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EVALUATION OF FOREIGN RESERVES UNDER THE MONETARY POLICY OF THE CENTRAL BANK IN IRAQ DURING 2004-2019: AN ANALYTICAL STUDY

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Abstract:

Since the monetary authorities' investment in international reserves and their management is critical to formulating strategy, achieving financial stability, and avoiding global crises, retaining an acceptable size for these reserves has become a source of protection against economic shocks (foreign or internal).Iraq, like the rest of the world, has a diversified portfolio of international reserves. The increase in the number of oil exports was followed by the rise in oil prices, which resulted in the rapid accumulation of substantial financial returns from foreign exchange in the central bank's budget. The paper shows that the remainder of these oil proceeds should be invested in its economic growth.

Introduction:

The central bank is in control of the country's monetary policymaking. In charge of accumulating foreign currency reserves, the Central Bank of the United States (which is usually a national institution) was given the job of performing these various activities. As a result of the global oil exports, the Central Bank needed to construct reserves of sufficient size (global) size (2003-2013)(Mohammed, 2018). However, it contributed to a drop in the resourceful/wealthy-based (the government's financial position) reserve after the double disaster in 2014. because of steps taken by the Central Bank reserves levels have stayed at a reasonable level since 2014, these measures are unlikely to impact the next decade given that foreign reserves would almost triple during that period. Theforeign reserves are one of the pillars of stability in the general level of prices in general and exchange rates directly reflected in the local currency's lack of confidence (especially in the absence of domestic production and heavy reliance on imports. The fluctuations experienced by the Iraqi economy posed a challenge to the monetary authorities in the possibility of maintaining an appropriate volume of reserves to meet those conditions(Almagtome, Shaker, Al-Fatlawi, & Bekheet, 2019). The attrition in the foreign reserves of the Central Bank to cope with crises and sharp fluctuations in macro-economic variables (balance of payments -monetary and realeconomic variables -forecast factor -imports, etc.) weakensthe ability of those reserves to achieve or cope with those economic conditions that lead to instability in the localeconomy.The research's objective is to enrich the theoretical rooting of foreign reserves' issue and highlight the importance of its components in strengthening the structure of the economy.

Literature Review:

The concept of foreign reserves and their composition:

As the direct responsibility for monetary and credit affairs, the monetary-policy authorities seek to retain foreign reserves enough to cover the short-term requirements, especially the debt used over the next year(M. Ali, Hameedi, & Almagtome, 2019). The more reserves of the country increase investors' confidence because this ensures the possibility of exiting without incurring losses when the situation fluctuates, and the banking system is under pressure. Suppose these reserves secure the position against shocks and achieve monetary policy objectives in financial and price stability(Ume &Ndubuaku, 2019). When seeking and procuring high yields on future income streams, investing, and speculating about accomplishing a more considerable wealth and income portfolios (A. H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020). Changing between various asset classes is almost always critical for central banks. Regardless of the number of asset classes involved, there are no changes in the money supply.We find that various reasons influence reserve increases. It is in close interaction with many variables such as location, seasonal variation, atmospheric conditions, and animal migratory behavior. To compensate for the shortage of liquid cash to offset both a default on obligations and capital needs (curb some of the financial market activity in anticipation of the return of financial market liquidity and higher capital requirements as conditions are improved).There is more than one concept of reserves, as they vary depending on the differences of opinion in determining their components(Oyeniran&Alamu, 2020). The main reason that different types of monetary authorities expand or contract their meanings differently is that they have varying levels of liquidity and affiliations with educational institutions(A. Almagtome, Khaghaany, & Önce, 2020). Reserves are described as foreign assets available to meet the country's current payment needs at the discretion of the monetary authority but under its direct control. The procedure includes intervention in the currency markets to manipulate the currency and preserve its current value. Bonds have long-term obligations, off-currency liabilities, and short-term ones; thus, their successful weaknesses should never be more than their foreign currency assets, even though the former liabilities were omitted(Ito & McCauley, 2020).It is understood that all states wanting to keep properties that they agree to pay their debts and those held by other countries and accepted by them usually go through this phase. Such properties are currently sought for, both within the nation-states and within the general population, but only by governments(Amagtome & Alnajjar, 2020). An expansion of their liability's scope is intended to endure balance of payments shortfalls to deal with can always be avoided to prevent unintended economic policy shifts.

