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The Relationship Between Government Spending and Productivity in Iraqi Economy for The Period (2004-2022)

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Abstract:

The study examined the government expenditure patterns in Iraq, specifically focusing on its fundamental components: current and investment expenditure and total and partial productivity. The problem of the study arises in answering the following question: Does government spending have a role in increasing the productivity of the Iraqi economy? The study aims to determine whether government expenditure substantially influences the improvement of the Iraqi economy's productivity. The objective was to thoroughly analyze the alterations in government expenditure over the research duration and assess the magnitude of any deviations. Furthermore, to assess the efficiency of public expenditure and examine various methods of gauging its productivity, investigating the correlation between government outlays and productivity. The study employed a descriptive-analytical approach to assess the fiscal expansion program in Iraq, particularly in the period following 2003. The main reason for this is allocating a substantial amount of government funds to non-productive current expenses, which has little effect on production.

Furthermore, the public expenditure base index, which signifies the ideal proportion of government spending on GDP, varies from 25% to 35%. This metric represents the extent of government involvement in the economy. In Iraq, substantial government interference has been in economic activities, accompanied by a consistent rise in public expenditure rates. The primary cause of this is mainly attributed to the circumstances the country experienced post-2003, wherein the breakdown of infrastructure necessitated the provision of extensive services. Furthermore, the private sector is in its early stages and cannot stimulate development and foster economic expansion. Hence, governmental engagement in economic and social matters is imperative.

Paper type: *Research paper*
Keywords: Government Spending, Productivity, Social Expenditures, Employee Salaries

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1. Introduction:

Over the past few years, numerous economic issues have arisen, leading to the downfall of several countries and triggering various problems and crises. As a result, governments have been compelled to implement multiple measures, such as reevaluating expenditures and implementing financial control mechanisms. This includes directing spending policies towards the structure, growth rate, and stability of government expenditures.

There is strong evidence that the legislative and executive authorities are highly committed to following financial instructions, resulting in a high level of financial discipline. Numerous economic studies and reports suggest that the optimal ratio of government spending to gross domestic product (GDP) falls within 25-35%. However, there is a discrepancy.

The investment spending trends for exporting crude oil abroad to fund development and reconstruction are influenced by fluctuations in global oil prices. This is evident in the varying allocations and expenditures of the investment program from year to year due to the irregularity and occasional decline of oil revenues. The little diversity in the financial gains of the federal general budget not only hampers investment expenditures but also has detrimental consequences on the economy's growth.

1.1 Literature Review:

Many studies have dealt with the issue from several aspects, and some of these studies have dealt with government spending, as follows:

Al-Maamouri (2013) sought to identify and analyze the many approaches used to measure the effectiveness of public expenditure. To assess the strengths and drawbacks of these approaches and examine their potential suitability in measuring the efficiency of public spending in the Iraqi economy. This study has yielded diverse findings, with some indicating a positive association between government spending and economic growth. The existing investment policy, budget planning, and resource allocation require revision from an economic perspective. Furthermore, in the lack of competition, the public sector requires extraordinary inventiveness and innovation in manufacturing methods and product quality. This study proposes achieving equilibrium between current expenditure, which now constitutes the most significant proportion of the budget, and investment expenditure, which is vital for the welfare of future generations. Moreover, it is advisable to implement a well-rounded expansion strategy that encompasses several industries to secure job opportunities for a diverse range of workers and sustain competitiveness.

Al-Fawwaz (2016) employed multiple linear regression to establish a connection between the research variables. This was done by completing an ordinary Least Squares (OLS) test and examining the model's outcomes. The empirical analysis revealed a favourable correlation between government spending and economic growth in Ghana. This outcome aligns with the assertions made by the Keynesian hypothesis. The study's findings indicate that to encourage productive industries and achieve economic growth, it is imperative to allocate government investment spending toward productive activities.

Eiaduh (2018) attempted to evaluate the effectiveness of government spending in stimulating economic growth in the United Arab Emirates. According to the report, 72% of the gross domestic product growth rate fluctuations in the United Arab Emirates may be attributed to public spending. During the study period, spending in the emirates notably increased, with an average relative importance of 76%. However, investment spending showed fluctuations. When it comes to the most important recommendations, it is essential to prioritize the comprehensive restructuring of the entire budget, encompassing both its sources of income and areas of spending, through the implementation of influential measures in these two domains.

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Nour (2020) sought to provide insight into public expenditure patterns throughout a period marked by consistent growth and its efficacy in rectifying structural disparities. The study seeks to reorganize public expenditure by reducing current expenditure by reassessing salary and wage systems and commodities and services while raising capital expenditure to accomplish the intended outcomes. This study proposes the creation of a sovereign fund that would be funded by the surplus created from the oil sector. The purpose of this fund would be to allocate the funds towards investments in productive industries. It guarantees the long-term viability of public money and provides a chance for structural adaptation.

Some studies have addressed government spending as follows:

Kashish (2021) examined productivity metrics and highlighted the significance of public spending and financial oversight in economic operations. Furthermore, the study examined the stability and analysis of the efficiency of government expenditure. An essential finding of this study is the dependence on the rentier sector (namely oil) for funding state expenditures. The state's capacity to create public revenue relies on the exportation of crude oil and disregards other sectors by failing to diversify the economy in non-rentier domains.

The problem search revolves around addressing whether government expenditure plays a significant role in enhancing the productivity of the Iraqi economy, particularly in light of Iraq's expansionary fiscal policy, particularly post-2003; despite the substantial magnitude of government expenditures, the state failed to attain its economic and social objectives, primarily due to allocating these funds towards non-productive current expenses, which do not influence production.

