

# Public Expenditure Trends in Iraq

## During the period 2010-2020 (Analytical Study)

### Abstract

This study aimed to analyze the trends of public expenditures in Iraq during the period (2010-2020) by adopting the descriptive analytical approach. The study concluded with a set of results, the most important of which was the existence of an imbalance in the structure of public expenditures in favor of current expenditures at the expense of investment expenditures, and this has a negative impact on the process of advancing the Iraqi economy to advance the wheel of development and achieve economic stability. The study recommends addressing the imbalance in the structure of public expenditures, rationalizing public spending, and working to diversify the sources of income in the Iraqi economy.

**Keywords:** public expenditures, current expenditures, investment expenditures, structure of public expenditures.

### Introduction:

Public expenditures are the main engine of economic growth, as they contribute to increasing the productive capacities of the local economy, if they are directed correctly towards investment areas in important sectors of the economy. Otherwise, directing public expenditures towards non-productive sectors that do not generate revenue

for the budget or directing public expenditures towards Operational expenditures lead to a deficit in the state's general budget and thus cause economic stagnation. Hence the idea of the current study was launched, as the researcher sought to find out the nature of the development in public expenditures in Iraq, the trends of these expenditures, the role of spending policy and its effectiveness. The study included three sections, the first section was devoted to the research methodology, the second topic dealt with the theoretical framework of public expenditures, and the third topic was concerned with tracing the path and structure of public expenditures, with a comparison between them and some other variables such as public revenues and gross domestic product. Finally, the study concluded with the most prominent conclusions and recommendations that it deems appropriate

The first topic:

#### Research methodology

First: the problem of the study

The problem of the study lies in the imbalance of the structure of public expenditures in Iraq in favor of operating expenses and at the expense of investment expenditures, a trend that is not consistent with the urgent need of the Iraqi economy for more investments in infrastructure and in the development of productive sectors and human development requirements.

Second: The importance of the study :

The importance of the study stems from the main role that public expenditures play in achieving economic and social balance through satisfying public needs.

Third: Objectives of the Study :

The study seeks to achieve the following objectives:

1. Analyzing public expenditures and their trends by identifying the nature of this expenditure and its components.

2. Analyzing the relationship of public expenditures with some macroeconomic variables and arriving at some indicators that can be used as a guide in directing resources towards spending items that are most important to the national economy..

#### **Fourth: The hypotheses of the study :**

The study is based on the following hypothesis: The imbalance of the structure of public expenditures in Iraq in favor of current expenditures at the expense of investment expenditures, and this has a negative impact on the process of promoting the Iraqi economy and achieving economic development.

#### **Fifth: Methodology of the study :**

The researcher adopted the descriptive analytical method in tracking and investigating his material, in addition to using some statistics and analyzing them.

#### **Sixth: The limits of the study :**

- 1- Spatial limits: that is, the scope of the study, which is Iraq.
- 2- Time limits: the study covers the period 2010-2020.

The second topic:

#### **The Theoretical Aspect of the Research**

Defining public expenditures : Public expenditures are an important tool in financial studies that the state uses as a means to satisfy public needs and achieve community goals, as well as a tool that enables the government to achieve what it seeks to advance the national economy to advance the wheel of development and achieve economic stability.

What is the concept of overhead?

First- Definition of Public Expenditures and Its Elements :

1. Definition of Public Expenditures Public expenditures are defined as a cash amount that comes out of the state treasury with the intention of achieving a public benefit. (Taqqa and Al-Azzawi, 2007:33). It is also known as: an amount of money spent by a public legal person with the aim of achieving Public benefit (Lutfi, 1995:182 ), also known as: cash amounts approved by the legislative authority and spent by a public person to achieve economic goals and to provide public goods and services. (Al-Jubouri, Hussein, 2019 :175 ) .

