

ECONOMIC DEVELOPMENT IN IRAQ: BETWEEN ECONOMIC SHOCKS AND IMF CONDITIONS

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ABSTRACT

Since developing countries gained their political independence until today, they have been characterized by the inadequacy of fiscal and monetary policies in directing real resources to finance the investment required due to the volatile political and economic conditions. Perhaps the spread of the illusion of development and the exaggeration of the role of investment by linking the development movement in it with external financing that prevailed in the seventies of the last century, led most developing countries to resort to foreign savings to supplement the shortage in domestic savings, due to the insufficiency of the local funding sources needed to finance the investment programs required for Achieving high growth rates for national income, and soon the United States of America emerged more as a significant source of loans through international financial institutions, but the goals envisaged by resorting to foreign debt may not be achieved in not a few cases because of the possibilities of using them in inefficient investment fields or squandering them In marginal areas that do not generate income through which they can pay their service burdens, and the aggravation of the severity of external debts often leads to the need to reschedule them with governments and international organizations within certain conditions.

Keywords: Economic Development, Economic Conditions, International Organizations

INTRODUCTION

The former political system has left a deteriorating development legacy, whose low indicators have been reflected in the reality of the Iraqi economy: increased poverty, poor economic performance, low fixed capital formation, low per capita GDP, and a lack of a diverse production base. It was not much different under successive governments after 2003 (Almagtome, Al-Yasiri, Ali, Kadhim & Bekheet, 2020). The chaos, internal conflicts, low efficiency of institutional performance, and public administration increased. The development gap began to improve day by day between Iraq and neighboring countries due to the temporary acceptance of unilateral economic continuity motivated by budgetary financing, economy, and reconstruction programs (Amagtome & Alnajjar, 2020). It kept the economy weak and made it vulnerable to fluctuations in the international market due to changes in oil prices. As a result, the Iraqi economy encountered several impediments to economic progress, particularly in light of ISIS's control of vast swaths of Iraq and the accompanying low oil prices. It resulted in a logical chain of repercussions, namely the upheaval of the material, social, and political environments Almagtome, Khaghaany & Önce (2020). Then there is the rising fiscal deficit resulting from the prolonged drop in low yields and deteriorating balance of payments conditions. It urged the administration not to embark on a preventative program in 2015 to get external financing from international organizations to help it exit the crisis. Iraq's application of international institutions' programs and the introduction of several precautionary arrangements with the aim of borrowing did not contribute to correcting the course of its institutions towards economic decision-making in line with economic development and stimulating the non-oil economic sectors in a way that ensures economic diversification to be a sustainable resource for financing the general budget and the economy and escaping the rent trap but instead kept it in a state of permanent borrowing and depth of its structural imbalances Al-Fatlawi, Al Farttoosi & Almagtome (2021). The

research is based on the premise that the mismanagement of the economic file is behind a package of financial challenges and the center of what existed due to the Iraqi government reliance on patchwork solutions in dealing with the economic shocks that plague the country continuously by engaging in a preventive program with international institutions that then burdened it with debt, which requires the government to formulate appropriate economic policies to deal with the shocks facing Iraq in the diversification of the Iraqi economy in the non-oil sectors.

