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STUDY AND ANALYZE THE REALITY OF THE DEFICIT IN THE PUBLIC BUDGET OF IRAQ; THE SOLUTIONS & MEASURES FOR FINANCING

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ABSTRACT

The concept of deficit in the public budget has become a chronic economic phenomenon that most countries of the world suffer, whether developed or developing, and which suffer from exceeding public expenditures to be more than public revenues. As this economic problem has direct effects on the national economy, and for this reason and others, increased interest in reducing the role of government spending, in addition to other apparent and complex reasons, part of which relates to public expenditures and another part to public revenues. It is evident that the public budget deficit in the oil countries in general, including Iraq, is related to the quantity of oil production and its international prices in addition to its relationship to spending and its structure, and the inability of successive governments until today to form financial buffers of crises from surpluses achieved in periods of oil price boom. Therefore, the necessity of working to gradually eliminate the rentier feature that remained prevalent in the Iraqi economy and the public budget after 2003 and the worsening deficit in it. Many visions and policies have emerged to address these imbalances in the public budget deficit and provide sources to finance this deficit, including rationalization of public spending and resource development through the formulation of a conscious policy to ensure diversification of national income sources that contribute to reducing dependence on oil revenues, in addition to adopting modern budgets to accurately establish the necessary estimates for government sector units for approval.

INTRODUCTION

In light of the growing importance that the public budget occupies in the various world economies in general and developing economies in particular. The deficit in the public budget tended to increase in various countries of the world and with the growth of this deficit, anxiety about it increased, especially after the deficit exceeded reasonable limits, in Iraq and as a result of the abnormal circumstances it passed through, which were the main reason for increasing public spending more than public revenues, which it led to a deficit in the state budget. The state's public budget in Iraq suffers from a growing and continuing planning deficit that can be described as a structural deficit. This planned and estimated deficit is due to several reasons that led to its emergence through its negative economic and social effects. This deficit can be addressed through many policies, including finding new sources of revenue or raising current revenue rates, rationalizing government public spending, effective management of preventive reform, and conducting economic reforms and austerity measures aimed at reducing the deficit in the public budget, finding alternative sources of financing it, and providing the required cash liquidity.

Problem Statement

The Iraqi financial system and in particular the public budget suffers from the phenomenon of the deficit in its budget, and the effects resulting from it, by exceeding the size of public spending on public revenues, imbalances of fiscal and monetary policies and the lack of diversification of revenue sources for the public budget to finance this deficit. This necessitated identifying, drawing, and finding visions, policies and ways to address the deficit in the public budget and finding financial resources to finance it.

Study Objectives

Draw and define the framework and causes of the deficit problem in the public budget, and identify the network of factors causing the deficit and determine the effects resulting from it, in addition to identifying the visions and policies of treatment methods in Iraq and submitting proposals for these principles and mechanisms for reforming the public budget for the purpose of addressing the fiscal deficit in it, to promote sustainable development.

Significance of the study

The deficit problem in the public budget at the global level is one of the most important economic problems with a direct multiple impact on the national economy in developed and developing countries, including Iraq. Which requires drawing a framework and rationale for this problem, finding policies, visions, and ways to tackle the fiscal deficit and reforming the public budget through the impact of low oil prices, which is the logical result of the state of the rentier economy in Iraq and trying to switch to economic diversification.

Hypothesis

The study deals with the following areas:

1. The theoretical framework for the reality of the public budget in Iraq and its deficits from a public and private perspective.
2. Insights and policies to address and find sources to finance the deficit in the public budget and provide the required cash.
3. Iraq public budget for the period (2015 - 2019).
4. Risks of influencing the deficit in the public budget in Iraq.
5. Conclusions and recommendations.

The foundations of planning and preparing the public budget in Iraq

The foundations of planning and preparing the public budget in Iraq are a process of estimating revenues and expenditures for government spending units and collected in tables and forms, then approved and distributed to ministries, institutions and governorates for the purpose of implementation during the fiscal year for which these estimates are made. This represents shortcomings and indicates weakness in the public budget and those in charge of it, because the state's public budget does not include the goals, functions, projects and programs that the budget can perform, and the most important weaknesses in preparing the public budget are the following:

1. Preparing and estimating the public budget figures is not done on scientific grounds or according to the actual need or according to the programs, goals and projects that the Iraqi government wants to implement. Rather, it is done on the basis of estimating revenues and expenditures by relying on data for the previous year or years, without taking into consideration economic, social and legal changes.
2. The current method for the budget estimates preparing on both sides (expenses and revenues) does not represent the reality of the expenditures that will be spent or the revenues that will be received in the coming year, due to the lack of data, information and economic indicators that can be used as a plan for the coming year and the expected goals to be achieved.
3. Budget estimates are made by relying on previous budgets, which hides a lot of money that is not really required to meet or achieve expectations and the absence of scientific standards and indicators that can be referred to preparing the estimates, for this the author found the process of bargaining for the reduction or keeping the proposed financial allocations or exaggeration in it and it is the dominant feature of government spending units and the Ministry of Finance.
4. The public budget of the state consists of two groups: the budget of the centrally funded government sector and it includes (the operational budget and the investment budget), and the unified budget for socialist public sector units with a self-funded activity.
5. The state budget document is a dual budget consisting of the operational budget which is prepared by the Ministry of Finance, and the investment budget which is prepared by the Ministry of Planning, and each of these budgets prepare by following different procedures and instructions, which generates difficulties in meeting the overall economic goals.
6. The current public budget method (items budget) aims to focus on inputs without paying attention to the outputs and the relationship between it.

