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THE ROLE OF FISCAL POLICIES IN FINANCING HUMAN DEVELOPMENT IN IRAQ

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ABSTRACT. Economic and social movements and changes in people's lives are linked to the development process and the consequence of the interaction. As a result of worldwide changes, the idea of development has been broadened to include more than just economic progress, making it part of the continuing process of sustainable development. Therefore, this research will study fiscal policies and their prominent role in financing human development in Iraq and the calendar effect. Their relationship is quantitative and identifies the various concepts and variables related. The findings indicate that there is a positive impact of the general budget on human development in Iraq as evidence the value of the coefficient of determination of 78%, which shows the significant role played by the budget in effect on the value of human development in Iraq guide during the period 2007-2019. On the other hand, findings from this study show that budgets' social role is heavily influenced by factors such as salaries and unemployment rates and mandatory social contributions, and the human development index. It suggests a need to continue developing the workforce's professional and personal skills.

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Introduction

Development, in general, is a complicated process that results from the interplay of the variables that contribute to the economy's and society's movement. Consequently, they affect people's lives quantitatively and qualitatively compared to prior periods. In light of global trends, the idea of development has evolved from a narrow focus on economic expansion to include all aspects of ongoing and sustainable development. Thus, human growth is a process that results in the extension of people's options by putting them at the center of the process and making them it is objective and subject. Additionally, it advocates for safeguarding human choices for current and future generations. These choices include living a long and healthy life, acquiring knowledge, and acquiring the means necessary to maintain a minimum living level. Human development is significant in Iraq due to the country's severe circumstances, which include foreign and domestic wars, economic sanctions, and internal disputes between Iraq's

constituents. These elements directly impacted the individual's economic, social, and security circumstances. As a result, succeeding governments have become critical to employ various economic measures, including financial policies, to enhance individual well-being and human development indices (A. Almagtome, Khaghaany, & Önce, 2020).

Given the difficulties of pinpointing specific areas of government expenditure throughout the research period, the most relevant indication derived from the function of fiscal policy in affecting the human development index in Iraq during the study period is the state's general budget (A. H. Almagtome, Al-Yasiri, Ali, Kadhim, & Bekheet, 2020). Human development is a primary worldwide concern, particularly since 1990 when the United Nations Development Program published the first report on human development to highlight a topic that piqued the interest of several politicians, economists, and social scientists. Thus, the research's significance stems from emphasizing the importance of financial policies and their impact on the human development index via various tools and from focusing on the government budget as a key indicator reflecting the volume of government consumption and investment spending. Then determine the amount to which it affects the country's human development index, which shows its standing concerning the rest of the globe. The research problem is founded on Iraq's Human Development Index score. It is deemed somewhat low compared to many Arab and international countries, indicating the extent to which human development indicators are undervalued, necessitating improving this indicator's worth. To accomplish this aim, different economic policies, particularly financial policies, should be implemented, followed by a transition to a high degree of human development commensurate with the country's enormous financial potential and resources. However, financial policies did not significantly boost Iraq's human development metrics since government expenditure is more political and ad hoc in character than according to pre-determined economic criteria.

1. Literature review

1.1. Fiscal Policies and The Evolution of The State's Role

The absence of a uniform theoretical framework for fiscal policy is notable, which is surprising. When accessing the economic literature, no theory clearly expresses the ideas of the many economic schools that can be depended on to be accurate. A wide range of ideas and beliefs have been developed to explain the role of government in the economy and reflect the views of many different schools of thought, which sometimes lack analytical support in their arguments. Possibly, this is due to the abrupt variations in economic policy that were more influenced by the immediate interests of governments than they were by the utterances of economic theory throughout this period (Bonaccorsi et al., 2020). It also negatively impacts the public budget, despite the tremendous efforts made by great economists such as Wicksell, Lindahl, Musgrave, and others to correct the situation (Sturn, 2017). Important subjects such as the theory of optimum public expenditure, on the other hand, were disregarded in favor of the theory of taxes, which is of enormous relevance in capitalist societies since it serves as the primary financier of public spending and is hence of considerable value. Public finance and fiscal policy are less established in theoretical underpinnings than other economic theory disciplines, such as market theory, which are more developed. Keynes' Keynesian revolution, which took place in the 1930s, was related to the fiscal policy since he advocated for fiscal policy to correct the economy's trajectory and bring it out of a state of stagnation in which it was trapped following the Great Depression (Romer, 2005). A considerable effect on aggregate demand is exerted by tax and expenditure policies implemented by governments. A well-crafted public budget may be an effective weapon in the battle against economic instability and issues

