

# Economic Analysis Of The Relationship Between Public Debt And Net Public Budget For The Period 2004-2020 (Iraq Case Study)

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DOI:10.37648/ijtbm.v15i02.001

<sup>1</sup>Received: 20/02/2025; Accepted: 20/03/2025; Published: 06/04/2025

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## ABSTRACT

The subject of public debt and budget deficit is one of the topics that attracted the attention of researchers, so that the researcher adopted the descriptive and analytical approach to clarify the theoretical framework for both public debt and budget deficit, and the researcher also focused on analyzing the relationship between the total public debt and the public budget deficit in Iraq for the period 2004-2020, and the researcher concluded that the continuation of the deficit in the general budget leads to dependence on public debt in financing this deficit, which means. Increasing the financial burdens on the state, due to the increase in debt service burdens (installments and interest), as the researcher recommended relying on an economic strategy to manage the public debt in a way that avoids the Iraqi economy any financial and economic crises.

Opening Speeches: *Total Public Debt; Internal Debt; External Debt; Net Public Budget*

## INTRODUCTION

Many developing countries, including Iraq, suffer a lot after they found themselves in a great predicament of the magnitude of the volume of debt, which is represented in the difficulty of continuing to service debts represented in installments and interest and their inability to continue to pay them and finance the necessary expenses, with the existence of the continuous deficit in the public budgets of these countries that suffer from this problem in light of the increasing volume of internal and external debts of those countries, which revealed the truth about the decline in the diversity of the financing role of revenues. This is on the one hand, and how to rationalize the spending carried out by countries in managing their economies on the other hand, until it pushed them to the stage of crisis and its aggravation, especially during the period (2004-2020), which played an additional role in the accumulation and deepening of that indebtedness, which made the public debt an impact on the size of the public budget, especially the deficit in it, which has become a syndrome of the public budget and its negative impact economically, socially and even politically. As a result of the abnormal conditions experienced by Iraq and before, which was the main reason for the increase in public spending on public revenues and the occurrence of a deficit in the general budget of the state, so we will try through this study to identify the structure of public debt and clarify the most important types and the reasons resulting from it and the criteria by which the public debt was classified in addition to knowing the economic analysis of the relationship between the size of public debt and the deficit in the general budget of Iraq.

## SEARCH PROBLEM

The problem of research is that Iraq is one of the countries that suffer from the aggravation of public debt, especially internal and external as a result of the high volume of expenditures on revenues and the occurrence of a permanent deficit in public budgets, so the question can be asked is there a relationship between public debt and budget deficit

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<sup>1</sup> How To Cite The Article: Neder A.J. (April 2025); Economic Analysis Of The Relationship Between Public Debt And Net Public Budget For The Period 2004-2020 (Iraq Case Study); *International Journal Of Transformations In Business Management*, Vol 15, Issue 2, 1-12, Doi: <http://doi.org/10.37648/ijtbm.v15i02.001>

in Iraq and is it able to reduce public debt indicators and as required and how to get rid of the size of the debt it suffers from.

### The importance of research

The importance of public debt lies in the fact that it has great importance in the various economies of developing and even developed countries

As a result of what has a direct impact on the economic, social and even political stability of the country on the one hand, and on the future of present and future generations on the other hand.

### Research Objective

The research aims to:

- Identify the conceptual framework of public debt and the concept of the public budget.
- Study and analysis of the structure of public debt and the public budget in Iraq.
- Analysis of the relationship between public debt and the public budget deficit in Iraq for a period.

### Research hypothesis

The research is based on the hypothesis that there is a positive relationship between the total public debt and the public budget deficit in Iraq.

## RESEARCH METHODOLOGY

The researcher relied on the method of descriptive and analytical approach to show the conceptual framework for both public debt, the general budget and economic analysis between them.

### Search limits

- Spatial boundaries / Iraq.
- Time limits / for the period from 2004 - 2020.

## THE FIRST TOPIC: THE CONCEPTUAL FRAMEWORK OF PUBLIC DEBT

**First: - The concept of public debt:** The economic and financial thought clarified many definitions of the concept of public debt, including the loss of the race of public debt as a set of financial amounts incurred by the state, which the state is committed to pay within a specific period of time <sup>(1)</sup>. It was also defined as all the amounts committed by the state or one of its formations as a result of borrowing these amounts to fill the shortage in its general budget with a pledge to pay these amounts with interest within a known period of time according to agreed conditions <sup>(2)</sup>. **It is also** defined as the size of the money borrowed by the state during a previous period of time, provided that the state is obligated to repay it within known periods of time <sup>(3)</sup>. Through the previous definitions, public debt is defined as an amount of money obtained by the state from external or internal sources and undertakes to pay it and pay interest on it based on certain conditions during specific periods of time.