Characteristics of foreign reserves:

There is a range of characteristics of foreign reserves that can be included asfollows.

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1. Relying on a limited currency reserve-based accounting scheme, which is transferable and negotiateable, and having foreign currency deposits that can be lent and traded allows you to do something that would otherwise be illegal and impossible. Under certain extreme global liquidity conditions, all buyers and sellers should be well-prepared to discuss any provision owned by the Central Administration. However, zero requirements should be in place for provisions being exclusive to those held by third parties.

2. It is available to meet the emergency balance of payments deficit as it is used to cope with unwanted changes that pose obstacles to implementing State policy under planned economic. The social objectives and use reserves to cope with external shocks caused by external economic relations.

3. Centralized, controlled, and used by the Department of Reserves, i.e., within the State’s authority (monetary authority).

A foreign currency’s picture of gold must be disregarded as the monetary authority holds gold, silver, silver, and other coins in reserve(Iacoviello& Navarro, 2019). The following items are not included: currency held by banks, and for their purposes, loans that are issued daily to fund the international trade, foreign currency owned by banks and lent to support foreign exchange, and lent it does not include medium and long-term loans to support a specific project, like loans from the World Bank that are given to finance projects of their own, such as ones to fund an expansion.

Elements of foreign reserves:

The Central Bank's holding funds are different from those held by commercial banks regulated by the regulations (Khaghaany, Kbelah, & Almagtome, 2019). Deposits can be formed in the Central Bank from which they may make their customers' money available(Zhang, Liu, Zhang, Shan, & Shi, 2020). The capital of Central Bank and its components will differ depending on the circumstances and stage they are in on at a given moment; their deposits are separated based on that information:

1- Gold: Monetary systems are primarily based on gold in the valuation and issuance of coins, and sometimes a few are based on silver. Accordingly, they were involved in applying the terms of the gold base (i.e., determiningthe currency's value with its equivalent of gold)because gold has international liquidity from1780 to 1914. The money is converted to gold through the banks of the currency's state owner (Akhmadeev, Bykanova, &Turishcheva, 2018). Because of the speed of financial trading enjoyed by gold, most countries have adopted (gold base). After the wars and other technological, societal, political, and political developments and geopolitical events have taken place, gold as money has changed. The definition of gold as a sole currency has disappeared. As a result of therise in market prices, the official gold monetary price differed, and the cost of extracting gold became high(). In addition to the global changes that accompanied gold, especially after the 15th of August (1971), it removed its official price and all related to its monetary uses. The difficulty of turning any primary currency into gold from the official gold reserves, however, the fixed properties of gold remain one of the pillars of foreign funds(Kbelah, Amusawi, & Almagtome, 2019). It must be to acquire monetary authority cash gold and always available for sale and delivery in the global gold markets. It can be considered part of foreign exchange reserves.

Special Drawing Rights:

Special drawing rights are the origin of an international reserve at noon in 1969 to support the Bretton Woods systemfixed exchange rates on the one hand and to expand foreign trade on the other, and expandfinancially at the time(Gislén&Kangas, 2020). Furthermore, a new agreement with global financial and monetary institutions was made in 1970, with the introduction of the Deutsche Mark, an attempt to establish a new economic system in Europe commenced with the establishment of the Deutschmark:

A. 85% of the IMF member states' votes must be approved for the issuance of special drawing rights.
B. Withdrawal rights are considered from additional cash facilities, i.e., they are (an auxiliary element of traditional cash flow)
C. The debtor country is forced to pay off (30%) of the loan value only, while the rest is not forced to pay it
D. The right to use drawing rights is limited to countries with balance of payments deficits (i.e., debtor countries only)
E. (e) The restriction of a higher limit on special drawing rights is the amount that the debtor country withdraws to the creditor country (i.e., in the case of surplus does not exceed the amount of withdrawal to a country three times its share in SDR)

The INTERNATIONAL Monetary Fund (IMF) has the right to determine the type of money to be withdrawn, unlike ordinary drawing rights, which are the country of choice(HAMEEDI, AL-FATLAWI, ALI, & ALMAGTOME, 2021).Lending(special drawing rights) is through the contributions of member countries and not from the Fund's funds.