like unemployment and inflation. Because it is one of the most important components of aggregate demand, government expenditure directly impacts it. Taxes have an impact on discretionary income as well as corporate performance. As a result, tax policy has an indirect impact on both consumption and investment as components of aggregate demand, according to this theory. Fiscal Policy refers to the use of government expenditures such as purchases, wages, other benefits, and taxes to achieve broad economic objectives. Fiscal policy is the sum of government policies related to public revenues, such as various taxes and public spending, to achieve various objectives, such as resource reallocation, raising economic growth rates, redistributing income, and others (Palley, 2013). Taxation and spending policies are included in fiscal policy. In economics, fiscal policy refers to the employment of government spending and tax policy to influence the factors that influence aggregate output. According to the state's function, government expenditure was virtually always proportional to the magnitude of that position since the state assumed varied duties under the economic stage it was in and the dominant economic, social, and political views of the time. No matter how modest or large it may be, this function continues to serve as a safety valve, preventing the economy from reaching the point of collapse by its involvement in resolving different economic difficulties and attempting to mitigate the consequences of those problems. Many issues such as inflation, unemployment, and economic instability will afflict the economy if the Federal Reserve does not do its duty. In the early stages of financial thought in the state, the neutral finance that is compatible with the custodian state and that emerges from the theses of classical thought, built on the ruins of the commercial school's ideas and opinions, is one of the first roles taken on by the state's financial thought (A. H. Almagtome, 2021). Since its inception in the fourteenth century, this school has fought to promote the accumulation of precious metals like gold and silver as elements of economic power. This school was instrumental in establishing the modern financial system (Carp, Manning, Holmes, & Stidham, 2019). As a result of this process, European countries have seen significant inflation levels and a high cost of living. The guard state performs only three essential roles: defense, security, and the judiciary, with some states adding a fourth duty, which is diplomatic representation, to their responsibilities (Cain, 2018). The state's functions are generally represented in achieving social justice and security at the internal and external levels. It also aims to carry out public projects that individuals are hesitant to undertake and open embassies and diplomatic consulates in other countries to protect the interests of their citizens and serve as a guardian of economic activity, to name a few examples (Künzler, 2012). It was the natural response to the difficult years that followed the Great Depression of 1929-1933, characterized by a significant drop in prices, widespread unemployment, and a decline in industry and agriculture (Eigner & Umlauf, 2015).

John Maynard Keynes (1883-1946) was a British economist who lived from 1883 until 1946 (Schumpeter, 1946). As a result of the economic crises that beset most capitalist nations, the state's role had to shift in favor of these beliefs. The state's new position is an interventionist rather than a guardian of the peace. As a result, public finance has ceased to be autonomous and has instead come to be characterized as interventionist finance. Before World War II in general, and Hitler in particular, the Nazis were apathetic toward the traditional constraints on public money. This was especially true during World War I. They were firm believers in the concept of deficit financing. However, the principles of economics did not govern Adolf Hitler. When Hitler came to power in 1933, he embarked on a massive program of public works, including the development of a highway network and a significant increase in military expenditures. According to some, the construction of these tunnels was responsible for rescuing the German economy from a severe recession. Employment had almost entirely disappeared by 1936, putting Hitler in power when economists, particularly those from Harvard University, predicted the German economy's collapse (King, Rosen, Tanner, & Wagner, 2008). Accordingly, Hitler's rash policies ran counter to classical economic theory and led to fascism in Germany. Following

the state and its public institutions gaining greater control over production and a more significant role in meeting public needs, the state and its public institutions gain the freedom to direct economic resources. They ensure that their efforts are required to serve the interests of society at large. The function of public finance differs from the role of intervention finance, which is reflected by the participation of the producing countries in the global economy. However, the role of globalization in diminishing the state's economic power to the round and cutting public spending has been established. According to several studies, government expenditure in both rich and developing nations is expanding at an alarming rate.

1.2. The Evolution of Fiscal Policy In Iraq

When it comes to fulfilling the state's economic, social, and political objectives and obtaining high financial and human development indices, fiscal policy in developing nations, such as Iraq, plays a critical role. Other policies, particularly monetary policies, are ineffectual in these nations, in contrast to those observed in developed countries, where monetary policy is highly successful. From the establishment of the modern Iraqi state in 1921 until the establishment of the republican regime in 1958, fiscal policy in Iraq has been considered ineffective because it is characterized by traditionalism, excessive liberalism, and support for the private sector (Tcherneva, 2008). This has been the case since the monarchy era until the establishment of the republican regime in 1958. Its action is almost entirely restricted to the maintenance of security and the preservation of private property. The development of infrastructure and the financing of the economic tasks of state institutions have been accomplished with limited financial resources. As a result of the profit-sharing deal with the oil companies operating in Iraq, the government's role has shifted somewhat to the right. This time has seen a return to the economic policies dictated by the United Kingdom's government, owing in part to a tie between the Iraqi rial and the pound sterling, which occurs within the context of what is known as the sterling area. Economic policies reverted to their pre-revolutionary state following the July 1958 revolution, marked by a break with the British administration. These measures evolved into interventionist interventions in economic activity, particularly once the state's revenue stream grew. In their opinion, prior policies were oriented toward helping a small number of people, represented by the feudal class and large landowners, which was why troops took them out during that revolution. Despite this, the state has continued encouraging the private sector, increasing its contribution to non-oil output in recent years. During this period, he made 70% of the total. Economic instability prevailed in the country during 1963-1968, with no apparent function for financial measures, especially fiscal policy, to play in the overall scheme of things. Because of political instability, the absence of a clear economic plan has put a shadow over the country. At their adoption, the economic policies were viewed as a copycat of Gamal Abdel Nasser's programs in Egypt. More than 30 businesses, including commercial and industrial ones and private banks and insurance companies with ties to the market, were nationalized in a wave that swept the country. As a result, the private sector was barred from productive activity, the high-risk component in the investment process was increased, and the state sector's monopoly on economic activity was strengthened. In 1968, Iraq was the scene of a whole revolutionary revolution.

