


THE IMPACT OF MONETARY POLICY ON ECONOMIC STABILITY IN LIGHT OF THE COVID-19 PANDEMIC IN OIL-PRODUCING COUNTRIES: THE CASE OF IRAQ

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 03 April 2023</p> <p>Accepted 04 July 2023</p>	<p>Purpose: The rapid spread of the COVID-19 Pandemic had significant effects on the global and local economy alike, represented in the decline in economic growth rates and the decline in international oil prices as a result of the decrease in global consumption of it, and then its greatest impact on the local economy was the rule of economic instability.</p>
<p>Keywords:</p> <p>Global Economy; Economic Stability; Iraqi Economy; Measures Taken; COVID 19.</p> <div data-bbox="172 981 480 1227" style="text-align: center;">  </div>	<p>Theoretical framework: This is as a result of the decline in oil revenues and the increase in the size of the financial deficit in the general budget, which led to the financing of that deficit by decreasing the exchange value of the dinar, and then the rise in inflation rates in the country.</p> <p>Design/Methodology/Approach: the decline in dollar revenues in light of this crisis and the prevailing impact of the struggle stock exchange on the exchange rate contributed to the widening of the gap between the two prices in the economy.</p> <p>Findings: the fluctuation of the parallel exchange rate and its reaching 1240 dinars per dollar.</p> <p>Research, practical & social implications: work should be done to establish sovereign funds in which to be saved in times of high oil prices, to be resorted to in times of crisis.</p> <p>Originality/ Value: this experience is applicable in many oil countries as the Public Revenue Control Fund In Algeria and the Kuwaiti Fund for Future Generations.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i7.2431</p>

O IMPACTO DA POLÍTICA MONETÁRIA NA ESTABILIDADE ECONÔMICA À LUZ DA PANDEMIA DE COVID-19 EM PAÍSES PRODUTORES DE PETRÓLEO: O CASO DO IRAQUE

RESUMO

Objetivo: A rápida disseminação da pandemia da COVID-19 teve efeitos significativos tanto na economia global quanto na local, representados pelo declínio das taxas de crescimento econômico e pelo declínio dos preços internacionais do petróleo como resultado da diminuição do consumo global do mesmo, e seu maior impacto na economia local foi a regra da instabilidade econômica.

Estrutura teórica: Isso se deve ao declínio das receitas do petróleo e ao aumento do tamanho do déficit financeiro no orçamento geral, o que levou ao financiamento desse déficit por meio da redução do valor de troca do dinar e, em seguida, ao aumento das taxas de inflação no país.

Concepção/ Metodologia/ Enfoque: o declínio das receitas em dólares em função dessa crise e o impacto predominante da bolsa de valores de luta sobre a taxa de câmbio contribuíram para o aumento da diferença entre os dois preços na economia.

Conclusões: a flutuação da taxa de câmbio paralela e seu alcance de 1240 dinares por dólar.

Consequências para a pesquisa, a prática e a sociedade: deve-se trabalhar para estabelecer fundos soberanos para serem poupados em épocas de preços altos do petróleo, para serem usados em épocas de crise.

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Originalidade/valor: essa experiência é aplicável em muitos países petrolíferos, como o Fundo de Controle da Receita Pública da Argélia e o Fundo do Kuwait para as Gerações Futuras.

Palavras-chave: Economia Global, Estabilidade Econômica, Economia Iraquiana, Medidas Tomadas, COVID 19.

EL IMPACTO DE LA POLÍTICA MONETARIA EN LA ESTABILIDAD ECONÓMICA A LA LUZ DE LA PANDEMIA DE COVID-19 EN LOS PAÍSES PRODUCTORES DE PETRÓLEO: EL CASO DE IRAQ

RESUMEN

Objetivo: La rápida propagación de la pandemia de COVID-19 tuvo efectos significativos tanto en la economía mundial como en la local, representados por el descenso de las tasas de crecimiento económico y de los precios internacionales del petróleo como consecuencia de la disminución del consumo mundial de petróleo, y su mayor impacto en la economía local fue el imperio de la inestabilidad económica.

Marco teórico: esto se debe a la disminución de los ingresos del petróleo y al aumento del tamaño del déficit financiero en el presupuesto general, lo que llevó a financiar este déficit mediante la reducción del valor de cambio del dinar y el posterior aumento de las tasas de inflación en el país.

Diseño/ Metodología/ Enfoque: la disminución de los ingresos en dólares como consecuencia de esta crisis y el impacto predominante de las dificultades del mercado bursátil sobre el tipo de cambio contribuyeron a ampliar la diferencia entre ambos precios en la economía.

Conclusiones: la fluctuación del tipo de cambio paralelo y su horquilla de 1240 dinares por dólar.

Consecuencias para la investigación, la práctica y la sociedad: debería trabajarse en la creación de fondos soberanos de ahorro en épocas de precios altos del petróleo, para utilizarlos en tiempos de crisis.

Originalidad/valor: esta experiencia es aplicable en muchos países petroleros, como el Fondo de Control de los Ingresos Públicos de Argelia y el Fondo para las Generaciones Futuras de Kuwait.

Palabras clave: Economía Mundial, Estabilidad Económica, Economía Iraquí, Medidas Adoptadas, COVID 19.

