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# Analysis of the Relationship Between Fiscal Policy and Economic Security in Iraq

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***Abstract***

*This research analyzes some indicators of fiscal policy, specifically focusing on public expenditure, government revenue, and the general budget balance. It also examines certain indicators of economic security, including the average GDP per capita, agricultural GDP, and non-oil GDP, in an attempt to measure the extent of influence and the role that these policies could play in achieving economic security during the years 2004 to 2021, particularly after the establishment of the political system in Iraq.Through study, analysis, and the use of quantitative methods in processing, the research reveals a disparity between the trajectories and orientations of fiscal policy and the achievement of economic security in Iraq. Fiscal policy has often been centered on the reliance on a single quarterly resource, namely oil revenues, resulting in the economy's persistent dependency and vulnerability to fluctuations in the global economy. This situation has had negative or positive implications for the living standards of Iraqi citizens.*

***Keywords:*** *Fiscal Policy, Economic Security, Global Economy.*

## INTRODUCTION

The discussion about economic security is essentially an expression of providing protection and assurance that enable individuals to meet their basic needs of food, clothing, shelter, and healthcare, particularly in exceptional circumstances, natural disasters, and economic services. Ensuring a minimum standard of living is imperative for all individuals and groups comprising society. In systems where the state is the sole driver of the economy, its fiscal policy becomes the conduit through which economic security can be provided. Governments utilize their expenditure programs and general revenues to achieve desired effects and avoid undesired impacts on income, production, and employment to realize development, stability, and economic security.

The problem statement of this research lies in the fact that the Iraqi economy heavily relies on financing its expenditures from oil revenues, accounting for over 90%. The majority of these expenditures are consumptive (current) expenses, exceeding 60% of total public expenditure, while investment expenditures have not surpassed 40%. This imbalance in the budget allocation favors current expenses at the expense of investment expenditures due to the prioritization of essential public spending, which is considered obligatory and cannot be exceeded.

Throughout the years, the general budget in Iraq has often seen surpluses, which have been largely allocated to significant increases in investment expenditures. However, most of these increases have been directed towards the consumption agreement sector, particularly the portion related to military agreements and government administration agreements. The situation worsens when deficits accumulate in the general budget, leading to decreases in currency values, coupled with a rise in overall public expenditures, which burdens the Iraqi economy. Therefore, the problem revolves around the question of whether financial prudence in Iraq has contributed to achieving economic security.

Thus, this research aims to analyze the trends of financial policies in Iraq over a series of years from 2004 to 2021. It also sheds light on some indicators of economic security and evaluates the effectiveness of financial policies in achieving economic security amidst economic and political changes.

An additional aspect of the research focuses on a hypothesis suggesting a lack of coherence between the financial orientations in Iraq and the indicators of economic security. Economic and statistical analysis methods

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have been employed in this research, including time-series analysis of research variables and measuring their mutual integration towards designing financial policies that achieve economic security in Iraq.

## Theoretical Framework

## First: Conceptual Overview of Fiscal Policy and Economic Security

## Fiscal Policy

The economic thought encompasses various definitions of fiscal policy. It is often defined as that part of government policy concerning the generation of state revenues through taxes and other means, along with the estimation of the level and pattern of expenditure of these revenues.

Some view fiscal policy as a governmental program that performs several fundamental functions: allocation, distribution, and stabilization. Allocation refers to the government's role in providing public goods (national defense, basic education, contract enforcement, wealth and income distribution), while stabilization involves using the general budget as a tool to achieve full employment, price stability, economic growth, and balance of payments equilibrium.

Fiscal policy is also defined as the deliberate and systematic policies and measures related to the level or pattern of government spending on the one hand and the structure of revenues obtained on the other hand.

The tools of fiscal policy act as a compass to adjust economic activity disrupted by recurrent economic imbalances in the global economy.

This research focuses on one of the most important tools of fiscal policy, which is government expenditures and their financing means, government revenues (R), government expenditures (G), and the general budget balance (P B).

Public expenditures are one of the vital tools utilized by the state across its various activities to achieve its objectives. With its expanded role in managing the national economy, it encompasses all government spending on goods, services, and transfer payments. These expenditures are categorized into consumptive and investment expenditures.

