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Analysis of the Coordination of Monetary and Fiscal Policies on Macroeconomic Indicators in Iraq

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تحليل تناغمية تناسق السياستين النقدية والمالية على المؤشرات الاقتصادية الكلية في العراق

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Abstract:

The coordination of monetary and fiscal policies is a cornerstone for the prosperity of economic indicators and the ability to stimulate the Iraqi economy, which continues to rely on rentier revenues and remains plagued by imbalances in its macroeconomic policies and a weak capacity to address economic crises. Therefore, the coordinated implementation of and fiscal policies serves to reflect the impact of this coordination on real output rates in the productive sectors, reduce the waste of public funds, enhance the economy's resilience to external economic shocks, revitalize the economy, and achieve economic stability—especially given that macroeconomic equilibrium models (DSEG) have played a crucial role in shaping future mechanisms for solving economic problems.

Introduction:

The synergy between the Central Bank and the Ministry of Finance reflects the strength of macroeconomic stability, as it influences economic variables, drives economic growth, stimulates real economic activities, achieves the goals set by economic systems, and establishes stability across various economic dimensions. A stable economic environment reflects economic efficiency and the synergy of monetary and fiscal policies, as well as their ability to achieve economic well-being and the country's capacity to create an attractive environment for low-risk investments capable of weathering economic crises and achieving macroeconomic stability. This is due to the role played by the Central Bank in controlling monetary disturbances and price fluctuations on the one hand, and the necessity of achieving a balance between economic growth and macroeconomic stability. Therefore, it is essential to achieve harmony and integration between fiscal and monetary policies to advance the real economic sectors as intermediate goals for achieving macroeconomic growth in Iraq.

Research Problem:

The rise in Iraq's economic expenditure, particularly operational spending—which has increased the country's debt burden—along with the near-total reliance on rentier revenues to finance the general budget and the dependence on central bank policies to address economic shocks, coupled with the growing volume of public spending, has hindered economic recovery.

Research Hypothesis:

Harmonizing monetary and fiscal policies works toward achieving economic objectives with macroeconomic dimensions at the level of aggregate economic activities; however, Iraq lacks such harmonization due to rising public spending and an almost complete reliance on oil revenues.

Significance of the Research:

The coordination of monetary and fiscal policies drives economic growth and achieves macroeconomic stability. Given that the Iraqi economy relies on monetary policy mechanisms to counter rising expenditures, it is essential to establish a mechanism to coordinate monetary and fiscal policies and achieve a stable economic environment capable of driving economic growth.

Section One: The Theoretical Framework of Monetary and Fiscal Policy and Their Interplay

First: The Theoretical Framework of Monetary Policy:

Monetary policy: is the use of monetary supply mechanisms to achieve specific economic objectives that the central bank seeks to attain. If the central bank aims to increase aggregate demand to raise income and employment levels, it acts by increasing the nominal money supply; conversely, if it wishes to reduce aggregate demand (1) Monetary policy tools are among the most important mechanisms used to influence the level of economic activity and are employed by governments to control price levels and the rate of inflation, and drive economic growth through the interaction of monetary policy mechanisms with complementary economic policies. Monetary policy reflects diverse perspectives among economists; some view it as legal provisions and procedures followed by the central bank to control the money supply and achieve its objectives(2)1 Therefore, monetary policy tools are considered an important means of influencing economic variables, achieving set objectives, and ensuring monetary and economic stability by countering price fluctuations, addressing inflationary pressures, preserving the value of local currencies, and creating an attractive environment for investment projects, whether domestic or foreign.

Monetary Policy Objectives:

Monetary policy encompasses a number of strategies aimed at achieving the objectives set by the Central Bank. These objectives are divided into:

A. Achieving price stability is a fundamental prerequisite for economic stability at the macroeconomic level, as a lack of control over price levels and the loss of price stability lead to imbalances in all aspects of the economy. These imbalances affect income distribution and have long-term repercussions on the (3).