INTRODUCTION

The crises that occur in the world have become automatically transmitted or triggered from one country to another due to the openness and integration into the global economy and the liberalization that resulted from the commission, but despite that, the transmission of crises from one economy to another is in varying proportions according to the nature of the economies and the extent of their integration into the international economy. In the sense that fragile economies of a unilateral nature, especially rentier ones, are more vulnerable to embarrassment than strong, flexible economies with the ability and ability to adapt to local or international crises this was not the case for fragile economies that do not have the flexibility to adapt to local crises, so how will the situation with international crises? , There are also many non-economic crises that directly and indirectly affect economic life in the country, including what is known as COVID-19. The virus may actually be contagious economically as well as medically, as the IMF sees “more dangerous” possibilities in the future for the global economy, hence the importance of research in demonstrating the extent to which monetary authorities are able to maintain economic stability in light of the COVID-19 outbreak. in Iraq.

Soon, the Iraqi economy is exposed to external influences and forces due to its association with the international oil market resulting from the rentierism of its economy, the distortion of its economic and production structure, and the deterioration and weakness of its infrastructure for its various economic sectors, which weakens the role of monetary policy in achieving its monetary goals to reach economic stability.

RESEARCH HYPOTHESIS

The research stems from the hypothesis that “the spread and exacerbation of the COVID-19 virus had a significant impact on weakening the role of monetary policy in achieving economic stability as a result of its impact on the volume of public revenues and then the nominal revenue.

Research Aims

- 1- Study and analysis of the impact of the COVID-19 virus on the global economy.
- 2- Analysis of the reality and features of the Iraqi economy and its growth rates.
- 3- Study and analysis of the impact of the COVID-19 virus on economic stability.

Research Methodology

In order to achieve the objectives of the research and prove or refute its hypothesis, the researcher relied on combining the two methods of inductive and deductive analysis through data analysis, tracking its developments over time and extrapolating the economic reality, and then deducing the effects and results to reach specific results through the available economic tools.

COVID-19 AND THE GLOBAL ECONOMY

Shortly before the onset of the COVID-19 virus, the global economy looked well on its way to recovery, trade and political tensions were deemed "not too bad", growth prospects were rosy, and financial markets were jubilant, but with COVID-19 spreading around the world hinder the global economy. This "V-shaped" crisis seemed possible when COVID-19 was primarily a Chinese problem. It started from it and spread and infected hundreds and even thousands and spread very quickly in Iran, Italy, Germany, America, India and other countries, and then worsened even more globally. And without finding the necessary treatment to limit its spread, nearly five million people have been infected with the virus around the world, especially

in the largest and most powerful economies of America and China, the second largest in the world after the United States of America, which means that they occupy a great weight in the global economy, and by virtue of globalization and economic interdependence. What happens in them will clearly affect the variables of the international economy, and the economies of the parties are affected by this (international) economy. Certainly, this impact depends on the extent to which the economies are resilient and adapt to the crisis, so the economic shock rooted in health has caused great and dire effects up to be much greater than other epidemics that appeared in the past century (Potter, 2001).

This pandemic is economically different from its predecessors, which were less economically dominant. And those epidemics were much smaller, with the number of COVID-19 cases roughly nine or ten times greater than the number of SARS cases. It hit most of the world's most powerful countries economically and financially. The ten countries most affected by COVID-19 were almost the same as the world's largest economies (Iran and India are the exceptions). The United States, China, Japan, Germany, Britain, France and Italy are among the top ten most affected by the disease. While China is by far the hardest hit. These countries also possess the largest share in the world in many fields, as follows:

- 60% of global supply and demand (GDP).
- 65% of global manufacturing.
- 41% of global industrial exports.

And to paraphrase a particularly apt idea: When these economies sneeze, the rest of the world will catch a cold. As a result, the affected countries will produce a “supply and demand contagion” in almost all countries. It is clearly evident when the manufacturing sector received a triple blow represented in (Japan, 2020):

- 1 - The arrival of raw materials was disrupted, and then production decreased because this disease appeared and spread in the heart of manufacturing in the world (East Asia), from which it moved and spread widely in other giant industrial companies - the United States and Germany.
- 2- Contagion in the supply chain will magnify its direct shocks as manufacturing sectors find themselves, especially in less affected countries, it is more difficult and/or more expensive to obtain imported raw materials from countries most affected by this disease.
3. There will be demand disruptions due to (i) macroeconomic declines in aggregate demand (i.e., recessions); and (ii) delays in purchasing and anticipation by consumers and delays in investment by firms. Manufactured goods, after all, are generally

'deferrable' and, therefore, more vulnerable to 'sudden shutdown' demand shocks, as seen in the collapse of the Great Trade of 2009 as a result of the global financial crisis in 2009. The service sector in all affected countries has also been hit hard. Since restaurants and movie theaters are empty, it may be manufacturing that was most affected by the crisis, as the data already reflects these supply shocks. In February 2020, China's leading indicator of factory activity, the Caixin/Market Manufacturing Purchasing Managers' Index (PMI), hit an all-time low. "China's industrial economy has been greatly affected by the epidemic," said Zhengsheng Zhong, chief economist at CEBM Group. PMIs from across East Asia also showed sharp declines in production, especially in South Korea, Japan, Vietnam and Taiwan. The negative impacts of COVID-19 on domestic demand of non-tradable services could become significant if the infection took a long time to contain, as previous epidemiological shocks were short and sharp. Today, in light of this shock, the duration is less clear, and since developed countries, including China, which exports a huge amount of industrial goods, so the duration of the interruption greatly affects whether companies can find alternatives to Chinese goods as they do on the speed of health recovery in China. In the worst case with supply disruptions, one can even imagine a situation somewhat similar to the oil shock of the 1970s, when almost all industrialized countries fell into a state of constant stagnation. , According to reports from the Bank and the International Monetary Fund, as well as what the Asian Development Bank said, as it was shown in a report issued by it entitled "Updated Assessment of the Possible Economic Impact of Covid-19" that the global economy lost approximately 5.8 to 8.8 trillion dollars, due to this virus, and that the economic losses Especially in Asia and the Pacific, it was estimated at (1.7 - 2.5) trillion dollars for a period of six months under the rule of closure. The GDP only in the Asia-Pacific region has decreased by 30% of the world's gross product. As a result of these significant effects, governments in all countries of the world have worked to implement measures to reduce these effects, represented in increasing spending on the health sector, and providing direct support to reduce the size of income losses. The report also stated that these government measures can mitigate the impact of Covid-19 in economic terms by a range of (30-40%), equivalent to about (4.1-5.4) trillion dollars. Note that the report covered 96 economies affected by the pandemic. It also included other problems represented in high trade costs, which in turn affect mobility, tourism and other industries, as well as supply-side disruptions, which negatively affect