2. The elements of public expenditures are clear from the definitions Previous that public expenditure includes three elements that represent its distinguishing characteristics from others:

- a. Public expenditure is a sum of money.
- b. Issuance of public expenditure by the state or one of its public bodies..
- c. The objective of public expenditure is to achieve a public benefit. (Al-Janabi, 2017:16).

Second: The phenomenon of increasing public expenditures The phenomenon of increasing the volume of public expenditures from year to year constituted a global phenomenon that no country is free from regardless of its political or economic philosophy, taking into account the different intensity of its impact from one country to another. In a given year, public expenditures do not increase or decrease, but this does not prejudice the general phenomenon, which is the continuous trend of increasing public expenditures. The German economist (Adolf Wagner) was the first to draw attention to the phenomenon of increasing public expenditures. This is why this phenomenon is called the Wagner Law, and this law is called (the law of continuous increase in public activity, in particular state activity).

It should be noted that the increasing figures for several years may not reflect the real increase in expenditures, that is, the actual increase in public expenditures may be less than what these figures predict. Therefore, in order to find out the reality of the increase in these numbers, it is necessary to differentiate between the apparent reasons that lead to

the exaggeration of these expenditures and their unrealistic increase, and those that led to their real increase. (Al Ali, 2002: 103).

1. The real reasons for the increase in public expenditures :

The real increase in public expenditures means an increase in the benefit resulting from these expenditures for natural and legal persons in terms of the quantity and quality of services provided and an increase in the burden of public costs. (Ahmed, 2018: 38) and the most important factors that cause it are the following:

- 1- Economic Reasons: These reasons are represented in increasing national income, expanding public projects, and treating fluctuations in economic activity (especially in the case of depression). Usually, these available resources motivate the state to increase its spending on various aspects. Expansion in the establishment of economic public projects leads to an increase in public expenditures. By carrying out these projects, the state seeks to obtain resources for the public treasury and accelerate economic development (Al-Mahaini, 2013:27).
- 2- - Social Reasons: The concentration of the population in cities and industrial centers has led to an increase in expenditures allocated to educational, health, cultural, transportation, water and gas services.... This is due to the fact that the requirements and needs of urban residents are greater and more complex than those of the rural population, as is well known, and the spread of education has led to Strengthening the idea of social awareness, so individuals are asking the state for jobs that it did not know in previous generations, such as insuring individuals against unemployment, poverty, disease, disability, old age and other causes of inability to earn. (Assaad et al., 2019: 150).
- 3- Administrative Reasons: The development of the state's role and its increase in its intervention in economic and social life have imposed an increase in the number of institutions, departments and public utilities, and consequently an increase in the number of employees and a rise in their running costs, and consequently an increase in public expenditures. However, the increase in the number of employees in public administrations The state has led to the deterioration of these departments and the complexity of their

procedures, as well as families F and the waste that these administrations contribute to, which often add oversight bodies to them. (Al-Hassan, Abdul-Hussein, 2019:155).

- 4- Financial Reasons: In the past, the state did not resort to public loans except in exceptional and emergency circumstances, but nowadays the state is borrowing on a larger scale, and some states sometimes give preference to public loans over taxes because of the complex legal legislation required by the latter as well as On the social and political reactions that result from the escalation of the tax burden, and here lies the increase in public expenditures through the expansion of public debt service, in addition to the burdens of facilities and benefits provided by the state to public loan subscribers to encourage them to borrow. It also leads to an excess of revenues or a reserve money that is not allocated for a specific purpose, which encourages the government to spend it in unnecessary ways, thus increasing public expenditures. The danger of this lies in times when a wise fiscal policy requires the state to work on reducing its expenditures, given the difficulty of reducing many spending items and returning them to what they were before the increase. (Al-Ziyara, 2014:13).
- 5- Political Reasons: The spread of democratic systems and principles, the growth of state responsibility, attention to disadvantaged social groups and groups with limited incomes, and an attempt to provide the necessary services to them. Naturally, this leads to an increase in public expenditures. The state of multi-party pluralism In a country, it certainly means a race in the provision of public services to win the votes of the electorate, which leads to an increase in public expenditures. Also, the increase in the number of independent states means an increase in public expenditures as a result of the costs generated by the expansion of diplomatic representation and the preparation of embassies and consulates. The participation in global and regional public and specialized organizations has increased the volume of public expenditures.
- 6- Military Reasons: They are one of the most important reasons leading to the steady increase in public expenditures, and military spending is one of the most important paragraphs of government