B. Achieving the target employment level: Monetary tools work to achieve the employment level that economic policies aim to attain by controlling the money supply and its impact on the volume of investment and employment.

C. Achieving stability in the value of the local currency against foreign currencies: Stabilizing the value of the local currency helps control price levels, reach target levels, and achieve a sufficient level of foreign exchange reserves (4) .

D. Achieving economic growth: This is the goal that countries strive to achieve; therefore, most countries use monetary mechanisms as a tool to achieve high economic growth capable of sustaining economic progress and ensuring the stability of macroeconomic indicators(5).

These objectives involve using monetary mechanisms and tools to influence the size of reserves—which include deposit reserves, the monetary base, and cash reserves—and to influence market price dynamics and short-term interest rates on interbank lending balances and government bond yields(6) They are then used as mechanisms to serve as a bridge between operational objectives and the ultimate goals that monetary authorities seek to achieve. These mechanisms take either quantitative forms that affect the money supply or price-based forms that include exchange rates and interest rates, and they operate in both forms to achieve the ultimate monetary objectives of monetary stability , economic growth, stability in the value of the currency, and the achievement of the natural rate of unemployment in the economic reality, as monetary policies take steps toward achieving macroeconomic stability(7) Most economic schools agree that there is a direct relationship between the implementation of monetary policy and the achievement of the targeted growth in gross domestic product, the attainment of the targeted employment level, and the attainment of the price stability targeted by monetary policies(8).2

Monetary Policy Instruments:

Monetary authorities employ both direct (qualitative) and indirect monetary mechanisms to control the money supply and influence economic growth. Qualitative instruments work by affecting the volume of bank credit and setting interest rates in accordance with rules and mechanisms established by the central bank, Indirect tools

work by influencing the level of reserves and the money supply in the banking system, and consequently on macroeconomic variables, as follows:

1- Interest Rate: The interest rate is a tool used by the Central Bank to control the money supply by influencing the level of bank credit in accordance with prevailing economic conditions. It raises interest rates when inflationary gaps emerge to reduce the level of bank credit, and does the opposite when deflationary gaps emerge to mitigate the impact on the macroeconomic level [9].

2- Open Market Operations: The open market operations policy is considered one of the most important tools for controlling the money supply and, consequently, influencing the level of aggregate economic activity. The Central Bank buys or sells securities, commercial paper, bonds, and Treasury bills with the aim of either restricting the amount of money in circulation or expanding the money supply in a manner the economic situation[10)3].

3- Reserve Requirements: Legal reserves are a tool of paramount importance used by the central bank to control the money supply and address monetary crises, particularly in countries lacking organized financial markets. The term "legal reserve ratios" refers to the percentage of funds that the central bank requires commercial banks to hold in exchange for their deposits to counter monetary fluctuations and their impact on the economic reality and its stability[11].

As for direct qualitative monetary policy tools, these work to alter the direction of bank credit allocation to suit the economic situation and the potential for achieving stability. These tools serve as a supporting mechanism for quantitative tools, as they establish conditions and determine the direction of credit granted by banks, using it to stimulate economic sectors such as agriculture and industry by facilitating the granting of credit to them, reducing interest rates on industrial and agricultural loans, and limiting loans granted for other purposes. They are among the most important quantitative tools and means used to control the money supply and determine its trends, particularly in developing countries, serving as a support for quantitative tools, namely[12]:

1- Working toward classifying consumer credit

2- Employing persuasion and moral influence

3- Moving toward regulating the granting of credit and mortgages

4- Regulating margin requirements

5- Adopting mechanisms and means of direct influence linked to the directives and instructions issued by the Central Bank, as well as the role of the media.

