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THE IMPACT OF FINANCIAL POLICY TOOLS IN REDUCING THE DEFICIT OF THE GENERAL BUDGET

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Abstract
In the context of the economic crisis caused by the global oil prices drop and the ISIS terrorist attacks, the Iraqi government adopted a financial and fiscal policy between 2015 and 2018 aiming to reduce the federal public deficit. The present paper analyses the role and importance of this policy. The Iraqi state budget relied mostly on the income from crude oil sales. Thus, the oil price drop had significantly impacted the income, as well as public expenditures. Moreover, the military spending increased due to the need to counterattack the ISIS offensive, causing imbalances augmented by the policies and procedures imposed by the International Monetary Fund (IMF). Our goal is to identify methods of increasing the general state revenues, while complying with the financial rules imposed by the IMF. It is also important to identify the commitment level of the government to enforce the IMF policies and procedures imposed in order to reduce the state budget deficit. The federal laws adopted by the Iraqi government for the years 2015, 2016, 2017 and 2018 were taken under certain conditions, which differ from those adopted in developed countries. The paper shows that the external debt of the Iraqi government is not present in the balance sheet issued and also not recorded by the Treasury. Instead, the amount is based on statistically public debt and on the Federal Financial Bureau statement number 10505 from 22/5/2017. The recommendations highlighted through the present study were reached after analyzing the Iraqi government's statements. Mainly, our proposal is further preparation of economic studies in order to ensure that the revenues and expenditures estimation is close to reality. Another recommendation is to continuously document the results of past implementations, highlighting the current situation versus future expected developments. It is also important to publish the external debt and to record it in the Treasury accounting records.

Key words: *financial policy; public budget; public revenues; International Monetary Fund*

JEL Classification: *G31*

I. INTRODUCTION

Fiscal policy plays a vital and influential role in any country. The fiscal policy of the state of Iraq has suffered during the latest set of economic and social changes and in the face of crises and economic imbalances, including the imbalance of federal public budget. The imbalance of the federal budget has been the result of its dependence on financing public expenditures on a single-source almost entirely, namely revenue from the sale of crude oil. The effect was a permanent deficit as a result of these revenues being affected by international oil prices, which are subject to fluctuations on the global market. The research problem is, therefore, focusing on methods and tools to achieve economic, social, political and environmental balance.

Research problem

The Iraqi economy suffers from major structural imbalances, among which is the disruption of the federal public budget of the state due to its dependence on a single source of funding, which is crude oil. In return, the size and importance of other revenues, especially tax balance of its product, are reduced. Fluctuations in world oil prices heavily influenced the Iraqi federal incomes. In order to face this shock, the Iraqi government resorted to cooperating with international organizations to obtain the necessary financing for the deficit, including the International Monetary Fund. The IMF has taken upon itself to provide support and treatment mechanisms under a range of conditions, stated in the credit standby agreement signed between the two sides. Further information on the issue was obscured and could not be obtained for the research.

Research importance

The researcher seeks to achieve a set of objectives:

- Study and analyze the financial policy tools and their ability to address the public budget deficit.
- Obtain a statement of the state's public budget deficit for the years 2015 to 2018, as well as a statement of the extent of commitment to the allocations in these budgets.
- Obtain a statement of the state's public budget deficit for the years 2015 to 2018, as well as a statement of the extent of commitment to the allocations in these budgets.
- Study the causes of deficits in the state's general budget.

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• Identify the importance and appropriateness of the financial policy tools that the Iraqi government committed to with the International Monetary Fund in order to reduce the public budget deficit under the signed credit preparedness agreement between the two parties.

Research objective

The research seeks to achieve the following goals:

• Formulate a statement of the reasons for the deficit in the state's general budget.

• Explain how to reduce the deficit in the public budget through adherence to the financial policies imposed by the International Monetary Fund.

• Formulate a statement of the contribution and importance of Iraq's commitment to implementing the conditions of the International Monetary Fund to alleviate the deficit of the state's general budget.