spending. The importance of military reasons lies in the fact that the state alone is concerned with its implementation, even in light of the ideas of the classical school that made the task of external defense a priority of state duties. In addition, the defense mission aims to achieve a public benefit represented in the individuals feeling of security and tranquility. (Darwish, 2021: 334).

2. The apparent increase in public expenditures:

It means that there is an increase in the monetary figures of public expenditures without there being a numerical increase in the volume of goods and services that society obtains through public spending carried out by the state (that is, that increase that does not lead to an increase in the average per capita share of public services). (Atiya, 2011:455) and the most important reasons that lead to an increase in This phenomenon is as follows:

1- Deterioration of the value of money: it means a decline in the purchasing power of the monetary unit over goods and services as a result of the rise in the general level of prices. It is generally noted that the value of money is declining continuously in most countries, although the rate of decline varies from one country to another. The decrease in the value of money entails an increase in public expenditures to counter this decline, as the state pays a number of monetary units greater than it used to pay before to obtain the same amount of goods and services. An increase in the public benefit. (Hussain, Al Ziyarah, 2019: 7).

2- Change in financial rules (financial art):

Changes in financial art when preparing public budgets affect the volume of public expenditures, as public budgets were previously prepared on the basis of the net budgets rule, that is, the allocation of public revenues allows public bodies to set off their revenues and expenditures, and thus Only the surplus of revenues over expenditures appears in the budget. However, after adopting the principle of inclusion or the rule of total budgets, all public expenditures appear in the general budget, and resorting to

multiple budgets may lead to an overlap between them and thus a recurrence of calculating expenditures in the budget, and this What makes comparing public expenditures over time leads to the possibility of an apparent increase. (Ahmed, 2019:122).

### 3- Population increase and the expansion of the state's area:

The increase in population and the expansion of the state leads to the joining of a new region or regions, the state's public expenditures tend to increase with the aim of Facing the demands of the growing population and new regions. This increase in public expenditures is an apparent increase, any numerical increase only because it is not achieved due to the expansion of a Types of services or improving their quality, but rather to meet the additional demand for those services from the increasing numbers of population and the needs of the new regions, which pushes the state to increase its public spending. (Ahmed, 2018:43).

### The Third Topic:

#### The practical aspect of the research Analyzing public expenditures in Iraq

First - the evolution of the volume of public expenditures The data in Table (1) shows that there is no clear trend in the change in the volume of public expenditures in Iraq, up and down. They are determined in the light of the availability of financed revenues, especially oil revenues. The rise in oil revenues results in an increase in foreign currencies entering the country, and this increase will lead to an increase in government deposits with the monetary authority, which leads to a growing strength of the government's monetary center, which leads to an increase in government spending. We note from the data of the aforementioned table that the volume of public expenditures amounted to (70134) billion dinars in 2010 and rose in 2011 to 78,758 million dinars, with a growth rate of 12%. Oil revenues due to the rise in international oil prices, as the price of a barrel of oil rose from 75 dollars a barrel in 2010 to 103 dollars in 2011 and



107 dollars in 2012 and decreased to 103 dollars a barrel in 2013. (Central Bank of Iraq, 2013:57).