LITERATURE REVIEW

The Iraqi Economy: Reality and Indicators

After 2003, the Iraqi economy witnessed a dysfunctional reality that led to severe distortions in its indicators and continues to exist today Khaghaany, Kbelah & Almagtome (2019). After the political change, the deteriorating security situation in Iraq was a significant challenge by targeting structures, resources, and institutions, provoking violence, internal wars, poverty, instability, and severe weakness of governance Hameedi, AL-Fatlawi, ALI & Almagtome (2021). It lost its strategic orientation towards the process of economic development and reconstruction of Iraq. There was no clear strategy for economic development in most stages of its development. It negatively affected the Iraqi economy by declining many of its fundamental indicators and the decline in its productive sectors except the oil sector, which made the Iraqi economy vulnerable to fluctuations in the international market due to changes in oil prices Ali, Almagtome & Hameedi (2019). The development reality of the Iraqi economy was informed by reviewing the most critical development indicators in the development plans of the Ministry of Planning, statistical groups of the Central Bureau of Statistics of Iraq and the reports of the International Monetary Fund, as well as the statements of the Ministry of Finance. After Iraq was hit in 2014 by two double shocks, the first was the occupation of large areas of Iraq by the terrorist organization ISIS. The second was the decline in oil prices. The flow of foreign currency declined; oil revenues decreased from \$90,367 million in 2014 to \$56,878 million in 2014. 015 to \$45,968 million in 2016 8. Al Karasneh, Fund & Bolbol (2006). It led to an accelerated increase in the budget deficit and current account, which led to a poverty rate and an increase in the number of displaced people to more than three million displaced. The criminal organization ISIS killed and displaced many people. The number of displaced families for 2017-2014 was 1,008,524, and the looting of a lot of money and the destruction of infrastructure and productivity in many provinces. The public sector has suffered losses from economic units as a result of the expansion of ISIS terrorist organizations from June 2014 until the liberation of the affected areas with 8,373 economic units of various types, while the rate of damage to government buildings from the transport and education sectors was about 25%, 24.3%, 20%, respectively. The total damage to the seven worst-hit provinces was 46.9 billion dollars. The electricity sector hardest hit at 8.109 billion dollars, followed by the oil and gas sector, with losses of 5.198 billion dollars. In contrast, the manufacturing sector had total damage of about 4.5633 billion dollars. Damage to the private sector was estimated at 16 billion dollars, or 53.4 percent in urban areas, while damage to residential buildings in rural areas was 46.6 percent (Al-Nuaami, Khalil & Kh, 2019).

As soon as the war began, priorities were mixed between development and military spending, and these events had severe implications for the standard of living and capacity of individuals (Sarangi, Alameri, Lesueur & Akill, 2019). In addition to the slow growth in the regulated economy in most of its economic sectors as well as the lack of economic policies in creating jobs for young people who have been socially and economically marginalized, the number of young people able to work and those who come to the labor market has increased by 27% according to 2019 population projections, putting pressure on the labor market and opportunities that can be available to them in a different economic, social and political environment. In contrast, the lack of job creation is frustrating Nasreddine, Ayoub & Al

Jawaldeh (2018), according to 2018 data. The unemployment rate across Iraq is 23.2% (Alfahham, 2020).

When tracking the composition of the Iraqi economy's GDP, which was characterized by structural imbalance due to the main dependence on oil to finance its resources, the relative importance of commodity sectors in GDP formation fell from 60.03% in 2014 to 49.2% in 2015 to 49.7% in 2016. This decline is mainly due to lower global oil prices. The contribution of the agricultural and industrial sectors to GDP formation also fell to 3.9%, 1.8%, respectively, in 2015 (Musheb, 2018). In 2017-2019, the contribution of commodity sectors to GDP formation increased to 53.6% in 2017 and then to 59% in 2018 to 56% in 2019, particularly in the oil sector. It rose to 38%, 47%, 44% respectively as oil prices rose from \$36 in 2016 to \$49 in 2017 to \$66 in 2018 to \$61 in 2019.

Gdp per capita declined in 2014-2016 from 7.6 million dinars in 2014 to 5.5 million dinars in 2011, to 5.4 million dinars in 2016. Total fixed capital formation fell to 50,650 billion dinars in 2015 from 55,834 billion dinars in 2014. The entire limited capital formation continued to decline even after 2018, reaching 31,944 billion dinars, and did not improve due to a decrease in the proportion allocated to investment spending (Zangana, Al-Banna & Al-Hadithi, 2019). The modesty of investment programs and the modest implementation of investment programs in the general budget have led to a continued lack of public services in infrastructure and their inability to keep pace with the continued increase in demand (Mohammad, Shams Abadi & Khalifati, 2020). In light of the Corona pandemic, the collapse in oil prices, and the decline in Iraq's financial capacity, the situation was not much different for the poor. It was made worse by curfews in all provinces to prevent the spread (Bank, 2020) of the disease and has significantly affected the economic situation of Iraqi citizens, particularly low-income people. The poverty rate rose to 31.7 percent in 2020, causing the poor to increase by 11 million (Arekapudi, 2021).

Iraqi people were looking to promote the development reality, achieve development levels commensurate with its potential and population needs, and rebuild and establish a new state capable of achieving this. They also aim to re-employ the material and human resources that the country possesses in economic and human development due to insufficient funding, lack of infrastructure investment, and labor market stagnation. The lack of funding is a significant problem in the implementation of these plans. The survival of economic development in the country depends on the direction of oil revenues and the deviant behavior of the general budget in guiding the course of allocating the bulk of public revenues towards operational expenditures at the expense of investment expenditures.