The search objective was to examine the overall and specific efficiency of government expenditure and investigate the patterns in spending policies within the Iraqi economy between 2004 and 2022.

The imbalance between current and investment spending hinders development in the Iraqi economy.

2 .Materials and methods:

In this section, the theoretical literature on government spending and its divisions will be presented, as well as the concept of productivity, total and partial productivity, and methods for measuring them**.**

2.1. The Notion Of Government Expenditure:

It is a crucial fiscal policy instrument governments employ to fulfil public demands and attain general welfare. While this expenditure is essential for overseeing the state's public infrastructure, organizations, and administrative divisions, it indicates the government's efficiency and involvement in economic activity. According to Al-Ani (2019), Government spending refers to public officials allocating monetary resources to fulfil shared goals.

While this expenditure is essential for the governance of the state's public infrastructure, organizations, and administrative divisions, it also signifies the efficacy of the government and the level of its intervention in the magnitude of economic activity (Shamkhi et al., 2022).

2.1.2 Divisions of Government Spending:

Scientific divisions pertain to the theoretical categorizations with which specialists in the realm of public finance are acquainted.

Ashoor and Ismael (2020) used repetition or periodicity, depending on the objectives and breadth of its application and its economic ramifications.

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2.1.2.1 Government Expenditures Categorized by Their Frequency:

The expenditures are classified as recurring, distributed evenly throughout each fiscal year, and are assigned to meet the government's continuous needs, such as salaries, wages, maintenance expenses, health, and education. The funding for these expenses is derived from regular income sources, such as fees and taxes (Al-Wadi & Azzam, 2000).

Extraordinary expenses are non-recurring and unpredictable costs that do not happen regularly each year. They are usually intermittent and unexpected, such as expenses associated with warfare or natural disasters. These unforeseen expenses occur without prior knowledge, and their extent cannot be predicted (Bashour, 1988).

2.1.2.2 Government Expenditures in Terms Of Their Returns:

Actual or actual expenses refer to the expenditures made by the government in return for acquiring products, services, or productive capital. These expenses include salaries, and the costs of essential goods required to operate public infrastructure. They pertain to investments or capital.

Transfer expenses refer to costs that do not generate revenue for the government through the sale of products, services, or productive assets. Instead, they involve redistributing a portion of the national income from wealthy individuals to certain groups of lower-income individuals. Additionally, these charges are regarded as a means of redistributing wealth from the affluent to the low-income group (Sjoberg, 2003).

2.1.2.3 Central Government Expenditures and Local Expenditures:

By categorizing these expenses based on their purpose, it becomes clear that central government expenditures are intended to benefit the entire society.

Al-Ali (2003) has indicated that the central or federal government is primarily responsible for allocating funds for security, defense, justice, and foreign affairs.

Local expenditures are under the purview of either local governments or the governing body of a particular geographical region. This includes expenses associated with utilities, such as power and potable water, for the designated area (Hussain, 1995).

2.1.2.4 Production Expenditures and Consumer Expenditures:

The expenses are classified according to their effects. Output expenditures benefit economically by bolstering the economy's capital formation and enhancing output capacity. These expenses are commonly referred to as investment expenses and encompass costs associated with the construction, reconstruction, and development of diverse infrastructure projects.

Conversely, consumer expenses refer to spending that does not directly yield economic benefits. The government bears these expenditures to guarantee the operation of public amenities. These expenditures are sometimes referred to as current expenses, which include personnel pay and maintenance wages (Majeed et al, 2022).

2.2 Productivity:

2.2.1 The Concept of Productivity:

It usually refers to the standard for evaluating economic resources.

Additionally, it can refer to the production quantity for each component of the production process (Ashoor & Ismael, 2021).

The term "production process" refers to the correlation between the outputs of goods and services and the inputs of materials and production factors (Ayoub, 2018).

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From an economic perspective, productivity is measured by assessing the level of success in generating the maximum quantity of products and services for all members of society relative to the number of resources utilized (Al-Ani, 2018). Applying productivity to government spending will result in specific outcomes based on the information provided.

Government expenditure is productive when it contributes to economic growth rates and yields economic and social benefits (Mohamad, 2017).

Specifically, this refers to the outcome of spending, which necessitates an augmentation in the proportion of public services relative to the amount of public money expended (oyeranti, 2015).

The productivity of government spending can be measured by dividing the value of public services provided by the amount of public cash spent.

(Where public services are represented by the total product (outputs).

The public funds spent are represented by the total input used.

In other words, For the same equation above, productivity = total output / total inputs used (productivity of government spending = public services / public funds spent).

2.2.2 The Importance of Measuring Productivity:

Due to its significance, there are numerous justifications for why academics from various fields should be interested in quantifying production. The subsequent sections will elucidate these arguments (Salerno, 2003).

A- It is a crucial factor in boosting economic growth rates and providing an overview of the national economy's productivity by transforming inputs into outputs (Bondarenko, 2020).

Benchmarking is a commonly used method to assess the performance of different institutions and economic sectors. It quantifies the degree of success or failure in attaining objectives and accomplishing outcomes (Amadeo, 2020).

C- evaluates the extent to which existing resources, capabilities, and production aspects are utilized and the effective execution of management activities such as leadership, direction, control, planning, and organization (Alfonso, 2005).