While investment spending pertains to the allocation of resources by the state for establishing investment projects, fostering economic growth, and addressing structural imbalances, consumptive spending reflects the government's expenditure on various services, wages, and subsidies. The expenditure policy of public finance plays a pivotal role in achieving economic stability by rebalancing aggregate demand and supply, contrasting with the direction of tax policy.

State intervention in the economy through its expenditure policy aims to redistribute wealth and achieve economic stability, particularly in struggling developing economies where the public sector dominates the gross domestic product (GDP). Public expenditures are financed through what is known as government revenues. The state's expenditures have expanded in modern economies to encompass economic and social services to satisfy both divisible and indivisible needs, fostering conditions conducive to progress and increased welfare. Consequently, sufficient funds must be mobilized to cover public expenditures by identifying sources of financing, including sovereign, autonomous, or external sources, as well as loans and inflationary sources, to meet economic, social, and financial objectives within a specific timeframe.

Taxes are a significant source of funding for government expenditures and the management of state finances, especially during periods of economic fluctuation between inflation and contraction. Thus, the process of balancing taxation and its financing of expenditure, along with increasing government spending, which contributes to generating taxes by boosting taxable production, constitutes a dynamic process between the tools and effects of fiscal policy on economic activity during economic cycles.

This approach is adopted by advanced economies to finance expenditures through taxes and to utilize them as a means to achieve social equality by redistributing income and assisting the government in providing public goods and services.

In oil-dependent countries, where government expenditures are primarily financed by oil revenues, their economies become subject to fluctuations and crises in the world, particularly since oil, as an internal variable in production and an external variable in impact, is difficult for local governments to control due to its connection to the international oil market's supply and demand dynamics. Therefore, determining the nature of direct and indirect public expenditures relies on future legislation. Similarly, the collection associated with them depends on future legislation as well.

Budget is the primary tool used to implement the priorities of the Iraqi economy in both the short and long term. It serves as a financial plan that estimates the state's expenditures and revenues for a specific period, usually one year. The budget is prepared in light of the economic, social, political, and financial objectives that the state seeks to achieve, and it is executed after approval by the legislative authority.

## Economic Security

Security encompasses a comprehensive concept that entails creating suitable conditions to ensure stable living standards. It has various dimensions, including political, economic, social, and ideological aspects. In the context of this research, we focus on the economic dimension of security, which aims to provide the prerequisites for decent living, meet basic needs, enhance service levels and living conditions, create employment opportunities, and develop skills through work programs, training, and qualification.

Various definitions of economic security exist, ranging from the absence of severe deprivation threats to development or possessing the material means to lead a stable and satisfying life. According to the United Nations, economic security entails having the financial means to live a stable and fulfilling life, essentially having sufficient resources to meet basic needs such as food, adequate shelter, essential healthcare, and education.

Achieving economic security requires either a steady income for individuals through productive work in exchange for a specified wage or a robust and secure public financial network. Thus, a significant portion of the world's population falls within this category. However, economic security issues are more pronounced in developing countries, even though advanced countries also struggle with unemployment, which is a crucial factor in triggering political tensions and violence.

Economic security, when realized, encompasses physical, health, cultural, and nutritional security. For any economy to be efficient and humane, it must have adequate measures and procedures in place to achieve economic security. Well-designed social security systems enable people to respond to life's challenges and adapt to economic and social changes, reducing the risk of disasters and crises while enhancing their human capabilities to provide a better life and safer and more stable living conditions. Many theories have addressed the relationship between economic security and human basic needs. Maslow's theory of basic needs highlighted the fundamental motivations that drive humans and attempted to link the effects of economic and social insecurity to their causes.

Economic security is threatened when the average individual income decreases, and income growth rates decline, or when unemployment rates rise. Poverty is the primary threat to economic security because the spread of poverty in society spreads diseases, increases crimes and thefts, and fosters social and political dissatisfaction, leading to political, economic, and social instability. Therefore, combating poverty contributes to achieving economic security.

To achieve economic security, it is essential to combat economic corruption. Some scholars have pointed out that governmental policy failures are not due to inefficiency but rather to economic corruption caused by politicians and officials prioritizing their self-interests and bypassing many laws. This hampers the success of development projects because illegal payments increase project costs and reduce their quality.

