. The rise in wages and salaries of employees in the Iraqi government led to high prices and low demand, which means a rise in inflation rates.

Second: Recommendations

1. Fiscal policy should be directed towards increasing economic growth and achieving it by increasing public revenues and reducing the country's public expenditures in accordance with policies and procedures followed by fiscal policymakers.
2. Not to rely on the oil sector only to supplement the revenues of the general budget of the Iraqi government by activating other sources in order to finance the general budget of the state instead of borrowing from abroad and bearing the burdens of external debt, whether at the present time or in the future.
3. The work of fiscal policy to achieve economic reforms that develop and progress the country economically by affecting the important economic variables in the country.
4. Directing public spending towards investment spending in order to supplement the public budget with revenues and achieve a fiscal surplus instead of the fiscal deficit .
5. Compatibility of fiscal policy with the monetary policy of the country in order to address the real causes of the deficit and reduce foreign debt and get rid of its problems and increase domestic production in order to meet the local need of the country and export the surplus abroad and this works to reduce public expenditures and increase public revenues and achieve a fiscal surplus in the general budget of the country.

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