Problems of Economic Development

For the past decade and a half, the Iraqi government has not been able to bring about fundamental changes in the structure of the Iraqi economy despite the long years of financial abundance due to a series of challenges, namely the inability of the government to implement its programs for security reasons, in addition to the reasons for the structure of the political and economic system based on consensus and the rooting of financial and administrative corruption in all joints of the state. These challenges include:

The difficulty of the Investment Environment

The investment environment in Iraq has many limitations: difficulty in entering the market, high risks, and an opaque regulatory environment, as well as a weak banking sector unable to provide significant credit facilities (Thabit & Jasim, 2019). Out of 100 points for 2020, Iraq's rating has declined in most of the report's executive areas, such as starting a business, obtaining building permits, obtaining electricity, registering property, paying taxes, trading across borders, as well as legislative aspects such as investor protection, contract enforcement, credit acquisition, and business liquidation (Shukor, Klazinga & Kringos, 2017). This is due to a

range of constraints, including institutional controls, lack of transparency and clarity, and poor infrastructure (Hadi, Abed & Kadim, 2018). For the past decade and a half, Iraq's economic development has faced an unclear investment environment repellent to foreign investment not only because of military operations. Moreover, the deteriorating security situation and the continuing political differences eliminating the chances of promoting the Iraqi economy and moving it to a competitive market economy, and resisting changing it fiercely to keep the country in the circle of underdevelopment and dependency prevent it from starting.

Terrorism and its Impact on the Development

Terrorism is a dangerous phenomenon that exhausts society and the state, drains humanity's energies and potential, wastes many of the state's resources and funds, and confiscates opportunities for advancement and development. Iraq is the most affected country by violence and terrorism, which has disrupted security and stability, particularly after 2003. It marked a significant turn in Iraq's recent history due to the profound political, economic, and social changes it has produced that have resulted in a lack of development levels commensurate with its available potential and the needs of its population after the security forces became the responsibility of the Iraqi forces to ask the government for more efforts and financial allocations to arm and train the army to face the attacks and terrorist operations that continue to destroy the country.

The escalation of terrorism and violence during 2014-2017 led to a rise in the relative importance of military expenditures from 19.1% in 2013 to 21.4% in 2015 to 21.4% in 2015. However, this increase was made at the expense of social services such as health, education, and education services, which fell to 5% in 2017 from 13% in 2013 (Murphy & Albu, 2018). In addition, the widespread phenomenon of violence by terrorist actors and increased chaos in the country has led to a weakening of the ability of state institutions to function normally, as this situation has dramatically affected the Iraqi economy in many ways, turning reconstruction resources into unproductive activities.

Adopting Traditional Approaches to Budgeting and Mismanagement of Public Finances

The state's financial structure is based on traditional methods in preparing the general budget based on accepting a growing budget deficit. A quick look at how the available budget works and performance, we find many outlets that lead to mismanagement of public money. The initial evaluation of the budget starts with a fiscal deficit and ends with a financial surplus, and this was demonstrated by exaggerating the planned general budget for its expenditures. The government's use of loans and hedge agreements has subsequently burdened it with debt, as well as a strictly conditional program. This overcapacity was offset by a surplus in the actual port and all public budgets from 2004 to 2018, except in 2015 and 2016, especially since large fiscal surpluses characterized the period 2004-2012. As a result of the outpacing of public revenues, there is a budgetary surplus of 109 trillion dinars during the same period (Nord & Gray, 2018).

The year	Al, Semad			Executed		
	Revenue	expenses	Surplus or deficit	Revenue	expenses	Surplus or deficit
2004	18.6	19.5	0.9-	33.0	32.1	0.9
2005	29.0	36.0	7.0-	40.5	26.4	14.1
2006	45.4	51.0	5.6-	49.1	38.8	10.2
2007	42.1	51.7	9.7-	54.6	39.0	15.6
2008	50.8	59.9	9.1-	80.3	59.4	20.8
2009	50.4	69.2	18.8-	55.2	52.6	2.6
2010	61.7	84.7	22.9-	69.5	64.4	5.2
2011	80.9	96.7	15.7-	100.0	69.6	30.4

2012	102.3	117.1	14.8-	119.5	90.4	29.1
2013	119.3	138.4	19.1-	113.8	106.9	7.0
2014	139.6	163.4	23.8-	105.4	83.6	21.8
2015	99.8	125.2	25.4-	66.5	70.4	3.9-
2016	81.7	105.9	24.2-	54.3	67.1	12.7-
2017	82.1	107.1	25.0-	77.3	75.5	1.8
2018	91.6	104.2	12.5-	106.6	80.9	25.7

Source:

- The Republic of Iraq, the general budget, different years.
- Central Bank of Iraq, annual bulletin, different years.