Second: The Theoretical Framework of Fiscal Policy

Fiscal policy consists of mechanisms and policies related to revenues and expenditures established by the state to achieve a set of objectives, which it aims to accomplish through prescribed revenues and expenditures [13] to reflect the measures and mechanisms planned by the authorities to determine the level of government spending and revenue, to express fiscal policies—including tax policies—and the direction of public spending, thereby influencing economic activities and achieving the objectives set for resources, and to chart their general and specific directions in a manner that achieves the objectives set by the fiscal authorities [14)4]. As fiscal policy reflects the rules and mechanisms followed by the state to ensure its financial system operates effectively and efficiently to achieve a range of economic, social, political, and other objectives it targets [15] Fiscal policy involves adopting dynamic approaches linked to fiscal mechanisms and leveraging their capacity to influence macroeconomic variables such as gross domestic product (GDP) or achieving the target unemployment rate by creating an environment attractive to domestic and foreign investment, and reflecting the effects of such investments on macroeconomic variables[16] Fiscal policy plays an active role in supporting economic indicators, particularly during times of economic imbalances, due to its role in influencing price fluctuations and employment levels. Both revenue and expenditure fiscal policy tools aim to reduce income inequality through the redistribution of wealth and income and to strive toward achieving a level of social justice by adjusting the level of spending and determining tax revenue ratios. Fiscal policy seeks to reduce the level of government spending and mobilize resources to achieve development goals by reducing inflation, achieving price stability, and attaining a desirable level of employment. Fiscal policy contributes to achieving the mechanisms of economic stability in the economic variables that the economy aims to achieve, as the expenditure side of fiscal policy has an effective impact on economic variables through the effectiveness of both the multiplier and the accelerator. The expenditure side is considered more influential than the tax revenue side, as the investment multiplier increases when expenditure rates rise, compared to the higher rate of the investment multiplier when tax revenue rates are reduced [17].

Objectives of Fiscal Policy:

The fiscal authority employs fiscal policy tools to adjust revenue or expenditure levels and implement either contractionary or expansionary policies in order to achieve various economic objectives, including increasing income levels and capital accumulation for individuals, stimulating both domestic and foreign investment by creating an attractive investment environment, and striving to achieve a level of full employment and reducing unemployment to a natural level, and directing resources toward increasing economic productivity [18] Fiscal policy aims to achieve a balance between revenues and expenditures, reduce the fiscal gap, ensure that fiscal instruments operate dynamically, enhance their capacity to finance economic activities, minimize fiscal waste, address economic problems and imbalances, and drive growth in macroeconomic variables[19].

The necessity of achieving harmony between monetary and fiscal policies:

A lack of coordination and conflict between monetary and fiscal policies leads to significant economic imbalances, as monetary mechanisms disrupt fiscal objectives and hinder their achievement if policies are implemented that are incompatible with the prevailing fiscal policy. An example of this is how rising interest rates affect fiscal policy by increasing spending levels while reducing revenue, which forces the state to borrow to cover the resulting deficit, while fiscal policy that is out of sync with monetary policy acts as a tool that hinders local banks from granting credit to private projects due to declining liquidity levels, rising debt levels, and a decline in credit extended to private sector investments. This negatively impacts the private sector, leading to a decline in future investment levels On the other hand; this negatively affects the exchange rates of the local currency against a basket of foreign currencies. Therefore, if monetary and fiscal policies move in conflicting directions, this will lead to counterproductive and unsatisfactory results for both policies, resulting in monetary and fiscal gaps and imbalances in macroeconomic indicators[20]5, Therefore, the harmony and coordination of monetary and fiscal policies reflect the strength of the interdependence among those responsible for implementing both fiscal and monetary policies and managing the country's public debt, as well as the pursuit of desired objectives and the mutual impact of the tools of both policies on the macroeconomic system. The extent of this policy harmony reflects the economy's to withstand economic crises and imbalances, and its ability to create a productive investment environment through stable tax rates and interest rates, achieving high levels of domestic and foreign investment, as well as high employment, reduced unemployment rates, and stability in price levels, exchange rates, and interest rates. The high degree of coordination in the operation of both policies reflects the strength of the economy and its ability to withstand future economic crises[21].