From what has been mentioned, it can be said that the public budget of the state in Iraq is one of the most important factors affecting achieving economic and social growth, in addition to it being the main state plan in securing consumer and investment spending and achieving economic and social prosperity and rebuilding the country after the period of the economic blockade, security conditions, financial crises and political conditions that Iraq passed by. In light of this, the state's general budget needs massive resources for the purpose of advancing the Iraqi economy, which requires the need to plan and prepare a budget in modern and advanced formulas looking at diversifying sources of national income.

The reality of the public budget in Iraq

The financial policy in Iraq was based on the traditional budget (items budget) and this type of budgets has been abandoned by most countries of the world, as this type of budgets focuses on the size of public expenditures only and not on the goal of it, which causes many economic crises in the country, especially accumulated deficits in the public budget. The public budget in Iraq is a budget for the previous fiscal year modified by an increase or decrease in world oil prices, and in its composition the results of a movement from the bottom-up, and thus the state budget faced problems and obstacles in preparing and implementing, especially when a financial or economic crisis occurs in the country or low oil prices, this is why the government reduces the amount of investment spending due to its flexibility and rapid response to the fluctuations of the federal government, unlike operating expenses that the government thinks more than once to reduce it, because it will face a lot of rejection and demonstrations, since the largest percentage of operating expenses are for salaries and wages, which are not flexible and payable, in addition to the delay in approving the public budget in Iraq is politically more than economically.

After 2003, we note that the public budget, especially the side of public revenues, I find that oil revenues are dominant and controlled t, in addition to the weakness of the tax and customs apparatus and the widespread corruption in most Iraqi state departments and institutions, especially in customs ports, which caused the imbalance and the depth of the Iraqi economy's rentierness. As for the public expenditures, which have evolved and increased in size significantly, due to government support for various fields, which led to a structural imbalance in it and thus an increase in waste in available financial resources, as will be indicated later in this study. For this I find that, the public budget in Iraq is prepared with a deficit and funded through loans (local and foreign), and the budget remains unchanged due to the lack of intention and will of government agencies towards efficiency and careful review (monitoring) to ensure the proper management of these operations.

Public budget imbalances in Iraq

The public budget in Iraq is considered in a dangerous situation because of the continuous and accumulated deficit that it suffers from. There are many imbalances and obstacles that stand in front of achieving the most important economic, social

and political goals of the budget. I will mention to the most important imbalances that the public budget in Iraq suffers from, as follows:

1. Excessive dependence on oil revenues for the formation of the state budget:

The Iraqi economy is characterized by excessive dependence on oil revenues, where oil revenues constitute more than 90% of the state's general revenues, meaning that achieving the deficit and surplus rates from the public budget depends on oil revenues and the most prominent results of this dependence is the disruption of the state's financial resources structure.

2. Low contribution of sovereign revenues (taxes and fees) to financing the general budget:

The inefficiency of the tax apparatus and the prevalence of tax evasion, as it is the contribution of tax revenue is considered modest and low, which reflects the inefficiency of the tax system and weakness in its performance, in addition to customs duties and sovereign fees and charges that do not exceed 7% of their contribution to public revenue in the public budget.

3. The high rate of government spending for operational expenditures compared to investment spending, as investment spending did not exceed 25% in recent years. While the rest is directed to government operational spending, due to the absence of insightful strategic vision by the government.

4. The Iraqi state, like most developing countries, is increasing the volume of consumer allocations in exchange for reducing the size of investment allocations.

5. Security Expenditure Structure:

The economic development process focuses on several factors, the most important is the implementation of the law and the security factor, because of its importance and positive role in all stages of production and attracting investments, etc., and because of the bad security conditions that Iraq suffered after 2003. As security expenditures acquired a large percentage of the total public expenditures, which ranged between (11.7%) as a minimum in 2010 and (19.9%) as a maximum in 2015, due to the fight against terrorist groups known as ISIS, which occupied some Northern and western regions of Iraq in mid-2014.

It is noted that the large number of structural imbalances and problems suffered by the structure of public expenditures and the structure of public revenues, as well as the primitive type or approach of the public budget currently used in Iraq, and its lack of keeping pace with modern trends, which reflected on the structure of the public budget in a continuous and increasing deficit during the study period.

Study the concept and causes of the public budget deficit in Iraq (2015 - 2019)

First: The concept of deficit in the public budget

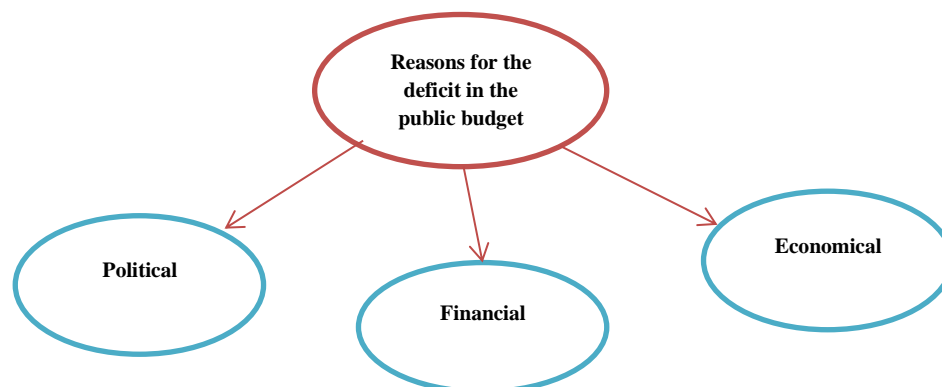
The public budget deficit is an increase in public expenditures on public revenues, and the government has to search for sources to finance the deficit. It is also known as a decrease in public revenues from public expenditures as a result of a structural imbalance between resources and production. The deficit is funded through borrowing, and then leads to an increase in the structural imbalance again. Where the government must achieve a balance between public expenditures and revenues through the financing options available to the

government, such as financing through the issuance of government bonds to the public or financing with a new cash issuance and that called (local resources), or through obtaining foreign resources such as (foreign loans, foreign investments or aid from abroad) or searching for sources inside the country to finance the public budget deficit.