production and investment. In a statement, Sawada said: "This new analysis has provided a broad picture of the impact of the pandemic from an economic point of view, as it shows the important role that policy can play to help reduce the damage to economies. The Asian Development Bank expected that the losses will be China alone. At (1.1-1.6) trillion dollars, between 158 million and 242 million people have lost their jobs due to the pandemic (Asian Development Bank, 2020).

Based on the preceding, it becomes clear to us that there are channels that transmit the economic COVID-19 infection between countries and that the most important of these channels are: goods, services, financial capital, foreign direct investment, exchange rates and International Banking System.

International trade has been one of the leading mechanisms through which the virus harms local economies and spreads internationally when trade flows are subject to demand shocks (decreased purchases) and supply shocks (reduced production), which are characterized by their spillover across countries. Supply and demand shocks in a country become, or in one industry within the country, supply or demand shock in other industries and countries, especially supply shock, when the offered thing is input into making something else. This "display chain infection" will certainly be an important component of the economic legacy of COVID-19. Major industrial firms in East Asia also account for more than 25% of US imports and more than 50% of US imports of computer and electronics products. Apparel and footwear companies are particularly vulnerable to supply disruptions in East Asia. And the decrease in the supply of these companies negatively affected the US economy (MTPIO, 2020, p. 1-11).

As for the exchange rate channel, it represents the classic contagion of financial crises. In the Asian crisis in the late nineties, companies and countries borrowed in one currency while earning income in another. For example, the sudden devaluation of the Thai currency prompted the bankruptcy of many Thai companies, as they could not cover the dollar value of their income for interest and loan repayment obligations the moment there is no hint of this mechanism. As for capital flows, the last mechanism of shock transmission is the sudden stop of capital flows. During the Eurozone crisis in the last decade, for example, a sudden stop in lending within the Eurozone is what put countries like Ireland and Portugal in a bind. As with the exchange rate mechanism, this mechanism does not appear to have been effective during this crisis - or at least not yet (Cochrane, 2020).

THE REALITY OF THE FEATURES OF THE IRAQI ECONOMY AND ITS ECONOMIC STRUCTURE

The Iraqi economy has witnessed since the establishment of the independent Iraqi government in 1921, and until now, there have been many positive and negative circumstances alike in various economic, political, cultural and other fields. From that time until the late fifties (1958), the prevailing economic doctrine in Iraq was Free Economy based on market mechanisms. The economy in this period was also considered an agricultural economy, as the agricultural accommodated half of the active labor force in the economy, in addition to its production that satisfies a large part of the domestic demand for commodities and agricultural products, in addition to the export of some products such as grains, dates, cotton and some livestock products. The beginning of fifth decade of the last century witnessed the establishment of the Reconstruction Council in 1950 due to the increase in the amount of Oil revenues, with which the signs of real economic development began to follow in the national economy. The Council started its work with four investment programs that included infrastructure projects (irrigation, roads, bridges and electricity) and sector development Industrial, agricultural and service sectors, and thus handicrafts flourished, and the private sector established limited joint-stock companies for consumer and construction industries, such as the Cotton Seed Company, the Vegetable Oil Company, cement companies in Baghdad, textile companies and others (Al-Aqaili, 2018, p. 53). The Iraqi government followed after 1958 Many of the economic policies that centered on agrarian reform and increasing local industrialization, as well as in 1964 the issuance of the Socialist groans related to the nationalization of the industrial sectors in 1964, but after 1968 the trend of the Iraqi economy moved towards adopting the planned economy, which is characterized by the expansion and dominance of the public sector over the economy in various fields, and thus the role of the private sector became marginal and limited. The nationalization of Iraqi oil in 1972 played a major role in the public sector's control of the extractive industry and the external sector (Al-Hussein and Al-Mousawi, 2004, p. 5). Since then, the transformation in the structure and performance of the Iraqi economy has begun, as the oil sector has become the main engine driving the wheel of overall activity. Then the economy became characterized by distortion and imbalance in the productive structure, as evidenced by the dominance of the oil sector, as well as the imbalance of foreign trade, the increase in the rate of economic exposure, unemployment, and foreign debt.

The structural imbalance is one of the most prominent challenges that the economy has suffered and continues to suffer from as a result of the inefficiency of the political and economic