Table (1):

The development of public expenditures in Iraq during the period  
2010-2020 (billion dinars)

Years	Public Expenditures	Annual Growth Average
2010	70134	-
2011	78758	12,3
2012	105139	33,5
2013	119128	13,3
2014	113474	- 4,7
2015	70397	- 38,0
2016	67067	- 4,7
2017	75490	12,6
2018	80873	7,1
2019	111723	38,1
2020	76082	- 31,9

Source: The table prepared by the researcher based on: The Central Bank of Iraq, the annual statistical bulletin for the years 2009-2020

As for the years (2014, 2015 and 2016), public expenditures recorded a continuous decline, reaching (67,067,70397,113474) billion dinars, respectively, due to the rapid decline in international oil prices since mid-2014, reaching 94.9 dollars per barrel in that year after that It was \$103 a barrel in 2013, then it fell to \$44.7 a barrel in 2015 and to \$36 a barrel in 2016, which put great pressure on the state's general budget and prompted the government to follow an austerity fiscal policy to confront the financial crisis that the country faced. In the years (2017, 2018 and 2019), public expenditures witnessed an increase in their volume. In 2017, public expenditures recorded an increase of 12.6% compared to 2016 to reach 75,490 million dinars, which was encouraged by the increase in public revenues during 2017 by 42.1% over 2016 due to the increase Public revenues are mainly due to the noticeable increase in oil revenues by 47% over 2016. (Central Bank of Iraq, 2017: 46) and in

2018, public expenditures recorded a growth of 7.1% over 2017, due to the increase in public revenues for the year 2018 by 37 This is attributed to an increase in oil revenues by 46.9 percent as a result of the increase in crude oil prices. The percentage of oil revenues reached 89.7% of the total public revenues in that year. The growth of public expenditures in 2019 continued by 38.1% due to the impact of the growth of public revenues in that year as a result of the rise in international oil prices and the increase in the quantity of production of crude oil by 3.8%. (Central Bank of Iraq,2019: 47) and in the year 2020 it was recorded Public expenditures declined significantly by 31.9% to reach 76,082 million dinars, compared to 111,723 million dinars in 2019. Global demand for oil due to the Corona pandemic and the decline in global oil prices, as well as Iraq's commitment to reduce production according to OPEC decisions. (Central Bank of Iraq, 2020: 45).

Second - The Evolution of the Ratio of Public Expenditures to Gross Domestic Product, Gross domestic product is defined as: the value of goods and services produced by members of a particular community during one year and who live within the geographical area of that country, regardless of their nationality, whether they are citizens of the country or foreigners) (Back,2017: 27). The gross domestic product (GDP) is one of the economic factors that affect the volume of public expenditures of any country, as the volume of these expenditures increases with the increasing size of the gross domestic product. The ratio of public expenditures to GDP is one of the indicators indicating the extent of the increase in public expenditures. This indicator has social and economic dimensions and evidence (Al-Obaidi, 2011: 102).

- 1- It expresses the amount of GDP that is allocated for the purpose of public expenditures.
- 2- It expresses the degree of state intervention in economic life in general and social life in particular, and then it expresses the role and political philosophy of the state, as the higher its percentage, the more this indicates the broader intervention of the state.
- 3- It expresses the level of satisfaction of public needs and the extent to which justice, social balance and welfare of the community are achieved.

It is clear from the data in Table (2) that the ratio of public expenditures to GDP fluctuated during the study period, up and down, affected by the rise and fall of public expenditures and the volume of GDP. This ratio reached 43.3% in 2010 and decreased to 36.2% in 2011. Then it rose to 41.4% in 2012, and the fluctuation in that percentage continued during the subsequent years. The rate of contribution of public expenditures to the GDP at current prices reached 38.2%, which is a high percentage indicating the continued expansion of the state's intervention in the economic and social life in the country despite Among the economic transformations that took place after 2003, which were represented by the shift from the central system to a free economy and openness to the global economy.