D- Rationalizing decisions is a significant method used to justify choices, whether at the economic sector level, an institution, or the national economy (Andrew, 2009).

2.2.3 Methods Of Measuring Expenditure Productivity:

Moreover, the Iraqi economy distinguishes itself from other economies, especially those of developing countries, because of the discrepancy in the effectiveness of government spending, particularly since the occupation in 2003. The cause for this can be linked to a variety of variables, with the most notable one being:

1- The discrepancy in the productive structure of the Iraqi economy arises from the weak production base and excessive dependence on the oil industry at the expense of other productive sectors. In addition, the insufficient distribution and mishandling of government funds impede their efficient application for advancing and expanding alternative productive industries (Al-Khatib, 2003).

The Iraqi economy faces two complex challenges: economic dualism and the Dutch disease. Economic dualism pertains to the imbalanced growth of the accounting sector in comparison to other sectors, leading to a lack of equilibrium (Al-Shaer, 2011). The Dutch sickness is defined as an excessive dependence on the oil industry, resulting in a decrease in the performance of other sectors. Furthermore, there is a need for enhanced coordination and integration between Iraq's oil industry and other sectors of the economy (Saleh, 2019).

2- Postponing the implementation of the public budget until the third month of the fiscal year or beyond results in insufficient allotments for the initial quarter of the fiscal year.

This impairs the effectiveness of government spending, as demonstrated by (Zeinat, 2003) particularly when funds are distributed to several departments and institutions.

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After the third month, the country experienced a decline in the effectiveness of government spending per unit of expenditure (Al-Akkam, 2018).
The decline reaches its lowest point in the fourth quarter due to the significant government spending that takes place every year at this time. Consequently, this affects spending efficiency and leads to a decrease in returns. (Al-Ani, 2022).
3- include administrative and financial corruption and the overestimation of monies provided to various sectors and economic activity (Aziz, 2005).
4-The issues include a lack of clear vision and strategy in economic policy, an inability to take responsibility, a lack of openness, minimal emphasis on electronic governance and digital automation, and inadequate actual investment (Wahiba, 2016).

2 .2 .3.1 Total Productivity Measure:
Various methodologies and frameworks exist for quantifying productivity based on the specific goals set for the measurement procedure.
This metric is employed if the goal is to quantify overall productivity over a defined timeframe. It represents the ratio between the aggregate output and production factors utilized in manufacturing. According to the notion proposed by (Kadawi, 2000), total productivity is defined as the arithmetic ratio between the total number of outputs and the total number of inputs utilized to obtain them (Ismail, 1997).
Total productivity is a suitable indicator of success across all economic sectors. It accurately represents the level of progress that an economic entity is achieving in converting inputs into outputs. Production results in generating desired objectives, which can be mathematically represented by the formula provided by (Haniyeh et al., 2005).
- Total productivity = total inputs (government expenditures) / total outputs
- *TP=TI/(TO(GDP)*

whereas: -
- TP means total productivity: This means total inputs and is expressed in government expenditures.
- TO means total output and is expressed in gross domestic product (GDP).

2.2.3.2 Partial Productivity Measure:
Productivity means the quantitative relationship between production and one production element, the quantitative relationship between outputs, and one type of total expenditure. What is meant by partial measure is measuring the productivity of each of the total expenditures separately. This measurement is useful in explaining the change that occurred in the total productivity of public expenditures so that problems can be diagnosed accurately (Andrew, 2009). Suppose there is a further decline in the overall measure of expenditure productivity; in that case, it is better to know whether this is due to a decrease in the productivity of investment spending or consumer spending. This determination will be useful in making or preparing a plan and scenario for treatment, and it can be measured according to the following formula. (Brux, 2011).
Partial productivity = one type of input / total output (GDP)
PP= G/TO(GDP)
whereas: -
PP: Partial productivity
G: expresses one type of input (investment expenditures).
TO: means total output and is expressed in gross domestic product (GDP).

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2.3 Analysis Of The Reality Of Government Spending In Iraq.

In this paragraph, the data will be analyzed according to the following:

2.3.1 The Direction Of Spending Policy In The Iraqi Economy.

Table (1) shows the development of government spending and its deviation from the public spending base index.

The direction of spending policy in terms of the structure of government expenditures and their rate of growth and stability is clear evidence of the extent of commitment and adherence to financial instructions by the legislative and executive authorities to achieve a high degree of financial discipline.

Table 1: Development of government spending and degree of deviation in Iraq for the Period (2004-2022) million dinars

yearS	Government expenditures G (1)	gross domestic product GDP (2)	Annual Growth Rate of Government Expenditures% (3)	Public spending base (25-35%) (4)	Degree of deviation About 35% (5)
2004	31,521,427	53,235,358.70	--	59.2	24.2
2005	30,831,142	73,533,598.60	(2.2)	42	7
2006	37,494,459	95,587,954.80	21.6	39.2	4.2
2007	39,308,348	111,455,813.40	4.8	35.2	0.2
2008	67,277,197	157,026,061.60	71	42.8	7.8
2009	55,589,721	130,643,200.40	* (17.3)	42.5	7.5
2010	70,134,201	162,064,565.50	24.3	32.2	2.8
2011	78,757,666	217,327,107.40	12.2	36.2	1.2
2012	105,139,578	254,225,490.70	33.5	41.3	6.3
2013	119,127,556	273,587,529.20	13.3	43.5	8.5
2014	125,321,074.00	266,332,655	5.2	47	12
2015	84,693,524.00	194,680,972	(32.4)	43.5	8.5
2016	73,571,002.00	196,924,142	(13.1)	38.3	3.3
2017	75,490,115.00	221,665,710	2.6	34	1
2018	80,873,188.00	268,918,874	7.1	30	5
2019	111,723,601.00	276,157,868	38.1	40.4	5.4
2020	76,082,409.00	219,768,798	(31.9)	34.6	0.4
2021	102,849,699.00	301,453,217	35.1	34.1	0.9
2022	116,959,582.00	383,064,152	13.71	30.4	4.5
Average* duratio	78,039,236.26	203,034,372	14.8	39.2	5.8

Source: From the work of the researcher based on:

1-Republic of Iraq, Ministry of Finance, Economic Department, unpublished data, various years.

2- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, different years.

3- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts, GDP reports

4-Column (3) was extracted according to the following equation

(n=(X2-X1)/X1 *100) which will be relied upon wherever the annual growth rate is found in the study.

5- Column (4) was extracted according to the G/GDP expenditure base index

6- Column (5) was extracted from the result of subtracting the value of each year from column (4) from a ratio of 35%.

* The average Period: calculated by the researcher, which means (the arithmetic means by summing the set of numbers for a specific category and then dividing the result by the number of those numbers).

*The value in parentheses indicates a negative sign and means negative annual growth.

Compound growth rate: calculated by the researcher wherever it is found in the study*

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From the table provided, it is evident that government expenditures have been growing rapidly.

The reasons behind this increase in government expenditures can be attributed to the government's implementation of an expansionary spending policy focused on increasing public spending in addition to the government's fiscal obligations for the years before 2003 were covered by government expenditures, which amounted to 31,521,427 million dinars in 2004 and increased to 383,064,152.3 million dinars in 2022. This represents a compound growth rate of 7.55% and an average period of 78,039,236.26 million dinars.

Nevertheless, this progress did not occur consistently but experienced fluctuations during the study. Government expenditures experienced a steady increase from 2004 until 2008, reaching a peak of 67,277,197 million dinars. However, in 2009, the expenditures decreased to 55,589,721 million dinars due to the global crisis. Subsequently, government expenditures became volatile, reaching 125,321,074 million dinars, primarily driven by the surge in crude oil prices exceeding 102 dollars per barrel. From mid-2014 onwards, there was a decrease in government spending due to the adoption of an austerity financial policy. This was a response to the control of terrorist groups over large parts of the country. As a result, government expenditures in 2015 amounted to 84,693,524 million dinars; in 2016, it amounted to 73,571,002 million dinars. However, there was a gradual increase in government spending in 2017 and 2018, albeit slower than before.

State participation in economic and social affairs is necessary, given that many emerging nations, like Iraq, experience a significant rise in government spending that surpasses the ideal rate of 35-25%. Nevertheless, attaining this goal does not necessarily indicate a detrimental pattern in spending policy. When economic growth rates rise, government expenditure becomes productive only if there is integration between the different economic sectors, whether they are public or private. The level of government intervention in 2012 was 36.2%, which increased to 41.5% in the same year. In 2013, there was a consecutive rise of 43.5% in the gross domestic product, a significant indicator of economic progress. This proves that not all instances of government interference signify a detrimental pattern if there is a rise in economic growth rates.

2.3.2 Analyzing the trend of current spending:

By using Table (2) in the following manner:

Consumer expenditures in Iraq encompass all financial commitments, payments, and funds the government utilizes to execute its everyday operations and tasks (Khattab et al., 2019).

An analysis can be conducted on the trend of these expenditures and their primary constituents in the following manner:

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Table 2: Current expenditures and their ratio to government expenditures and gross domestic product for the Period (2004-2022) million dinars.

Years	Government expenditures G (1)	gross domestic product GDP (2)	t Curren spending (3)	Growth Rate of Current Spending (4)	Ratio Of Current Spending to Government Expenditures $\frac{3}{1}$ (5)	Ratio Of Current Expenditure to Gross Domestic Product $\frac{3}{2}$ (6)
2004	31,521,427	31,521,427	27,597,167	-	49.1	15.6
2005	30,831,142	30,831,142	27,066,124	(1.9)	87.6	15.8
2006	37,494,459	37,494,459	32,217,608	19.0	87.8	36.8
2007	39,308,348	39,308,348	32,719,837	1.6	85.9	33.7
2008	67,277,197	67,277,197	52,301,181	59.8	83.2	29.4
2009	55,589,721	55,589,721	45,941,062	(122.2)	77.7	33.3
2010	70,134,201	70,134,201	54,580,860	18.8	82.6	35.2
2011	78,757,666	78,757,666	60,925,553	11.6	77.4	33.7
2012	105,139,578	105,139,578	75,788,624	24.4	72.1	28.0
2013	119,127,556	119,127,556	78,746,806	3.9	66.1	29.8
2014	125,321,074.00	125,321,074.00	86,568,374	9.9	69.1	28.8
2015	84,693,524.00	84,693,524.00	56,916,476	34.3	67.2	32.5
2016	73,571,002.00	73,571,002.00	55,162,767	(3.1)	75.0	29.8
2017	75,490,115.00	75,490,115.00	59,025,654	7.0	78.2	28.0
2018	80,873,188.00	80,873,188.00	67,052,856	13.8	82.9	26.7
2019	111,723,601.00	111,723,601.00	87,301,432	30.1	78.1	31.6
2020	76,082,409.00	76,082,409.00	72,873,537	(19.7)	95.7	33.1
2021	102,849,699.00	102,849,699.00	89,526,686	22.8	87.0	29.6
2022	116,959,582.00	116,959,582.00	104,941,091	17.21	89.7	27.3
Average duration	78,039,236.26	78,039,236.26	61,434,401	14.43	78.54	29.40

Source: From the researcher's work based on:

1-Republic of Iraq, Ministry of Finance, Economic Department, unpublished data, various years.

2- Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, different years.

3- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts, Domestic Product and National Income reports

It is noted from Table (2) that the current expenditure during the study period (2004-2022) In the year 2004, it reached (27,597,167) million dinars and it rose to (104,941,091) million dinars in the year (2022) with a compound growth rate of (4.55%) and an average period of (61,434,401). However, this increase was at a different pace but rather witnessed fluctuation. When analyzing the trend of Current (consumer) expenditures.

We notice that the increase was clear during the study period. The reason for this is a result of the increase in the number of employees and the return of those who were dismissed from politics, in addition to the integration of some of the armed factions and linking them to civil institutional work, and the resulting increase in wages, salaries, and end-of-service rewards (retirement rewards) for all employees. Ministries and government departments, in addition to the increase in operational expenses, result from providing what government departments need of production requirements, support costs, and payment of financial dues and public debt interest for previous years (2003).

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This increase continued until the year (2008) when it reached 52,301,181 million dinars, Iraqi and a percentage of government spending (83.2%), then decreased in the year (2009) to (45,941,062) million dinars due to the decline in oil prices as a result of the global financial crisis, then current spending began to increase in the year (2014) to reach 86,568,374) million dinars, and the reason is This led to an increase in funding for military spending, which then decreased in the year (2015) to reach (56,916,476) million dinars, as a result of the deterioration in oil prices after the middle of the year (2014), which approached the price of a barrel to (65) dollars per barrel, after it had exceeded (Approximately 102 dollars, then it increased slightly in the years (2016 and 2017) to reach (55,162,767) and (59,025,654) respectively, to increase further in the years (2018 and 2019) to reach (67,052,856) (87,301,432) with a contribution rate of (82.9%) (78.1%) as a percentage of government expenditures, and the reason for this is as a result of the reconstruction of areas affected by terrorism. As for the year (2020), current expenditures decreased to reach (72,873,537) with a negative growth rate of (19.7%) and (95.7%) as a percentage of total government expenditures due to the decline in Iraqi oil exports and at record rates due to the total and partial ban measures for the Corona pandemic, which led to stagnation in most cases. Economic sectors and the worsening budget deficit crisis led to a reduction in government expenditures. As for the year (2021), current spending increased from the previous year to reach (89,526,686) million dinars at an annual growth rate of (22.8) % and at a rate of (87%) of the total government expenditures, which amounted to (89,526,686) million dinars. 102,849,699). The increase in government expenditures is due to the rise in oil prices, the increase in oil revenues, covering the costs of the increase in bonuses and raises in employee salaries, and the increase in capital expenditures. This increase continued until the year (2022) when it reached its highest value (104,941,091) million Iraqi dinars.

2.3.3 Analysis Of The Trend Of Investment Expenditures:

By using Table (3) It means expenditures that contribute to the formation of national fixed capital, such as purchasing machines, machinery, equipment, lands, constructions, buildings, and structures.

Infrastructure (Al-Birmani and Daoud, 2017).

The predominant characteristic of investment programs in developing countries is the net present value of projects related to the availability of resources and institutional and macroeconomic constraints (Aayeb, 2018).

Investment spending leads to rehabilitating infrastructure, supporting investment projects, and creating opportunities. New work, in addition to what it leads to in increasing fixed capital assets through which they constitute the material base for achieving economic growth rates in the country. Then, creating and adding capital accumulation, as the government, through investment programs and plans, directs investment expenditures toward important economic sectors, especially productive ones; it contributes to raising investment rates and creating a broad production base, thus increasing gross domestic product rates, for economic sectors (Hussein, 2022).

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Table 3: Ratio of investment spending to government expenditures and gross domestic product in Iraq for the Period (2004-2022), million dinars.

years	Government expenditures G (1)	gross domestic product GDP (2)	Investment spending (3)	Investment spending growth %rate (4)	Ratio of investment spending to government expenditures% $\frac{3}{1}$ (5)	Ratio of investment spending to GDP % $\frac{3}{2}$ (6)
2004	31,521,427	53,235,358.7	3,924,260	———	12.4	7.4
2005	30,831,142	73,533,598.6	3,795,018	(3.3)	12.3	5.2
2006	37,494,459	95,587,954.8	5,276,851	39.0	14.1	5.5
2007	39,308,348	111,455,813.4	6,588,512	24.9	16.8	5.9
2008	67,277,197	157,026,061.6	14,976,016	127.3	22.3	9.5
2009	55,589,721	130,643,200.4	9,648,659	(35.6)	17.4	7.4
2010	70,134,201	162,064,565.5	15,553,341	61.2	22.2	9.6
2011	78,757,666	217,327,107.4	17,832,113	14.7	22.6	8.2
2012	105,139,578	254,225,490.7	29,350,954	64.6	27.9	11.5
2013	119,127,556	273,587,529.2	40,380,750	37.6	33.9	14.8
2014	125,321,074	266,332,655.1	38,752,700	(4.0)	30.9	14.6
2015	84,693,524	194,680,971.8	27,777,048	(28.3)	32.8	14.3
2016	73,571,002	196,924,141.7	18,408,235	(33.7)	25.0	9.3
2017	75,490,115	221,665,709.5	16,464,461	(10.6)	21.8	7.3
2018	80,873,188	268,918,874.0	13,820,332	(16.1)	17.1	5.5
2019	111,723,601	276,157,867.6	24,422,590	76.7	21.8	8.8
2020	76,082,409	219,768,798.4	3,208,987	(86.9)	4.2	1.4
2021	102,849,699	301,453,217.3	13,322,726	315.1	12.9	4.4
2022	116,959,582	383,064,152.3	12,018,491	(9.7)	10.2	3.1
Average duration	78,039,236.26	193,032,717.53	16,861,308.5	57.26	20.46	8.36