Research hypothesis

This research is based on a basic hypothesis that financial policy tools in light of implementing the conditions and policies of the International Monetary Fund contribute to reducing the federal budget deficit in Iraq.

II. THEORETICAL FRAMEWORK

The concept of financial policy, its objectives and tools

Economic policy is the most important tool, which is heavily relied upon to achieve economic and social goals, particularly in light of the broad and increasing role of the contemporary state in all countries. It depends to varying degrees on the nature of the country's economic and social systems, the degree of its development, its conditions, resources, capabilities, and needs. There is no specific definition of the financial policy, because it is carried out in accordance with the functions and goals that the fiscal policy seeks to achieve. These differ from country to country according to the nature of their economic system, the degree of their development, their connections, conditions and resources (Bernanke, 2020).

Fiscal policy in contemporary financial context seeks to achieve a set of goals, as follows (Small & Canavire, 2020)

• Achieving economic stability: economic stability mainly requires targeting the stability of the general level of prices, especially the problem of inflation, and therefore financial policy can be an important tool in achieving a state of economic stability, as the government can reduce total demand by reducing its components through automated policy tools, whether tax or spending. Qualitatively, economic stability requires access to the optimum production volume and economic efficiency and the creation of appropriate conditions for various sectors.

• Stimulating economic growth: economic growth includes the growth of real, not nominal, national income, and fiscal policy contributes to achieving this growth through its tools of influencing the investment and public and private consumption. It also encourages the expansion of investment expenditures that lead to the development of the material pillars of growth. Operational expenditures are also encouraged through economic policies, sustaining work in state institutions and the services provided in addition to its importance in strengthening human capital. The revenue policy has a role in achieving this growth through tax policy. Its most important tools are vacuum and tax reduction and counting important means to attract capital and encourage them to work.

• Optimal allocation of resources: the state can, with its financial tools, achieve the optimal allocation of resources by setting the priorities of projects that bring added value to the economy, as well as by helping to modernize the means of production directly and indirectly.

• Redistribution of income: represents a goal of financial policy in achieving justice through the use of public spending channels to target redistribution in favor of low-income groups through transfer expenditures.

Fiscal policy uses two main tools to achieve its goals (Gnangnon & Brun, 2019)

Public expenditures: Reliance on public expenditures as a tool of financial policy in particular and as one of the tools of the general economy in general has developed in stages according to the economic development and the development of state functions. According to the guardian state principle the classic viewpoint was to reduce public expenditures in order to reduce the role of the state and limit its commercial activity. The classic setting limits public expenditures as they are wasteful and unproductive and they have a negative role in crowding out individuals. The aim of this principle is to achieve a balance of the public budget. With economic development, the state began to emerge from the principle of financial neutrality and became responsible. This phenomenon is due to the economic and social imbalances caused by the economic and social crises that took place in the global economy. Therefore, financial policy begins its work through public spending and controls the structure and size of the economy. In times of recession, public spending policy used is raising the rates of public expenditures directly by increasing the amount of public spending, or indirectly, by reducing taxes in consumer spending and reducing taxes in profits to encourage investment. In the case of inflation, it works by reducing expenditures or indirectly by raising the rates of taxes on consumption to reduce basic consumer spending as well as raising tax

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rates in profits to reduce investment spending.

Public Revenue: Public revenue is the second major instrument of fiscal policy tools and the government revenue enables it to perform its multiple functions. Due to the expansion and development caused by the increase in public expenditures, it has been reflected in a variation in the evolution and increase in taxes and fees .It includes other income, such as loans and cash issuance. There are many ways used by the government to influence the balance of income through financing operations. When government spending exceeds taxes and the rest of other revenue, the government faces a deficit in the public budget and funds this deficit. As for internal sources, represented by borrowing from the people or from external sources, the state seeks through public revenues to achieve economic and social goals, or public expenditures.