### Second: Types of public debt

**1- The internal year is defined as an** agreement between two parties, the first party represents individuals or national institutions that pay an amount of money in national currency to the second party, which is the government, through their purchase of government bonds or treasury transfers in exchange for an undertaking by the government to repay these funds within a specific period <sup>(4)</sup> It is also defined as the debt of the government, whether central or federal, borrowed from natural or legal persons from within the state and in local currency and expresses the total debts in the government until the government pays these amounts <sup>(5)</sup> as it is intended to be a debt subscribed within the borders of the state administratively, which is issued and covered in the markets of the indebted state and is in the local currency of the country itself <sup>(6)</sup> The most prominent forms of internal public debt can be clarified as follows:

**A - Government bonds,** which are an expression of securities resorted to by the government as a debt instrument for a short or long-term period of time to enhance the aspect of liquidity and then invested within the context of the planned, and thus contribute to these bonds in the provision of amounts and within a period of time known commensurate with the period of time that meet the need and these bonds are called bonds stock and often directed these amounts to finance the deficit in the budget <sup>(7)</sup>.

**B - Treasury transfers** are a short-term financial value that can be traded issued by the Ministry of Finance be less than a year, as it is one of the most important loans to the state usually, it is a securities purchased by the banking system and some financial institutions while individuals do not accept to buy them because of the low interest rate and short duration, and usually these loans are directed to the deficit in the general budget if the conditions are not

suitable for the issuance of long-term loans, The main reason for issuing these remittances is the temporal mismatch between the state's revenues and its expenditures <sup>(8)</sup>.

**C - Treasury bonds: They are financial bonds in order to** obtain cash flow resorted to by the state when there is no cash liquidity in order to obtain financing, and usually the state offers internal bonds in terms of lending through a public auction in the financial markets

**D - Bonds in foreign currency:** It is another type of government bonds issued by the state when local resources are useless to meet their financial needs and these bonds are risk-free due to the government's ability to pay at maturity through the printing of additional currencies or increased taxes <sup>(9)</sup>.

**2: - External public debt: The** external public debt consists of the deficit in the public budget and the inability of domestic savings to secure the funds necessary to cover that deficit and the state's need for foreign labor in order to cover the required expenses, and that this gap in domestic resources must be covered by going to foreign sources of financing and that Through the process of borrowing from governments outside the country or from international financial institutions and organizations, it is usually possible to distinguish between government debt, which is an external obligation and is guaranteed to be repaid through a government entity, and unsecured private debt, which is an external obligation on a private debtor that is not secured by a government agency <sup>(10)</sup> It is also defined as the total number of loans that originate from outside the country, whether from abroad or foreign institutions or banks in hard currency and are usually used to address the deficit in the balance of payments or to finance various projects <sup>(11)</sup> It also means that external debt is all amounts borrowed by the government and are obligated to return them to the lender either by issuing goods and services to it or by paying in hard currency, which does not exceed the payment period of one year or more and is Payment either through independent bodies or through individuals or private institutions or through the same borrowing government <sup>(12)</sup>

**One of the most important reasons that led to resorting to foreign debt is** <sup>(13)</sup>.

Increasing the current account deficit compared to the flow of net funds.

**B-** The deficit in the public budget and the low level of savings compared to investments.

**c.** Smuggling capital out of the country through capital leakage outside the borders or through direct investment.

**D-** Low production capacity.

**C-** Imbalance in the structure of foreign trade in developing countries due to their dependence on one commodity for export or a small number of goods.

**The** inadequacy of financial resources in developing countries and the marginal propensity to save is low for most members of society.

**Third: There are criteria on which the external public debt is classified, and these criteria include**

**a. External debt according to the purpose to which it is directed** <sup>(14)</sup>:

- External debt for investment purpose: It is used for the purposes of financing economic development in developing countries through the work of service and productive projects.

- External debt for consumption purpose: It is used for purposes to cope with the increase in consumer demand in developing countries, either in cash or in kind.

- Foreign debt for military purpose: It is used for military and military purposes and emergency crises such as preparing to enter a war or in the event that the country is fighting an actual war, and therefore it is unproductive debts and does not have any economic revenue and is called hated debt .

**b. External debt according to the agreed condition** <sup>(15)</sup>:

- Soft loans: These loans are characterized by their long maturity and the presence of a grace period, and in which interest rates are low and are either official government or multilateral loans.

- Difficult loans: These loans are characterized by a short grace period and maturity and an increase in interest rates on them as they are lent on commercial terms, as well as these loans are special loans.

**c. External debt according to the return thereof:**

- Productive debts: loans that are used to establish projects that create financial surpluses and increase production capacity, i.e. investment projects such as railways and other projects that generate large profits, which in turn lead to the provision of foreign labor to the country.