Table (2) the percentage of public expenditures from the gross domestic product in Iraq for the period 2010-2020

Years	Public Expenditure 1	GDP 2	1/2 (%)
2010	70134	162064	43.3
2011	78758	217327	36.2
2012	105139	254225	41.4
2013	119128	272346	43.7
2014	113474	262841	43.2
2015	70397	209398	33.6
2016	67067	197242	34,0
2017	75490	221665	34.1
2018	80873	268918	30.1
2019	111723	262917	42,5
2020	76082	198774	38,3
average duration			38,2

*Source: The table prepared by the researcher based on: Sources of Table No. (1)*

Third - The evolution of the ratio of public revenues coverage to public expenditures The state of the state's general budget is linked to the volume of public expenditures and revenues. Expenditures disbursed by the state are offset or covered by revenues obtained by the state from multiple sources. These revenues differ from one state to another

according to its economic conditions and capabilities. Public revenues in Iraq consist of the following sources: (*Central Bank of Iraq, 2020:45*)

- 1- Oil revenues.
- 2- Taxes on income and wealth.
- 3- Commodity taxes and production fees.
- 4- Fees.
- 5- Budget share of public sector profits .
- 6- Capital revenues .
- 7- Transfer revenues.
- 8- Other revenues.

percentage of public revenues coverage of public expenditures in Iraq for the period 2010-2020.

Years	Public Revenues 1	Public Expenditures 2	Surplus or Deficit in Public Budget	Ratio 1/2 ( %)
2010	70178	70134	44	101
2011	108807	78758	30049	138
2012	119817	105139	14678	114
2013	113840	119128	- 5288	95
2014	105387	113474	- 8087	93
2015	66470	70397	- 3927	94
2016	54409	67067	- 12658	81
2017	77422	65490	1932	103
2018	106570	80873	25697	132
2019	107567	111723	- 4156	92
2020	63199	76082	- 12883	83

*Source: The table prepared by the researcher based on: - Sources of Table No. (1).*

It is clear from the data of Table No. (3) that:

- 1- The volume of public revenues witnessed fluctuations during the study period, up and down, and this was related to the fluctuation of the volume of achieved oil revenues, which is the main source for the public revenues in Iraq and this is what we note from the data of the mentioned table, where the public revenues increased during the years in which the oil revenues increased and decreased in the years in which the oil revenues decreased. The dependence of the state's

general budget on oil revenues reflects the reality and reality of the Iraqi economy that it is a rentier economy that depends primarily on one resource, which is oil, and therefore it is captive to the changes that occur in the quantities of oil production, international oil prices and the quantities. The weak contribution of non-oil revenues to financing public expenditures, and this is mainly due to the decrease in the relative importance of tax revenues in the total public revenues, where the percentage of their contribution amounted to 3% as an average for the study period. Activating abolished taxes such as inheritance tax, agricultural land tax, poor performance of tax administration, and financial and administrative corruption, which is a cause of wasting economic resources (Iraq is considered among the 10 most corrupt countries in the world) (Al-Ani et al., 270, 2017) as well as the expansion of the shadow economy that operates in secret from the government's eyes, in return, it does not contribute to financing its budget by paying taxes. It is noted from the data in the above table that the coverage ratio of public revenues to public expenditures exceeded (100%) in the years 2010, 2011 and 2012, achieving a surplus in the public budget in those years amounting to (44,30049,14678) million dinars, respectively. As for the years from 2013 to 2016, the coverage ratio of public revenues to public expenditures decreased to less than 100% as a result of the drop in oil revenues in those years, which led to a deficit in the state's general budget of (-5288, -8087, -3927, -12658) billion dinars, respectively. In the years 2017 and 2018, the percentage of public revenues covering public expenditures increased to more than 100%, but that percentage decreased to less than 100% in the years 2019 and 2020, achieving a deficit of (4156,12883) million dinars, respectively. of demand for it (Salim, 2012: 307 ).