system in directing economic resources (natural and human), or rather, the mismanagement of these resources towards goals that would maximize social and economic benefits in a dynamic and sustainable manner, and as a result of the weak role of The contribution of the industrial and agricultural sector to the formation of the gross domestic product, and the limitation of the industrial sector's role to the production of consumer goods mostly, depending on the international market to meet its needs of intermediate and capital goods, which led to the consistency of economic activity in the oil sector, as it flourishes with its prosperity and deteriorates with its decline. From Table (1) and Figure (1), the dominance of the oil sector over the contribution rates to the GDP during the study period, achieving average contribution rates (46.3%) during the period 2004-2020, where the percentage of the oil sector witnessed a clear fluctuation and this is of course due to price fluctuations Oil in the oil market, as it is noted that this percentage gradually decreased from about (57.9%) in 2004 to (42.9%) in 2009 and this is due to the global financial crisis that led to a drop in prices Oil, after which this percentage fluctuates sometimes towards the rise and at other times towards the decrease, and this depends on the international oil market, as it is noted that this percentage decreased with the shocks that occurred in the years 2009, 2014 and 2019 and their effects on the national economy, but despite that, the Iraqi economy depends The agricultural sector has witnessed a gradual decrease in the percentage of its contribution to the gross domestic product to reach (3.9%) in 2008. This is due to the destruction of agricultural lands as a result of the series of wars that the country has been exposed to. Which led to a decline in agricultural productivity, in addition to other regulatory factors related to prices and the market, as well as the lack of support for the agricultural sector and competition with the importer. While the industrial sector did not receive the required support and left it to compete with the importer in light of the high production costs, which led to a weak percentage of its contribution to the GDP, to be recorded as an average contribution ratio (2.1%) during the period 2004-2020, while the contribution rate of the banking sector was very low as it reached as an average percentage Contribution (1.5%) during the period 2004-2020. Which indicates the extent of the backwardness of this sector and its potential to achieve the desired goals, so it can be said that the decline in the percentage of the contribution of these activities is due to the rule of deteriorating political and unstable security conditions that contributed to the decline in production in these activities.

It is noted from the same table that the contribution of the services sector in the formation of the GDP increased from about (16.2%) in 2004 to (29.3%) in 2020, with an average percentage of (22.9%) for the same period, and this is due to the change in the

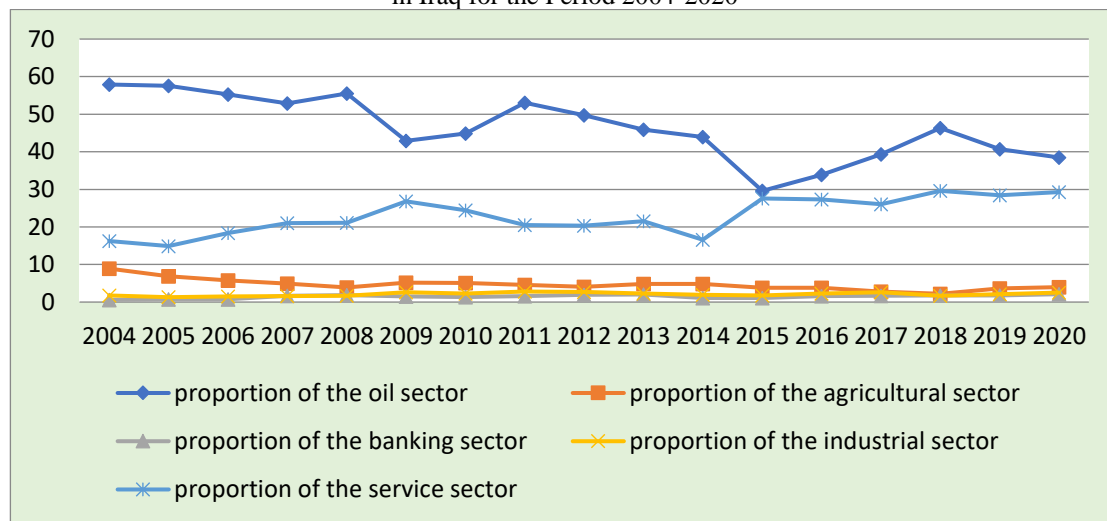
consumption pattern of members of society after the events of 2003 and Fatah The door of import is wide open and the phenomenon of simulation of the Western consumption pattern is emerging, which can be in line with the opinion of the economist (Baumal) who says that societies that consume a lot of services are richer, and that their citizens become eager to buy services across borders, which makes their productivity on the way to a decline. It is impossible, and this saying can be compared with the reality of the current Iraqi economy (Abboud, 2012, p. 3)

Table 1 Percentages of the Contribution of Economic Sectors in the Formation of the Gross Domestic Product in Iraq for the Period 2004-2020

Year	Proportion of the Oil Sector	Proportion of the Agricultural Sector	Proportion of the Banking Sector	Proportion of the Industrial Sector	Proportion of the Service Sector
2004	57.9	8.9	0.59	1.8	16.2
2005	57.6	6.9	0.71	1.3	14.9
2006	55.3	5.8	0.72	1.5	18.4
2007	52.9	4.9	1.68	1.6	21
2008	55.5	3.9	1.88	1.7	21.1
2009	42.9	5.2	1.47	2.6	26.8
2010	44.9	5.1	1.34	2.3	24.4
2011	53.03	4.6	1.57	2.8	20.5
2012	49.7	4.1	1.89	2.7	20.3
2013	45.9	4.8	2	2.3	21.5
2014	43.9	4.8	1.12	1.9	16.6
2015	29.6	3.8	1.09	1.8	27.6
2016	33.9	3.8	1.6	2.3	27.3
2017	39.3	2.8	1.7	2.6	26
2018	46.3	2.2	1.8	1.7	29.6
2019	40.7	3.6	1.8	2.1	28.4
2020	38.5	4	2.1	2.5	29.3
average	46.3	4.7	1.5	2.1	22.9

Source: Prepared by the researcher based on data: - Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, multiple years.

Figure 1 Percentages of the Contribution of Economic Sectors to the Formation of the Gross Domestic Product in Iraq for the Period 2004-2020



Source: Prepared by the researcher based on the data in Table 1.