Section Two: An Analysis of the Coordination between Monetary and Fiscal Policies and Their Impact on Macroeconomic Indicators in Iraq

First: Iraq's Economic Reality

The Iraqi economy is characterized as one-sided, with a significant portion of its revenues concentrated in the oil sector, as it serves as the financial backbone of the economic machinery, infrastructure, and public services. Oil revenues have provided the bulk of foreign currency, and constitute the dominant component of GDP. This reliance on oil revenues and the economy's link to external markets reflect the Iraqi economy's vulnerability to global markets due to the weak contribution of the real sectors and the distortion of its real economic structure[22]. The Iraqi economy's reliance on rent-based revenues from the oil sector to finance its expenditure needs reflects its weak capacity to withstand internal and external economic crises and shocks. The Iraqi economy reflects a decline in productive activities across its sectors, as well as the consumerist nature of Iraqi society and the depletion of rent-based resources through a consumerist cycle, the lack of qualitative development in production processes, and the centralized policies adopted to address the imbalances and crises accompanying oil price fluctuations[23] Therefore, reliance on the potential for economic growth driven by oil revenues and the primary dependence on those revenues has weakened the economic structure and made it vulnerable to fluctuations in global markets.

Second: The Effectiveness of Monetary Policy in Iraq on Economic Indicators:

The monetary authority in Iraq, represented by the Central Bank, works to target the fundamental pillars of economic growth and achieve price stability at the general level for goods and services through the use of its established monetary mechanisms, as well as to stabilize the value of the local currency against foreign currencies to ensure stability in the real economy. Therefore, the Central Bank has taken a number of measures to achieve the set objectives it seeks to attain. Consequently, the Central Bank has pursued a restrictive monetary policy to maintain price stability, curb inflation, ensure that the money supply is commensurate with actual economic capacity, support the pillars of development, stabilize the value of the local currency, and control

currency trends by controlling the volume of monetary liquidity and determining its trends using indirect monetary tools, such as controlling the volume of currency reserves, the rediscount rate, the foreign currency selling window, the bank's remittance auction, and interbank borrowing. The Central Bank works to achieve the goal of stability in the domestic and the external finance market by controlling interest rates and the exchange rate of the Iraqi dinar against foreign currencies through influencing the interest rate and exchange rate of the Iraqi dinar, which contributes to transmitting the impact of these instruments on the monetary markets and subsequently reflecting it on real economic activities[24]6 As noted in the table (1) that the Central Bank aims to achieve stable inflation rates by using the exchange rate mechanism to control price fluctuations and limit inflationary waves, as reflected in the table below, which illustrates the Central Bank's efforts to lower the exchange rate for foreign currencies in the currency window for the period (2004–2019). This contributed to the Central Bank's control over inflation rates, which then began to rise again, reaching 6% in 2021 as a result of the monetary authorities raising the exchange rate of the U.S. dollar. This stems from Iraq's near-total reliance on commodity imports compared to its rentier exports of crude oil and its lack of real production in the actual productive sectors. Consequently, inflation rates were affected by changes in foreign exchange rates, as evidenced by the increases in GDP resulting from rising global oil prices and increased oil exports. Consequently, the table reflects rising unemployment rates in Iraq, which reached 16% in 2021 due to the stagnation of its real productive structure, This is compounded by poor management in planning to provide opportunities suited to the market, due to a mismatch between educational outcomes and labor market needs, as well as a decline in private sector production stemming from Iraq's lack of incentives to attract investment, whether domestic or foreign.Table (1) Monetary Policy Variables and Their Impact on GDP / in billions of dinars for the period (2004–2021)