- Unproductive debts: They are loans that can be used in non-productive or investment projects, meaning that they do not bring any revenues to the borrowing country, such as spending it on the purchase of consumer goods or to finance military expenditures, as they are loans that create financial surpluses and cost the economy a great burden

**THE SECOND TOPIC: - THE CONCEPTUAL FRAMEWORK OF THE GENERAL BUDGET****First: - The concept of the general budget**

The general budget at the present time has become very necessary for all countries of the world, whatever their economic philosophy, and without the budget, countries cannot carry out their work and pay attention to their ministries and various institutions, as well as they cannot manage their national economy and direct it as planned. The general budget is the main pole around which all state work and activities revolve <sup>(16)</sup> The general budget is defined as tables that include the estimation of expenditures and imports of the state during a specific period of time, such as one year, and is mentioned in the Budget Law <sup>(17)</sup>. It is also meant as a set of balanced tables between the two sides of revenues and public expenditures during a period usually a year with economic and social objectives <sup>(18)</sup>.

**Second: The concept of the budget deficit**

The budget deficit is the increase in public expenditures at the expense of public revenues so that the government must search for sources of financing the deficit, such as resorting to government borrowing, and this is called the public debt that the government resorts to in the event that there is a shortage in the state's financial savings <sup>(19)</sup> as well as the budget deficit is the real measure of the country's economic financial situation, meaning that it is public spending minus public revenues for a known period of time <sup>(20)</sup>. It is also defined as an economic phenomenon that occurs in the economies of different countries in general when there is a shortage of public revenues offset by an increase in government expenditures resulting from poor planning or government judgment <sup>(21)</sup>. Through the previous definitions, we can say that the public budget deficit is the inability of public revenues to keep pace with the increase in public expenditures, which can be settled through government treatments such as issuing cash or issuing government bonds to the general public or going to loans. Foreign or foreign investments.

**Third: - Types of deficit in the general budget .**

- 1- **Organized deficit (intended):** It is one of the most important types of deficit, and it is intended as a measure taken by the government when its economy is exposed to a certain crisis such as depression or a decrease in the volume of aggregate demand, and a decrease in the purchasing power of goods and services and the government here has to resort to many solutions either to reduce taxes or increase public spending or use the two options together, these solutions lead to an intentional deficit. In addition, the concept of deficit is intended if the government wants to increase effective aggregate demand, an expansionary fiscal policy must be pursued, which results from the increase in government spending as long as spending adds to the income stream more than taxes are withdrawn, and this increase leads to a rise in real income, which leads to an increase in the purchasing power of the individual. Finally, this increase in effective aggregate demand leads to an increase in the volume of public expenditures, which also raises the actual private and public demand, allowing the government to address the budget deficit <sup>(22)</sup>.
- 2- **Temporary deficit (seasonal):** Seasonal deficit occurs as a result of emergency reasons or cause an error in estimating some paragraphs of the general budget and this type of deficit disappears with the disappearance of the reason leading to it and that caused its occurrence and can be addressed after a short period of time may be in the next budgets.
- 3- **Structural deficit (structural):** This type of deficit occurs when only public revenues can cover expenditures on a continuous basis, so it becomes a permanent deficit, and the reason for this is due to the imbalance of the state's financial system resulting from the increase in public spending at a rate that exceeds the capacity of the national economy as a whole in all its sources, i.e. the ability of national income to bear the burdens Public in all its forms, which indicates a defect or defect in the economic structure so that public spending is not sufficiently productive. This type of deficit is considered one of the most serious because of its deep roots in government finances <sup>(23)</sup>.
- 4- **Comprehensive deficit:** This deficit is more comprehensive and broader than the traditional concept that excludes public debt and depends on the difference between public expenditures and public revenues, as it includes all government entities and all state projects, as well as the deficit is to measure the difference between the total government revenues and the public sector and the total government expenditures and the public sector plus debt interest due.
- 5- **Basic deficit:** It is intended to exclude the payment of the outstanding debt because in fact these debts were incurred in the past and in a previous time, that is, these interests relate to past operations and not current, that is, it represents the difference between public spending and public revenues <sup>(24)</sup>.

**Fourth: Reasons for the deficit in public budgets .**

There are many reasons that led to a deficit in the public budgets of different countries, and these reasons are <sup>(25)</sup>.