The tyranny of socialist ideological orientation over economic decisions was on display throughout the initial years of the regime. The state has undertaken many megaprojects, with the private sector's participation being severely restricted. Economic freedom fell drastically once the state tightened its grip on the economy due to the massive increase in centralization. Following the nationalization of Iraqi oil and the subsequent adjustment of its pricing, financial receipts saw a significant increase after 1973. During 1968-1974, it increased from 0.203 billion dinars to 1.7 billion dinars, and then to 8.9 billion dinars in 1980. The state tightened its grip on

economic activity and subjugated the activities of the private sector to the domination of the public sector, increasing state control. A considerable fall in financial income occurred after 1980, owing to the advent of the Iraqi-Iranian war, which lasted for eight years, and the role played by the oil industry throughout the conflict. After falling to 3.4 billion dinars in 1982, then to 2.2 billion dinars in 1986, and finally reaching 2.9 billion dinars in 1990, financial policies saw enormous expenditure that far surpassed government earnings to cover the expensive expenses of the conflict. During 1980-1987, military spending took on a new shape. Consuming accounts for 60 percent of overall expenditure, indicating that the consumption character has triumphed over the spending characteristic. As a result, Iraq's indebtedness both internally and outside expanded considerably. The role of the public sector has diminished as the costs of the war have grown increasingly burdensome. Many government projects have been privatized at lower prices than their actual value. A smaller and more manageable public sector has resulted from nonessential rings, such as quality institutes. These institutions bridged the gap between industrial projects and the industrial sector, exerting pressure on spending and actively encouraging businesses to actively participate in economic development. Financial policies took an unprecedented turn after 1990, as a result of the imposition of economic sanctions following the invasion of Kuwait, which resulted in the suspension of oil exports and the reliance on newly issued money to finance public spending, primarily to finance public expenditure (Gasirowski, 2016). The money supply climbed dramatically, from 15359.3 million dinars at the start of the decade to 24760.2 million dinars in the following year, a considerable rise. Continued growth resulted in 540,000 million dinars in 1995, representing a more than 35-fold increase over the previous year. The signing of the Oil-for-Food Agreement with the United Nations took place in the middle of the decade. Iraq was permitted to export defined quantities of oil to meet the population's fundamental necessities. The financial status of the country has seen tremendous improvement.

On the other hand, the budgetary measures have maintained their intrusive nature. After 2003, there was a sea change in how financial policies were implemented. Following the occupation of Iraq by the United States, the civil ruler, Paul Bremer, implemented policies of extreme openness and absolute liberalism, which were influenced by neoclassical ideology.

This liberalism, on the other hand, was short-lived. In addition to the steady increase in public expenditures, the country's economic structure lacks a coherent strategy for its future development. Even though the private sector receives backing from the government, the public sector continues to be a significant economic activity. The unstable security situation in the nation cast a shadow over public expenditure, which was characterized by an increase in consumer spending relative to investment spending, which was marked by a decreased in investment spending. When we include the significant increase in salaries in the public sector, the balance of the economy is continually pushed in favor of consumer expenditure and consumption. Particularly given that the number of public sector employees is anticipated to be more than three million, including 300 thousand employees of self-finance firms, except the security forces, who are estimated to number more than 600 thousand. The Popular Mobilization Forces and the tribesmen who backed the security forces following the events of ISIS and the loss of Mosul, Salah ad-din, Anbar, and sections of Diyala were also mentioned. When considering people who are protected by pensions and social security networks, the issue of the large consumption percentage of public spending does not necessitate the need to expend much effort in explaining it.

1.3. Economic Development Policies In Iraq

According to the findings of an in-depth investigation of the developmental realities in Iraq, the Iraqi economy coexists between two paradoxes (Zagacki, 2007). The first is a result

of the political economy of war and harsh economic sanctions that have been in effect for more than three decades. A consumerist trade pattern that is compliant with the requirements of the war economy, UN sanctions, or both have been promoted by the establishment of local and regional commercial intermediaries that have helped absorb significant financial surpluses in the acquisition of goods and services provided by the intermediate origin. As a result of this reality, shared interests and strong links have developed, directing the Iraqi market toward regional markets. The second and most significant paradox is illustrated by the relationship between oil earnings and the state's general budget (Sumer & Joseph, 2018). The consumption pattern has shifted from a warlike one in which blood is mingled with bread over the past several decades to markedly less efficient and more depressed economic progress. It is possible to split Iraq's development reality into the following stages to provide an appropriate image of the country's development reality:

1- Phases of Growth and Healing

During this time, the Cold War ended with the beginning of the Iraq-Iran conflict in 1980 (Ashton & Gibson, 2013). A considerable gain in financial revenue occurred during this time due to an increase in oil output, nationalization, and a downward correction in oil price. During this period, the government put a series of plans, beginning with the interim timetable in December 1959 and progressing through a five-year economic plan in July 1965. Finally, the National Development Plan in 1976, to achieve a set of objectives. These initiatives successfully broadened the public sector's participation in economic activities. In addition, the establishment of several public institutions connected to the economy's administration will help increase its effectiveness. Then came the state's overall agricultural and industrial activity and international commerce, which came after that. The public sector is in charge of providing leadership and direction for the country. In its place, Law No. 89 of 1977 laid out the National Development Plan (1976-1980), which aimed to increase national income by 16.8 percent, raise per capita revenue by 13.3 percent, and generate growth rates in the industrial and agricultural sectors of 32.9 percent and 7.1 percent, respectively, by increasing productivity (Stanek, 2012).

2- The Stage of Deterioration (1980-2003)

The winds of conflict blew in Iraq as opposed to the progress of the development process (Al-Kayiem & Mohammad, 2019). Following the ambitious plans and programs implemented during the period 1950-1980, which were intended, in general, to advance the Iraqi economic reality in a manner that achieves high levels of development and achieved large percentages of their objectives, the Iraqi economy has remained stagnant since then. Iraq would have been on the verge of breaking away from the group of developing countries if the start of the Iran-Iraq war, which lasted nearly eight years, had not prevented all of these accomplishments from being put on hold. Since oil revenues are essential to the functioning of development in Iraq, and because this sector has been the most adversely affected by the war, it is only natural for economic and outcome indicators to fall short of expectations and fall significantly below their previous levels. For example, following a period in which the oil sector contributed 55 percent to the GDP (1984-1980), the oil sector's contribution to the GDP declined to 21 percent over 1981-1990. (1981-1989).