It's worth mentioning that economic corruption leads to the distortion of public expenditures and misuse of public revenues. This negatively affects the allocation of public expenditures to achieve the minimum benefit from this spending. Superficial activities receive high expenditures while important economic activities and sectors for society are neglected. Moreover, there is an increase in military spending, and public projects are implemented through biased tenders. Additionally, economic corruption leads to wasteful spending due to the lack of accountability, such as excessive privileges granted to those who will assume high positions in the state, all of which affect the general budget.

## The Role of Fiscal Policy in Achieving Economic Security

Fiscal policy plays a crucial role in achieving economic stability, especially during economic fluctuations such as recession or boom, due to its impact on price levels, employment, and national income. Fiscal policy aims to redistribute income to reduce inequality among individuals in income and wealth distribution, bridge the gap between societal strata, and provide equal opportunities to achieve social justice. This is achieved by implementing changes in the types and proportions of expenditures for different income groups and imposing taxes on individuals from various income brackets.

Most attempts to achieve economic stability rely on reducing government spending to achieve budget balance. However, this requires resource mobilization simultaneously to finance developmental purposes in order to increase returns. This means that fiscal policy is crucial for achieving economic stability, and public policy must be directed towards achieving full utilization and price stability. Otherwise, the economy will tend to succumb to strong fluctuations characterized by unemployment, inflation, followed by a decline in income and the standard of living of citizens, which threatens economic security. Public expenditure is one of the most important tools of fiscal policy, as its impact on economic activity is manifested through the multiplier and accelerator interaction. Fiscal spending policy is more effective than tax policy in stimulating investment because the investment multiplier increases with increased spending, surpassing the investment multiplier when taxes are reduced.

The interaction between the multiplier and the accelerator, through changes in government investment spending, will increase the size of the Gross National Product (GNP) through the multiplier effect. Then, the accelerator effect begins to determine the size of government investment spending, which changes the size of income, consumption, production, and other variables. Theoretical ideas have been pursued in defining the nature of the relationship between fiscal policy and economic developments, especially regarding income redistribution and achieving economic stability. Among the economists who have focused on this aspect is the German economist Wagner (1961), who linked the average individual's share of income to the ratio of expenditure to income and considered that the higher elasticity between them confirms a high responsiveness to changes in income and expenditure.

## Analytical Framework

## Trends in Fiscal Policy and Economic Security Indicators in Iraq for the Years 2004-2021

The imbalance in the state of economic security in Iraq is the result of various shortcomings in the economic policies adopted in Iraq during the research period, especially fiscal policy. The persistence of relying heavily on oil revenues, which weakened the economic structure and made it vulnerable to fluctuations in global markets, is notable. The general budget provides a clear picture of the structure of public expenditures and public revenues and thus serves as a compass for the overall impact on the national economy.

Fiscal policy has faced numerous challenges during various stages, including crises that have affected the Iraqi economy, particularly shocks that have impacted the volume of oil exports, the primary source of revenue for Iraq. Additionally, internal imbalances, such as deficiencies in the contribution of economic sectors to income generation, deficiencies in the tax system, and the limited role of the private sector in economic activity, have exacerbated the situation. These factors have contributed to rising inflation rates and the depreciation of the Iraqi dinar.

## Firstly: Analysis of Fiscal Policy in Iraq

The general budget is the principal tool for implementing the economic priorities of the Iraqi economy in both the short and long terms. It serves as a mechanism for guiding the economy to achieve better economic growth, eradicate unemployment, and attain a certain level of individual well-being. The general budget represents the financial program of the government through which it seeks to achieve its economic and social objectives by utilizing all revenues at its disposal to meet public expenditure requirements. However, the general budget in Iraq often suffers from revenue volatility, relying heavily on oil revenues, especially during external shocks and fluctuations in oil prices. Table (1) illustrates the trajectory of government revenues and expenditures and the deficit in the general budget during the research period.