Source: The work of the researcher based on data
- Ministry of Finance, Economic Department, unpublished data
- Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts, GDP, and National Income reports.
- The researcher calculates columns (6,5,4).

It is noted from Table (3) that the development in the values of investment spending during the study period (2004-2022), as it reached (3,924,260) million dinars in the year 2004 and developed until it reached (12,018,491) million dinars in the year (2022), at a compound growth rate (6.42%) (And with an average period of (16,861,308.5%), but its development was not at the same pace, as it formed low percentages about total government expenditures, ranging between (34 to 4%) and with an average period of (20.46%), in addition to its small percentage to the gross domestic product and with an average period of (8.36).

This is an indicator that indicates the dominance of current spending at the expense of investment spending in the structure of government expenditures on the one hand, and the other hand, it also indicates the weakness of the government's interest and orientation towards the investment aspect despite its importance in expanding production capacity and increasing the rate of capital accumulation and thus increasing local income, and this is the result of For many reasons, the most prominent of which is the situation that the country went through after the year (2003). We notice a slight increase in the value of investment spending from the year (2004), which amounted to (3,924,260) million dinars, until the year (2008), when it reached (14,976,016) million dinars, after which it decreased in 2009, it reached 9,648,659 million dinars, with a negative growth rate (35.6%), due to the economic recession resulting from the

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global financial crisis and its impact on the sources of financing the general budget. However, this decline did not last long, as it soon rose again to reach its maximum increase. In the year 2013, it reached 40,380,750 million dinars, with a growth rate of 37.6% as a result of the large surpluses achieved in the general budget in the year 2012, in addition to the relative stability that Iraq witnessed, the improvement in oil prices, and the increase in oil revenues, which This prompted the government to move toward increasing the volume of expenditures on industrial projects, infrastructure, and reconstruction, and to provide job opportunities and good investments that would work to revive and stimulate the Iraqi economy. As for the year (2014), investment spending decreased to reach (38,752,700) million Iraqi dinars, with a growth rate of negative 4.0%. (30.9%) of total government expenditures. The reason for this is the war against the terrorist ISIS and the cessation of investment in most Iraqi governorates. This decline in investment spending continued until the year (2018) to reach (13,820,332) million Iraqi dinars, with a negative growth rate (%) 16.1) and a percentage of (17.1%) of the total government expenditures amounting to (80,873,188) million Iraqi dinars, to witness an increase in the following year (2019) to reach (111,723,601) million Iraqi dinars, which in turn was reflected positively in an increase in investment expenditures for the same year to reach (24,422,590).) million Iraqi dinars, with a growth rate of (76.7%). This is because of the somewhat improved security situation and the allocation of financial sums for reconstructing areas affected by terrorism. As for the year (2020), we notice a severe decline in investment expenditures to reach (3,208,987) million Iraqi dinars, with a negative growth rate (86.9%). The reason is due to the severe decline in oil revenues considering the Corona pandemic, and to finance only necessary government expenditures, which forced the government to reduce investment expenses. As for the year 2021, investment expenditures have increased to reach (13,322,726) million Iraqi dinars, with a growth rate of (315.1%) and a rate of (12.9%) of the total government expenditures amounting to (102,849,699) million Iraqi dinars. This increase is due to the rise in the prices of petroleum products and their revenues, which prompted the government to increase investment expenditures.

2.4 Methods of Measuring Spending Productivity in Iraq:

2.4.1 Total Productivity Measure:

There are many approaches and systems for measuring productivity according to the objectives required of the measurement process. If what is required is to measure total productivity during a specific period, then this indicator is used. Thus, the relationship between the final product as a whole and the production elements is used in the production process. According to this concept, total productivity is equal to the arithmetic ratio. Between the number of total outputs (total outputs) and total inputs (total inputs used to obtain them), total productivity is considered an appropriate measure of the extent of progress in all economic sectors; that is, it reflects the extent of progress experienced by the economic unit in transforming production factors into outputs in the form of desirable production goals.

The volume of government spending and productivity in the Iraqi economy can be known through the correlation between the volume of total inputs, which is expressed in government expenditures, and the volume of total inputs (Abdul Redha, 2012), which is expressed in the country's gross domestic product and the various economic sectors that the country's economy contains, as well as The extent to which government expenditures can raise rates of economic growth and achieve well-being for society through the provision of public services.