Second: Reasons for deficit in the public budget

The most important causes of deficits in the public budget can be summarized as figure1 presents below:

Figure 1: Reasons for deficit in the public budget



Source: by author.

Economic reasons:

The most important economic causes that lead to the deficit can be summarized as follows:

- A. The efficiency of the public budget is one of the most important reasons that lead to a deficit in the public budget, because achieving efficiency is necessary to achieve economic goals, so the government must set a financial plan for public spending and distribute economic resources among other sectors and work to rationalize public spending.
- B. Economic crises cause a deficit in the public budget, whether it is a crisis of aggregate demand or a crisis of aggregate supply, in developing countries that suffer from an inflation crisis, this means the total demand is greater than the total supply because of the lack of flexibility of the production system, which forces the state to import from abroad to cover the increase in aggregate demand, and thus occur deficit in the balance of payments, and then increased public expenditures to meet this crisis.
- C. As for the developed countries, they suffer from a recession crisis, which is the increase in production without an increase in consumption (i.e. the supply is greater than demand), while some countries suffer from a recessionary inflation crisis (i.e. inflation and stagnation at the same time).
- D. The inability of the private sector to exploit economic resources due to its inability to finance huge funds required, and the government should support this sector to increase its productivity and thus reduce the deficit in the public budget.

- E. Most countries of the world, especially developing countries, resort to domestic sources of financing (inflationary), through the new monetary issuance to cover the deficit in the public budget, which leads to the emergence of other problems such as inflation, high prices, low value of money and disrupt the productive sectors, unemployment and others.
- F. The absence of a policy to rationalize public spending in developing countries, including Iraq, which is predominantly wasteful.
- G. The many wars that developing countries are exposed that led to increased military spending, including (salaries and wages, the import of weapons and equipment, the cost of its maintenance, foreign expertise and consultants in the military fields).
- H. Failure to keep pace with public resources and revenues for growth in public expenditures.
- I. It reflects the size and development of public spending or its increase in the extent of the evolution of the size of the government and its role in economic activity and its effectiveness in managing the national economy, which has been increasing in quantity and quality.

Financial reasons:

- A. The lack of laws and penalties imposed on evaders to pay the tax or fees due sufficiently, which led to an increase in the evasion of paying those taxes or fees, which negatively affected the budget deficit financing.
- B. Administrative and financial corruption cases are widespread in all state departments and institutions, which leads to waste and loss of public money and a decrease in the efficiency of project implementation and non-disbursement of the amounts allocated to these projects, which led to an increase in public spending and thus a deficit in the public budget.

Political reasons:

Because of the security and political turmoil in developing countries, including Iraq, which led to the flight of local capital to the outside and at the same time the absence of the investment environment to attract foreign funds and the investments that the country needs, as well as the lack of investment plans that encourage attracting the basic investments to build the national economy of the state.

Third: public budget deficit in Iraq (2015 - 2019)

The public budget represents the state's plan, which includes an estimate of the state's revenues and expenditures for a period of time that is usually one year, while the final account represents the actual statement of what was spent from the expenditures and what was collected from public revenues during the fiscal year. The reasons for the deficit in the public budget of Iraq for the period 2015-2019 can be determined by the following factors:

- 1. High volume of public expenditures, high rate of growth and its percentage to total public revenues: in order to show the development of public expenditures in Iraq and the high annual growth rates in public expenditures for the years 2015-2019 as in Table 1:

Table 1: The structure of public expenditure, its ratio to total actual public revenue, and its growth rate in Iraq for the years 2015-2019 (amounts in thousands of dinars)

Statements	2015	2016	2017	2018	2019
Public Expenditure (1)	119 462 429 549	105 895 726 619	100 671 160 790	104 158 183 734	133 107 606 412
Operational Expenses (2)	78 248 392 443	80 149 411 089	75 217 142 790	79 508 071 596	100 059 110 004
Investment Expenses (3)	41 214 037 106	25 746 311 538	25 454 018 000	24 650 112 138	33 048 506 408
Public Revenue (4)	94 048 364 139	81 700 803 138	79 011 421 000	91 643 667 236	105 569 686 870
Ratio (2/1) %	65.5	75.6	74.7	76.3	75
Ratio (3/1) %	34.5	24.4	25.3	23.7	25
Ratio (4/1) %	78.7	77	78	88	79
Annual Growth Rate of Public Expenditures (%)	Base year	11 -	5 -	3.5	27.8
Annual Growth Rate of Operational Expenses (%)	Base year	2	6 -	5.7	25.8
Annual Growth Rate of Investment Expenses (%)	Base year	37.5 -	1 -	3 -	34

Source: The official website of the Iraqi Ministry of Finance / Accounting Department / Unification Department, the Open Budget website, the report of the budget implementation report of the line of ministries (www.mof.gov.iq).