Foreign currencies:

Dealing in foreign currency is closely related to financing and investment operations in all economic and financial aspects(Mensah & Adam, 2020).besides being a means of trade at the individual level and for large companies, international currencies have become a significant financial asset and an as well because of their ability to serve as a hedge against risk and store of value for large corporations (Ding &Puzzello, 2020). it requires the creation and dealing of markets for foreign currencies. Most countries have their defenses specified in several foreign currencies called (the main currency) and as a result of the need of countries in foreign dealings shows the importance of currencies whether that need to import Commodities from other countries or to invest in the currencies of other countries(M. N. Ali, Almagtome, & Hameedi, 2019). Eur-JPY - STERLING). Some things need to be provided in reserve currencies, including the fact that the currency is convertible. Other states may not place constraints on the State's foreign payments or currency, and may the State place limitations on another state's liability. Since the country's weight in the international system must be supported, the government must be proactive in monetary policy. When a nation issues and sells its currency reserve currency, there will be inflation in that economy. Still, you would therefore expect fair and stable prices in the country to receive the money issued. The currency has investors' confidence to take it as a value store, relatively solid and broad range of trading and stable compared to other currencies.

Deposits:

The deposit is a short-term investment instrument that is dealt with in the monetary markets and is defined as (a certain amount of money and enjoys a particular interest for a certain period, with the deposit and interest amount within the maturity date returned to the depositor). In contrast, the deposits containing the reserve assets are the deposits that exist. At the Foreign Central Bank, the Bank for International Settlements, and other companies, it is similar to bank deposits and difficult to distinguish between them. The vast majority of deposits are short-term loans, which can be paid back on time, which are put into foreign currency and granted to the depositors. Lending with a nominal interest for short-term credit does no damage to the asset, with all interest paid in a bit of currency on request. The depositors' allocation is granted by the monetary authorities to non-funded depositor institutions and has not earned deposits.

Results and Analysis:

First: The formation of foreign reserves in Iraq:

Furthermore, the Monetary Authority's foreign reserves include the gold that the central bank possesses and are in the account, which may be delivered to the international monetary fund upon demand.) Both monetary authorities are subject to oversight and regulation for use. One method of expansion is to finance payments more explicitly or meddle in the exchange market, which will be liquidated by being in international currencies; other forms include trading or liquidating properties exchanged for foreign currency. Their actual control is under the reserve management system. The process of creating Iraqi foreign reserves depends heavily on oil resources from prices and quantities sold, through which the increase or decrease of foreign reserves leads to this.The governments collect royalties from the proceeds of the sale of the oil and do. Even those from their unpaid debt payments to the Ministry of 05 years are eliminated when calculating reimbursement for the military's service (2016,2015,2017). Any 2018 is payable whether we consent to it or not, which gives rise to a government debt-service requirement of zero for the first half of the year. The second part is sold to the Central Bank of Iraq and covers implications to the private sector through currency auction, which is added to the Central Bank's foreign reserves. The Iraqi currency exchange rate is versatile and has been hindered, however. To keep the currency's value and consistency in the long- to both local markets and increase the scope, the central bank will let transactions happen that move (including the selling and buying of currency) while remaining the goal (or moving) the overall markets.The central bank's foreign reserves since 2004 have been generated through two tracks:

A-The dominant (direct) path: the government swaps the issued dinar in the central bank (because it represents the authority of the monetary issuance) in the dollar, after the State has blocked 60-70 0/0 of domestic or domestic spending, and the dollar obtained through this swap represents a pool of foreign reserves of the Central Bank of Iraq (called external assets consisting of the leading cash used in the Tawa)

B- Indirect path: what is transferred from residents abroad to residents inside. These have left some fingerprints on the flow of foreign currencyin the domestic marketsand result from the expenses of various foreign fronts(Amusawi, Almagtome, & Shaker, 2019). Through this separation of foreign currency reserves into two chapters: the first (concerning the government, which transfers the government trade) and the second (replacement of the centralbank, one of whose functions is to share foreign exchange to the private sector by meeting the requirements of the banksfor it through the auction ofcurrency ().What is observed through the figure above Iraq exports oil and then gets through it foreign revenues (dollars) goes tothe Ministry of Finance. The Ministry of Finance sells the dollar to the centralbank, i.e., buy (dollar for dinar). Then the finance spends the dinar through the State's general budget.