Furthermore, the failure of this sector to fulfill military expenses during the conflict caused the government to turn to both internal and foreign borrowing, which exacerbated the situation. To absorb the increasing military spending at the expense of economic development, the government used a borrowing program that was most successful in the past. However, it

was not robust or powerful enough to satisfy all of these demands and military obligations, despite economic gains leading up to war and progress in building and infrastructure development throughout the war. As a result, the government purchases weapons despite spending enormous sums on the defense sector. Because of its military spending exceeding 198 billion dollars between 1980 and 1990, the nation became the world's largest importer of weapons. This sum exceeds the whole amount of oil income received between 1930 and 1990, totaling 196 billion dollars. Despite the magnitude of the losses imposed on Iraq's economy and society during the Iran-Iraq war, the damage did not stop there. Following the conquest of Kuwait by coalition troops led by the United States, Iraq launched a violent battle with the coalition forces, worsening the situation by exacerbating the majority of the country's economic issues. Due to the conflict, Iraq has lost most of its economic, social, civic, and military infrastructure. As a result, the people have been subjected to massive casualties, with living conditions declining and deteriorating to the lowest levels ever recorded.

3- The Uncertainty Stage of Development 2003-2010

Iraq experienced a significant historical event and a significant turning point in its political, economic, and social trajectory in 2003, which was marked by the country's military occupation by the United States of America and its allies, followed by the overthrow of the regime (Amiri & Soltani, 2011). The nation's governance was transferred to the occupying authority and the United Nations Security Council in a resolution dated May 22, 2003, known as UN Resolution 1483. Following the retirement of retired General Jay Montgomery Garner, the United States government appointed Paul Bremer as Iraq's civilian governor, who inherited administrative, executive, and even legislative responsibilities for the nation. Development Fund for Iraq (DFI) was created to deposit all Iraqi revenues generated by oil and gas sales. DFI receives the excess monies from the Oil-for-Food Program and all Iraqi assets and cash from the former regime unless they are ordered by the international community to be used for other purposes. A primary aim for this fund is to shield Iraqi finances from litigation that may be made against Iraq in foreign courts by various parties. As soon as Iraq withdraws from the terms of Chapter VII of the United Nations Charter, this money is transferred to the central bank account of the United Nations.

Following the regime transition in April 2003, there was fresh optimism that Iraq would return to its prior period and resurrect efforts lost in the field of economic growth during the previous administration. However, the results on the ground have dashed those hopes. It appears that the structural problems that Iraq is experiencing are the result of a combination of wars, sanctions, and policies of confusion, randomness, and immediacy in solving problems in the absence of a clear vision and a prior long-term strategy, all of which have had negative consequences (Dettke, 2018). It has grown more intertwined with the state of the economy. In addition to strengthening its control over the reconstruction process, the Iraqi Interim Government sought to implement reforms that would improve the country's economic reality and implement an oil policy that would encourage an increase in oil exports. It was one of the top priorities for the Interim Iraqi Government. It also aimed to promote foreign investment in the oil sector and negotiate and restructure Iraq's debt. As a result, Iraq was included in the International Monetary Fund's emergency assistance program, which was authorized in 2004 and is now being funded. It was later agreed to form an interim government headed by Dr. Iyad Allawi in 2004 and then another interim government led by Dr. Ibrahim al-Jaafari to write the constitution, and then a permanent administration headed by Mr. Nuri al-Maliki in 2006 to manage the country, despite the formation of the Transitional Governing Council under the supervision of the civilian ruler at this point. As a result, numerous development indices, particularly per capita income, have improved, rising from (2.93) thousand dinars in 2006 to

(3.38) thousand dinars in 2007. It is a significant increase over the previous year. During the same period, the GDP per capita at current prices grew from (3.27 thousand dinars) to (3.75) thousand dinars (at current prices). However, the significant worsening in the security situation, the advent of political difficulties, the character of the reigning regime, and administrative and financial corruption prevented the hopes of the Iraqi citizen from being realized in full. We can see that some development indicators have seen a minor improvement, while others have seen a slight decline, as indicated in the table below (1). It was found that the number of newborn fatalities grew from (32) in 2004 to (35) in 2010, representing a compound annual growth rate of 1.5%. (3 percent). Child fatalities have decreased from (41) in 2004 to (38) in 2010, with a negative annual growth rate of 0.75 percent. Regarding children under five, mortality rates have risen (-2.5 percent).

Table 1. The health indicators and growth rates of selected years in Iraq

The year	Number of infant deaths per 1,000 children	Number of deaths of children under the age of five per 1,000 population	Duration	Infant mortality growth rate	Under-five mortality growth rate
2004	32	41	2004-2006	7.5	0
2006	37	41	2006-2009	-7.9	-2.5
2009	36	38	2009-2010	-2.8	0
2010	35	38	2004-2010	3	-2.5
2013	21	27.5			

The Human Development Index (HDI) divides levels of development into three sections:

- There is a high level of development in which the indicator value is (0.800-1.00) degrees.
- An average level of development in which the index value is (0.500-0.799) degrees.
- A low level of development in which the indicator value is (0-0.499) degrees.