From the table above, I conclude the following:

A. operating expenses fluctuated for the years 2015-2019 to (65.5, 75.6, 74.7, 76.3, 75) respectively, of the total public expenditures.

B. investment expenditures fluctuated for the years 2015-2019 to (34.5, 24.4, 25.3, 23.3, 25), respectively, of the total public expenditures.

2. Imbalance of the public spending structure and increase in the volume of operational spending: This is the main reason for the deficit in the public budget and this is confirmed by Table 1, which indicates the disruption of the public spending structure in terms of its distribution to operating spending consisting of (salaries and wages, salaries of contractors, purchase of goods and services, payment Internal and external loan installments, external grants and subsidies, government support for projects and social benefits) in addition to investment spending. As the defective spending structure reflects a wasteful consumer policy, which means that most public spending is directed to consumption, which is supposed to be directed to investment spending, which affects the rates of economic growth and development in Iraq by absorbing high unemployment rates and diversifying the base and structure of the state's general economy, which must be corrected.

3. Imbalance of the public revenues structure and the weak contribution of sovereign revenues (taxes and fees). This can be illustrated by the following table 2:

Table 2: The structure of actual oil and non-oil revenues and its percentage from the public budget for the years 2015-2019 (amounts in thousands of dinars)

Statements	2015	2016	2017	2018	2019
Public revenues (1)	94 048 364 139	81 700 803 138	79 011 421 000	91 643 667 236	105 569 686 870
Oil revenues (2)	78 649 032 000	69 773 400 000	67 950 225 000	77 160 392 640	93 741 110 400
Non-oil revenue (3)	15 399 332 139	11 627 403 138	11 061 196 000	14 483 274 596	11 828 576 470
Ratio (2/1) %	83.6	85.4	86	84	88.7
Ratio (3/1) %	16.4	14.6	14	16	11.3
public revenues growth rate (%)	Base year	13 -	3.3 -	16	15

Source: The same previous source.

It is noted from the above table that the volume of public revenues is in evolution for the duration of the study, oil revenues for this period are dominated by a rate ranging between (83.6% – 88.7%) of public revenue, Whereas the non-oil revenues constitute to the total public revenues rate between (11.3% - 16.4%). I would also like to point out here that the contribution rate of oil revenues decreased by a large percentage in the budget for the year 2020, and Table 2 reflects the fact that the Iraqi economy is linked to oil revenues and that it is a rentier economy that depends largely on the outside, and this means that the Iraqi economy is dependent on the changes that occur in the quantities of crude oil production exports, world oil prices and the amount of demand for it. This is what I see clearly in the year 2020 after oil prices decreased significantly to reach under \$ 30 / barrel, which in turn raised the value of the deficit in the public budget to more than 50% of public spending compared to public revenues.

For this I come up with a realistic fact that the determinant and influencing the size of public revenues is oil revenue, so any change in it will be reflected on the size of public revenues and then the effect on the size of the public budget deficit, and to demonstrate that I am presenting in the Table 3 to clarify the actual budget deficit and its ratio to public spending and public revenue during the study years.

Table 3: Deficit (surplus) of the public budget and its ratio to the actual public spending and public revenue for the years 2015-2019 (amounts in thousands of dinars)

Statements	2015	2016	2017	2018	2019
Deficit (surplus) of the public budget	25 414 065 410	24 194 919 481	21 659 739 790	12 514 516 498	27 537 929 542

Ratio of public budget deficit to total public expenditures (%)	21	22.8	21.5	12	20.6
Ratio of public budget deficit to total public revenues (%)	27	29.6	27.4	23.4	26

Source: The same previous source.

4. The rigidity of the tax system and the lack of contribution of sovereign revenues (taxes and fees):

According to the data of Table 4, which shows the rigidity of the tax system in addition to the inefficiency of the tax administration, and the prevalence of tax and customs evasion, which contributed to a deficit in the public budget, which deepened the gap between revenues and public expenditures, as shown in the table below:

S: The relative importance of taxes and fees to the total public revenues in Iraq for the years 2015-2019 (amounts in thousands of dinars)

Statements	2015	2016	2017	2018	2019
Total public revenues	94 048 364 139	81 700 803 138	79 011 421 000	91 643 667 236	105 569 686 870
The amount of taxes and fees	6 240 451 681	6 381 801 185	6 135 129 662	9 267 417 691	6 871 135 663
Ratio of taxes and fees contribution to total public revenues (%)	6.6	7.8	7.7	10	6.5
taxes and fees growth rate (%)	Base year	2	3.8 -	51	25.8 -

Source: The same previous source.

Table 4 reflects the decrease in the contribution of sovereign revenues (taxes and fees), as the percentage of its contribution to the total public revenues for the years (2015-2019) did not exceed the ratio (6.6%, 7.8%, 7.7%, 10%, 6.5%) respectively.

The reason for this decrease is due to tax evasion, lack of tax and customs awareness, lack of proper planning and study of the impact of imposing new taxes proposed by the International Monetary Fund, which led to a significant decrease in the percentage of taxes and fees contribution in financing the public budget deficit.