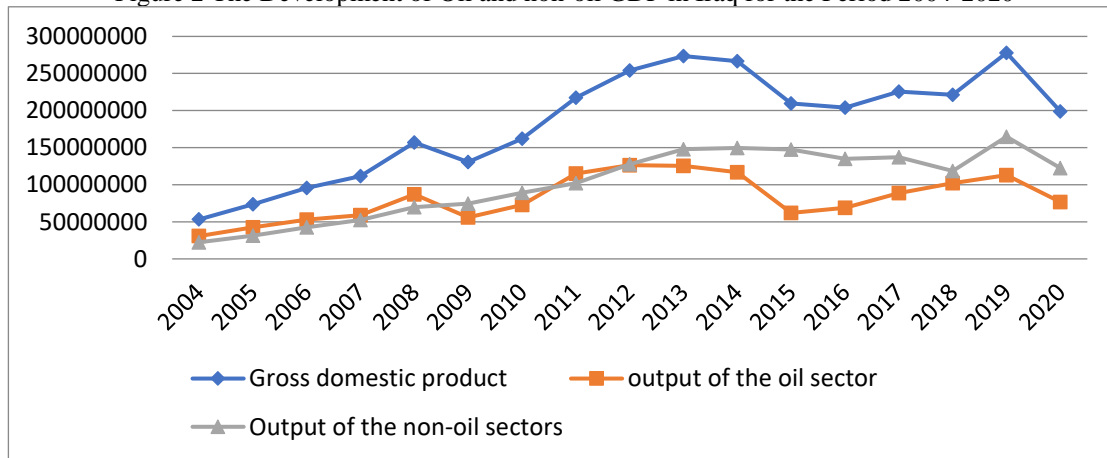
Accordingly, the weak contribution of the agricultural, industrial and banking sectors to the composition of the GDP is evident, as their percentage does not exceed the individual's salary until 2020, which reflects the state of the great structural imbalance in the structure of the GDP and the dominance of the oil sector over it, as well as the services sector, which comes in second place in terms of contribution percentage. Which leads to the distortion of the production structure and its inability to adapt to changes in aggregate demand, which creates a gap between domestic aggregate demand and domestic aggregate supply, which calls for imports to reduce that gap by importing from, and then depriving the economy of resources Cash that can be a reason for the development of the country and the advancement of its productive reality. Accordingly, the extent to which the Iraqi economy depends on the oil sector can be inferred through Table (2) and Figure (2), which shows the output of the non-oil economic sectors compared to the output of the oil sector. By nearly half, its contribution as an average rate over the study period amounted to about (46.3%), while the output of all other sectors amounted to (53.7%) for the same period, which reflects a significant weakness in the government's ability to diversify its sources of national income, which makes it hostage to the fluctuations of the oil market. And its effects that are directly reflected on its overall economic activity, and then the possibilities of achieving growth and economic development in the country. It can also be said that the high contribution rate of the non-oil economic sectors was not primarily a result of the increase in the volume of their output, but rather due to the low percentage of the oil sector's contribution to the formation of the output.

Table 2 The Evolution of Oil and non-oil GDP in Iraq for the Period 2004-2020 (million dinars)

Yaer	Gross Domestic Product 1	Output of the Oil Sector 2	Output of the Non-Oil Sectors 3	%1/2	%1/3
2004	53235358.7	30807302.1	22428056.6	57.87	42.13
2005	73533598.6	42377412.9	31156185.7	57.63	42.37
2006	95587954.8	52850580.2	42737374.6	55.29	44.71
2007	111455813.4	59015853.2	52439960.2	52.95	47.05
2008	157026061.6	87165166.8	69860894.8	55.51	44.49
2009	130643200.4	55993675.7	74649524.7	42.86	57.14
2010	162064565.5	72896641.6	89167923.9	44.98	55.02
2011	217327107.4	115248565.1	102078542.3	53.03	46.97
2012	254225490.7	126426336.5	127799154.2	49.73	50.27
2013	273587529.2	125576675.9	148010853.3	45.9	54.1
2014	266420384.5	116931906.8	149488477.7	43.89	56.11
2015	209491917.8	62009607.7	147482310.1	29.6	70.4
2016	203869832.2	69111873.1	134757959.1	33.9	66.1
2017	225722354	88708885.1	137013468.9	39.3	60.7
2018	221064479	102352853.8	118711625.2	46.3	53.7
2019	277884869.4	113099141.8	164785727.6	40.7	59.3
2020	198774325.4	76528115.7	122246209.7	38.5	61.5
Average				46.3	53.7

Source: Prepared by the researcher based on data: - Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, multiple years. - Percentages of the researcher's work based on the data in the same table.

Figure 2 The Development of Oil and non-oil GDP in Iraq for the Period 2004-2020



Source: Prepared by the researcher based on the data in Table (2)

THE IMPACT OF THE COVID-19 VIRUS ON ECONOMIC STABILITY

Economists differ among themselves on the definition of economic stability. Some define it as the economic environment that witnesses a state of stability in macroeconomic variables, but when the economy grows at an immoderate rate of inflation, the economy is considered economically unstable. On the other hand, recession and economic business cycles with a short time horizon and an unstable balance of payments lead To the total fluctuation of the foreign exchange rate, sharp rise and fall in the fiscal budget, and high or volatile inflation that leads to fears of financial instability, all of which are signs of economic instability that may

increase uncertainty, reduce encouragement, slow economic growth and reduce social welfare, and when economic instability is reduced. The economic system can increase the quality of life by enhancing living standards by raising productivity and efficiency that lead to sustainable levels of employment, as well as by reducing the variance in real output, price level or real consumption in light of transient shocks. In other words, the economic imbalance is the opposite case of economic stability (Al-Zubaidi, 2014, p. 55)