**Table (1): General Budget Deficit for the Years (2004 - 2021)**

| Years | Public Revenues | Public Expenditures | General Budget Deficit | Δ% |
|---|---|---|---|---|
| 2004 | 32986 | 31522 | 1464 | |
| 2005 | 40436 | 30831 | 9605 | 556.08 |
| 2006 | 49056 | 37495 | 11561 | 20.36 |
| 2007 | 54965 | 39308 | 15657 | 35.43 |
| 2008 | 80641 | 67277 | 13364 | -14.65 |
| 2009 | 55244 | 55590 | (346)* | -102.69 |
| 2010 | 70126 | 70134 | (8)* | -97.77 |
| 2011 | 103989 | 78758 | 25231 | 3048.33 |
| 2012 | 119817 | 105140 | 14677 | -41.83 |
| 2013 | 113840 | 119128 | (5288)* | -136.03 |
| 2014 | 97619 | 113474 | (15855)* | 199.83 |
| 2015 | 66470 | 70398 | (3928)* | -75.23 |
| 2016 | 54409 | 76067 | (21658)* | 451.38 |
| 2017 | 77422 | 75490 | 1932 | -108.92 |
| 2018 | 106570 | 80873 | 25697 | 1230.07 |
| 2019 | 107567 | 87301 | 20266 | -21.13 |
| 2020 | 63200 | 72874 | -(9674)* | -147.74 |
| 2021 | 109081 | 102850 | 6231 | -164.41 |

**Source**: Republic of Iraq, Ministry of Finance, Economic Department. Figures in parentheses indicate the general budget deficit.

In the previous table, it is noted that the general budget witnessed a surplus during the years 2005-2009. This was due to an increase in general revenues resulting from rising oil prices, coupled with a decrease in the volume of public expenditures. However, in the year 2009, the budget recorded a deficit of approximately (346) million dinars due to the collapse of oil prices as a result of the global financial crisis. Oil prices plummeted, leading to a significant decline in revenues. Meanwhile, in the years 2010-2015, the budget fluctuated between deficit and surplus.

The budget deficit continued during the years 2013-2016 due to an increase in public expenditures, especially military expenditures, attributed to the security situation and the seizure of Iraqi provinces by terrorist ISIS gangs, coinciding with the decrease in oil prices and revenue decline.

As for the years 2017-2019, they witnessed an increase in oil revenues due to the rise in global oil prices, resulting in budget surpluses. However, these surpluses were not directed towards investment agreements. Conversely, the budget recorded a significant deficit in the year 2020 due to the decrease in oil prices caused by the COVID-19 pandemic, which negatively affected oil prices and led to the closure of borders and outlets, consequently affecting public revenues.

This confirms the dependence of the general budget on oil prices fluctuations.

## Secondly: Analysis Of Some Indicators of Economic Security in Iraq

When discussing economic security in its general framework, there has been a debate revolving around providing a stable income for individuals, whether from their open work with a fixed salary or through providing a public and secure social safety net. Practically, it is necessary to identify some indicators that reflect the extent of achieving economic security. The Iraqi economy is an oil-dependent economy that relies primarily on oil revenues to alleviate poverty. The oil sector constitutes approximately 70% of the Gross Domestic Product (GDP). Therefore, this dependence has become a significant issue, especially with the fluctuating high demand for oil and its price fluctuations. Since the non-oil GDP and its share of public expenditures can be an important indicator reflecting the trends of economic, social, and financial policies during the research years.

It is observed from Table (2) that the analysis of the average per capita income . After that, the post-2003 years went through several stages. The years after 2003 witnessed a decline in the initial enthusiasm and an increase in public expenditures, as the international community imposed strict economic sanctions. Consequently, the Iraqi economy suffered, especially after the American occupation of Iraq. The security and military state institutions intervened, and economic establishments ceased operations, halting their production lines. This situation led to the migration of many individuals outside Iraq due to the unstable conditions. over the past years has witnessed a noticeable and escalating increase. This increase is linked to the revenues from oil exports, as well as the government's interest in improving the living standards of Iraqi citizens, which became evident through salary increases for state employees. Therefore, the average per capita income increased despite its fluctuation in some years. However, this average remains low compared to other organized countries. At the same time, there is unparalleled economic growth resulting from the increase in oil revenues generated from oil exports.