- 1- The state expands public spending due to the increase in the needs of citizens.
- 2- The inability of public revenues to cope with the growth in public expenditures.
- 3- Increasing the ratio of current expenditures to total public expenditures, in addition to a decrease in funding sources.
- 4- Failure to apply the philosophy of rationalization in the spending policy of the state, in addition to its weak role and the existence of the nature of waste and extravagance.
- 5- Increasing cases of government corruption and thus leading to the waste of a lot of state funds in addition to the low efficiency of the implementation of projects in front of the amounts disbursed to them.
- 6- The high percentage of security and military expenditures due to wars and threats, whether internal or external.
- 7- The state's practice of wrong policies to address economic and political crises in addition to emergency circumstances.
- 8- Weak economic growth and shrinking the size of the state's income .
- 9- Increasing indirect taxes such as customs taxes, excise tax and sales tax, so that it leads to a rise in prices, which leads to the demand for an increase in wages, i.e. the need for state support for wages.
- 10- Increasing deductions in the revenues of families, which affects the purchasing power, and then on their savings, and in general we can summarize these two main reasons, namely the increase in government spending. And reduce public revenues.

**THE THIRD TOPIC: - THE ROLE OF PUBLIC DEBT IN ADDRESSING THE BUDGET DEFICIT IN IRAQ FOR THE PERIOD 2004-2020****First: - Analysis of the structure of public debt in the Iraqi economy for the period (2004-2020).**

This period was characterized by the fluctuation of the size of the public debt in Iraq between high and low due to the circumstances experienced by Iraq and as a result of the increase in public spending and the inability of public revenues to cover public expenditures became the need to resort to public debt, whether internal or external and through Table (1) can clarify the evolution of the volume of public debt in Iraq as follows:

Table 1. Total public debt and annual rate of change of external debt and internal debt in Iraq for the period (2004 - 2020) (million dinars)

Years	Internal debt	Annual rate of change %	External debt	Annual rate of change %	Total public debt
2004	5925061	-----	185984000	-----	191909061
2005	6255578	5.57	112700211	-39.4	118955789
2006	5307008	- 16.15	91134441	- 19.13	96441449
2007	4855324	-8.51	79317255	- 12.96	84172579
2008	4455569	-8.23	76307859	3.79 -	71763428
2009	8434049	89.29	75218130	-1.42	80052179
2010	9180806	8.85	71253000	-5.27	80433806
2011	7446859	-18.88	71682390	0.6	79129249
2012	6547519	-12.07	70309800	1.91 -	76857319
2013	4255549	-35.00	69143800	1.65 -	73399349
2014	9520019	123.70	69022800	-0.17	78542819

2015	32142805	237.63	78659000	13.96	110801805
2016	47362251	47.34	80325000	2.11	127687251
2017	47678796	0.66	87703000	9.18	92471796
2018	41822918	-12.28	98770000	12.61	140592918
2019	38331548	-8.34	79123100	-19.89	117454648
2020	64246559	67.60	73200000	-7.48	137446559

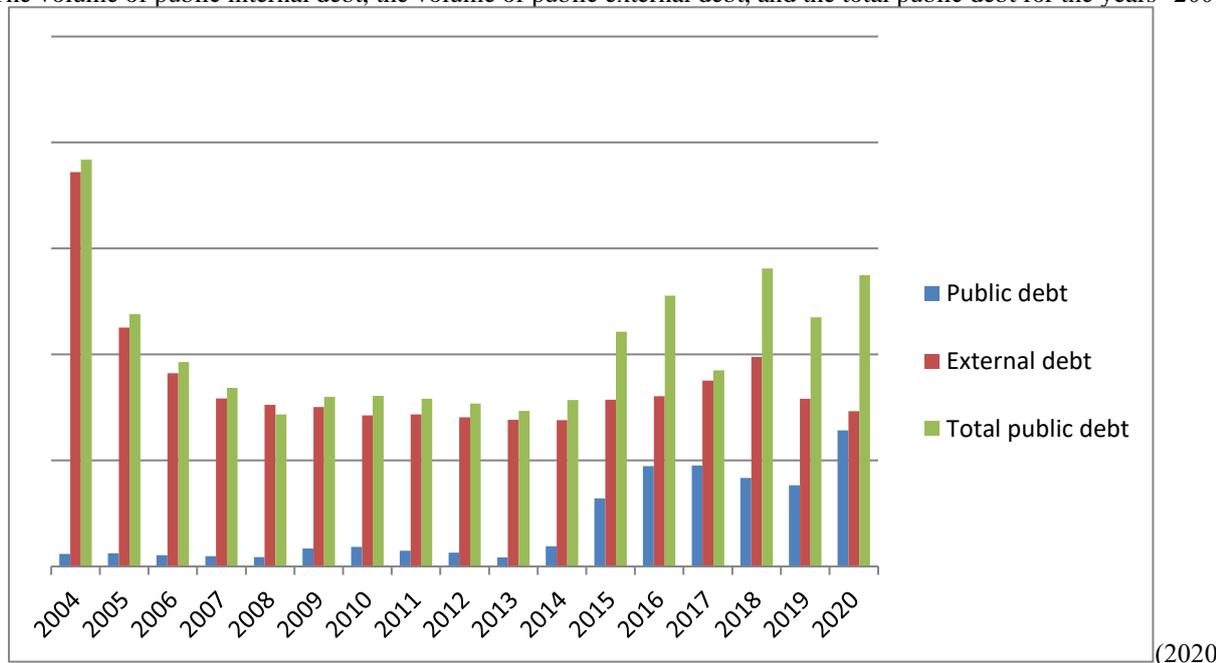
**Source:** Prepared by the researcher based on:

- Republic of Iraq, Central Bank of Iraq, Directorate General of Statistics and Research, Statistical website, annual bulletin 2004-2020 .