In 2013, the International Monetary Fund (IMF) warned the Iraqi government that there was a range of security challenges to Iraq from the medium-term perspective. For example, the withdrawal of much of its funds by foreign companies operating in Iraq and the liquidation of their direct investments, as also noted by the World Bank in its statements. However, the government has not taken any security or financial measures, including maintaining the economic situation from distortion and securing the remaining funds in the banks of the Northern provinces. In these provinces, the total amount of money controlled by ISIS was estimated at five billion dollars. Although the government was aware of this threat, the government did not adopt a specific policy before this threat occurred to prevent the waste of that public fund, which lost the government five billion dollars that it could have used in the areas of diversification of Iraq's economic infrastructure.

The Percentage Allocated to Investment Expenditures

The years 2004-2014 were marked by years of financial abundance. The financial and economic opportunities that occurred in those years may not be repeated to Iraq again. The general budget saw plenty of oil revenues due to the rise in oil prices ranging from 140 dollars to 90 dollars. Oil revenues during that period were estimated at 756 trillion dinars, and non-oil revenues amounted to 64 trillion dinars. Successive governments have been aware that the source of the money is from a depleted resource vulnerable to depletion and returns that are vulnerable to volatility in the world oil market, not from productive sectors. Yet, they have not built an adequate economic base that will contribute to the diversification of the Iraqi economy. The table shows the ratio of investment expenditures to planned and implemented public spending (2005-2018).

The year	Planned overheads	Planned investment expenditures	The ratio of investment expenditures to public expenditures%	General expenditures implemented	Investment expenditures implemented	The ratio of investment expenditures to public expenditures %
2005	36.0	7.5	20	26.4	3.1	11
2006	51.0	9.3	18	38.8	3.9	10
2007	51.7	12.7	24	39.0	3.4	8
2008	59.9	15.7	26	59.4	6.3	10
2009	69.2	15.0	21	52.6	5.8	11
2010	84.7	23.7	27	64.4	12.1	18
2011	96.7	30.1	31	69.6	9.9	14
2012	117.1	37.2	31	90.4	14.1	15
2013	138.4	55.1	39	106.9	26.4	24
2014	163.4	62.9	38	83.6	24.9	29
2015	125.2	41.2	32	70.4	18.6	26
2016	105.9	30.5	28	67.1	15.9	23

2017	107.1	28.5	26	75.5	16.5	21
2018	104.2	24.7	23	80.9	14.0	17
Source: Table of the researcher's work based on the data contained in the Republic of Iraq, Ministry of Finance, Public Budgets, Various Years.						

Table 2 shows the proportion allocated to investment expenditures in the planned budget structure hardly meets the requirements of the Iraqi economy. This is because the infrastructure has been destroyed by the occupying forces and the wear and tear caused by obsolescence. Furthermore, the growth of the gap between discretionary and implemented expenditures, and the difficulty of obtaining exchange permits, showed a slowdown in investment expenditures during 2004-2018. Hence, we find that the proportion of investment expenditures carried out during the same period is half What was planned despite the low rate of allocations, which caused a significant imbalance in the Iraqi economy. This explains the absence of a strategy for economic diversification of all sectors of the national economy.

The Phenomenon of Corruption

The U.S. occupation of Iraq in 2003 created an environment conducive to corruption. It provided more opportunities for spoilers than before 2003, and high oil revenues played a significant role in its spread. Between the regulatory institution and public spending in disclosing financial and government performance, which lost the prestige of independent institutions, the amount of money allocated for corruption during 2005-2016 by the Integrity Commission and the Inspector General's Office amounted to \$5.4 billion (Tomkins, 2019). Based on the annual reports issued by Transparency, Iraq occupied short positions in those reports. Over the period 2004-2020, Iraq's sequence among the countries participating in this report, especially during the last years of that period, particularly in 2020, was at 1st place. Of the 179 participating countries, the corruption perception index did not rise above the level (2), according to the experts' report, which gives countries 0 to 10 degrees because zero means high levels of corruption and ten means low levels of crime (Yogesh Hole, 2019). The growing corruption in Iraq has kept Iraq at the bottom of Transparency International's corruption index to be one of the world's most corrupt countries and is expected to stay longer.