According to the data above, Iraq has not had stability since 1990. Iraq had a one-sided economy mostly dependent on oil, which caused it to oscillate between high and low points. So the volatility of their pricing affects a wide range of economic and development indices. As a result, the prices affect the index's value and vice versa. In 1990, the index value was (0.759), which placed it 54th in the world, and it is thus regarded as one of the nations with medium development. As a result, it beats several other nations in the area, including Saudi Arabia, which had an index value of (0.702) for the same year, as well as Turkey, Iran, Jordan, and Syria, which had index values of (0.751, 0.660, 0.752, and 0.691, respectively). Recently, versions of human development reports, the statistics have changed due to their alteration. For example, the report for the year 2014 computed the guidance retrospectively due to modifying the technique of computation used to arrive at the numbers. As a result, Iraq received a poor ranking compared to other countries. In 1990, the index value was (0.508) degrees, which was much lower than the index values for Saudi Arabia, the United Arab Emirates, Kuwait, and Jordan, which were (0.622, 0.725, 0.723, and 0.622) degrees. The index value declined substantially in the following 1990s until it reached (0.569) in 1999, mostly due to economic sanctions. It was regarded as the lowest among the area's nations (2). After 2003, the Human Development Index did not include Iraq because of a lack of data until 2005, and as a result, the index's value dropped (0.621). Following that, it improved in successive years, reaching

0.641 in 2012, after which it grew slightly in 2013 to reach 0.64. (0.642). It is regarded as having a poor value since it placed Iraq in 120th place out of 195 countries on its ranking system.

Table 2. HDI for Iraq and Some Arab and Neighboring Countries 1980-2013

State	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013 Rankin g of Countri es
Iraq	0.500	0.508	0.606	0.621	0.632	0.638	0.639	0.641	0.642	120
Saudi Arabia	0.583	0.662	0.744	0.773	0.791	0.815	0.825	0.833	0.836	34
U.A.E	0.640	0.725	0.797	0.823	0.832	0.824	0.824	0.825	0.827	40
Kuwait	0.702	0.723	0.804	0.795	0.800	0.807	0.810	0.813	0.814	46
Jordan	0.587	0.622	0.705	0.733	0.746	0.744	0.744	0.744	0.745	77
Syria	0.528	0.570	0.605	0.653	0.658	0.662	0.662	0.662	0.658	118
Turkey	0.496	0.576	0.653	0.687	0.710	0.738	0.752	0.756	0.759	69
Iran	0.490	0.552	0.652	0.681	0.711	0.725	0.733	0.749	0.749	75

Most notable about this period is the emergence of two plans, the first of which is the National Development Plan for the period 2005-2007, which was developed in response to the security and political challenges that the country was facing under American occupation. The second plan is the National Development Plan for the period 2007-2010, which was developed in response to the security and political challenges that the country was facing under American occupation. Unfortunately, this plan had no clear vision of the country's economic and social structure philosophy, which was a disappointment. Moreover, it was marked by uncertainty, despite the market's reliance on the Iraqi government's efforts to resolve its numerous economic issues and its emphasis on raising oil output, neither of which were realized during this era. Nevertheless, even though problems such as economic stagnation, high unemployment, and poverty rates have persisted, the size of the public sector has expanded significantly. With the high rates of oil production and improvement in international prices coming together, the second plan, the 2007-2010 development plan. It aims to promote economic growth by increasing attention to the private sector, strengthening good governance, stabilizing the security situation, and generally improving people's quality of life.

4. The improvement of development indicators (2010-2013)

When we arrived at this point, the security situation had seen a significant improvement following the execution of the law enforcement strategy, as evidenced by the minor improvements seen across several development indicators. Per capita income increased from (4.66) thousand dinars in 2010 to (5.97) thousand dinars in 2011, representing a significant increase over the previous year. There has also been an improvement in the per capita GDP at current prices, which was (5.14) thousand dinars in 2010 compared to the previous year. It grew to (6.71) thousand dinars the following year and then increased to (7.17) thousand dinars the next year, reaching its highest point in 2012.

5. The decline in development indicators (2014-2015)

During this period, the oil price in the world fell by a significant amount. The first half of 2015 saw the OPEC basket price decline further, from \$105.87 to \$96.29 per barrel, before rebounding somewhat to \$46.67 per barrel in the second half. Iraq's financial income suffered a considerable reduction due to this decline. Iraqi oil is indeed sold at a lower price than the OPEC basket, often between \$2 and \$5 per barrel, for various reasons. Nevertheless, 23 trillion dinars (\$19.5 billion) in oil earnings were received in the first six months of 2015. While on the spending side, pay for workers, contractors, and security services amount to almost 21 trillion dinars (17.9 billion dollars), except military expenses, which account for a considerable portion of total expenditures (see chart).

2. Research Methodology

The objective of this article is to shed light on the impact of Iraq's financial policies and the peculiarities of its labor market on the country's human development plans, as well as the factors that influence these plans. The relationships between social contribution return to social insurance budgets and socio-economic and medical indicators of the labor market have been explored in this section of the study concerned with research applications. The outcome was the creation of a database based on data provided by the International Monetary Fund, the Asian Pacific Economic Cooperation (APEC), and other United Nations organizations for the period 2008-2019, with the following indicators taken into consideration for the research:

- Human development index (HDI), average gross wage (AGW), the share of social contributions (SCQ); Social and medical features of the labor market: length of working life (DWL), life expectancy (HLY), work accidents; Socio-economic characteristics of the labor market (WA).
- Iraq's budget revenues for the years under consideration were gathered from two primary sources: the Ministry of Finance and Planning's statistics.