- Iraqi Federal Budget Law, Al-Waqa'a newspaper, different preparations, different years.

Figure (1)

The volume of public internal debt, the volume of public external debt, and the total public debt for the years -2004)



**Source:** From the researcher's work, based on the data of Table (1).

We note from Table (1) has witnessed a state of fluctuation in the total public debt in Iraq during the study period (2004-2005), where it witnessed a large disparity between the internal public debt and the external public debt, as the ratio of internal debt reached (5925061) million dinars in (2004) and the rate of external debt amounted to (185984000) million dinars and the rate of total public debt, where the value of (191909061) million dinars, which is the highest value of public debt during the study period, due to the accumulation of debts incurred by Iraq during previous years due to the imposition of economic sanctions on it, and the high rate of external debt came as a result of covering public expenditures, most of which went to cover operational expenses in that period. Then the internal debt decreased again compared to the year (2005) for the period (2006-2008) and a negative rate of change of (-15.16) to (-8.23) respectively, as well as the case of the general external rate, as the annual rate of change in negative value for the previously mentioned period, which is (-19.13) to (-3.79). This is also due to the lifting of sanctions on Iraq represented by the economic embargo imposed on it before (2003) in addition to the increase in oil exports and high prices, which led to a rise in the proportion of government revenues and the achievement of the government's general budget surplus, as well as the application of the Paris Agreement, which includes the extinguishment of Iraq's debts by (80%) of foreign debts, which helped Iraq to pay a high percentage of its debts and increase its foreign reserves. As for the years (2009) and (2010), we note the increase in the internal public debt to (9180806) million dinars in (2010) compared to (2009) by (8434049) million dinars, and the reason is due to the

decrease in the volume of public revenues due to the decline in global oil prices and the decline in demand for it as a result of the global financial crisis that swept the whole world. During the period (2011-2013), the total public debt decreased as it reached (79129249) million dinars in (2011) and the public debt continued to decline, as it reached (2013) to (73399349) million dinars, and this decline is due to the return of high prices of crude points and the improvement of economic conditions through the increase in public revenues of the state. As for the period (2014-2017), we note that the amount of internal debt has been rising, as it reached in (2014) by (9520019) million dinars and an annual rate of change of (123.70) and the rise continued until the year (2017) reached about (32142805) million dinars respectively and an annual rate of change of (0.66) as well as the same case entails external debt in these years, as it reached (69022800) million dinars in (2014) with a negative annual rate of change (-0.17) down to (2017), as the volume of external debt reached (87703000) million dinars at an annual rate of change (9.18) respectively, and the reason for this increase is Iraq's exposure to successive crises in (2014), namely Iraq's exposure to attacks by terrorist organizations, a decrease in oil prices, and a high volume of foreign loans to cover the military expenses necessary for the liberation of the country, as well as the decrease in financial revenues due to the departure of more than two-thirds of Iraq's area from the control of the government and the subsequent operations Liberation and reconstruction of liberated areas due to damage to various infrastructures, all these factors had a prominent role in resorting again to borrowing either internal or external borrowing, and in (2018) we note that the rate of internal public debt has decreased by a small percentage from (2017) as it reached (41822918) million dinars with an annual rate of change (-12.28) and the reason is due to the positive improvement in oil prices and the return of security and economic conditions to stability, As for the volume of public external debt for the year (2018), it amounted to (98,770,000) million dinars, with an annual rate of change of (12.61), as the volume of external debt exceeded what it is in (2017), and the reason for this increase is due to the country's need for large amounts that exceed the size of the internal debt to cover the military expenses necessary for the liberation operations in most regions of the country and the subsequent reconstruction of the areas affected by the liberation operations, such as the restoration of electricity and water network lines. All this led to going to external borrowing, and the volume of internal debt began to decrease until (2019) compared to (2018), and in (2020) the volume of internal debt rose again in (2020), as it reached (64246559) million dinars at an annual rate of change (67.60) as a result of the decline in oil prices, which led to a decrease in the general revenues of the country, which prompted the government to borrow internally to reduce the deficit in the state's general budget, The public external debt also witnessed a decrease for the period (2019-2020), as it reached (79123100) million dinars in (2019), and reached (73200000) million dinars in (2020), due to the increase in demand for oil in the global markets, which led to a rise in the price of oil, which in turn caused an increase in government revenues, as the state was able to fill the deficit in the general budget, especially since the budget deficit is what causes the high volume of indebtedness.