Particularity of the deficit in rentier countries

The most dangerous thing that threatens the future of the Iraqi economy as a rentier state is to continue to formulate the economic and financial policies

based on what the state receives from oil revenues, as 90-95% of Iraq's total exports are from oil, and around 90% of the volume of spending the government finances the oil revenues, and the extractive industries (oil sector) constitute about 80% of the total commodity production sectors. The oil price has decreased by more than 50% from the previous prices in the year 2020, when a project draft of public budget in Iraq was prepared on the basis of the price of \$ 56 / barrel, whereas the real price at the end of the fiscal year 2019 and the months of January and February of the year 2020 was more than \$ 60 / barrel. However, oil prices began to decline at the beginning in March 2020, and the sharp drop in prices continued until the price of a barrel of oil reached less than \$ 30 / barrel, and on the basis of fixed production quantities up to 3 800 000 bbl / day. Through this sharp decline in prices, the deficit of the state's public budget for the year 2020 will reach more than 60% in light of the current government spending, a deficit that cannot be funded half of it, which will leave its catastrophic effects on the government budget and thus on many economic and social variables.

This accumulated deficit and with the continuation of the situation unchanged through the decline in oil prices, the spread of Coronavirus, the suspension and disruption of the global market and the loss of small and medium-sized companies and other financial crises that faced or will face the Iraqi government because of these conditions, which will leave significant negative effects on all sectors of the state and thus its impact on the income of both the citizen and employee. Especially since about 8 million Iraqi individuals receive government income through (salaries and wages, pensions, contractual salaries, daily wages, government grants and subsidies, etc.), as the low global oil price of one dollar means that Iraq loses more than one billion dollars annually.

Risks and impacts of the deficit in the public budget in Iraq

The deficit has multiple effects that depend and are determined by its financing method, which is done through multiple means (the choice of one of them depends on the size of the financial deficit, economic conditions, goals of economic policy, levels of inflation, interest rates, money supply, etc.). Financing is done through borrowing from internal sources (the Central Bank of Iraq, government and commercial banks and non-banking institutions), or through external sources or withdrawing from foreign reserves and investments, or both. The deficit in each year is added to the debt of the previous year, so the amount increases, and on the other hand it increases the interest rate, and so the deficit of the following year increases, and this is the first negative effect resulting from the deficit.

Also, choosing a non-inflationary method of financing the deficit (relying on international reserves, liquidating foreign investments owned by the state abroad, internal and external borrowing) has several effects. Reliance on international reserves in financing may lead to its depletion, which generates the risk of losing what these reserves do from multiple tasks, such as defending the exchange rate , avoiding resorting to external borrowing at high interest rates , avoiding deflationary policies and not pressing imports through the use of these reserves, which are a safety and security valve for creditors and international money markets. As for relying on the liquidation of state-owned investments

abroad to finance the deficit in the public budget and leading to the loss of the returns that these investments bring in, which constitutes a new burden on the public budget. Whereas if reliance was placed on internal borrowing (whose effectiveness and success require a number of factors, the most important of which is the stability of currency value, positive interest rates, financial market activity, confidence in the government, and others), the most important result I reach to increase in the domestic debt burden, high interest rates and the consequent negative impacts, in addition to deepening the disparity in the distribution of national income for the benefit of capital and wealthy people. On the other hand, the deficit in the public budget usually leads to inflation to increase the demand for supply (increasing public spending on public revenue) especially if it relied on inflationary financing for the deficit through the resort to increasing the money supply (increasing the cash issue and bank credit), which negatively affects the purchasing power of the majority of citizens, the deterioration of the local currency exchange rates in addition to the negative results on the import prices and adding a new burden to the state's monetary policy. In addition to that it leads to an increase in the dollarization phenomenon (preferring foreign currency over the local), which would compel the government to reduce its existing and ongoing projects and not to motivate it to start and start new investment projects depending on the increase in the cost of construction and production.

In sum, the exacerbation of the public budget deficit year after year and its transformation into a continuous structural deficit of political, economic and social costs, which threatens financial, monetary and developmental stability and requires confrontation and treatment before the problem becomes more acute and complex. While a little deficit in the public budget with not reaching by the economy to the stage of full use (that aggregate supply elasticity is low) which is beneficial, and it can fix economic conditions and support economic development efforts provided that it does not escape control and turns into a structural deficit.

Measures and procedures for financing the public budget deficit and providing cash liquidity in Iraq in 2020

It should be recalled some of the observations included in the above study, in which I pointed to the deficit, which does not mean ending it completely and making it zero, but the important thing is to achieve economic stability by reducing the cases of inflation or deflation to appropriate and reasonable levels without accompanied by a threat to economic and social stability. On the other hand, choosing the appropriate and acceptable procedure that depends on the nature of the economy, its structures and the surrounding social and political conditions, and that addressing the deficit must include the common means between the Iraqi government's vision (the development vision for reform) and the IMF's vision (the liberal and contractionary view for treatment), where it does not mean that absolutely ignored the role of the International Monetary Fund and its impact in extinguishing and rescheduling the debts of Iraq that accumulated before 2003 and beyond, and the importance of continued cooperation between the IMF's and Iraq because of this positive and important impact on the marketing and improvement of Iraq's credit position

internationally and creating conditions the internationally accepted convenience to attract foreign investment. In a more accurate statement, it is necessary to be guided by seeing the IMF's and benefiting from it without literal application, that is, to take advantage of what the IMF's calls for, but with an eye for criticism and scrutiny, and in light of this the author find the measures and procedures for financing the public budget deficit in Iraq are through the following:

1. Emphasis on the productivity, rationalization, and qualification of public expenditures: where public expenditures must be satisfied with a general need, not a special one, and if we look closely at many of the items of operating expenses, in Iraq we will find that there are many budget items that require treatment.