- 2- The weak contribution of non-oil revenues to financing public expenditures, and this is mainly due to the decrease in the relative importance of tax revenues in the total public revenues, where the percentage of their contribution amounted to 3% as an average for the study period. Activating abolished taxes such as inheritance tax, agricultural land tax, poor performance of tax administration, and financial and administrative corruption, which is a cause of wasting economic resources (Iraq is considered among the 10 most corrupt

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Fourth - Analysis of the structure of public expenditures in Iraq  
Studying the structure of public expenditures in any country shows us some indications about the direction and objectives of the spending policy, and it also gives an impression about what this policy can achieve through the relative importance of each type of public expenditure. (Al-Jubouri and others , 2014: 198) The structure of public expenditures in Iraq includes two types of expenditures:

- 1- Current (operating) expenditures: are the government's recurrent expenditures annually and aim to enable the government apparatus to perform the tasks entrusted to it, and it includes the expenses of workers' compensation, the use of goods and services, transformational expenditures and other expenditures .
- 2- Investment expenditures: These expenditures are one of the most important tools of the economic policy that aims to accelerate the process of economic growth through the distribution of the financial specializations of ministries and governorates on investment projects that are directed towards building new productive projects or completing other projects and expanding existing projects that result in the production of goods And new services are added to the GDP (Ebadi, 2014: 141).

It is noted from the data of tables (4) and (5) that:

- 1- There is no clear trend in the change in current expenditures and investment expenditures, as fluctuation is the dominant characteristic during the years of study for both types of expenditures.
- 2- Both current expenditures and investment expenditures accounted for 74.1% and 25.9% of the total public expenditures during the period 2008-2016, which indicates the existence of an imbalance in the structure of public expenditures in Iraq, as current expenditures are consumption expenditures that do not contribute to an increase in The productive capacity or the national wealth of the state.
- 3- When we analyze the structure of current expenditures, we note the following:
  - A- The employee compensation clause ranked first in the total current expenditures throughout the study period, and its percentage for the average study period was 52.6%. This is mainly due to the increase in the number of employees in the ministries and departments funded centrally during the study period due to the increase in appointments, in addition to the return of the political dismissed and the integration of the Awakenings. The employee compensation clause in the current expenditures structure, as they amounted to 16.4% and 13.6%,
  - B- respectively, of the total current expenditures during the study period. Providing basic services and needs, and the governing expenditures are as follows: (Hamza, 2015: 460).

Ration card. Importing electric power – lawsuits for resolving property ownership disputes – importing fuel for electric power plants – medicines – Hajj – elections – supporting wheat and rye crops – population census.

- 4- The trend of public expenditures in Iraq in favor of current expenditures at the expense of investment expenditures does not contribute to solving the unemployment problem afflicting the country,

whose rates rose to reach (10.8%) in 2016 (Ministry of Planning, 2018:52 ). Unemployment is one of the most complex The economic crises facing those responsible for economic policy and that their solution can only be through providing the necessary money for investment, whether it is a government investment or a private and foreign investment for which the state provides means of support and success, in a way that contributes to creating wide job opportunities (Al Ziyarah, 24, 2014: 24 ).

Table (4): The structure of public expenditures in Iraq during the period 2010-2020 (billion dinars)

Years	Current Expenses 1	Investment Expenses 2	Total Public Expenses 3	1:3 %	2:3%
2010	54581	15553	70134	77,8	22,2
2011	60026	18732	78758	76,276	23,8
2012	75788	29351	105139	72,1	27,9
2013	78747	40381	119128	66,1	33,9
2014	77986	35487	113473	68,7	31,3
2015	51833	18564	70397	73,6	26,4
2016	51173	15894	67067	76,3	23,7
2017	59026	16464	75490	78,1	21,8
2018	67053	13820	80873	82,9	17,1
2019	87300	24422	111723	78,1	21,9
2020	72873	3208	76082	95,8	4,2
Duration Rate				76,9	23,1

Table (5)

The relative importance of the main exchange doors for current expenditures according to the economic classification in Iraq for the period 2010-2020 (billion dinars)