### Second: Analysis of the structure of the general budget in the Iraqi economy for the period (2004-2020).

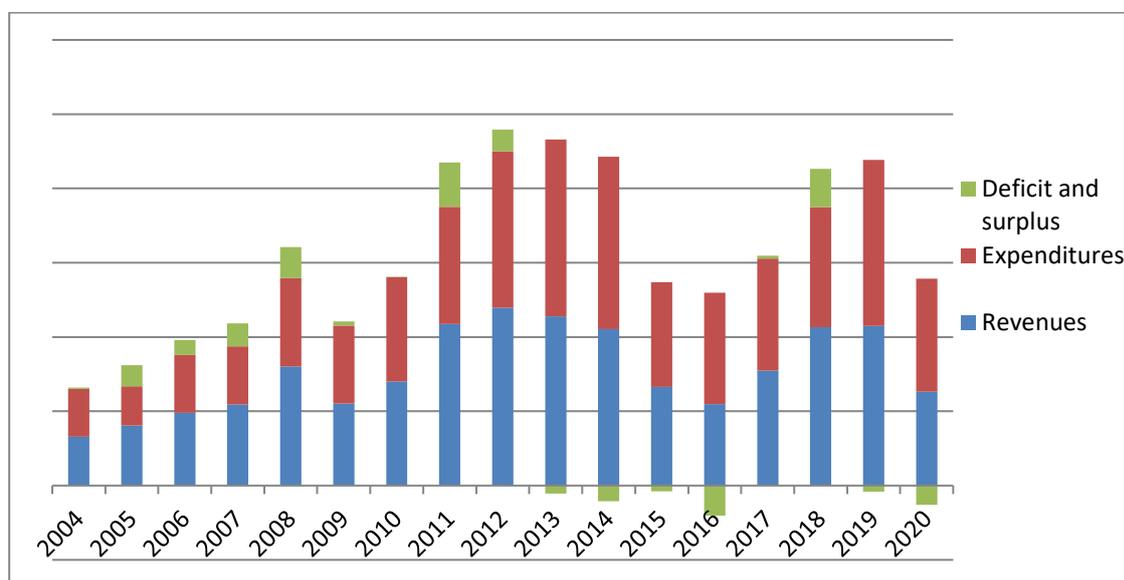
During this period, it is clear that the Iraqi economy depends heavily on oil revenues as a large percentage of the volume of public revenues because the Iraqi economy is a one-sided economy that depends on oil mainly, as well as the weakness of other financial resources in covering public revenues, which caused a deficit in the general budget in most of the years of study as shown in Table (2) as follows:

Table (2) Size of the General Budget in Iraq for the Period 2004-2020 (Million Dinars)

Years	Revenue	expenses	Deficit or surplus
2004	32982739	32117491	865248
2005	40502890	26375175	14127715
2006	49055545	38806679	10248866
2007	54599451	39031232	15568219
2008	80252182	59403375	20848807
2009	55209353	52567025	2642328
2010	70178223	70134201	44022
2011	108807392	78757666	30049726
2012	119817224	105139576	14677648
2013	113840076	119127556	-5287480
2014	105364301	115937762	-10573461
2015	66470253	70397515	-3927262
2016	54839219	75055865	-20216646
2017	77422173	75490115	1932058
2018	106569834	80873189	25696645
2019	107566995	111723523	-4156528
2020	63199689	76082443	-12882754

**Source:** Reliance on Central Bank of Iraq data, Directorate of Statistics and Research, statistical bulletins for the years (2004-2020)

Figure (2) General Budget in Iraq for the Period (2004-2020)