**Table (2): Economic Security Indicators (Iraqi Dinars)**

| years | Average per capita GDP | Average Per Capita Non-Oil GDP | Average Per Capita Agricultural GDP | Average Per Capita Public Expenditure |
|---|---|---|---|---|
| 2004 | 1974141 | 826351 | 136103 | 1163173 |
| 2005 | 2639681 | 1114110 | 181102 | 1101107 |
| 2006 | 3335665 | 1483356 | 193297 | 1301909 |
| 2007 | 3769738 | 1766646 | 185102 | 1323513 |
| 2008 | 4966833 | 2284653 | 197595 | 2109002 |
| 2009 | 4100691 | 2357379 | 215780 | 1731767 |
| 2010 | 5018607 | 2751821 | 258215 | 2157975 |
| 2011 | 6565100 | 3084752 | 299749 | 2365095 |
| 2012 | 7477399 | 3789155 | 310894 | 3074256 |
| 2013 | 7827517 | 43146776 | 380294 | 3393947 |
| 2014 | 7423966 | 4293030 | 377050 | 3152042 |
| 2015 | 5573949 | 3677290 | 231757 | 1999929 |
| 2016 | 5491004 | 3581063 | 216540 | 1852691 |
| 2017 | 6054887 | 3581115 | 177665 | 2034773 |

| | | | | |
|---|---|---|---|---|
| 2018 | 7141309 | 3901580 | 198621 | 2122655 |
| 2019 | 7062861 | 4134430 | 266081 | 2232760 |
| 2020 | 5408298 | 3793901 | 327045 | 1812774 |
| 2021 | 7309533 | 3970709 | 242058 | 2490306 |

**Source**: Compiled by the researcher based on data from the Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, and multiple reports.

## Thirdly:Measuring The Relationship Between Fiscal Policy And Economic Security In Iraq

## Correlation

Correlation between economic variables represents the most prevalent models in economic phenomena analysis. It retests the initial correlation strength and type, but it does not redefine the direction of the impact initially. Nor does it exempt identifying the relationship pattern in the long term. Therefore, there will be an extended analysis of the correlation matrix between the variables to select those with strong relationships and utilize them in providing evidence for the research opportunity.

**Table (3): Correlation**

| Colum+A2:C3n1 | NGDP | NNOGDP | NG | NAGDP |
|---|---|---|---|---|
| G | 0.95 | 0.91 | 0.96 | 0.8 |
| R | 0.93 | 0.78 | 0.87 | 0.64 |
| BP | 0.016 | -0.21 | -0.12 | -0.27 |

**Source**: Compiled by the researcher using Eviews software.

## Where

NGDP: Average per capita GDP.

NNOGDP: Average per capita non-oil GDP.

NG: Average per capita government expenditure.

NAGDP: Average per capita agricultural GDP.

R: Public revenues.

Bp: Budget deficit.

## Testing The Stationarity of Time Series

It is essential, first of all, to ensure the presence of stationarity in time series data to avoid spurious relationships. An increase in the values of the determination coefficient and statistical significance may be accompanied by serial correlation, which indicates certain conditions affecting the relationship variables and leading them to follow trends without reflecting the true relationship between them. Therefore, the research variables were subjected to unit root tests to verify the degree of time series smoothness. The Augmented Dickey-Fuller (ADF) test is commonly used to overcome the issue of serial correlation in the residuals. The test includes the following equations:

$$\Delta_{Yt} = a + Py_{t-1} \sum_{i=1}^{k} P_{I} + \Delta_{Yt-I} + U_t$$

$$\Delta_{Yt} = a + Py_{t-1} \sum_{i=1}^{k} P_{I} + \Delta_{Yt-I} + B_t + U_t$$

Where

Δ represents the first difference.

K is the lag length.

The attempts to test the following hypotheses are carried out:

$H_O$: P = 1 (Null hypothesis)

$H_1$: P < 1 (Alternative hypothesis)

The Dickey-Fuller statistical test checks for stationarity and compares the calculated test statistic ( T) with the critical values in the tables. Table (1) presents the results of the ADF test for the research variables.

**Table (4) Unit Root Test (ADF)**

| variables | 1 St Difference | | 2 nd Difference | |
|---|---|---|---|---|
| | Constant | Constant and trend | Constant | Constant and trend |
| **NGDP** | | -4.319** | | |
| **1%** | | -4.728 | | |
| **5%** | | -3.759 | | |
| **10%** | | -3.324 | | |
| **NNOGDP** | | | | -4.09** |
| **1%** | | | | -4.728 |
| **5%** | | | | -3.759 |
| **10%** | | | | -3.324 |
| **NG** | | -3.508* | | |
| **1%** | | -4.667 | | |
| **5%** | | -3.733 | | |
| **10%** | | -3.310 | | |
| **NAGDP** | | | | -3.767** |
| **1%** | | | | -4.728 |
| **5%** | | | | -3.759 |
| **10%** | | | | -3.324 |
| **R** | -3.459 | | | |
| **1%** | -4.667 | | | |
| **5%** | -3.733 | | | |
| **10%** | -3.310 | | | |