2. Correcting the disruption of the Iraqi public spending structure and re-arranging the priorities of public spending: notice the disruption of the public spending structure and the increase in the amount of operating spending and its ratio to total public spending and the decrease in the proportion of investment spending, as one of the treatment methods is to correct this imbalance and return the priorities in a way that guarantees the productivity of public spending and increasing the proportion of investment spending to total public spending. This means increasing productive public spending, increasing growth rates, diversifying sources of national economic income, and ensuring future revenues. It is important that the growth in operating public spending does not exceed the rate of growth of GDP, to ensure an acceptable percentage of the deficit, which means reducing the proportion of operating expenses by more than 50%.

- i. Working to increase production from oil exports and increase the proportion of industrialization: The need to work to increase oil production and exports in order to reduce the gap between revenues and public expenditures. This requires focusing on increasing guidance on investment spending through focusing on the oil sector, the refining oil industry, and the petrochemical industry, in a manner that achieves the desired results and working to attract foreign investment to this sector.
- ii. Working to increase the contribution of sovereign revenues (taxes and fees) from public revenues: It is necessary to work to increase the contribution of these revenues by reviewing the legislation, laws, instructions and controls that regulate its work financially and economically, while studying the possibility of imposing new taxes and fees that enhance sources to finance the fiscal deficit in the public budget by automating these procedures and establishing a unified and secure electronic system for this purpose.
- iii. Reconsideration of policies to address financial and administrative corruption, the work of government agencies responsible for finding the necessary measures, and developing and drawing a new and effective treatment strategy.
- iv. Addressing the exaggeration of public expenditures estimates and raising awareness in presenting the actual need of the government apparatus and relying on modern scientific methods in estimating.

- v. Emphasis in the instructions for implementing the public budget on the necessity of not allowing the increase in commodity stocks at a certain level and the quick and wise disposition of it, especially the stagnant one through the process of restricting it, selling it and benefiting from its price.
- vi. Reconsidering the calculation of the Iraqi dinar exchange rate at the official price of 1182 dinars per US dollar, while the actual exchange rate in the market is more than that by 5-7% for every dollar and sometimes up to 10% for every dollar, which would reduce the deficit rate In the public budget.
- vii. Directing loan funds for small and medium projects to finance productive projects, not to cover operating expenses, due to the role of these projects by reducing unemployment and reducing poverty in society.
- viii. Privatizing some projects in the state's public companies, which are companies and factories that are losing and can be privatized through the domestic and foreign private sector, to supplement the budget with the profits achieved and reduce the amount of public spending on those companies, which is estimated at more than 121 companies and factories owned by the state.
- ix. A complete solution to the procedures related to the Kurdistan region of Iraq, including exported oil and customs fees in the Kurdistan region, whose revenues have been suspended for more than two years, as the total salaries spent for employees by federal government to the Kurdistan region amount about 380 million dollars per month and the federal government does not receiving any revenue from the Kurdistan region.
- x. Checking the numbers of employees and sorting the imaginary employees from it through the double salaries of some employees and stopping some of the allocations granted to the three presidencies and reconsidering it.
- xi. Restricting or preventing the import of unnecessary goods, to allow the local product to cover the needs of the local market and its generation of job opportunities and to preserve the currency within the country.
- xii. Rescheduling existing debts, and negotiating with Kuwait to postpone the payment of compensation due to Iraq.
- xiii. Negotiating and agreeing with the oil licensing companies, which obliges the Iraqi government to pay \$ 10.9 / barrel, for the costs of producing one barrel, and to pay its financial dues with oil instead of the dollar.
- xiv. Offering compulsory government bonds for employees whose salaries exceed three million Iraqi dinars (\$ 2,500), at a rate not exceeding 20% of their salaries and at a specified interest rate.
- xv. Serious work to activate taxes on mobile phone companies and foreign companies operating in this field, and to pay the sums, fines, and financial obligations on them before the approval of the public budget for the year 2020, and in contrast to the Media and Communications Authority of the Iraqi government to stop

- the spectrum for mobile phone companies and Internet Processing Companies.
- xvi. The need for ministries and governorates to transfer all the amounts collected to them into the state's public treasury account, including (revenue from border outlets, consulting revenue, collection fees, sale and investment fees for river beds, sale of cars, furniture, and consuming equipment, selling wheat waste, commissioning trademark activity, a rental fee State properties, visa fees for visitors to the holy sites, etc.)
 - xvii. The necessity for the public companies that the state contributes to its establishment to pay and transfer 50% of the profits of those companies, including the profits of previous years, and transferred to the public treasury account.
 - xviii. Reducing operational grants to municipal institutions affiliated to each governorate, except for salaries and employee wages.
 - xix. Obliging Trade Bank of Iraq (TBI) to return the amounts of documentary credits open to it by ministries, governorates, and entities not affiliated with a ministry, which have expired, into the state's public treasury account.
 - xx. Issuing government bonds through government banks for individuals and companies at an interest rate (10%) annually, to transfer money from unproductive hoarding to profitable savings, and this money is directed to the investment budget exclusively.
 - xxi. Issuing government bonds through the Iraqi Central Bank and government banks for contractors and companies from the investment budget creditors with an annual interest (10%).
3. Restore confidence between banks and depositors in order to develop small and medium enterprises and find successful opportunities that keep them away from government employment.
 4. Reducing the investment budget to 50% of the budget proposed in the draft public budget law for the year 2020, and subject to increase if the financial conditions in Iraq improve.
 5. Reducing the value of the Iraqi dinar by 25-30%, and by this measure the federal government can guarantee the payment of salaries to employees even if Iraqi oil is sold at a price of less than \$ 30 / barrel, and without resorting to the use of foreign currency reserves in the Central Bank of Iraq.
 6. Imposing a five-fold tax on alcohol, cigarettes, non-essential and entertaining luxuries.