From the previous, it turns out that there are a range of factors affecting the foreign reserves of the Central Bank of Iraq (whether high or low), which are

A. Currency Auction B - Sales to the Central Bank by the Ministry of Finance

C- World oil prices D - rise or fall in the value of the currencies that make up the reserves

Second: Analysis of the foreign reserves in Iraq

To some extent, the central bank's foreign currency reserve currency reserves are built up from the profits made from the income the oil monopoly, which is the only source of revenue for most countries' However, adding a currency to the pool of money (in a way that causes its demand to equal its supply) and balancing this demand by selling it in an auction is done simultaneously. The exchange rate of the dinar in Iraq has remained constant, making Iraq's financial situation better.This table illustrates the rise in the CBI's foreign reserve assets between 2004 and 2013 when the peak level of 77.4 million USD was reached. Because of the world oil price increase, the GDP (as measured by the rise in US dollars) has risen by 0.453 (thousandths of a percent). Between the 10 million dollars and the mark was observed, dropping by the same average amount, 64.5 million at the beginning of 2015, and finally making 6.5 million in 2016.

Additionally, this shows a reduction from the previously reported value of (041.68 in 2013), and the cause of this is [is] 041. It is related to the cost of an average barrel in 2016 being 40 dollars being low and providing the most (usable) price elasticity in today's crude oil market. In addition to the stability and war situations that Iraq has faced and is going through, it has recently been involved in military operations against ISIS [it] built the impetus for the war against terrorism, which caused an influx of arms from foreign countries.

Table (1) : Iraqi foreign reserves and annual growth rate (2004-2019)

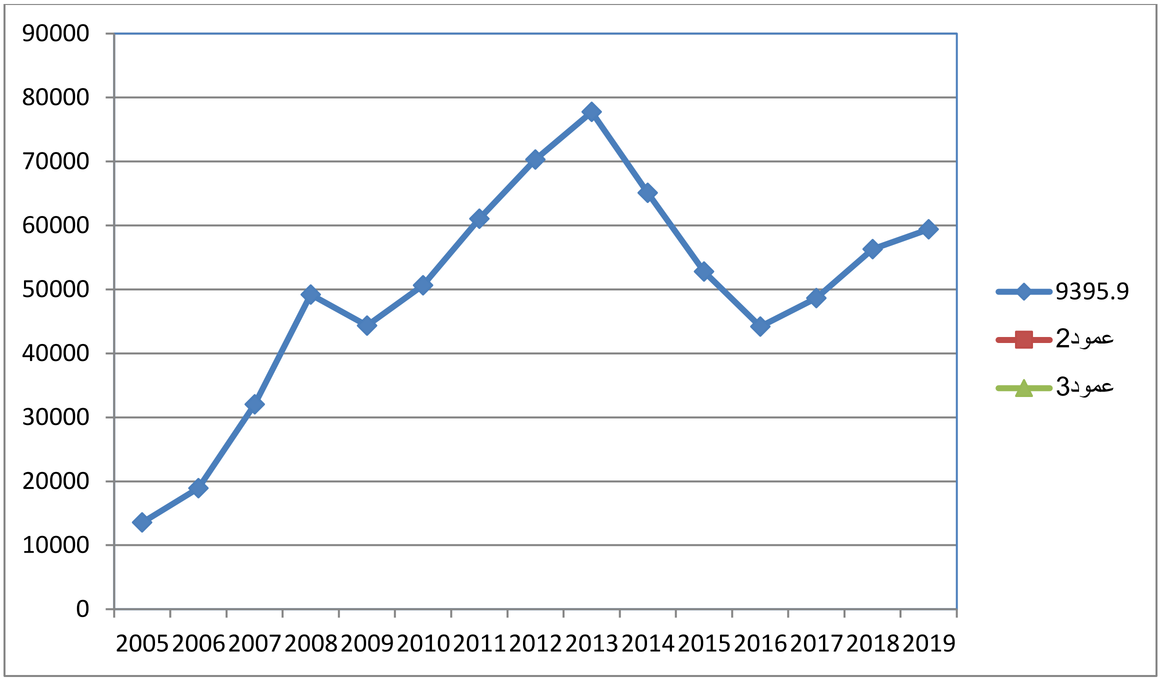
Year	Foreign reserves million dollars	The annual growth rate of foreign reserves%
2004	9395.9	-
2005	13547.5	44.1852
2006	18925.5	39.6974

2007	32029.3	69.2389
2008	49219.0	53.6687
2009	44335.7	-9.9216
2010	50643.0	14.2262
2011	61035.0	20.5201
2012	70327.0	15.2241
2013	77743.2	10.5453
2014	65120.5	-16.2364
2015	52781.8	-18.9475
2016	44216.7	-16.2274
2017	48649.6	10.0254
2018	56316.8	15.7600
2019	59428.6	5.5255

Source: Central Bank of Iraq, Department of Statistics and Research, Annual Statistical Bulletins for Years (2004, 2005,... 2019).