The Impact of the COVID-19 Virus on Public Revenues

It was natural that the reinter Iraqi economy and subsistence on oil due to the outbreak of the Corona pandemic, which negatively affected the equations of this market in terms of demand and supply, to put it in a critical financial position, and also put it at the mercy of the oil policies of countries that have a strong influence in drawing the map of oil policies in the world. And at the mercy of speculation and political rivalries between countries affiliated with the oil club, whether production, export, or consumption. And unlike the oil countries of the world, there was no indication by politicians in Iraq of the need to establish a sovereign oil fund, function of this fund is to save surplus funds, that it protects the national economy from shocks or political shakes, or wars or tragic surprises such as the Corona pandemic, and one of the advantages of this fund is investing financial surpluses to achieve high financial returns that preserve the value of money over time from erosion, and also contributes to raising the standard of living for citizens being It constitutes additional financial support for budgets. I say: But it is too late that if Iraq had its sovereign fund, the impact of the Corona pandemic would have been less on the reinter Iraqi economy, as it does not have a sovereign fund that would support it in dilemmas and crises, such as the crisis of ISIS and Corona, and for the lack of a sincere intention to diversify sources of income A nationalist away from oil, the Iraqi economy will continue to falter at the mercy of the speculations of the oil market and the mood of OPEC. The time has come for politicians, programmers of the Iraqi economy and engineers of its public financial budgets to think of planting a seed for the establishment of an Iraqi sovereign fund project, like many of the oil countries that have broader economic capabilities than Iraq, nevertheless, I have begun to establish such a fund to preserve the interests of subsequent generations who may not find a single drop of oil to export, if we consider that the shelf life of oil depletion does not exceed a few decades to coming. Such as resorting to borrowing from donor countries, the International Monetary Fund, or the use of the strategic cash reserve in order to bridge the budget deficit that generated a large financial deficit that may It puts the

issue of securing the salaries of employees and retirees at risk if we consider that the Iraqi budget is a budget of a purely operational nature, whose main function is to secure those salaries as for the rest of the investment aspects and emergency cases such as security and services, and emergency cases such as the Corona pandemic that require money.

Accordingly, oil revenues can be presented in light of the Corona pandemic, as shown in Table 3.

Table 3 The Evolution of Oil Revenues and the Price of a Barrel of Crude Oil in Iraq during the Corona Pandemic Crisis.

Month	Quantity of oil sold (barrels)	Revenue (dollars)	Average price (dollars)
Apr-19	103,988,607	7,020,667,137.22	67.514
May-19	110,737,293	7,329,737,474.29	66.190
Jun-19	105,603,325	6,372,817,660.95	60.347
Jul-19	110,548,767	6,692,158,835.37	60.536
Aug-19	111,706,133.67	6,412,705,561.78	57.407
Sep-19	107,276,193.77	6,321,197,046.27	58.925
Oct-19	106,859,982.37	6,120,586,051.91	57.277
Nov-19	105,014,747.73	6,304,928,723.97	60.039
Dec-20	106,265,346.77	6,697,622,433.02	63.027
Jan-20	102,485,591.80	6,163,383,577.24	60.139
Feb-20	98,347,947.43	4,841,890,911.99	49.232
Mar-20	105,118,523.72	2,980,706,460.40	28.356
Apr-20	103,144,966.36	1,509,965,777.79	14.639
May 2020	99,585,283	2,091,811,121.96	21.005

Source: Prepared by the researcher based on the data published on the SOMO website.

It is clear from the above table a significant drop in oil revenues in Iraq, as it decreased from about \$7.020 billion in April 2019 to about \$1.509 billion in April 2020, and this is due to the drop in global oil prices, as the price of Iraqi oil barrel fell from about 67 dollars in April 2019 to about 14 dollars in April 2020, and this decline, in turn, came due to the decline in global demand for crude oil and the glut, caused by the impact of the Corona pandemic and the economic isolation that resulted in it, as well as the closure of factories and the cessation of travel between countries and other stone measures. As a result, the Iraqi economy is currently suffering from a stifling financial crisis, which has culminated in being threatening the government's ability to fulfill its obligations towards its employees, and its confusion in imposing tax deductions on them.

Corona Virus COVID-19 and the Role of the Currency Sale Window in Iraq

Despite the debate among economists on the role of the window for selling foreign currency and its depletion of foreign reserves, there is a necessary thing that is absent from the majority of economists and politicians, which is its role in the sterilization process, which

contributes to controlling the money supply and then the exchange rate, as it is noted that from the table Below is that the money supply in the narrow sense has increased from about 86.7 trillion dinars in 2019 to approximately 93.8 trillion dinars in the month of 4 of this year, and that most of the increase came as a result of cash issuance and not an increase in current deposits, and this is very much due to the ineffectiveness of the selling window The currency due to its suspension during the days of the curfew imposed by the Corona virus, as well as the restriction of sales and the failure to meet the dollar demand, which put pressure on the exchange rate of the dinar in the parallel market, which led to a decrease in the exchange rate of the dinar and reached approximately 1270 dinars per dollar as a maximum and 1230 as a minimum .

Table 4 The Evolution of Money Supply in Iraq since the Spread of the Corona Pandemic

Year	Current Deposits	Current Deposits	MS1	Other Deposits	MS2
2019	34.9	51.8	86.7	16.7	103.4
1-2020	34.3	51.9	86.2	16.3	102.5
2-2020	38.1	51.1	89.2	16.4	105.6
3-2020	38.2	53.8	92	16.2	108.2
4-2020	36	57.8	93.8	16.3	110.1

Source: Prepared by the researcher based on the data published on the website of the Central Bank of Iraq.