These procedures, measures and visions can achieve for Iraq a part of the fiscal sustainability and exit from the current financial crisis.

CONCLUSIONS

In light of what was presented in this study, the data and analyzes collected in this research, the author reached a set of conclusions as follows:

1. The general budget is considered one of the most prominent government accounts that show the financial position of the state, as it is prepared and implemented after the approval of the legislative authority, to estimate its two

sides of public expenditures and revenues and the financial, economic, social and political goals reached during one fiscal year.

2. The public budget deficit is defined as a reflection of the inability of public revenues to cover public expenditures, i.e. increased expenditures on revenues, which is a complex phenomenon due to a group of factors that help its occurrence and suffer from both developed and developing countries alike. It has multiple effects and is determined according to the method of financing this deficit whether (internal or external, inflationary or non-inflationary).

3. The public budget in Iraq for the period 2015-2019 suffers from a growing and continuing deficit that can be described as a structural deficit (continuous and growing) and is an upward trend.

4. One of the most important reasons that led to the emergence of the deficit in the state budget is the disruption of the structure of public spending and public revenue.

5. The Ministry of Finance has not taken the procedures and set the visions and policies necessary to increase the sovereign revenues (taxes and fees) by automating these procedures and establishing a unified and secure electronic system for it.

6. The public budget figures for the period 2015-2019 proved that there is a real deficit during those years, and the reasons for the real deficit are due to Iraq's dependence on oil revenues with an average of 85 - 90% to generate its revenues, which led to deformation of its spending paths, and forced Iraq to go to the international institutions to repair the permanent budget deficit.

7. It is clear that the customs duties and tax (which is outside the public budget) represent huge amounts of money lost and cannot be recovered due to the widespread corruption in it, weak regulations, laws, financial instructions and the lack of electronic collection systems.

8. The study showed that there are repercussions on fluctuations in the world oil prices, including economic and financial repercussions, and consequently the public budget was affected, and the deficit emerged in it.

9. The greater part of foreign reserves and public budget revenues in Iraq in addition to an important part of the components of its national income come from oil exports, and that its present and future generations are linked to the existence and effectiveness of investing the returns of this depleted wealth, and that the continued rentier feature of the Iraqi economy almost entirely will lead to economic disasters social and political.

10. The Iraqi dinar exchange rate is an important variable in influencing the money supply and thus inflation, and the monetary authority still controls and manages both.

11. The Iraqi economy suffers from structural imbalances resulting from the inefficiency of the political and economic system in directing natural and human resources towards goals that will maximize social and economic benefits in a dynamic and sustainable manner, and Iraq's reliance on the traditional items budget in preparation and implementation, which led to an increase in the size of corruption (administrative and financial) in the country.

12. The procedures that the Iraqi state has taken to address the deficit in the public budget are mainly dependent on external loans from international donors (the International Monetary Fund and the World Bank) and internal borrowing (the Iraqi Central Bank and government banks).

13. The procedures that the Iraqi state has taken to address the deficit in the public budget are mainly dependent on external loans from international donors (the International Monetary Fund and the World Bank) and internal borrowing (the Iraqi Central Bank and government banks).

14. Failure of the Iraqi Ministry of Finance to follow up the fees and amounts collected by the Iraqi ministries and governorates, which represent the share of the state's public treasury, and that would contribute significantly to providing the required cash liquidity and thus filling the deficit in the public budget.

15. Weak visions, procedures, measures and treatments for officials in the Ministry of Finance and those in charge of the public budget in Iraq to develop the necessary solutions and measures that achieve the sustainability of public finances to get out of the current financial crisis and thus find sources to finance the deficit in the public budget in Iraq for the year 2020.

Recommendations

Through the conclusions and what was mentioned in the study above, I can make a set of recommendations that must be taken into consideration and it is as follows:

1. The objective and rational management of the deficit in the public budget for the past five years requires that require to Iraqi government does not lose the support for the International Monetary Fund and other international and economic institutions, but we must overcome the negative social and political effects and accompanying the literal application of the vision of international institutions, which calls for its guidance without professional application.

2. Emphasis on the productivity, rationalization and qualification of public expenditures, and remedy the defects in many items of operating expenses, such as working to squeeze wages and salaries and focus on salaries, allocations, rewards, and privileges of the first line of special grades and presidencies, in addition to squeezing and reducing wasteful aspects in operational expenses (cars, personal guards, furniture, equipment purchase, travel expenses, external dispatch, etc.).

3. Correcting the disruption of the public spending structure and restoring its priorities to ensure acceptable growth rates, diversifying sources of national income and achieving future revenues, and reviewing allocations of some economic sectors, in line with its importance and role in absorbing the labor force, diversifying sources of national income and exploiting natural resources in Iraq in a manner that ensures reducing dependence on oil revenues.

4. Emphasizing on the Iraqi Ministry of Oil the need to adhere to its production and export plans and focus efforts to increase oil exports and increase the volume of investment spending for the oil sector and the refining and petrochemical oil industry.

5. Drawing a new strategy to address administrative and financial corruption that takes into consideration the previous practical reality and is based on the lack of multiple agencies and the overlapping of its functions.

6. Eliminate exaggeration in estimates, by relying on scientific basis for estimating revenues and public expenditures in the short and medium term, so that modern budget models are adopted to accurately establish the necessary

estimates among government spending units for its reliance on regulatory means to coordinate between financial and economic bodies and in order to achieve the goals set, which it would place the public budget in keeping with international developments and keep it away from political and social pressures and practices.