Years	Employee Compensation 1	Grants, grants and benefits 2	Social Welfare 3	Current Expenses 4	1:4 %	2:4 %	3:4 %
2010	26737	6569	5051	54581	48,9	12,0	9,3
2011	30401	6541	5894	60026	50,6	10,9	9,8



2012	35849	7230	7416	76788	47,3	9,5	9,8
2013	42588	7023	6744	78747	54,1	8,9	8,6
2014	32678	18376	14376	77986	41,8	24,3	18,4
2015	32652	4708	11448	51833	63,0	9,1	22,1
2016	31833	6514	10351	51173	62,2	12,7	20,2
2017	32866	6857	14823	59026	55,7	11,6	25,1
2018	35835	11231	15167	67053	53,4	16,7	22,6
2019	40633	16364	19696	87300	46,5	18,7	22,6
2020	40037	11294	16428	72873	54,9	15,5	22,5
Duration Rate					52,6	13,6	16,4

*The source of tables (4) and (5): prepared by the researcher, based on:  
Sources of Table No. (1)*

5-The rise in current expenditures led to a clear growth in domestic demand, and in turn, the productive sectors were not able to meet this demand, and for several reasons, foremost of which is the deterioration of these sectors, as well as the repercussions of wars and poor security conditions, which generated increasing pressure on the growing dependence on Imports meet the local needs of goods and services, and thus this has contributed to alleviating the rise in the general level of prices, as imports (financed from oil revenues) became the tool that balances aggregate demand whenever it exceeds the aggregate supply, but this led to increased exposure of the Iraqi economy (The ratio of foreign trade to gross domestic product) which amounted to about 58% in 2013 (Mohammed, 2016:67)

6- In the case of pressure on public expenditures, the trade-off between current and investment expenditures usually goes to sacrificing the investment aspect at the expense of current expenditures, as the latter is linked to wages And salaries are primarily and it is a paragraph that is difficult to touch, so investment expenses are often sacrificed, through which some government programs can be abandoned. A, because its effects on members of society are indirect and imperceptible, in contrast to reducing current expenditures that directly affect individuals, which the government usually avoids. But it was easier in cases of

boom and the growth of public revenues and the resulting increase in public expenditures. In such cases, the increase includes both types of expenditures (current and investment).

7- When we analyze the evolution of the volume and structure of investment expenditures through the data of tables (4) and (6), the following becomes clear:

A - The industrial sector (which includes oil and gas, electricity, and manufacturing industries) acquired the highest percentage of total investment expenditures, which amounted to 82.5 % as an average for the years (2017-2019), given that the oil sector is the main source of financing the state's general budget and the electricity sector as a basic base structure to achieve any development in the production and service sectors.

B- The buildings and services sector ranks second in terms of the relative importance of investment expenditures, as this importance constituted (11.3% as an average for the years (2017-2019) as a result of the expansion in the construction of buildings necessary for the expansion of the state's administrative apparatus.

C- Then the remaining sectors followed) Transport, transportation, agriculture, and education) to occupy the last ranks, as the average relative importance of its investment expenditures reached (4.6%, 1.2%, 0.4%) of the total investment expenditures for the three sectors, respectively for the years (2017-2019), despite the importance of Those sectors in the development of the Iraqi economy, as the transport and communications sector is of great importance as a good indicator for providing the investment climate, as the development of infrastructure in this sector, especially roads, utilities, airports, telecommunications and tourism facilities, is one of the important factors to attract foreign direct investment, but it did not have great importance in The investment budget strategy (Emirate, 40, 2018) as well as the agricultural sector occupies great importance to achieving food security The largest number of laborers was born, but it did not receive sufficient attention from the investment spending policy. The same applies to the education sector, despite its importance in the formation of human capital in the country.