Unemployment Rates	Gross Domestic Product	Inflation Rate %	Exchange Rate on the Parallel Market	Exchange Rate at the Official Exchange	Interest Rate	Narrow Money Supply (M1)	Year
6	101845.2624	4	1453	1452	6	10148226	2004
26.8	103551.4034	_	1472	1469	7	11399125	2005
17.97	109389.9413	0.316088767	1475	1467	16	15460060	2006
17.5	111455.8134	0.648264534	1267	1255	20	21721167	2007
11.7	120626.5171	0.050305473	1203	1193	15	28189934	2008
15.34	124702.8479	0.063861386	1182	1170	7	37300030	2009
-	132687.0286	-0.044129052	1186	1170	6	51743489	2010
-	142700.217	-0.994811359	1196	1170	6	62473929	2011
8.3	162587.5331	0.060203284	1233	1166	6	63735871	2012
11.9	174990.175	0.036135693	1232	1166	6	73830964	2013
-	178951.4069	0.031316726	1214	1166	6	72692448	2014
10.6	183616.2521	0.015873016	1247	1182	6	69613150	2015
-	208932.1097	0.023097826	1275	1182	4	75523952	2016

10.8	205130.067	-0.310756972	1258	1184	4	76986584	2017
13.8	210532.8872	0.007707129	1209	1182	4	77828984	2018
13.8	223075.0208	0.001912046	1196	1182	4	86771000	2019
١٤,٢	٢١٥٦٦١٥١٦.٥٠	4	١٤٩٠	١,٣٠٤	٤	١٠٣,٣٥٣,٥٥٦	2020
١٦,٥	٣٠١١٥٢٨١٨.٨٠	٦	١٤٩٠	١,٤٥٠	٤	١١٩,٩٤٤,٠١٧	2021

Source:- Source: Prepared by the researchers based on data from the Central Bank of Iraq, Statistics and Research Department, various annual reports for the period (2004–2021), and the Ministry of Planning, Central Bureau of Statistics, annual statistical compilations for various years.

Second: The Effectiveness of Fiscal Policy on Economic Variables in Iraq:

Political turmoil in Iraq has led to mismanagement and poor planning, as well as a series of mechanisms that have hindered development. In particular, the security unrest that Iraq has experienced has significantly disrupted the functioning of fiscal policy and prevented it from achieving its intended economic goals. This is compounded by widespread financial and administrative corruption and the of fiscal policy on a dynamic revenue anchor—namely, crude oil prices—which are affected by global price fluctuations and global imbalances and their repercussions on oil prices, and consequently on Iraq's GDP, given its near-total reliance on oil revenues to finance its budget and cover its expenditures. Iraq's fiscal policy is closely aligned with modern financial thinking in its application of the "bathtub theory," as reflected in its fiscal budgets and their ability to cope with economic fluctuations and cycles. This is achieved through a high level of general operational spending, which takes up the largest share of the budget, surpassing economic growth and the improvement of macroeconomic indicators. Furthermore, the fiscal surpluses resulting from increased revenue linked to rising global crude oil prices are channeled into consumer spending, exacerbating the problem of free-riding afflicting the Iraqi economy, the rise in the level of government service operations, and their competition with the private sector—all against the backdrop of the imbalance in Iraq's actual productive structure in both the public and private sectors, as well as the weakness of its capacity to attract foreign investment that supports the actual production process. This renders fiscal policy in Iraq ineffective to stimulate macroeconomic indicators, as it increases unemployment, particularly hidden unemployment. Given that states require large sums of money to achieve their set goals, this necessitates substantial and diverse revenue streams to cover spending trends. The most important forms of revenue in Iraq are[(25)7]:

A. Revenue from crude oil sales

B. Revenue from taxes and fees

C. Revenue deducted from government institutions and revenue from other sources and categories.

Table (2) Fiscal Policy Instruments and Variables of the Iraqi Economy for the Period (2004–2019)

Gross Domestic Product	Unemployment Rates	Actual surplus or deficit	Actual expenditures	Actual revenues	Estimated Budget			Year
					Estimated deficit or surplus	Estimated expenditures	Estimated revenues	
6	101845.2624	1467423	٣١٥٢١٤٢٧	32988850	1584000	20145100	21729100	٢٠٠٤
26.8	103551.4034	9604616	٣٠٨٣١١٢٤	40435740	-7022560	35981168	28958608	2٠٠٥
17.97	109389.9413	11560937	٣٧٤٩٤٦٠٨	49055545	-5570857	50963161	45392304	٢٠٠٦