The concept of budget deficit and its types

Budget deficit is a reflection of the inability of public revenues to cover public expenditures. The International Monetary Fund defined the total deficit as "the concept that focuses on total public revenues and public expenditures". The concept of the current deficit was defined by increasing current expenditures on current revenues, i.e. it is confined to the current public budget. The structural deficit refers to the case of the persistent financial deficit for consecutive years continuously. The intended deficit refers to a series of measures taken by the government when the economy is exposed to an economic depression resulting from a deterioration in the volume of effective demand, which causes the government to increase its spending and reduce its taxes, and to generate an organized deficit. Economists classified the fiscal deficit into a temporary deficit, a power deficit, and a weak deficit. The first means that public revenues do not coincide with public expenditures in time. The power deficit results from the assistance provided by the state to other countries in the form of economic and social subsidies to achieve specific goals, while the deficit of weakness results from the weakness of the government administration and its inability to achieve revenue on the one hand and irrational spending on the other hand (Hillman, 2019).

Reasons for the deficit in the public budget

This phenomenon appears due to the following factors:

- Failure to keep pace with the general revenues of the growth of expenditures due to the very weak tax policy, which is measured in the percentage of tax revenue to the gross national product. This percentage differs in developing countries (15%) and in developed countries (30%). The weakness of tax power in developing countries is due to many factors, including low per capita income, large exemptions, low tax awareness, rigidity of the tax system, widespread tax evasion, administrative and financial corruption, and the emergence of the phenomenon of financial arrears dues on taxes and services such as water and electricity charges.
- The increase in the public expenditures of the state as a result of the development and expansion of its economic activity in addition to the real and apparent reasons. The apparent reasons are the increase in the population, the decrease in the value of money, the high rates of inflation, the expansion of the state's region. The real causes occur through political, social, economic, military and administrative factors.
- The high ratio of current expenditures to total public expenditures, in contrast to a decrease in low funding sources and the absence of a policy of rationalization in spending.
- The emergence and development of manifestations of administrative and financial corruption, leading to the loss of many amounts of public spending.
- The occurrence of economic crises.
- Increased amounts of military expenditures at high rates.

The role of financial policy tools in facing the public budget deficit

Financial policy is one of the tools of the general budget policy that the state uses depending on the aspect of public expenditures in order to influence the overall demand and it's most important tools (Al-Sahli, Al-Rashidi & Alin Bin, 2019).

Reduction of public spending

One of the most important means used to alleviate the public budget deficit, as well as that of the rules of public expense is the base of the economy (Doig & Riley, 1998).

Public spending restructuring

If the state suffers from a scarcity of financial resources or is exposed to external and internal crises and does not have diversified revenues, it is restructuring the public spending structure.

Reducing government spending

It is an important means by which the state seeks to confront its budget deficit (Hang, Nguyen, Ho & Bui, 2020).

Revenue policy

General revenues represent important tools within fiscal policy (Hamed Jabera, Mahdib & Rashamc, 2018). The mechanisms for using public revenues to alleviate deficits differ according to the revenues available to the state and the different economic situation. All of these factors show how the state has resorted to the use of this tool.

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Financing the budget deficit by borrowing

Loans are among the most important sources of financing the budget deficit, so they are used to mobilize savings and finance public expenditures, and the state turns to them when the tax policy is unable to cover the increasing growth in public expenditures. Loans are of two types - internal and external.

Financing the budget deficit with new cash issuance

The state will resort to this method when it cannot cover its expenses through taxes, fees or other revenue sources. The state obtains the necessary funding through the issuance of the cash, but the state must not exaggerate in the issuance process because increasing the amount of money in circulation leads to higher prices and lower purchasing power of money.

Financing the budget deficit by taxes

Tax is a main resource and it is imposed under legislation and laws by the government. These laws are defined by the state tax system, which is a practical translation of tax policy in society. Taxes are calculated to achieve the state's goals, which are obtaining sufficient funds for financing public expenditures programs of the country, rising the levels of economic efficiency by exploiting economic resources, accelerating rates of development and alleviating problems of economic instability. Taxes are direct or indirect (see www.mof.gov.iq).