7. Implementing economic reform programs, which include privatizing some projects and state sector companies (owned by the state) or allowing foreign investments to engage in economic activity, which would reduce the burden of the budget and thus could go towards achieving the desired economic and social development goals.

8. Serious work to create resources and increase the diversification of new sources of budget revenue and the need to increase the efficiency of the performance and management of tax & fee collection, which is an important source of financing the public budget deficit after oil revenues, as it requires activating electronic taxation and providing a secure electronic system to collect taxes, sovereign fees and financial amounts that It returns to the public treasury as non-oil revenues.

9. Adopting the principle of transparency for all public budget processes, in order to make data and information available to all and includes preparing final accounts that give details of public expenditures and revenues, which helps to clarify roles and responsibilities for identifying aspects of spending and rates of change and results of actual implementation compared to the allocations allocated to it.

- i. Attention to allocations side in the budget, through adopting a method of priority in spending, that means spending is directed towards investment areas that generate revenue to benefit from it in financing other projects.
- ii. Work to develop secondary markets to take advantage of local savings in financing the public budget deficit.
- iii. Work seriously to reduce the budget deficit, because accumulation debt becomes a heavy burden for future generations.
- iv. Control of border crossings in all locations, especially after the improvement of the security situation in Iraq and the failure to allow entry and exit of goods without being subject to the laws, legislation and financial instructions currently in force.
- v. Striving to achieve a kind of stability in the prices of oil exported globally, which would maintain the stability of oil revenues for all oil-exporting countries, which making them to set the appropriate plans for the process of economic development and put its budgets on this basis.
- vi. Developing the public budget by benefiting from the policies adopted globally, in a way that makes it highly resilient to change according to the political, economic and social conditions that afflict the country.
- vii. The necessity of coordination between the three policies (financial, monetary and commercial) in order to achieve the best results achieved in the diversification of the Iraqi economy, and the government must draw up a new financial policy in coordination between the three policies above, which are among its tasks to address the deficit in the state's public budget.
- viii. Redistributing the workforce in the government sector and raising its production efficiency, as well as encouraging its transfer to the private sector within several mechanisms for instance (instead of giving a leave to the employee without a

- salary or a partial salary, the transition to the private and contributing sector with the government sector is within the law of the partnership between the public and the private sector) The private sector bears part of the employee's costs, and the global operating conditions and system are applied.
- ix. The public budget must be prepared on the basis of (cost / benefit), because the current spending costs are inflated and not real, and it is a way to justify the seizure of public money and its disbursement in favor of political blocs and not in the public interest or achieving economic development.
 - x. The need to be a vision, policy and measures by the Iraqi Ministry of Finance on the path and nature of economic reform that the government seeks to achieve, and to develop solutions and measures to finance the deficit in the state's public budget in Iraq.
 - xi. The necessity of providing data, numbers, information that analyze the public budget, publish financial reports and final accounts, thus enabling academics, experts and specialists to provide effective solutions, measures, visions and policies to get out of the financial crises that the country suffers from, including providing sources to finance the public budget deficit.
 - xii. There should be control over the development of external and internal debt, by setting standards and controls for following up on external and internal debt, and providing complete and accurate statistics of public debt trends in order to enable the state to deal with it.
 - xiii. An attempt to establish sovereign investment funds for a number of activities in Iraq, including (the general pension fund, a religious endowment fund, a fund for investing minors 'funds, etc.) according to a modern pattern that is universally applicable.
 - xiv. Adopting a policy of reducing monetary use through relying on modern digital mechanisms and technologies (electronic payment methods), trying to rebuild confidence in the Iraqi financial system and ensuring and securing deposits and working to mobilize domestic resources in accordance with the correct financial and banking policies with international guarantees.
 - xv. Solve all outstanding problems between the federal government and the Kurdistan region regarding to oil exports that the federal budget does not benefit from it, which is estimated at more than 600,000 barrels / day, in addition to revenue from the border ports in the Kurdistan region with abroad.
 - xvi. The necessity for the Ministry of Finance and all its institutions and departments to collect and transfer the amounts and fees collected by the ministries, governorates, and departments not related to a ministry that are considered as a share of the state's public treasury, which contribute significantly to providing the required cash liquidity and reducing the deficit in the public budget.
 - xvii. Privatization of state-owned companies, which is estimated at more than 121 companies and factories, after the failure of the Iraqi government to develop, operate, and manage it for 17 years through its privatization, to supplement the public budget with the profits achieved and reduce the amount of operating spending in the public budget for those companies and factories.
 - xviii. Emphasis on doubling the fees on unnecessary luxury and recreational goods such as alcohol, cigarettes and others to five times, and to give way to the local product to cover the need of the local market.

- xix. Cancellation of all government purchases from the item of operating expenditures, which are represented in (service requirements, commodities, maintenance of assets and capital expenditures).
 - xx. Rescheduling existing debts and negotiating with Kuwait to postpone the payment of compensation due to Iraq annually.
 - xxi. Agreement and negotiation with oil licensing companies in order to pay (oil production costs) extracted by those companies so that the payment is made in oil instead of dollars.
10. Reducing the value of the Iraqi dinar by 25-30%, which enables the federal government to guarantee the payment of salaries for its employees even if Iraqi oil is sold at a price below \$ 30 / barrel.
- These recommendations are in addition to the governmental procedures and measures that were previously mentioned in this study.

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