The bay calculated-The growth rate in reserves.

Figure 1. The development of foreign reserves in Iraq



Source: From the work of the researcher based on the data table number(2).

Third: The function of the Iraqi foreign reserve

The process begins with the US dollar sale to the central bank by the Ministry of Finance. Then, the dollar's sale to the private sector by the central bank to obtain the dinar, and the private sector covers those imports of the dollar purchased. The decline (on the reserve, when the dollar's revenue is less than demand for it, the central bank resorts to foreign funds to cover the deficit, but in the opposite, i.e. (surplus demand) added to the foreign reserves. The purpose of stabilizing the dinar's exchange rate against the dollar can be through the previous process and the use of foreign resources to maintain this stabilization. It is part of the strategy of the Iraqi Central Bank's effort to preserve the country's currency market stability, which is to expand the dinar's economy and then secondly keep the dinar's value stable. The conclusion that was reached was drawn because the primary feature of the foreign currency reserve has been verified. It will lower the currency demand. The government sets its uses in commerce by reducing the dinar's value in the foreign currency. The dollar (raising the exchange rate dollar against the dinar) and the central bank cannot control the foreign currency's size (offer) from other parties or the Ministry of Finance.The rise and fall in oil prices significantly affect the dollar's purchases to the central bank from the Ministry of Finance and, therefore, affect foreign reserves' size.

The summary of the above (the Central Bank of Iraq does not affect the dollar's demand, the private sector's request for import or other purposes, or the size of the reserves) but only manages this reserve().

Fourth: The optimal size of Iraq's foreign reserves (2004-2019)

The level of foreign reserves controls several considerations that vary from country to country. There is no optimal general level or size or absolute quantitative measurement suitable for measuring foreign reserves' optimal size in all countries. The economic reality concerned with calculating that height must be from the circumstances (political and economic) and what it is exposed to problems and the crises it is experiencing. There are many indicators to measure the optimal size of foreign reserves, including:

1- Ratio of foreign reserves to imports in Iraq (2004-2019)

This indicator is the most commonly used in developing countries for the optimal volume measure of foreign reserves. This measure shows the possibility of financing imports in the event of a decline in the reserves of exports, expressed by the number, and since the Iraqi economy is characterized by a high degree of commodity concentration of exports and lack of diversity, and dependence on crude oil as a significant export commodity. At the same time, there is a high degree of diversity in imports, so it is appropriate to use foreign reserves to import to know (the optimal size of foreign funds in Iraq). Six months to cover imports are relevant because they are closely linked to the level of domestic consumption, economic growth, current production, and the use of reserves in case of emergency(Al-Wattar, Almagtome, & AL-Shafeay, 2019).The state has ensured importing the supplies and sparing them from sacrifice (economics and social policies). Suppose it is reliant on supplies that are subject to foreign market fluctuations. In that case, it should expect to rely on this law to ensure the supply of required goods and discourage destructive policies (whether they are preferred or rejected by the people). It was estimated that in 2005 that the foreign-to-reserves-to-to-to-to-exports ratio rose (088,215/0 to) to (0135). The truth is that due to the rise in the dinar's exchange rate and the relative increase in Iraq's revenue and salary levels, manufactured products became comparatively cheaper for sale in the country. After the war, it had ignored the manufacturing field, the focus of the state policy shifted to post-industrial endeavors. The decline in 2014 returned to 0288,143/0 due to the failure to approve the budget for 2014. It has disrupted much of the import (to the government and the private sector) associated with government purchases.