III. THE PRACTICAL SIDE

The study of the public budget deficit in Iraq for the years 2015, 2016, 2017, 2018 - their causes and results.

Causes of deficit

The public budget deficit was defined as a reflection of the inability of public revenues to cover public expenditures. The public budget represents a plan that includes an estimate of state revenues and expenditures for an upcoming period, often for a year. The final account means the actual account of the expenditures that were incurred and the public revenues collected during the year. The cause of the deficit in the general budget of Iraq can be determined for the period 2015-2018. The factors of this deficit are an increase in the volume of public expenditures, high rate of their growth and their ratio to total public revenues.

In terms of development in public expenditures in Iraq, the high rates of growth and their percentage to total public revenues, we developed the following Table:

Table 1. Structure of public expenditures, their ratio to the total actual public revenues, and the growth rate in Iraq

Year	2015	2016	2017	2018
General expenses (1)	70397515461	67067433921	75490115439	63159398196
Operating expenses (2)	51832839244	51173425330	59025654217	53907057230
Investment expenses (3)	18564676217	15894008591	16464461222	9252340966
General revenue(4)	84955203802	135631481494	77422172930	88620129525
Ratio 2/ 1(%)	74	76	78	85
Ratio 3/ 1(%)	26	24	22	15
Ratio 1/ 4(%)	83	123	98	71
Annual growth rate of public expenses (%)	Base year	-5	13	-16
Operating expenses growth rate (%)	Base year	-1	15	-9
The rate of growth of investment expenses (%)	Base year	-14	4	-44

Source: Ministry of Finance official website, Accounting Department, Standardization Department (open budget site), Budget implementation report at the level of ministries.www.mof. gov.iq

From the previous table, the following can be observed:

- Increase in operating expenses for the years 2015, 2016, 2017, and 2018, accounting for 74%, 76%, 78% and 85% of the total public expenditures
- Reduced investment expenditures during the years 2015, 2016, 2017, and 2018. The percentages were 26%, 14%, 22% and 15%, respectively of the total public expenditures.
- General expenditures fluctuate in general, to decrease by 5% and 16% for the years 2016 and 2018, and 13% for year the 2017; 2015 is considered base year.
- Public expenditures to general revenue constituted a ratio of 83%, 98%, 71% for the years 2015, 2017 and 2018, respectively. The percentage increased significantly in 2016, to represent 123% of revenues.
- Imbalance in the structure of public spending and increase in the volume of operating spending (current).

The main reason for the deficit in the public budget is confirmed by the figures in Table No. 1. The table demonstrates the disruption of the spending structure of Iraq in terms of its distribution to operating spending (consisting of salaries of employees and retirees, the purchase of goods and services, and the payment of internal

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and external loan installments, grants and external subsidies, government support for projects, social benefits) and investment spending. Operating spending accounted for a large proportion of public spending ranged for the duration of the research period (2015-2018) between 74% and 85%. Investment spending for the same period acquired between 26% and 15%, with a decrease in investment spending from public spending, which is in a steady decrease during the years of the research period. We notice a decrease in the growth of operating expenses for the years 2016 and 2018 by 1% and 9%, respectively while it increased in 2017 by 15%. We note a sharp decline in investment expenditures for the years 2016 and 2018 by 14% and 44%, respectively, while it increased slightly in 2017 by 4%. This reflects the spending structure waste consumption policy, meaning that most of the public spending is directed towards consumption. Consumption is supposed to be directed to the investment spending that affects the growth and development rates in the Iraqi economy, which is one of the factors that have a positive effect that needs to be corrected. Investment spending increases the growth rates and absorbs the high unemployment rates. It also varies the base and structure of the general economy of the country and from the table above we can observe the imbalance of the public revenue structure and the modest contribution of sovereign revenues (taxes and fees). This can be illustrated by the following Table.