Table (6): Exchange doors for investment expenditures arranged according to their contribution percentage to the total investment expenditures in Iraq for the period (2017-2019) %

Exchange Doors	2017	2018	2019	Three-year average %
Industrial Sector	86,3	80,6	80,5	82,5
Buildings and Services Sector	11,5	14,6	7,8	11,3
Transport and Communications Sector	1,4	2,6	9,5	4,7
Education Sector	0,5	0,6	1,0	0,4
The agricultural sector	0,3	1,6	1,2	1,2
Total	100	100	100	100

Source: Prepared by the researcher based on: the Central Bank of Iraq, the annual economic report, separate numbers.

## Conclusions and Recommendations:

### First - Conclusions:

The study reached a number of results, which are as follows:

- 1- There is no clear trend in the change in the volume of public expenditures in Iraq, up and down, as fluctuation is the dominant characteristic during the years of study.
- 2- The public expenditures are determined in light of the availability of financed revenues, in particular oil revenues, which are the main component of financing the state's general budget, which made

that budget responsive to external shocks represented by fluctuations in international oil prices.

- 3- The weak role and importance of other funding sources, especially taxes, in financing public spending, and this is due to:

The spread of tax evasion, the failure to introduce new taxes and the non-activation of canceled taxes such as the inheritance tax and agricultural land tax, in addition to the weak performance of the tax administration and the spread of financial and administrative corruption, as well as the expansion of the shadow economy (the informal economy).

- 4- In many years of study, public expenditures contributed by more than (30%) of the gross domestic product, and in other years the percentage exceeded (40%), which indicates the wide extent of the state's intervention in economic and social life.
- 5- Public revenues were able to cover the public expenditures for the years (2010, 2011, 2012, 2017 and 2018) and to achieve a surplus in the state's general budget due to the increase in oil revenues as a result of the rise in international oil prices during that period. Revenues due to lower international oil prices.
- 6- An imbalance in the structure of public expenditures in Iraq in favor of (current) operating expenses at the expense of investment expenditures at a rate of (76.9%) and (23.1%), respectively for the duration of the study, which does not contribute to solving the problems that the Iraqi economy suffers from, especially The problem of unemployment, whose rates rose to reach (10.8%) in 2016, according to official estimates.
- 7- The paragraphs of workers' compensation (salaries and wages), subsidies and social benefits, commodity and service requirements, constitute, respectively, the three basic paragraphs of operational spending in Iraq.
- 8- The relative importance of the components of investment expenditures indicates the dominance of the industrial sector (oil, gas, electricity, manufacturing industries) over the rest of the components, as it reached (82.5%), followed by the buildings and services sector with a rate of (11.3%) and then the transport and communications sector ( 4.6%) and the agricultural sector's share of investment expenditures constituted a modest (1.2%) and finally

education (0.4%) as an average for the years (2017-2019), which is a very modest percentage despite the importance of the agricultural sector in Food production, achieving food security, providing job opportunities, diversifying sources of income, and the importance of the education sector in building human capital.

Second - Recommendations: The study recommends the following:

- 1- Addressing the imbalance in the structure of public expenditures, finding a balance between operational spending and investment spending, and working on an investment policy aimed at transforming oil revenues into other income-generating wealth to achieve sustainable economic growth.
- 2- Rationalization of public spending, which means working to increase the effectiveness of public spending to the extent that it is possible to increase the ability of the national economy to finance and meet its internal and external obligations while eliminating manifestations of waste and extravagance to the maximum extent possible.
- 3- Activating the role of taxes in financing public spending by expanding the tax base and diversifying its sources by introducing new taxes, eliminating tax evasion channels, raising the efficiency of tax administration and developing tax awareness in society.
- 4- Employing oil revenues in implementing economic and social development projects, which constitute a more stable and continuous source of revenue.
- 5- Increasing investment spending in the agriculture and education sectors because of the importance of the first in achieving food security, providing job opportunities and diversifying sources of income, and because of the second's great importance in building human capital.
- 6- Addressing the issue of financial and administrative corruption in state institutions.
- 7- Finally, despite the results that have been reached in this study, there is a need for more research in this field.

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