External Financing and IMF Conditions

Iraq entered into a new hedging arrangement with the International Monetary Fund (IMF) in 2016 to address the urgent balance of payments needs, bringing spending to a level commensurate with the fall in world oil prices and ensuring the continuity of public debt within sustainable limits. The program included measures to protect the poor, strengthen public finances and curb corruption. The program lasted three years until 2019 in exchange for a \$5.4 billion loan from the International Monetary Fund (IMF) and another \$6.5 billion from other countries in business to implement IMF programs to solve worsening budget deficits and reduced international reserves. It has been conditional to ensure that Iraq lends soft and unseasonable loans to international countries and financial institutions. In addition to the loan repayment insurance, the program includes whether the implementation is as planned at the program's development and whether necessary adjustments are needed to reach its objectives.

- A. Advance actions: A series of measures that provide the necessary foundations for the program's success include implementing high tax policies that will increase the state's non-oil public revenues by 15 billion dinars. The Ministry of Finance has reduced social transfers by 2 trillion dinars and pursued a deflationary fiscal policy.
- B. Quantitative performance criteria: They include specific, measurable conditions and are linked to macro-economic variables under the authority of the Central Bank, namely the need to maintain international reserves of decline during the duration of the program at a minimum of \$40 billion and the government's commitment to peg the value of the dinar to dollars and liberalize international transactions.

- C. Visa objectives: It includes total economic variables supporting performance standards that provide a business climate that complies with the requirements of the investment community by gradually removing transfer restrictions.
- D. Structural references: These include basic reform measures that reform the financial sector and strengthen the management of public finances by improving financial transparency.

The program included a wide range of economic, regulatory, and legislative reforms and changes, including:

- a) Determining salaries, wages, and retirement for government sector employees with close ceilings. Senior state officials' full pay and allowances and higher and private employment grades are subject to income tax.
- b) Increase taxes, deductions, and prices for public services, such as increased tariffs on imported goods excluding food commodities and progressive charges on electricity consumption.
- c) Based on the IMF's recommendations and the measures to be taken within the program required to grant the loan, the government must apply the natural attrition of employment. Accordingly, the Iraqi government will replace only one in six retired employees, which will reduce the sagging of jobs in the government administration in Iraq. Accordingly, the government introduced the measure, which decreased the number of employees in the government apparatus from 3.03 million in 2015 to 2.89 million in 2016 and 2017, to 2.94 million in 2019.
- d) Reducing the investment of national oil companies due to the government's inability to finance the expansion of production capacity.
- e) Restructuring of self-funded public companies.
- f) Iraqi authorities have pledged to pay 4.7 billion dollars in arrears to international oil companies.

Based on the credit readiness agreement with the IMF, the government has begun to implement economic reform and restore the balance of public finances in the medium term through a significant fiscal correction, primarily through reduced inefficient capital spending while protecting social spending. The 2016 budgetary program is consistent with its amendment to that year's draft budget and the light of the Credit Readiness Agreement. The fiscal adjustment included reducing current spending and support for state institutions to allow investment spending to achieve economic development.

The IMF loan has had a series of indirect harmful effects on the Iraqi economy due to the implementation of fiscal discipline policies that have led to a deterioration of social, educational, and health services and reduced employment opportunities within the economy high unemployment rates. It is worth mentioning that the loan from the International Monetary Fund was not intended to spend on investment areas except for the part allocated to the payment of foreign oil companies, and the remaining amount was used to pay for the government's increased operational expenditures, especially non-productive consumer areas. Iraq could not repay the loan obtained from the International Monetary Fund (IMF) only by deducting part of the oil revenues, which declined significantly during that period. The series of harmful effects of the loan continued with a large budget deficit of 10 billion dollars in 2016. Iraq has primarily sought to match the state's approach to international financial institutions, particularly in the Paris Club Agreement and the International Covenant Agreement, which included the state's withdrawal from direct management of economic activity and giving the private sector a chance to grow gradually. Iraq's implementation of IMF programs and other institutions involved Iraq's commitment to activating policies, measures, rationalization of budget spending, and increased support for some social services. It kept Iraq in permanent debt because the liberalization of current international transactions is one of the most critical factors of the depletion of international reserves. Especially in times of crisis that led to a reduction in non-oil output due to the war against the terrorist organization ISIS and increased rates of private import from southern ports, and the state's adoption. The deflationary fiscal policy makes it difficult for such a situation to bear additional financial obligations and burdens. The Iraqi people had hoped that Iraq would engage in the credit readiness agreement with the International Monetary Fund (IMF) in correcting the course of its institutions towards economic decision-making in line with economic development and stimulating economic sectors in a way that would ensure economic