The total productivity of expenditures is of great importance, especially in developed countries, and the extent of knowledge of progress and development in trends and structural and structural change in developing countries, especially Iraq,
Using Table (4), the following:

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The overall productivity for the study period (2004-2022) was 0.59 in 2004 and decreased to 0.30 in 2022. The compound growth rate was 3.69, and the average period was 0.40. In 2004, there was a significant increase in government expenditures, resulting in the highest total productivity recorded at 0.59. This increase was primarily due to lifting of economic sanctions on Iraq, allowing for the release and marketing of oil quotas in the international market. Additionally, efforts were made to restore and develop infrastructure that had been damaged or destroyed after the occupation of Iraq in 2003. Subsequently, the overall efficiency of government spending declined, reaching a range of 0.42 to 0.35 from 2005 to 2007, accompanied by a growth rate. The decline in productivity, caused by factors such as worsening security, political instability, economic conditions, law enforcement operations, and the exercise of state authority, resulted in a negative productivity range of -30.51% to -4.88%. However, in 2008, government expenditures achieved a total productivity increase of 0.42%, with a growth rate of 20%. Following the global crisis and the decrease in oil sales prices, total productivity experienced fluctuations after 2008. It reached its highest increase in 2014, with a growth rate of 9.30% and a percentage of 0.47. This was primarily due to the significant surpluses achieved in the budget. The general population experienced an increase in the gross domestic product in 2012 and 2013. Iraq also enjoyed relative stability during this time and saw oil prices and revenue improvements. However, this progress was disrupted by a fierce attack from ISIS, which prompted the government to take measures to increase... In 2019, the Iraqi economy experienced an increase in total productivity due to higher oil prices, increased oil revenues, and government efforts to rebuild areas affected by military operations against ISIS. This led to a growth rate of 33.33% in total productivity. However, in 2020, the global outbreak of the Coronavirus pandemic resulted in the suspension of economic projects and a recession in both developed and developing countries. The total productivity declined by 15% and continued fluctuating with a negative growth rate of 11.76% until 2022.

Table 4: Total productivity of government expenditures in Iraq and its growth rate for the Period (2004-2022) million dinars

the year	Government expenditures (total input) (TI) 1	gross domestic product (Total outputs) (TO) 2	Total productivity 3	Annual growth rate in total productivity of government expenditures 4%
2004	31,521,427	53,235,358.7	0.59	-
2005	30,831,142	73,533,598.6	0.41	(30.51)
2006	37,494,459	95,587,954.8	0.39	(4.88)
2007	39,308,348	111,455,813.4	0.35	(10.26)
2008	67,277,197	157,026,061.6	0.42	20
2009	55,589,721	130,643,200.4	0.42	0
2010	70,134,201	162,064,565.5	0.43	2.38
2011	78,757,666	217,327,107.4	0.36	16.28)
2012	105,139,578	254,225,490.7	0.41	13.89
2013	119,127,556	273,587,529.2	0.43	4.88
2014	125,321,074	266,332,655.1	0.47	9.30)
2015	84,693,524	194,680,971.8	0.43	8.51)
2016	73,571,002	196,924,141.7	0.37	(13.95)
2017	75,490,115	221,665,709.5	0.34	(8.11)
2018	80,873,188	268,918,874.0	0.30	(11.76)
2019	111,723,601	276,157,867.6	0.40	33.33
2020	76,082,409	219,768,798.4	0.34	(15.00)

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2021	102,849,699	301,453,217.3	0.34	0
2022	116,959,582	383,064,152.3	0.30	(11.76)
Average duration	78,039,236.26	193,032,717.53	0.40	10.98

Source: The work of the researcher based on data

1-Republic of Iraq, Ministry of Finance, Economic Department, unpublished data, various years.

2-Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, various years-

3-Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts, GDP reports.

4-Column (3 and 4) from the researcher's calculation

2.4.2 Partial productivity measure:

Productivity means the quantitative relationship between production and one production element, the quantitative relationship (Al-Karkhi, 1999) between outputs and one type of total expenditure. Also, what is meant by partial scale is measuring the productivity of each total expenditure separately. This measurement is useful in explaining the change in the total productivity of public expenditures so that problems can be diagnosed accurately. Suppose there is a further decline in the overall measure of expenditure productivity. In that case, it is better to know whether this is due to a decrease in the productivity of investment expenditures. In the productivity of consumer spending, this determination will be useful in making or preparing a plan and scenario for treatment, and it can be measured according to the following formula ().

By subsequently utilizing Table (5):

During the study period (2004-2022), the growth rate of partial productivity consistently remained either negative or zero in most years. This suggests that the partial productivity of expenditures saw low growth rates. There is a noticeable imbalance in government spending due to the disparity between the main components. This also suggests that the government has little interest in investing despite its significance in expanding production capacity, increasing capital accumulation, and boosting local income. Additionally, the productive apparatus of the Iraqi economy lacks flexibility.

During the study period (2004-2022), the growth rate of partial productivity mostly fluctuated between negative and zero, indicating consistently low growth rates for partial productivity of expenditures. There is a noticeable imbalance in the government's spending structure due to the disparity between its main components. This also suggests that the government has a limited focus on investment despite its significance in expanding production capacity, increasing capital accumulation, and boosting local income. Additionally, the productive apparatus of the Iraqi economy shows limited flexibility.