As the decline in public revenues and the occurrence of a deficit in the general budget had a role in the fluctuations in the exchange rates of the dinar and the widening of the exchange gap between the budget and official rate / as resorting to sources of financing that deficit represented in the reduction of the exchange rate of the dinar and here and the pace of its effects began to be negatively reflected in the overall economic and social variables Equally, when the consistency is not economic, but according to purely political and economic visions that are useless, this was the worst consistency between the two policies, for which the necessary arrangements were prepared in advance, which was represented by higher administrative changes in the makers of both policies, especially monetary, and as a result of the monopoly of the Ministry of Finance. In order to cover the fiscal deficit in its budget in 2021, this ministry sought to reduce the dinar exchange rate as one of the options to finance that deficit and began promoting it with statements by its representatives and forcing the monetary authority to accept its decisions, or it would look for other sources to monetize The dollar (governmental and private banks), and as a result of these events, the effect of the widening gap between the two prices (the window and the market) began to gradually increase in late 2020, which This led to steadily rising inflation rates in a not-too-long period, so this option of financing the deficit

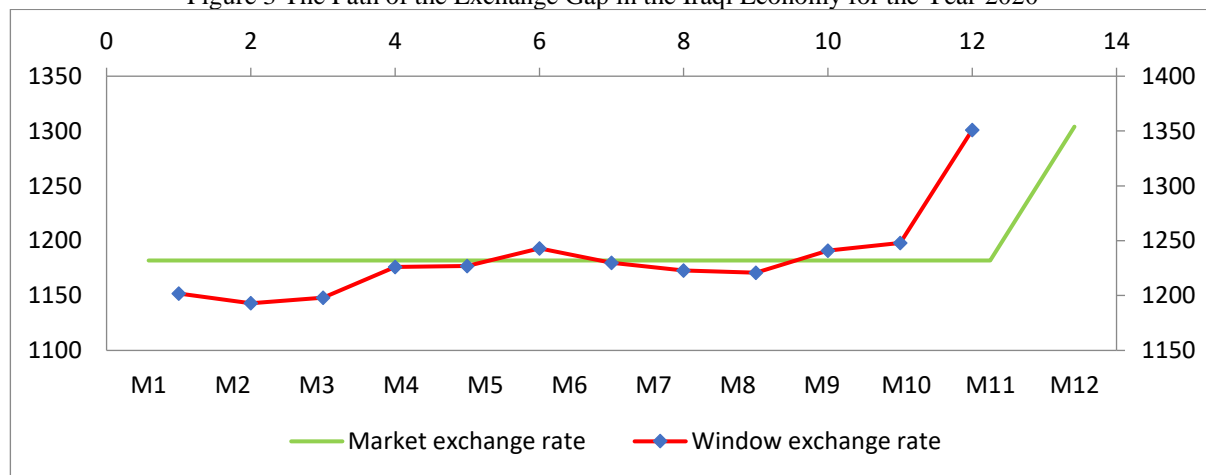
enters into the components of debt without interest, as if it were creating money without any equivalent cover (Al-Aqaili , 2022, p. 107) (as shown in Table 5 and Figure 3.

Table 5 The Exchange Rate Gap and its Impact on the Inflation rate in Iraq for the Year 2020

Years		Market Exchange rate	Window Exchange Rate	Exchange Gap	مستوى العام الاسعار 100 = 2012	Inflation
2020	M1	1202	1182	20	105.4	-
	M2	1193	1182	11	104.5	-0.9
	M3	1198	1182	16	105.8	1.2
	M4	1226	1182	44	104.6	-1.1
	M5	1227	1182	45	104.5	-0.1
	M6	1243	1182	61	104.3	-0.2
	M7	1230	1182	48	104.1	-0.2
	M8	1223	1182	41	104.5	0.4
	M9	1221	1182	39	104.7	0.2
	M10	1241	1182	59	105.5	0.8
	M11	1248	1182	66	104.5	-0.9
	M12	1351	1304	47	107.9	3.3

Source: Central Bank of Iraq, the official statistical website, percentages from the researcher's work.

Figure 3 The Path of the Exchange Gap in the Iraqi Economy for the Year 2020



Source: Prepared by the researcher based on Table 5.

It can be summarized what Iraq is facing on the economic and financial level due to the spread of the Coronavirus, great challenges on several levels, the most important of which are:

- 1- **Low Oil Prices:** in the draft state budget for 2020, Iraq relied on an estimated price of \$56 per barrel of oil, with an expected deficit of more than \$40 billion. But with the decline in global oil prices, it has become certain that the deficit will double even in the optimistic scenario that the countries of the world will pass the critical stage in the spread of the virus and the return of China, the most important consumer of Iraqi oil, to resume its industrial activities as before, given the pessimistic expectations published by the International Energy Agency about the continuation of Global demand for the

current year decreased by more than one million barrels per day, for purely economic reasons. In addition to the price war that erupted between Saudi Arabia and Russia after the failure to extend the production-cut agreement between the two sides. But if the epidemic continues, even at the same pace, and oil prices continue to fall, the Iraqi government will be forced to resort to the country's cash reserves, which amount to nearly \$80 billion, and risk exposing the financial situation, and put pressure on the local currency rate severely; Which will necessarily lead to a decrease in the value of savings of banks and citizens, and the purchasing power of more than seven million employees, retirees, beneficiaries and social benefits, and thus the fall of new groups into the poverty chasm, which has recently recorded unprecedented levels, especially in the southern governorates where the poverty rate ranged - according to the latest census Published by the Ministry of Planning - between 26 and 52 percent. This is without calculating the costs of preventive measures, health sector expenses, and humanitarian aid to citizens in case the number of HIV infections increases to the equivalent of the countries most affected by it, such as Iran and Italy, not to mention the expected increase in food and health food prices, from which Iraq imports most of its needs in hard currency.