**Source:** From the researcher's work, based on the data of Table (2).

We note through Table (2) that the volume of public revenues began to improve gradually in (2005), reaching (40502890) compared to (2004) (as it was ( 32982739) and this improvement is due to the gradual rise in oil prices after it was low. The budget witnessed a budget surplus in 2005 compared to 2004 due to the rise in crude oil exports and high prices. As for the size of public expenditures, they began to decline in (2004) compared to (2005) due to the decline in oil prices, and since the Iraqi economy is a rentier economy that depends mainly on oil by a very large percentage, which was reflected in reducing the size of expenditures and focusing on spending to a large extent on the military side in the country and equipping the armed forces with weapons and equipment to confront the terrorist organization ISIS, as well as focusing on securing salaries and wages for public sector employees. This increase in revenues and expenditures continued until (2008), where the volume of public revenues reached (80252182) and the volume of public expenditures amounted to (59403375) with a surplus of ( 20848807) of the same year. The year (2009) has witnessed a significant decline in public revenues, reaching (55209353) as well as public expenditures, as it reached (52567025) and a surplus rate (2642328) compared to (2008) and the reason is due to the global financial crisis that swept the whole world ( mortgage crisis), which affected the revenues of most oil countries, The Iraqi economy began to recover from this crisis gradually during the years (2009) and (2010) as revenues began to rise relatively, but in (2011) revenues and expenditures returned again to the significant increase as revenues amounted to (108807392) million dinars as well as public expenditures amounted to (78757666 ) million dinars due to the rise in global oil prices after the global economic activity recovered from the global financial crisis, which positively affected the high demand for oil, and this increase continued until (2012). In 2013, we note that the volume of public revenues began to decline compared to public expenditures, which led to a large deficit in the public budget, as the volume of revenues reached (113840076), while expenditures amounted to (119127556) and a deficit rate of ( 5287480-) The reason is due to the occurrence of a new security crisis in the country, which was represented by the emergence of ISIS terrorist groups that occupied large areas of the country and disrupted most of the economic facilities in these areas. This crisis made public spending increase on the military side to confront these terrorist gangs, and this situation continued until (2016). In the years (2017) and (2018), revenues began to improve positively gradually, offset by a decrease in the volume of public expenditures, due to the improvement of the security situation in the country, the government's control over most regions of the country and the receding political crisis represented by terrorism. As for the years (2019) and (2020), we note an increase in public expenditures in front of public revenues, due to the global health situation (Corona pandemic), which caused an increase in spending on the health sector, job expansion in all different ministries, an increase in social welfare expenditures, as well as an increase in housing loans and the expansion of reconstruction and infrastructure, which caused a clear deficit in the budget for the aforementioned years..

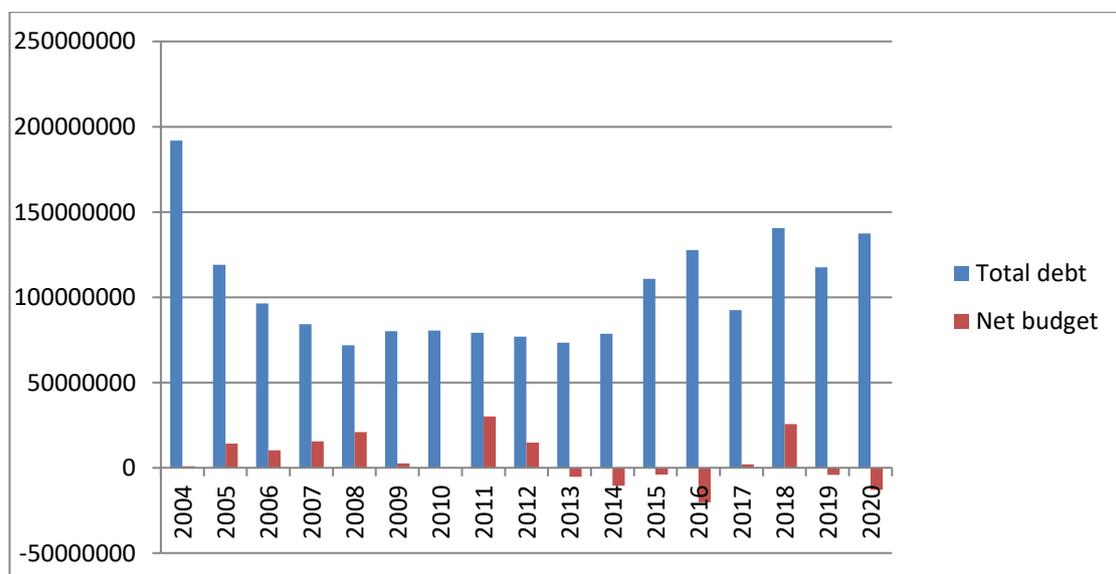
**Third: Analysis of the relationship between the total public debt and the net public budget in the Iraqi economy for the period (2004-2020).**

The Iraqi economy suffers during the study period, especially the last years, from a deficit in the general budget through the exacerbation of the volume of public spending in front of the decrease in the volume of public revenues, which prompted the Iraqi government to search for many sources, including public debt, whether internal or external, in order to alleviate the deficit and address it, and through Table (3) we explain the extent of the relationship between public debt and the net public budget in Iraq as follows:

Table (3) shows the size of the total public debt and the net general budget for the period (2004-2020)

Years	Total public debt	Net Budget
2004	191909061	865248
2005	118955789	14127715
2006	96441449	10248866
2007	84172579	15568219
2008	71763428	20848807
2009	80052179	2642328
2010	80433806	44022
2011	79129249	30049726
2012	76857319	14677648
2013	73399349	-5287480
2014	78542819	-10573461
2015	110801805	-3927262
2016	127687251	-20216646
2017	92471796	1932058
2018	140592918	25696645
2019	117454648	-4156528
2020	137446559	-12882754

**Source:** Central Bank of Iraq, Directorate of Statistics and Research, statistical bulletins for the years 2004-2020 .