17.5	111455.8134	15657012	٣٩٣٠٧٨٣٦	54964848	-9662938	51727468	42064530	٢٠٠٧
11.7	120626.5171	13363860	٦٧٢٧٧١٨١	80641041	-9086892	59861973	50775081	٢٠٠٨
15.34	124702.8479	-345537	٥٥٥٨٩٠٦٢	55243525	-18757308	69165523	50408215	٢٠٠٩
-	132687.0286	44022	٧٠١٣٤٢٠١	70178223	-22922155	84657467	61735312	٢٠١٠
-	142700.217	25231423	٧٨٧٥٧٦٦٥	103989088	-15727976	96662766	80934790	٢٠١١
8.3	162587.5331	14677649	١٠٥١٣٩٥٧٤	119817223	-14796032	117122930	102326898	٢٠١٢
11.9	174990.175	-5287480	١١٩١٢٧٥٥٥	113840075	-19127944	138424608	119296663	٢٠١٣
-	178951.4069	-730179603	٨٣٥٥٦٦٢٢٦	105386623	The government has not approved this year's budget			٢٠١٤
10.6	183616.2521	-3927263	٧٠٣٩٧٥١٥	66470252	-25414065	119462429	94048364	٢٠١٥
-	208932.1097	-12658167	٦٧٠٦٧٤٣٧	54409270	-24194919	105895722	81700803	٢٠١٦
10.8	205130.067	1845840	٧٥٤٩٠١١٥	77335955	٢١٦٥٩-٧٣٩	100671160	٧٩٠١١٤٢١	٢٠١٧
13.8	210532.8872	25696645	٨٠٨٧٣١٨٩	106569834	-12514516	104158183	91643667	٢٠١٨
13.8	223075.0208	-4156529	111723522	107566993	-27537929	133107616	105569686	٢٠١٩

Source: Compiled by the researchers based on: - Ministry of Finance, Final Accounts, various annual reports, Republic of Iraq, and Ministry of Planning, Central Statistical Organization, Annual Statistical Compilations for various years.The table reflects the increase in actual revenue relative to projected revenue, which is matched by increases in actual spending. Fiscal surpluses rose consecutively through 2013, but the deficit increased in 2014 as a result of two shocks faced by Iraq: one economic, stemming from the decline in global oil prices, and the other political, stemming from the security instability Iraq faced. The table reflects the correlation between the rise and fall in surplus levels and the fluctuations in gross domestic product (GDP), which is almost entirely linked to revenue from crude oil exports. Although the Iraqi budget recorded an increase in actual revenue, this did not contribute to reducing unemployment rates or developing the infrastructure of the production sector, as the majority of Iraqi government spending is directed toward operational expenditures in the form of salaries, Taxes are considered an effective tool for influencing economic indicators and investment trends, and thereby achieving economic goals; however, tax revenues in Iraq are characterized by low effectiveness and a declining contribution to supporting the development process, as tax revenues remain meager compared to the level of increasing government spending, which is linked to the scale of the increase in oil revenues. Iraq's lack of transparency and the prevalence of financial and administrative corruption have contributed to rising tax evasion and declining public confidence, in addition to the use of traditional methods and a failure to keep pace with

developments in tax collection. Consequently, taxes in Iraq have not been able to make a tangible contribution to influencing economic indicators, addressing economic imbalances, and support investment[26] Consequently, the economic environment in Iraq is unsuitable for the application of economic mechanisms and rules due to the distortions in its productive structure, its inability to advance the productive reality of the real sectors, and its orientation toward operational spending, in addition to the security imbalances to which the Iraqi economy has been exposed. All these factors have contributed to making it an environment that repels investment, despite its abundance of financial, economic, and natural resources. However, fiscal policy has played an ineffective role in supporting real production indicators.Table (3) Iraq's Tax and Oil Revenues for the Period (2004–2019)