Table 2. Actual oil and non-oil revenue structure and their respective percentage of the current budget in Iraq for the years 2015, 2016, 2017, 2018; the amounts are expressed in thousand dinars

Year	2015	2016	2017	2018
General revenue(1)	66390527586	54327966404	77281376609	88527714252
Oil revenue (2)	51790118096	44653244316	65496777032	80619570576
Non-oil revenue (3)	14600409490	9674722088	11784599577	7908143676
Ratio 2/ 1(%)	78%	82%	85%	91%
Ratio 3/ 1(%)	22%	18%	15%	9%
The rate of growth of public revenues %	-	-18	42	15

Source: Official website of the Ministry of Finance, Department of Accounting, Standardization Department) (open budget site). Budget implementation report at the ministries level www.mof. gov.iq.

It is noted from Table 2 the size of general revenues in development during the research period, as it reached in the year 2015 the amount of 663905278585690 trillion dinars, and rose in two years – in 2017 it reached 77281376609 trillion dinars and in 2018 8852714151606 trillion dinars as a result of taking several steps. The oil revenues for the same period occupy a range between 78% to 91% of the general revenues, while the non-oil revenues from the total revenues accounted for a percentage ranging between 22% and 9%. This reflects the reality of the Iraqi economy's dependence on oil revenues, which are highly dependent on foreign influence, meaning that its economy is influenced by the variables that occur in the quantities of crude oil production, exports, world oil prices and high demand. Another factor that is determinant and influences the volume of public revenues is petroleum. Any change in petroleum is reflected in the volume of public revenue. We reached the conclusion that the Iraqi Ministry of Oil estimates and their strict adherence to export, price and production plan reflect the safety of public revenue estimates. Any problem in this estimate is reflected on the volume of public revenues, hence the effect on the size of cash deficit in the public budget. By comparing the volume of public spending with the size of public revenues, it is clear that an increase in the size of the first over the second, which means there is a cash deficit (gap) in the public budget. This fact is indicated in the list in Table 3.

Table 3. The deficit (surplus) of the actual public budget and its ratio to actual public spending and revenue in Iraq for the years 2015, 2016, 2017, 2018; amounts in thousands dinars

Year	2015	2016	2017	2018
Deficit (surplus) of the public budget	14557688342	-12658164002	1932057490	25460731329
Ratio of the public budget deficit to total public expenditures (%)	21	-19	3	40
Ratio of the public budget deficit to total public revenues (%)	17	-23	2	29

Source: Official website of the Ministry of Finance, Department of Accounting, Standardization Department) (open budget site). Budget implementation report at the ministries level www.mof. gov.iq.

The weakness of the tax system and the low contribution of sovereign revenues (taxes and fees) is illustrated by the data in Table 4. Data in the table confirm the weakness of the tax system, the inefficiency of tax administration, and the prevalence of tax evasion. These are factors that contributed to the budget deficit. The

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modest contribution of sovereign revenues (taxes and fees) means weak taxation, low efficiency, and lack of performance of its role in the public budget in the required manner, is reflected in the deep gap between revenues and public expenditures. This is illustrated in the following table.

Table 4. The relative importance of taxes and fees to the total actual public revenues in Iraq for the years 2015, 2016, 2017, 2018

Year	2015	2016	2017	2018
Total public revenue	84955203802	135631481494	77422172930	88620129525
The amount of taxes and fees	20013331056	4531042611	7089240890	5031597194
Ratio of tax and fee contribution to total public revenue (%)	24	8	9	6
Tax and Fee Growth Rate	-	-77	-56	-29

Source: Official website of the Ministry of Finance, Department of Accounting, Standardization Department) (open budget site). Budget implementation report at the ministries level www.mof. gov.iq.