**Source:** From the researcher's work, based on the data of Table (3).

It is noted from Table (3) above that there is a decrease in the value of public debt after the year (2004) until (2008) as the value of the public debt (191909061) million dinars in (2004), which is considered the highest amount during the period of study shown in the table mentioned, and the reason is due to the worsening of the debts incurred by Iraq during the previous years before the study period as a result of the sanctions imposed on Iraq economically, so that most of these funds went to cover operational expenses during this period down to the year (2008). As the volume of public debt reached (71763428) million dinars respectively, benefiting from the results of the Paris Club

agreement to reduce external debt, as well as the improvement of economic conditions and the increase in oil prices, which was reflected in maximizing government revenues, offset by a development in the development of the budget and the achievement of financial surpluses, which was reflected in the net budget, as it amounted to (865248) million dinars in (2004) down to the amount of (20848807) for the year (2008). As for the year (2009) and (2010), the value of public debt increased by (80052179) and (80433806) million dinars as a result of the global financial crisis, after which the public debt began to decline since (2011), as it reached (79129249) million dinars until the year (2012) by (76857319) million dinars, affected by the rise in international oil prices and the decrease in the value of the debt incurred by the state by amortizing the value of government bonds and transfers held by the Central Bank at the end of the year. (2012) In addition to the decrease in the value of loans granted by the Central Bank to government departments, this was positively reflected in the size of the budget, while the period from (2013) to (2016) led to an increase in the value of public debt compared to previous years as a result of low oil prices and increased military expenditures due to the control of terrorist organizations on most of the oil fields and Iraqi cities, which reflected negatively on the net budget, as the budget deficit reached (-5287480) to (20216646-) Which made the government forced to borrow in order to reduce the deficit gap in the public budget and fill the increasing expenditures, then the public debt began to decrease for the year (2017), reaching (92471796) million dinars due to the improvement of the security and economic conditions and the increase in government revenues due to the improvement in oil prices, and the public debt began to rise and fall for the years (2018), (2019) and (2020) in simple proportions of (140592918), (117454648) and (137446559) million dinars respectively, which was offset by a deficit in the size of the budget amounting to (-4156528) and (-12882754) million dinars, at a negative rate, respectively, for the years (2019) and (2020), due to the Corona pandemic and the trend of most expenditures towards the health sector.

## CONCLUSIONS

- 1- The general budget suffers most of the study period from a continuous deficit and the surplus in the general budget did not appear except in certain years and in a fluctuating manner due to the unstable conditions of the country.
- 2- The general budget throughout the study period was and still is directly related to the revenues derived from oil export revenues, which depend on international oil prices and the amount of domestic production, so that any change in these two factors will be reflected directly, whether negative or positive, on the general budget of the state.
- 3- There is a positive relationship between the public debt and the public budget deficit, as we note that whenever there is an increase in the size of the public debt, it corresponds to a large budget deficit, as these amounts collected from the public debt often go to finance operational expenses (wages and salaries) to compensate for the shortage in the budget, and these amounts are greater than the size of the amounts directed to investment expenditures, which constitutes an obstacle in creating investment opportunities that contribute to the growth of financial returns to the budget, Thus, these funds create additional financial burdens as a result of the increased burden of servicing the public debt and the government must commit to paying them.
- 4- This increase in public debt ratios during the study period obliges the government to direct most of the available financial resources to fill the public debt, which constitutes a negative obstacle in the implementation of future budget plans, whether operational or investment.

## RECOMMENDATIONS

- 1- Drawing up an economic policy or program by specialists in the economy addresses the budget deficit by rationalizing public expenditures that go to wages and salaries, as well as reducing the money spent on holding conferences and buying furniture, cars, etc., this contributes to reducing the government's need for public debt, whether internal or external.
- 2- Not to rely on oil revenues and the need to diversify public revenue sources and pay attention to other revenues such as tax revenues and reform the tax system so that it is more effective and efficient, as well as the enactment of laws and legislation and follow-up on everyone who evades paying taxes.
- 3- Allocating part of the amounts collected from the public debt and directing them towards investment projects and infrastructure for various sectors that contribute to the diversification of public revenues of the state.
- 4- Coordination and compatibility between fiscal policy and monetary policy in developing a plan that helps not to allow public debt to accumulate and work to pay it on time in order to avoid its accumulation and increasing the burden of its service (installments and interest).

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