3. The Results

3.1. Analysis of Financial Policy in Iraq

After the reform in 2003, there was a significant increase in yearly state budgets. After being (1.2) billion dollars in 2002, the budget increased to 14 billion dollars the following year (2003), representing an increase of (1066.7) percent over the previous year. Consequently, it constituted a significant step forward in exposing the country to the characteristics of a different economy in terms of government spending. With the freedom to export oil came a rise in oil imports, which was reflected in the budget due to the increased oil imports. It grew to (18) billion dollars in 2004 and continued to expand steadily during the following years, eventually reaching (118.6) billion dollars in 2013. Then, in 2014, it was projected that the failure to pass the budget law owing to political disputes within the legislative blocs had cost the country \$130 billion. It represents the highest budget in Iraqi history in terms of dollar value. As a whole, it was meant to strive toward sustainable growth in the gross domestic product, boost human development levels, and make a positive contribution toward reducing economic difficulties. The budget was then reduced to (102) billion dollars in 2015, as indicated in Table 3.

Table 3. The Iraqi budgets (2002-2015)

Years	Billion dollars	Percentage change%
2007	1.2	-
2008	14	1066.7
2009	18	28.6
2010	26	44.4
2011	34	30.8
2012	42	23.5
2013	70	66.7
2014	74	5.7
2015	75	1.4
2016	84	12.0
2017	101	20.2
2018	118.6	17.4
2019	*130	9.6
2020	102	-21.5
2008-2020	889.8	-

From the table, we can see that, despite the global economic downturn and the steep decline in oil prices, the Iraqi budget did not shrink from the previous year but instead climbed somewhat, reaching (5.7 and 1.4) percent in 2009 and 2010, respectively. Most Iraqi ministries and governorates have low implementation rates, as evidenced by the low rates of performance observed in recent years and previous years. These low rates result from the weak absorption capacity of some economic sectors, a lack of experience, and the spread of the phenomenon of administrative and financial corruption. In addition, the absence of local enterprises capable of carrying out key initiatives has contributed to a reluctance to put ideas into action.

Because of the lifting of economic sanctions and the subsequent increase in Iraqi oil production, which occurred in a relatively slow but steady manner, the volume of budgets has increased year after year. It has been reflected in the increase in the rate of exports, which has increased from year to year. The value of exports grew dramatically due to the rise in the price of petroleum. According to the International Energy Agency, oil exports were worth USD 63.5 billion in 2008. Following the global financial crisis and the steep decline in oil prices in 2009, it fell to (39.4) billion dollars in that year. The following year, it increased again, reaching (52.3) billion dollars. Then it continued to grow until it arrived (94) billion dollars in 2012, which is the most prominent figure in Iraq's history and the highest ever recorded. As indicated in Table 1, it declined from \$89.7 billion in 2013 to \$84.3 billion in 2014, and it continued to shrink to reach \$84.3 billion in 2015. The daily production rates had increased in recent years, surpassing two million barrels per day in 2005 and 2006, before peaking in 2012 at (2.942) million barrels per day, despite a decline in 2005 and 2006 when the rate was (1.957, 1.957) million barrels per day, respectively. Then it continued to climb, reaching a peak of (3.5) million barrels per day in 2014, as seen in Table 4.

Table 4. Oil and GDP indicators (2002-2014)

Years	Production rate (1 million barrels per day)	Value of oil exports (\$1 billion)	GDP at current prices (\$1 billion)	Reserves (1 billion barrels)
2002	2.127	15.7	26.8	115
2003	1.378	12.6	12.1	115
2004	2.107	17.8	23.0	115
2005	1.853	19.1	31.8	115
2006	1.957	27.5	51.6	115

2007	2.184	39.4	88.0	115
2008	2.281	63.5	102.1	115
2009	2.336	39.4	111	115
2010	2.358	51.8	138.5	143.1
2011	2.653	79.7	185.7	141.35
2012	2.942	94.2	216	140.3
2013	3.3	89.7	232.5	144.2
2014	3.5	84.3	223.5	143.07

Iraqi oil is distinguished by a significant competitive advantage reflected by its cheap extraction costs compared to other locations. According to the most recent estimations, Iraq's enormous reserves, estimated in 2012 at (140.3) billion barrels, have since increased to (143.07 billion barrels). One-third of these measures are located within 600 meters of the earth's surface, which is deemed a reasonable distance and economically possible. In one study, it was calculated that the cost of producing Iraqi oil is around 1.5 dollars per barrel of crude. If you compare it to other nations, this is an inexpensive cost. Projected costs of 12-16 dollars per barrel in the North Sea and 20 dollars per barrel in Texas indicate that the cost would be lower if oil prices were to drop due to an underlying factor. Oil extraction has come to an end in many locations since it is no longer lucrative. According to the World Bank, it does not pay the extraction expenses, although Iraq is one of the nations that continues to produce at the lowest possible prices.

3.2. Financial Policies' Effect On Development Indicators

Generally speaking, fiscal policy, through its various instruments, has an impact on development indicators, whether the hands are related to the aspect of public expenditures, the mechanism of their payment, or general revenues and the methods of their collection, particularly in the case of direct and indirect taxes. As a result of the political factors that hide many expenditure channels, precise data on the true extent of public spending and its different features is lacking (Leenders, 2008). As an independent variable, the government budget has been depended upon to influence development indicators that can be quantified. Due to a lack of accurate time series data for the numerous development indicators studied, the Human Development Index (HDI) published by the United Nations was relied upon since it was accessible for most of the years of the study (Ataey, Jafarvand, Adham, & Moradi-Asl, 2020). To complete the series and then estimate the function, it was approximated based on the growth rate in previous years and other development indicators due to a lack of data for some years.