Table 4 reflects the decrease in the contribution of sovereign revenues (taxes and fees), as the percentage of these contributions to the total public revenues for the years 2015, 2016, 2017, and 2018 did not exceed 24%, 8%, 9%, and 6%, respectively. This decrease is caused by many reasons, which include tax evasion, lack of tax awareness, lack of proper planning. A study of the impact of imposing new taxes is necessary as a result of applying the conditions of the International Monetary Fund. The growth rate decreased in two years, 2016 and 2018, reaching 77% and 29%, respectively. Additionally, the main reason is due to the General Financial Management Law (2004), which led to a reduction in the tax price for direct and indirect taxes, as customs duties were limited to a percentage (5%) for the reconstruction fee. The aim of this measure was to remove all customs barriers and implement the foreign trade liberalization strategy approved by international organizations (WTO and IMF).

Results of the implementation of the federal budget laws

Through our study of the general budget laws and the results of the implementation of these laws, we have noticed their lack of conformity, in addition to the presence of many differences in the implementation of the ratified budget law as shown in Tables 5 and 6.

Table 5. Comparison of planned expenditures and revenues approved under the laws of annual budgets with actual budgets for years 2015, 2016, 2017, 2018; amounts in thousands of dinars

Details	2015			2016		
	Planned	Actual	Difference	Planned	Actual	Difference
Current expenses	41214037106	51832839244	10618802138	80149411081	51173425330	28975985751
Investment expenditures	78248392443	18564676217	59683716226	25746311538	15894008591	9852302947
Total expenses	119462429549	70397515461	49064914088	105895722619	67067433921	38828288698
Oil revenues	78649032000	52231452852	26417579148	69773400000	44267062830	25506337170
Non-oil revenues	15399332139	32723750951	-17324418812	11927403138	10142207089	1785196049
Total revenue	94048364139	84955203803	9093160336	81700803138	54409269919	27291533219
Planned disability	25414065410	14557688342	10856377068	24194919481	12658164002-	36853083483
Current expenses	78557835046	59025654217	19532180829	795080715596	53907057230	741173658366
Investment expenditures	28531686499	16464461222	12067225277	24650112138	9252340966	15397771127
Total expenses	107089521545	75490115439	31599406106	104158183734	63159398196	40998785538
Oil revenues	71833095000	65155570330	6677524670	77160392640	80302774901	-3142382261
Non-oil revenues	10236574668	12266602100	-2030027432	14483274596	8317354624	6165919972
Total revenue	82069669668	77422172930	4647496738	91643667236	88620129525	3023537711
Planned disability	25019851877	1932057490	23087794387	12514516498	25460731329	-12946214831

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Table 6. Difference between the planned budget and the actual budget for the years 2015, 2016, 2017, 2018 (in %)

Details	2015			2016		
	Planned	actual	Difference	Planned	actual	Difference
Current expenses	26	20	126	36	57	64
Investment expenditures	76	321	24	-38	-26	62
Total expenses	41	70	59	-37	-58	63
Oil revenues	34	51	66	-37	-58	63
Non-oil revenues	-113	-53	213	-15	-18	85
Total revenue	10	11	90	-33	-50	67
disability	175	75	57	-152	291	-52
Current expenses	-25	-33	75	-93	-1375	7
Investment expenditures	-24	-73	58	-62	-166	38
Total expenses	-30	-42	70	-39	-65	61
Oil revenues	-9	-10	91	4	4	104
Non-oil revenues	20	17	120	-43	-74	57
Total revenue	-6	-6	94	-3	-3	97
disability	-92	-1195	8	103	51	203

From the two Tables above, we note the inaccuracy in the implementation of the budget, as the proportion of the amount of expenditures in the current budget for the years 2017, 2016, 2015, 2018 ranged to 126%, 64%, 75%, and 7%. The differences between planned and actual amounts represented an increase of 10.619 million dinars in the year 2015, while the differences for the years 2017, 2016, 2018 amounted to 28976, 19532 and 74117 million dinars, respectively. We can observe a decrease in actual current expenditures from the plan. These represent the percentages of the differences (28976, 19532, and 74117 dinars, respectively), indicating a decrease in actual current expenditures from the planned. The percentages of these differences were 26%, 36%, 25%, and 93%, respectively, of the planned current expenditures and 20%, 57%, -33% and 1375% on actual expenditures.