diversification as a sustainable resource for financing the general budget. But the reality proved. Otherwise, the government worked with a policy of fiscal discipline. Still, the government failed to find additional sources of budget financing. It did not stimulate the economic sectors and address the structural imbalance. Still, the circle of financial and administrative corruption expanded, and the financial allocations of the productive sectors decreased from total public expenditures.

The high rate of external borrowing indicates the most severe phenomenon practiced by the Iraqi government, as part of the external borrowing was directed not to finance production projects agreed with international institutions and funded bodies but to finance current expenses. Therefore, the overfunding of the state budget deficit from external sources may have a significant impact on the worsening of the external debt crisis in Iraq, which has risen at rates faster than the growth rates of exports and other foreign exchange resources, which makes the Iraqi government unable to continue to pay debt installments and interest.

CONCLUSIONS

In Iraq, the government did not employ the abundance of financial resources resulting from high oil prices and financial surpluses from public budgets for a decade in achieving economic development and creating an infrastructure compatible with the capabilities of the Iraqi economy. Instead, it left a state of chaos, internal conflicts, and low institutional performance efficiency. Public mismanagement, the worsening of poverty, the spread of corruption, and economic mismanagement. The development gap began to increase day by day between Iraq and the neighboring countries. The temporary acceptance by the governments of the continuity of the unilateral economy is motivated by financing the budget, the economy, and reconstruction programs. It kept the economy weak and made it vulnerable to fluctuations in the international market due to changes in oil prices. As soon as Iraq was subjected to the double shock of ISIS' occupation of large areas of Iraq and the drop in oil prices, the matter led to a series of interconnected consequences represented in the permeation of the material, social and political conditions. Then, the growing public budget deficit resulted from the continued decline in oil revenues and the decline in its economic indicators, which called on the government. To engage in a prudent program to obtain external financing from international institutions in 2015 to get out of this crisis. The loans of international institutions have had a set of adverse indirect effects on the Iraqi economy as a result of the application of financial discipline policies that led to the deterioration of social, educational, and health services, as well as a decrease in job opportunities within the economy and high unemployment rates. These loans were not intended for spending on investment areas, except the part dedicated to paying dues to foreign oil companies. The remaining amount was used to fill the government's increasing operating expenses, especially in non-productive consumer areas. This resulted in Iraq's inability to repay the loan obtained from the International Monetary Fund, except by deducting part of the oil revenues, which witnessed a significant decline during that period, and the series of harmful effects of the loan continued, represented in keeping Iraq in a permanent state of debt.

Although Iraq's development plans have emphasized economic diversification and reduced oil dependence, this has only been reflected on the ground on a small scale. The absence of a real strategy for economic diversification has led to the central government's continued dependence on oil and, as a result, the continued rantly nature. The Iraqi economy is facing a sharp decline in the contribution of economic sectors except for the oil sector, which is caused by the government's neglect of those sectors and the reduction in the fiscal allocation of total public expenditures in the general budget. High rates of corruption within the country, whether at the level of individuals or the economic and political framework, have led to the waste of public resources, the reduction of resources available for economic development, and the distortion of its plans and guidance non-development destinations. It is necessary to develop non-oil economic sectors that contribute significantly to increasing and diversifying revenue sources for the general budget, reducing dependence on volatile oil revenues so that they do not

eventually fall hostage under the terms of the International Monetary Fund (IMF) and the World Bank, which have burdened it with debt. It is also essential to providing opportunities, and removing obstacles to foreign investors is an attraction. It contributes to developing different economic sectors to diversify the economic structure and reduce the structural imbalance. Economic policymaker needs to strengthen the budget structure and move towards commitment to fiscal discipline policy, spending control policy, regulation of tax work, and improvement of taxation methods contributes to achieving a surplus in the general budget that can be directed towards the formation of physical capital. We have to establish small industrial projects working in the field of agricultural projects to provide their production supplies in Iraq and the possibility of employing large numbers of the workforce.

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