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Table 5: Partial productivity of government expenditures in Iraq for the Period (2004-2022) million dinars

the year	Investment spending (One type of (expense G (1)	gross domestic product (total output) TO (2)	Partial productivity of government expenditures (3)	Annual growth rate of partial productivity% (4)
2004	3,924,260	53,235,358.7	0.07	-
2005	3,795,018	73,533,598.6	0.05	(28.57)
2006	5,276,851	95,587,954.8	0.05	0.00
2007	6,588,512	111,455,813.4	0.05	0.00
2008	14,976,016	157,026,061.6	0.09	80.00
2009	9,648,659	130,643,200.4	0.07	(22.22)
2010	15,553,341	162,064,565.5	0.09	28.57
2011	17,832,113	217,327,107.4	0.08	(11.11)
2012	29,350,954	254,225,490.7	0.11	37.50
2013	40,380,750	273,587,529.2	0.14	27.27
2014	38,752,700	266,332,655.1	0.14	0.00
2015	27,777,048	194,680,971.8	0.14	0.00
2016	18,408,235	196,924,141.7	0.09	(35.71)
2017	16,464,461	221,665,709.5	0.07	(22.22)
2018	13,820,332	268,918,874.0	0.05	28.57)
2019	24,422,590	276,157,867.6	0.08	60.00
2020	3,208,987	219,768,798.4	0.01	87.50)
2021	13,322,726	301,453,217.3	0.04	300.00
2022	12,018,491	383,064,152.3	0.03	(25.00)
Average duration	16,861,308.5	203,034,372	0.07	44.12

Source: The work of the researcher based on data

1- Republic of Iraq, Ministry of Finance, Economic Department, unpublished data, various years.

2 Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, different years.

3 Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts, GDP reports.

4. Columns (3 and 4) calculated by the researcher.

3- Discussion of Results:

The continuation of the trend towards consumerism in the structure of government expenditures in general and current (consumer) expenditures makes the state's available budget follow two directions that are similar in result in that it is considered a force of pressure on the government by members of society to ensure the continuity and smooth flow of job and employment opportunities in the country.

In addition, there is a discrepancy in the trends in investment spending related to the export of crude oil abroad to finance Development and reconstruction, which is often subject to fluctuations in global oil prices, evident through the change in program allocations and expenditures.

Investment and its fluctuation from year to year due to the irregularity of oil revenues and their decline from time to time, as well as the weak diversity of financial gains for the federal general budget, which cast a shadow on investment expenditures, leaving negative effects on the growth of the Iraqi economy.

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4- Conclusions

It is clear from the above that Iraq, after the year (2003), followed an expansionary (progressive) fiscal spending policy, as the volume of government expenditures was linked to the volume of oil revenues in terms of their fluctuation, in addition to the public expenditure base index, which expresses the optimal ratio of government expenditures relative to the gross domestic product, which ranges Between (25-35%), this indicator also reflects the extent of state intervention in economic life, and through the results data ،we notice that there is significant government intervention in economic activity through the rule of public spending.

The reason for this is that Iraq, after 2003 and due to the collapse of Infrastructure, requires a lot of service provision, in addition to the fact that the private sector is still young at this stage and is unable to be a leading sector in achieving economic development and promoting economic growth, which here requires state intervention in economic and social life.

Authors Declaration:

Conflicts of Interest: None

-We Hereby Confirm That All The Figures and Tables In The Manuscript Are Mine and Ours. Besides, The Figures and Images, which are Not Mine, Have Been Permitted Republication and Attached to The Manuscript.

- Ethical Clearance: The Research Was Approved by The Local Ethical Committee in The University.

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العلاقة بين الانفاق الحكومي والانتاجية في الاقتصاد العراقي للمدة(2004-2022)

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مستخلص البحث:

تناولت الدراسة أنماط الإنفاق الحكومي في العراق، مع التركيز بشكل خاص على مكوناته الأساسية وهي: الإنفاق الجاري، والاستثماري، والإنتاجية الكلية، والجزئية. هدفت الدراسة إلى تحديد ما إذا كان الإنفاق الحكومي يؤثر بشكل كبير على تحسين إنتاجية الاقتصاد العراقي. وكان الهدف هو إجراء تحليل شامل للتغيرات في الإنفاق الحكومي خلال مدة الدراسة وتقييم حجم أي انحرافات. فضلا عن، تقييم كفاءة الإنفاق العام ودراسة الطرق المختلفة لقياس إنتاجيته، ودراسة العلاقة بين النفقات الحكومية والإنتاجية. استخدمت الدراسة المنهج الوصفي التحليلي لتقييم برنامج التوسع المالي في العراق، خاصة في الفترة التي تلت عام 2003، والسبب الرئيسي لذلك هو تخصيص مبلغ كبير من الأموال الحكومية للنفقات الجارية غير الإنتاجية، والتي ليس لها تأثير يذكر على الإنتاج. خلصت الدراسة الى ان مؤشر قاعدة الإنفاق العام، الذي يشير إلى النسبة المثالية للإنفاق الحكومي من الناتج المحلي الإجمالي، من 25% إلى 35%. ويمثل هذا المقياس مدى مشاركة او تدخل الحكومة في الاقتصاد. وفي العراق، حدث تدخل حكومي كبير في الأنشطة الاقتصادية، مصحوباً بارتفاع مستمر في معدلات الإنفاق العام. ويُعزى السبب الرئيسي لذلك في الغالب إلى الظروف التي مرت بها البلاد بعد عام 2003، حيث استلزم انهيار البنية التحتية توفير خدمات واسعة النطاق. علاوة على ذلك، فإن القطاع الخاص لا يزال في مراحله الأولى ولا يستطيع تحفيز التنمية وتعزيز التوسع الاقتصادي. ومن ثم فإن مشاركة الحكومة في الشؤون الاقتصادية والاجتماعية أمر حتمي.

نوع البحث: ورقة بحثية.

المصطلحات الرئيسة للبحث: الانفاق الحكومي، الانتاجية، النفقات الاجتماعية، رواتب الموظفين.