- We can identify low percentages of expenditures in the investment budget for the years 2017, 2016, 2015, 2018 to the Budget Law (24%, 62%, 58%, 38%). The amount of the differences between them was 59684 million dinars, an increase in the year 2015. The differences for the years 2016, 2017, and 2018 were of 9,952, 12067 and 15,398 million dinars, respectively. These amounts indicate a decrease in actualinvestment expenditures from the planned and these differences represented ratios of 76%, -38%, -42%,and -62% of the planned investment expenditures and 321%, 62%, 73%, and 166% of the actual investment expenditures.or a single reference, single author: (Stanciu, 2012);
- From the review of the current budget and investment, we conclude that there are low percentages of expenditures in the general budget for the years 2017, 2016, 2015, and 2018 to the budget law, which represented 59%, 63%, 70%, and 61%, respectively. The amounts of the differences between these values represented an amount of 4,06565 million dinars, an increase in the year 2015. The differences for the years 2016, 2017, and 2018 amounted to 38,828, 315,599 and 40,998 million dinars, respectively, indicating a decrease in the total actual expenditures compared to planned spending. These differences represented ratios of 41%, -37%, -30%, -39% of the planned investment expenditures and 70%, -58%, 42%, and -65% of the total amount of actual expenditures.
- The actual oil revenue ratio for the years 2017, 2016, 2015, and 2018 ranged from the budget law by 66%, 63%, 91%, and 104%. The amounts of the differences between these values represented 3142 and 26418 million dinars, an increase in two years (2018 and 2015). The differences for the years 2016 and 2017 of 25506 and 6678 million dinars, respectively, represented a decrease in the actual oil revenues from the planned. The percentages of these differences represented 34%, -37%, -9%, 4% of the planned oil revenues and 51%, -58%, -10%, 4% for oil revenues.
- The ratio of actual non-oil revenues fluctuated for the years 2017, 2016, 2015, and 2018 to the budget law between 213%, 85%, 120%, and 57%. The amounts of the differences between them was 2030 million dinars, an increase in the year 2017. The differences for the years 2016, 2015, 2018 were of 17324, 1785, and 6166 million dinars, in a row representing a decrease in actual non-oil revenues from the planned. The percentages of these differences represented -113%, -15%, 20%, -43% of the planned oil revenues and –53%, -18%, 17%, - 74% from actual oil revenues.
- From reviewing the oil and non-oil revenues of the budget and comparing them with the actual budget, we find that these percentages fluctuate for the years 2017, 2016, 2015, and 2018 to the budget law between 90%, 67%, 94%, and 97%. The amounts of the differences between them was of 9093 million dinars, an increase in the year 2015. The differences for the years 2017, 2016, 2018 amounted to 27292, 4648 and 3024, respectively, representing a decrease of the total actual revenues from the plan. The percentages of these differences were 10%,-

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33%, 6%, -3% of the planned oil revenues and 11%, -50%, -6%, -3% of the total actual revenues.