Table (2) : Coverage ofimport reserves (2004-2019)

Year	Reserves $1 million	Imports ($1 million)	Imports for six months($1 million)	Foreign reserves /imports(forsixmonths%)
2004	9395.9	21302.3	3550.38	88.215
2005	13547.5	20002.2	3333.70	135.460
2006	18925.5	18707.5	3117.92	202.331
2007	32029.3	18288.7	3048.12	350.263
2008	49219.0	30171.2	5028.53	326.265
2009	44335.7	32673.3	5445.55	271.388
2010	50643.0	37328.0	6221.33	271.341
2011	61035.0	40632.5	6772.08	300.425
2012	70327.0	47798.6	7966.43	294.264
2013	77743.2	49976.5	8329.42	311.119
2014	65120.5	45200.1	7533.35	288.143
2015	52781.8	33188.2	5531.37	318.076
2016	44216.7	29137.8	4856.30	303.501
2017	48649.6	29137.8	4856.30	333.928

2018	56316.8	32950.8	5491.80	341.824
2019	59428.6	58138.0	9689.67	204.440

Source: Central Bank of Iraq, Department of Statistics and Research, Annual StatisticalBulletins, (2004, 2005,... 2019.

- Foreign reserves/imports from the calculation ofthe researcher that.

2- Ratio of foreign reserves to GDP in Iraq for the period (2004-2019)

This ratio is one of the new international indicators showing the optimal size of foreign reserves. Maintaining a foreign reserve rate of at least (2-20)0/0 of real GDP is an optimal foreign reserve level. From Table 7, the lowest ratio of foreign reserves to output reached 2004 at a rate of (025.65/0), while the highest percentage in 2009 was (039.71/0) and then began to decline, due to the decline in oil prices and the inability to cover domestic market production because of the weakness of output.

Table (3) : GDP and reserve coverage ratio for GDP (2004-2019)

Year	**GDP 1 million dinars**	**Reserves/output%**	**Year**	**Gross Domestic Product**	**Reserves/output%**
2004	53235358.7	25.65	2012	254225490.7	32.26
2005	73533598.6	27.06	2013	273587529.2	33.14
2006	95587954.8	29.05	2014	266420384.5	29.09
2007	111455813	36.07	2015	199715699.9	31.45
2008	157026061.6	37.39	2016	203869832.2	25.81
2009	130642187.0	39.71	2017	225995179.1	25.82
2010	162064565.5	36.56	2018	251064479.9	30.46
2011	217327107.4	32.86	2019	262900000	26.70

Source: Central Bank of Iraq, Department of Statistics and Research, Annual Statistical Bulletins for Years (2004, 2005,...2019.
-Reserves/ resulting from the calculation of a researcher

3- The ratio of foreign reserves to the wide-ranging cash offer (M2)

having sufficient (5-020/0) monetary availability is essential. since currency crises can occur in countries where the exchange rate can change (the speed of which is allowed to rise). The currency appreciates in places where people have a higher purchasing power. As previously said, this ratio is necessary for countries whose financial structures are fragile. The balance was recorded as an average during the duration of the study (0103.535/0). This percentage can support the local currency in the event of crises. 4 to 2010. With the most significant price-to-to-to-pence interest ratio being in 2008, the actual GDP per capita average is now at 7.3:1, as opposed to the rate calculated by reference to foreign exchange rates is 7.3:1 because of the decreasing availability of crude.

In the years (2003-2010-2011-2014-2015), the broad offer of cash is more significant than foreign reserves. It indicates a large amount of capital smuggled abroad, a decrease in confidence in the local currency, and inefficiency for the banking system. The results of the Bank of

England's foreign reserves prove that for those four consecutive years (2004 through 2013) where monetary base money (funds) amounts are higher than the others, then they were smuggled out; afterward, the opposite was so, when foreign currency reserves exceed base money.

Table (4) : Cash offer and foreign reserve coverage ratio/wide cash offer (2004-2019)

Year	M2 Cash Offer	Reserves/cash offer%	Year	M2 Cash Offer	Reserves/cash offer%
2004	11498148	118.734	2012	75466000	108.660
2005	14659350	135.759	2013	87679000	103.387
2006	21050249	131.892	2014	90728000	85.269
2007	26919996	149.319	2015	84527000	74.308
2008	34861927	168.431	2016	90466000	58.163
2009	45355289	114.370	2017	92857000	62.835
2010	60289168	98.280	2018	95391000	80.177
2011	72067309	99.089	2019	103441100	67.9
Average					103.535

Source: Central Bank of Iraq, Department of Statistics and Research, Annual Statistical Bulletins (2004, 2005. 2019.