| Variables | 1 St Difference | | 2 nd Difference | |
|---|---|---|---|---|
| | Constant | Constant and trend | Constant | Constant and trend |
| **G** | -3.793** | | | |
| **1%** | -4.567 | | | |
| **5%** | -3.733 | | | |
| **10%** | -3.310 | | | |

| | | | | |
|---|---|---|---|---|
| **RP** | -4.309** | | | |
| **1%**<br>**5%**<br>**10%** | -4.728<br>-3.759<br>-3.324 | | | |

**Source:** Prepared by the researcher using Eviews 10 software.

*** significant at 1% level, ** significant at 5% level, * significant at 10% level.

Through Table (4), it can be observed that some time series resulted in a first-order difference, indicating stationarity, while others stabilized at the second difference. It can be said that all financial variables are short-term, meaning the presented regressions will not be spurious. Based on this, regression was performed to determine the impact of financial fluctuations on Iraqi economic security over the years. The estimation results are presented in Table (5):

From the estimation results, it is evident that:

**Firstly:** All independent variables significantly affect the dependent variables, indicating a clear impact of financial policy indicators on Iraqi economic security.

**Secondly:** The t-values of the estimated parameters for all independent variables are significant, supporting the above-mentioned notion.

**Thirdly:** The F-statistic is significant in all estimated relationships.

**Fourthly:** All relationships have considerable explanatory power (R-squared), except for equations (5) and (6), which is natural given the varying impact of public revenues on the average per capita GDP and agricultural GDP.

## Fourthly: Estimation Of the Relationship Between Financial Indicators and Economic Indicators

**Table (5) Estimation results of regression equations:**

| Relationship | dependent variable | independent variable | coefficients | (T) test | (F) test | (R2) test |
|---|---|---|---|---|---|---|
| 1 | NAGDP | G | 92485.9<br>2.077 | 3.020<br>5.260** | 27.67 | 0.63 |
| 2 | NGDP | G | 1058019<br>56.37 | 1.1014<br>4.550* | 20.71 | 0.56 |
| 3 | NOGDP | G | 216236.6<br>38.663 | 0.651<br>9.03** | 81.54 | 0.83 |
| 4 | NG | G | 350748.4<br>23.663 | 2.79<br>14.593** | 212.97 | 0.93 |
| 5 | NGDP | R | 1550830<br>46.48 | 1.3448<br>3.325* | 11.053 | 0.41 |
| 6 | NAGDP | R | 118188.7<br>1.6157 | 2.948<br>3.324* | 11.050 | 0.41 |
| 7 | NOGDP | R | 534547.8<br>32.124 | 1.019<br>5.056** | 25.56 | 0.61 |
| 8 | NG | R | 458480.3<br>20.782 | 1.926<br>7.203** | 51.88 | 0.76 |

The **source** of this work is the use of the Eviews10 program .

* Significance at the 5% level.

** Significance at the 1% level.

## CONCLUSION

The quantitative results may support the research hypothesis and analyze the trends and scope of the relationship between fiscal policy and its role in achieving economic security. The overall situation of the general budget in Iraq during the years of the study highlights the significant disparity between general expenditures and general revenues derived predominantly from the oil quarter, constrained externally due to price and production shocks in the global economy. This renders the Iraqi economy heavily reliant on market fluctuations and subject to external economic forces without restrictions, leading to deficits in most years of the study.

Furthermore, it is crucial to note that a surplus in the budget balance does not necessarily imply an improvement in the Iraqi economy, despite changes in the political system and numerous economic changes, especially in the functioning mechanism of both fiscal and monetary policies. The general budget has consistently operated with deficits, and upon implementation, faces challenges in utilizing allocated funds by the end of the year to report surplus conditions.

What can be concluded is that the period under study witnessed a murky image of the Iraqi economy, characterized by structural distortions due to over-reliance on the sole revenue source of oil, which has yet to yield the anticipated revival of the Iraqi economy. Furthermore, the continuation of fiscal policy in not adopting a diversified approach to revenue generation has left the general budget lacking resilience in facing market fluctuations. Instead of fiscal policy serving as a source of economic security, the Iraqi economy has remained vulnerable to external aid and economic instability.

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