Preliminary consideration must be made of the pre-expectation of the estimated parameter signal, which is a positive signal for the independent variable (the budget), under the operative theory of economic theory. The expected signal for this variable (the budget) is positive, indicating a positive relationship between the government's budget and the human development index (the dependent variable). Consumption and investment increase in tandem with budget size, casting a shadow on human growth in one form or another. As for the value of the independent variable coefficient (the slope), it is expected to be low to reflect the low impact of the budget on the human development index, which is a result of the complex nature of the budget and the lack of financial allocations for development-related initiatives. Consumer spending accounts for the vast majority of government expenditures. The standard model will be computed using Minitab14, a statistical software package that has been pre-installed. The linear formula, logarithmic formula, semi-logarithmic formula, and inverse semi-logarithmic formula were all chosen as the model's mathematical forms (formulas). To compare them, the

pronunciation of economic theory and the passing of statistical and standard tests were considered. The logarithmic model described below was selected from among the four estimated models:

$$\log \text{HDI} = -0.528 + 0.0296 \log \text{Budget}$$

(-29.6) (5.96)

$$R\text{-Sq} = 78.0\% \quad F=35.52 \quad P=0.000 \quad D.W=1.43$$

It is the best model since it passed the operative test of economic theory and reflects the positive link between the government budget and the human development index the best of the rest of the estimated models. The Iraqi budget contributes to the improvement of the value of this indicator in a good way. In one way or another, government investment helps to enhance the hands-on which the evidence is predicated. Because of this, the government and its institutions must direct its spending on elements and areas that will contribute to increasing the value of the Human Development Index. As a result, Iraq's standing relative to other nations globally that are comparable to its financial and human resources will improve. According to the predicted model, if the budget is increased by one percent, the Human Development Index will grow by 0.0296 percent, a 0.1 percent increase from the current value. All statistical tests were performed to enhance confidence in the results of this model. For example, the calculated t-value for the independent variable parameter of 5.96 was higher than the corresponding tabular t-value at the level 1 percent and degrees of freedom of 11, totaling (2.68), indicating that the parameter estimate is statistically significant. Therefore, the value of the coefficient of determination, R-Sq, is 78 percent, which means that changes in the state's general budget account for approximately 78 percent of the change in the Human Development Index. The remaining 20 percent was due to other factors and variables not included in the model or within the random variable. Therefore, the coefficient of determination, R-Sq, is 78 percent.

Along with this, the F-test successfully increased the statistical confidence in the model, as evidenced by the calculated F-test value reaching 35.52. When this value is compared to the corresponding tabular value (((0.01, 1, 12) 3.22), it is found that the calculated value is greater than the tabular value, indicating that both the determination coefficient R-Sq and the intrinsic confidence are essential. Therefore, the model as a whole is critical. We can now turn our attention to some of the more common tests, which have the added benefit of increasing confidence in the model. For example, a value of 1.43 for the Durbin-Watson statistic test indicates that the model does not suffer from the problem of either positive or negative first-order Autoregressive Scheme.

Regarding the other tests, the estimated P. value was 0.000, which is less than the significance level of 5% for all of them (see table below). Therefore, the null hypothesis is rejected since it asserts that the estimated regression model is insignificant. As a result, the independent variable's parameter is more significant than zero, indicating an inverse connection between the dependent and independent variables. Therefore, to determine whether or not the residuals are distributed normally, we must first perform a Normality Test. The Kolmogorov-Smirnov test for normality of the residuals determines whether the residuals are distributed normally or not.

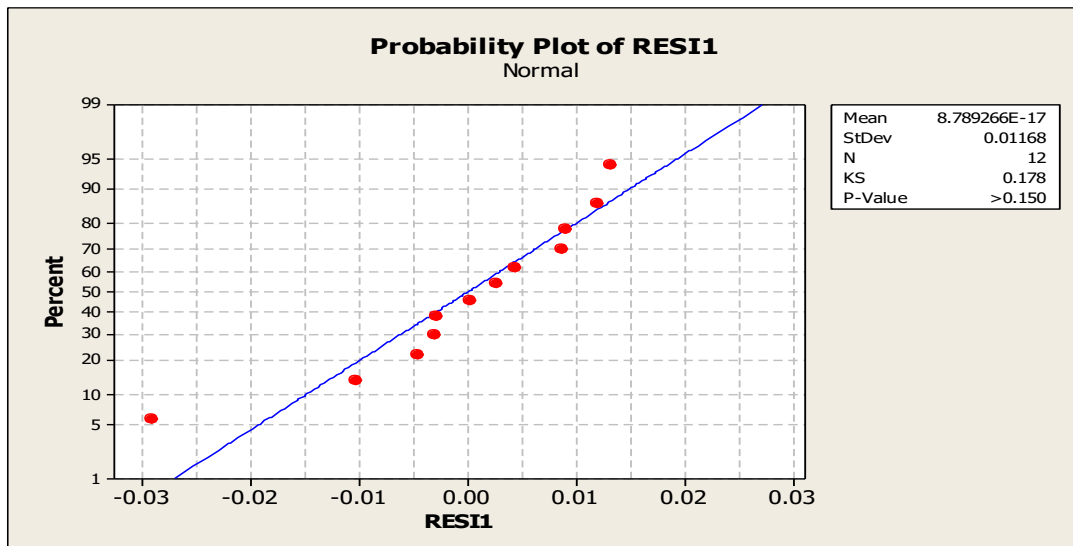


Figure 1. The distribution of the logarithm model

Source: own data

Table (5), which gives the results of the Kolmogorov-Smirnov test for the moderation of the probability distribution of residuals, can be used to understand this picture better.