Growth rate	Tax revenues	Growth rate	Oil revenues	Year
-	٥٠١٨٦٧,٣	-	١٠٢٥٦٩٠١٢,٩	٢٠٠٤
١٢٦,٦	١١٣٧٠١١,٠	-١١,٦	٩٠٦٣٣٧٦٧,٢	٢٠٠٥
-٢٢,١	٨٨٥٧٣٦,٣	-٢٣,١	٦٩٧١٤٣٢٢,١	٢٠٠٦
-٢٢,١	٨٨٥٧٣٦,٣	-٢٣,١	٦٩٧١٤٣٢٢,١	٢٠٠٧
-21.8	1099528.2	٤٢,٠	٨٤٠٤٨٩٥٢,٧	٢٠٠٨
248.0	3826516.4	-٣٣,٣	٥٦٠٧٧٦٩١,٣	٢٠٠٩
-55.1	1716248.2	٣٣,٤	٧٤٨٣٤٤٣٨,٣	٢٠١٠
10.2	1891603.6	٣٩,٠	١٠٤٠٣٠٣٤٦,٨	٢٠١١
39.2	2633357.0	١٢,١	١١٦٥٩٧٠٧٦,٠	٢٠١٢
7.3	2824323.6	-6.8	108656530.5	٢٠١٣
-35.9	1810185.3	-14.2	93213376.2	٢٠١٤
6.2	1922719.5	-47.5	48962424.6	٢٠١٥
93.1	3713361.5	-13.1	42564483.7	٢٠١٦
61.5	5998354.3	45.8	62052952.4	٢٠١٧
-9.5	5430955.1	47.2	91327411.7	٢٠١٨
-29.3	3841626.8	٤,٠	٩٤٩٤٣٨٢٧,٨	٢٠١٩
16.9	4489248.3	-45.4	51806374.9	٢٠٢٠
-9.4	4068378.5	64.9	85444213.5	٢٠٢١

Source: Compiled by the researchers based on: - Ministry of Finance, Final Accounts, various annual reports, Republic of Iraq, and Ministry of Planning, Central Statistical Organization, Annual Statistical Compilations for various years.In addition, fiscal policy in Iraq lacks coordination with the measures adopted by the Central Bank; consequently, it has been unable to play an effective role in economic indicators due to the country's reliance on its one-sided oil-rentier economy and the volatility of those revenues, which is reflected in the country's economic conditions. Therefore, fiscal policy must coordinate with in order to influence the economy and be more effective through its political, social, and economic channels, as it constitutes the framework of economic stability in the country.

Conclusions:

1-Iraq lacks coordination between monetary and fiscal policies due to high public spending linked to rising prices and volumes of exported oil, which conflicts with the operation of monetary instruments.

2-Despite the Central Bank's adoption of numerous measures to achieve its inflation target and reduce price levels, the increase in government spending on salaries, wages, and operational expenses has widened the gap between aggregate demand and aggregate supply in a country suffering from a distorted production structure.

3-The rampant phenomenon of financial, administrative, and economic corruption has contributed to the weakness of economic mechanisms in addressing economic imbalances.

4-Despite the adoption of both policies and the use of their tools to achieve economic objectives, they have yielded negative results due to the Iraqi economy's reliance on rentier revenues, the weakness of its real productive structure in the productive sectors, and the private sector's limited contribution to supporting the production and development process.

Recommendations:

1- The need to ensure harmony and consistency between monetary and fiscal policies in order to achieve economic objectives and improve economic indicators.

2- The needs to diversify the revenues generated by the Iraqi economy to help support economic efficiency, channel those revenues toward investment spending, and increase the ratio of investment spending to operational spending.

3- Support the private sector by ensuring coordination between monetary policy and fiscal policy to create an economic environment attractive to investment.

4- Establish highly transparent frameworks and laws to combat financial, administrative, and economic corruption and increase public confidence in the functioning of fiscal and monetary mechanisms.

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