2- **Stopping Investments in Infrastructure:** in this regard, it seems that the implementation of the Iraqi-Chinese agreement known in the media as "Oil for Reconstruction", which was signed by resigned Prime Minister Adel Abdul-Mahdi at the end of last September, has become required to increase the amount of produced oil that must be Iraq mortgaged it in favor of the agreement financing fund, in case it did not want to fall into the trap of "poisoned" Chinese loans. With reference to the possibility of benefiting from the funds accumulated in the fund, to purchase the requirements to confront the epidemic, and to bring in experts in this field from China in particular, which took the initiative in early March to send a shipment of medical equipment with a medical mission.

3- **Threat to the Oil Industry:** most of Iraq's oil production of 4 million barrels per day comes from oil fields developed by foreign companies, within what is known as "licensing rounds," which means that the outbreak of the virus among the workers and employees of these companies will lead to a real disaster, Despite the precautions it has taken, the most important of which is to prevent mixing with the local population;

Which led to the dismissal of thousands of Iraqi workers, which is only a prototype of the repercussions that Iraq has to deal with.

4- **Decline in Consumption Rates:** Despite the reinter nature of the Iraqi economy, which depends 95% on oil revenues, 65% of which is spent to pay the salaries of five million employees in the public sector, but many times that number of citizens depends entirely on the growth of commodity consumption levels and services for the owners of salaries and pensions, which was essentially known as a noticeable contraction that was reflected in the stagnation of the markets; What threatens the fate of a large segment of the workforce.

Corona Virus, Economic Policy and Measures Taken by the Iraqi Government

Economic policy choices have an important impact on mitigating the effects of containment measures and the speed with which the economy can adapt to normal conditions after the outbreak of the virus. Increased government spending must first be directed to the health sector and support all necessary spending on preventing, containing and mitigating the virus. Including overtime pay and better working environment conditions, as well as research, as well as support for vulnerable families and businesses, is essential. Containment measures and fear of infection can lead to a sudden halt in economic activity. Beyond health, people should be prioritized. Options include using short-time business plans and providing vulnerable families with temporary direct transfers to overcome them due to loss of income from business closures and layoffs. Increasing the liquidity reserves of companies in the affected sectors is necessary to avoid debt defaults by sound institutions. Reducing fixed fees, taxes, and credit tolerances will help relieve pressure on companies facing a sudden drop in demand.

What the Iraqi government has done from an economic point of view after imposing a curfew throughout Iraq are measures that do not live up to the magnitude of the current crisis, most of which were represented in supporting families affected by the curfew at a ridiculous amount (60) thousand dinars per person. Despite the naivety of this procedure, their Families that did not receive this support, the decisions are confused. Once a part of the pensioners' salaries are deducted and then returned to them. If this indicates the absence of a vision and a strategic perspective for the next stage in light of the continuing crisis, the government finances the Ministry of Health. It provides the necessary liquidity in cooperation with banks, Government and civil donors to confront this crisis. Imposing income taxes In contrast to many

countries whose measures have been shown in the direction of the crisis, a positive thing that the government has done is to pass the law to prevent double salaries.

CONCLUSION

1 - The spread of the Coronavirus had a significant impact on the drop in global oil prices, which contributed to the decline in oil revenues in Iraq and thus, its weak ability to finance its public (operational) spending in the absence of a general budget for this year.

2 - The curfew measures, which led to the disruption of the foreign currency sale window, had a major role in the Central Bank's decision to follow the restricted selling option in the window and not meet the dollar demand, which weakened its ability to sterilize the money supply and control the inflation rate.

3- The decline in dollar revenues in light of this crisis and the prevailing influence of the Kifah Stock Exchange on the exchange rate, which led to the exacerbation of the two price gaps in the economy and the fluctuation of the parallel exchange rate, reaching 1240 dinars per dollar. High inflation rates in the country increase the state of economic instability in it.

4- The weakness of monetary policy in using its tools to maintain the dinar exchange rates at the target level, and then the devaluation of the dinar and the rise in inflation rates in light of the outbreak of the Corona pandemic, which was reflected in its weakness in achieving economic stability.

RECOMMENDATIONS

1 - The need to formulate a clearly defined strategy for managing and allocating oil revenues according to a deeply studied economic vision aimed at ending the state of distortion and imbalance in the structure of the national economy and working to exchange oil revenues for sustainable development. To take upon himself the formulation of macroeconomic policies in a manner that achieves the benefit of the economy in general, while the monitoring of the work of that council is carried out by a committee consisting of representatives of the Integrity Commission, the Parliamentary Economic Committee, the Inspector General Directorate and exclusively specialists, as well as representatives of the judiciary, provided that That council is

not formed according to partisan, sectarian and national quotas standards, but rather according to scientific, professional and national standards.

2 - Work to develop the economic sectors and raise the percentage of their contribution to the GDP, especially the tourism sector, because of the financial returns and many job opportunities that it generates that contribute to improving the standard of living of individuals and reducing the problem of unemployment, and its exploitation does not require great efforts compared to other sectors.

3 - The fluctuations of crude oil prices due to the current pandemic, make it imperative for the government to establish sovereign funds in which to be saved in times of high prices, to be resorted to in times of crisis, and this experience is applicable in many oil-producing countries such as the Public Revenue Control Fund in Algeria and the Kuwaiti Fund for Generations future.

4 - The necessity of working to continue the operation of the currency sale window even during the times when the capital witnesses a curfew, in order to meet the demand for the dollar and prevent speculation that affects the exchange rate of the dinar.

5- The need to work on consistency between fiscal and monetary policies to reach a common goal.

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