4- Reserves/cash offer from the researcher's calculation

Fifth: The future of foreign reserves

There are several plans for foreign currency reserves for the future, one of which involves the possibility of future commodity price appreciation:

The first possibility:

If oil is at the price of (20) dollars and the daily production rate (3600,000 barrels), then the revenues from oil are as follows:
20×3600000×360=25,920
The central bank's sales of the currency from the auction in 2015 amounted to approximately $35.35 billion, thus becoming:
25,920- 35,35= -9,43
Foreign reserves in 2016 as of the end of June amounted to 48 billion. The rest of the difference of (5.3) million dollars is due to that part of the Ministry of Finance account's oil revenue to coverits imports directly.

The second possibility:

If oil is at the price (30) dollars and the daily production rate (3600,000 barrels), the oil revenue is as follows:
30×360000×360 = 38,800
Bank sales of foreign currency by auction
380800-35,35= 3,9
an additional 2.4 million will be set aside for next year in the Ministry of Finance's contingency fund, and 1.6 million will be allocated to the young children's account (58).

85+3,4 = 61,4

The third possibility:

When the oil price reaches \$40, the daily production rate (3600,000 barrels), the oil revenue is
40×3600000×360 = 51,840
51,480- 35,35 = 16,49
Iffour million and nine hundred thousand go to the finances, the remaining 16 billion
Added to the 2015 reserve.
16+ 58 = 74,49
The fourth possibility:
Expected price (\$50) per barrel and daily production rate (3600,000) barrels, oil revenues will be
50× 3600000×360 = 64,800
46,800 – 35,35 = 29,45
With the assumption that (4500,000) goes to the Ministry of Finance for its direct import, the remaining (29) billion
58+29 = 87 . Table 9 shows that.
The above possibilities were adopted based on sales of foreign currency from the Ministry of Finance for 2015. Through the currency auction work, the reserve for 2015 based on (58) billion dollars, the possibilities were optimistic. The correct opportunity is adopted at the oil price (20) dollars. It is the reality where the currency reserves decreased (48) billion for 2016 to the end of June, indicating that the future account is declining andcollapsing.An important signal to watch is the changing nature of foreign reserves, a tightening or a loosening of their restriction, a loosening of the limits on foreign currency, or the removal of leverage on their decision-making. It would make us fearful of the planet's long-to-ticks, which, as is often said, should indicate that the economy is in a slump for everyone else. By contrast, these two economic characteristics are commonly associated with development:
1) total demand growth; and
2) robust economic stability.

Thus, the expansion strategy should be maintained to allow the Central Bank of Iraq to retain a portion of its currency in addition to any othermoney. To some degree, the Foreign Currency Liquidity Management (FCLM) system's functionality in terms of retaining Iraq's currency is contingent upon the reserve currency's consistency.

Table (5) : Future of Foreign Reserves

Price of oil	20	30	40	50
Daily oil/barrel production	3,6	3,6	3,6	3,6
Central Bank's sales of foreign currency out of the window	35,35	35,35	35,35	35,35
Oil revenues /1 billion	25,920	38,800	51,840	64,800
The Ministry of Finance account is part of the import oil revenue / million	5,3	5,3	4,9	4,5
Reserve / \$1 billion	48	61	47,49	87
Source: AdibQassimShandi, Proceedings of the Third Scientific Conference, Former Source, p. 21				

Conclusions and Discussion:

The Central Bank's foreign reserves witnessed a positive increase in 2006, where foreign liabilities decreased significantly, and foreign liabilities increased significantly. The Central Bank of Iraq did not diversify the composition of its foreign assets in 2015 when the balance of its account emerged in other foreign investments. Still,before that year, foreign assets were limited to the balance of foreign currencies and gold. Diversification in the structure of foreign reserves does not mean increasing the ratio of foreign reserves but increasing reserve items. It is what succeeded in the currency of the Central Bank of Iraq. Themost significant percentage of the Central Bank of Iraq's foreign resourcesis resulting from oil revenues, while the rest result from its business practice.

Furthermore, it is crucial to maintain a positive level of net foreign reserves of the Central Bank of Iraq and not return to the negative balance, which keeps pace with central banks' general trend. It also requiresDiversifying foreign assets to avoid the risks that arise if these assets are limited to one or two items and take advantage of other experiences of central banks in this field.

3- Finding consensus between monetary policy and fiscal policy through coordination between them and setting the general framework for economic policy followed by the two approaches. Transparency corresponds to the independence enjoyed by the Central Bank of Iraq, so presenting details to other foreign assets is essential and valuable. Finally,the Central Bank continuing to control the stability of the ratio of net foreign reserves is positive and must be maintained.

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