- The above observations indicate that there were differences and lack of commitment to implementing the budget law, as well as the presence of low levels of expenditures in the general budget for the years 2017, 2016, 2015, 2018. The differences fluctuated and the revenues decreased in 2017. We note this as areflection on the planned deficit, where these differences represented ratios of 57%, -52%, 8%, and 203%. The amounts of these differences were 10856, -3685, 12946, 23088 million dinars, respectively, and these differences represented ratios of 175%, -152%, -92%, and 103% of the planned deficit and 75%, 291%, -1195%, -51% of the actual deficit.
- The government relies heavily on extending loans to finance the planned deficit, as indicated in the previous survey, which shows the amount of the planned deficit for the years 2018, 2017, 2016, and 2015. The Ministry of Finance did not disclose the details of these loans, their interest and the cost of expenses in its final account submitted to the Federal Finance Board. The Federal Office of the President of the Bureau with the number (10505) in 5/22/2017 to the Ministry of Finance Office of the Ministry issued apology for the audit of the final account of the Republic of Iraq and started from the fiscal year 2015. Unless the Ministry of Finance registers the amounts of external borrowing in the accounting records and shows them in the final account of the Republic of Iraq, the actual figures are not fully reliable. The failure to declare the external borrowed amounts in the list of the financial declarations of the Republic of Iraq makes the financial reports unreliable, failing to indicate the obligations of the Republic of Iraq to countries and organizations.
- Through the foregoing, we conclude that the hypothesis upon which the research is based is that compliance with the conditions of the International Monetary Fund in regards of the federal budget deficit was not successful. The Iraqi government issues the budget planned deficits indicating low levels of implementation and compliance with these laws. A result of the implementation of the policies and conditions of the International Monetary Fund for the actual budget reflected a clearer image and indicated that there is no budget deficit, only laws that have not been implemented by the Iraqi government. This approach is followed in order to repay the deficit through foreign loans, rendering the country dependent on the policies and conditions of the organizations granting these loans.

IV. CONCLUSION

The Iraqi economy is characterized as a unilateral economy that suffers from imbalances, among which the imbalance of the federal budget of the state and its dependence mainly on the revenues from crude oil in financing its public budget.

Weak contribution of public revenues (oil and non-oil) to financing the federal public budget. The Iraqi government issued its general budget laws for the years 2015, 2016, 2017, and 2018 with the planned deficit. This decision is not appropriate for the economic situation of the country since such a decision is taken under certain conditions according to careful studies in determining it. It applies only to developed countries because the increase of public expenditures in times of recession have a direct impact on national monetary and real income, as developed countries have a flexible production system as well as natural resources for economic exploitation.

Failure to observe the allocations in the budget laws issued, meaning the issuance of budget laws and the deficit. The results of the budget implementation for the years 2015, 2017, and 2018 showed a surplus in their returns, terms, and rates of return. The Iraqi government issued public budget laws with a planned deficit in order to follow a policy of austerity as a result of applying these conditions for the purpose of obtaining loans that the country does not need.

Although there is a surplus indicated in the above point, the Iraqi government continues to borrow funds from organizations and from the International Monetary Fund, imposing the country with external debt and its interests. Measures taken by the State of Iraq to address the planned deficit in the public budget mainly depend on extending loans from organizations and a standby agreement with the International Monetary Fund.

The state issued, according to the federal budget laws, a severe austerity policy, as a result of the commitment to the policies of the International Monetary Fund, which included the commitment to the number of manpower, the retarding of new fees, the activation of the electric wage bill, telephone, water and sewage, pressure of expenditures. This policy has led the Iraqi government to implement the agreed conditions and adhere to its policies compatible with the conditions for loans, including the International Monetary Fund.

The Ministry of Finance has not recorded the amounts of external debt in its accounting records, nor has it been shown in the list of the financial position of the Republic of Iraq in the final account. The statistics of the Public Debt Management Department were issued by the Federal Financial Supervision Bureau between 2006-2013. This office issued its record number 10505 on 5/22/2017, which included its apology for the audit of the final account for the year 2015, which was not held. The amounts of the borrowed money is stated in the accounting records and their appearance in the final account. The absence of external borrowed amounts does not appear in

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the list of financial position of the Republic of Iraq, making the financial reports not reliable, as they do not indicate any lending countries and organizations. The financial policies implemented by the Iraqi government in accordance with the conditions of the International Monetary Fund contributed to reducing the state budget deficit and this proves the research hypothesis. However, the Iraqi government did not commit to disbursing the allocations for current and investment expenditures monitored in the budget law issued for the years of the research.

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