Table 5. Average distribution results of Kolmogorov-Smirnov test

KS test	Views	P. Value	St Dev
0.178	12	0.15 Bigger than	0.01168

Following the findings of the Kolmogorov-Smirnov test, the preceding table reveals that the P. value is more significant than 0.15, which is greater than the threshold of 5 percent significance for a statistically significant difference. Therefore, the null hypothesis is accepted, stating that the residuals follow a normal distribution. Since the probability distribution for residuals of the prerequisites for utilizing the least-squares approach has been moderated, the first criterion has been satisfied. Concerning the second criterion, which is the existence of independence between the residuals, “i.e., no autocorrelation between residuals,” i.e., the null hypothesis H_0 , it is essential to note that In addition. The absence of independence between the residuals “is a self-correlation between the residuals,” i.e., the alternative hypothesis H_1 is supported. Using the Darbin-Watson test, whose value was 1.43, more significant than both the lower and upper bounds ($du=1.8$ and $dl=1.36$) at the 5% significance level, we can see that the results are substantial. It implies that the remainders are independent of one another, and hence we accept the null hypothesis. In other words, the estimated model does not have an autocorrelation problem, as we previously mentioned at the outset of the formal study. The residual homogeneity test's third condition, testing for variance stability, is depicted in the accompanying figure. Random distribution is shown on both sides of the line dividing negative and positive residuals in the bust (representing zero). The particular shape that remainders take is difficult to specify, and as a result, they are neither rising nor decreasing nor resting on one side of a given equation. Therefore, the variance is not stable. Thus, the third requirement of the least-squares conditions is satisfied, represented by the state that the conflict is regular for the remaining values.

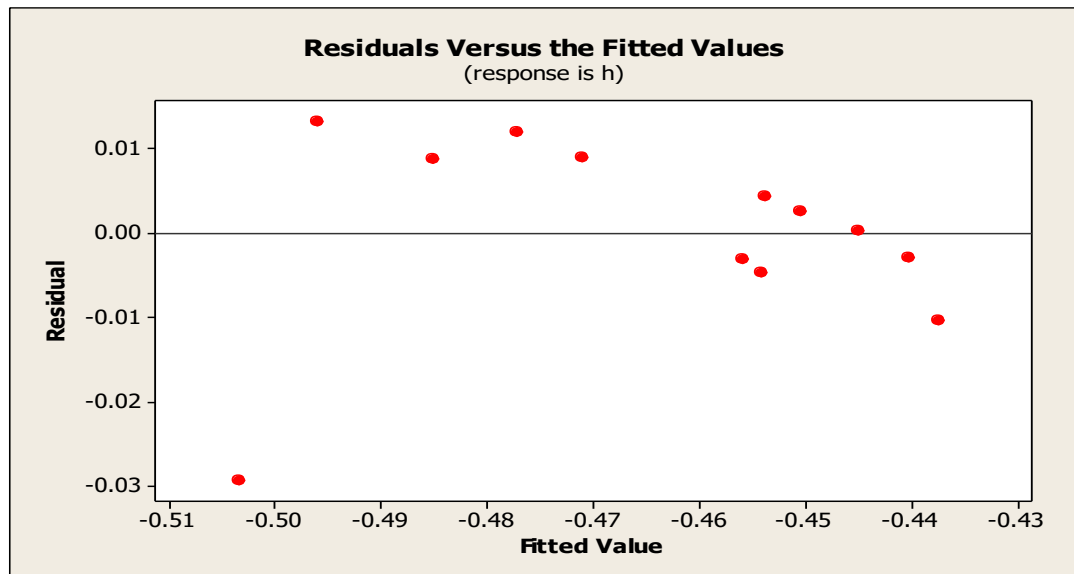


Figure 2. The logarithmic model's residual distribution for the budget variable.

Source: own data

Conclusions

Governments chose the fiscal policies and social tactics, and their success in adding value is currently the topic of heated debate in the political arena. Social protection systems are a manifestation of the public's support for the fundamental rights of its citizens. It is controlled and administered by the government to lower the financial vulnerability of the population at large. In the case of the nations under consideration, their social security systems are founded on intergenerational social solidarity and participation in the labor marketplace. These nations' labor movement patterns and the increasing fraction of the population that is not in the labor force provide issues in getting the money necessary to maintain viable government social insurance budgets.

The literature shows how the transitional crises are impacted by various institutional, economic, political, and cultural elements, including tensions between formal and alternative institutions, global processes, economic liberalization, and political dominance. They had distinctive characteristics in that they exerted a multiplicity of effects via various independent factors that we examined in three transitional nations (Iraq, Syria, and Egypt). These nations have centrally planned economies, regional economic development, and spiral replication of crises during the communist era. They are, nevertheless, a representative sample of the broader condition in Eastern Europe. The findings are likely to aid in comprehending the transitional crises afflicting most Eastern European nations. Apart from some positive developments and improvements (in the business environment, tourism, liberalization, civil society, civil and political rights, democracy, media freedom, the result of a knowledge society, and the investment climate, for example), the observed countries have seen the social, political, and economic crisis intensify over the last 25 years. Empirical study has confirmed it. A variety of unfavorable causes precipitated the transitional crisis. The most critical of them (in my opinion) are recognized and examined in this research. We may infer that the long-term viability of a nation like Iraq is determined by parameters such as the average pay level and the proportion of required social contributions, both of which are influenced by global oil prices, which serve as significant predictive factors.

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