



## **Measurement and analysis of the integrative relationship between financial policy and tourism development in Iraq for the period 2004-2018**

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### **Abstract:**

Iraq is one of the oil countries that depend on financing its economy mainly on the export of oil, and consequently the problem that impedes tourism development is embodied in the great neglect of the tourism sector and the absence of a serious attempt by those involved in tourism activity to create actual tourism development that could result in direct and indirect economic effects. It directly contributes to supporting the Iraqi economy, and there is no doubt there is an integrative relationship between financial policy and tourism development in all developed economic countries, but the Iraqi economy suffers from weakness in that relationship as a result of focusing on the oil sector to achieve it. The revenues are relatively sufficient to run government expenditures, which led to neglecting the development of the rest of the sectors, including the tourism sector. Based on this problem, the research was based on the hypothesis that there is an integral relationship between financial policy and tourism development in the Iraqi economy through the impact of direct and indirect public spending on the tourism sector. Also, the availability of all local resources and tourism ingredients that can take advantage of optimal exploitation in order to achieve optimal tourism development has no doubt that it has a positive impact on financial policy by revitalizing the rest of the sectors and achieving financial resources to finance the public budget. This requires highlighting this problem and trying to tackle it by testing the existence of the complementary relationship between financial policy and tourism development, as it is possible to achieve tourism development in Iraq and try to invest it in a way that reflects positively on the Iraqi economy, and this has been proven through the use of standard methods of testing common integration and regression. Self.

**Keywords:** financial policy, economic effects, public spending, Iraq.

### **Introduction**

Tourism is an essential sector in economic and social development plans, and financial policy, especially through spending, can have a direct impact on tourism activity, whether in public or private sector investments through the government's direct spending on the tourism sector through

the development of its tourism establishments, such as Hotels and historical and religious places, or spending on building new tourist facilities such as resorts, first-class hotels, etc., or by the state's spending on supplies that fall within the tourism product, including infrastructure, this spending in turn is reflected in For an indirect positive on tourism development, as well as public spending on the rest of the sectors, it also has positive indirect effects on tourism development, whether it is on the infrastructure, and the accompanying requirements within the tourism consumption, is an important incentive for tourism development, as well as well-being The economic sectors of other sectors that benefit from public spending benefit tourism. Tourism development also directly affects financial policy by providing important revenues for countries to finance their public budgets through fees imposed on the entry of foreign tourists, as well as taxes on tourist establishments and projects. Likewise, tourism development has many indirect effects on financial policy through its impact on many important economic variables on which fiscal policy depends on the development and revitalization of the economy in general. Tourism is one of the pillars of the national economy and has multiple effects in the economy, starting from maximizing economic growth, national income and foreign exchange to improving the economic structure. Tourism is also characterized by its ability to improve productive and investment activities in the national economy as a result of the front and back structural linkages of many goods and services with all economic sectors The main and subsidiary companies that contribute to the manufacture of the tourism product The research problem is that there is an integral relationship between financial policy and tourism development in all developed economic countries, but the Iraqi economy suffers from weakness in that relationship as a result of focusing on the oil sector to achieve relatively sufficient revenues to walk government expenditures, which led to neglecting the development of the rest of the sectors, including the sector Tourist.

The research was based on the hypothesis that there is an integral relationship between financial policy and tourism development in the Iraqi economy through the impact of direct and indirect public spending on the tourism sector, and that the availability of all local resources and tourism ingredients that can exploit the optimum exploitation for the sake of achieving tourist development is ideal no doubt It has a positive impact on financial policy by revitalizing the other sectors and achieving financial resources to finance the general budget.

### **First: The concept of financial policy**

Fiscal policy can be defined as that is the intentional and direct intervention of the financial authority to influence the level of economic activities in a manner that achieves influence in the levels of income, use, and national product through the use of financial policy tools represented by public expenditures, public revenues, and public debt management, and also can be defined as policy That the government pursues with regard to taxes, tunnels, and borrowing in the economy. colander, 2006, P253)), as fiscal policy refers to the use of the general budget to achieve overall goals such as full use and achieving economic growth in the long run and the stability of the general level of prices, and it can also be said as a change in government spending and taxes to reach economic goals, such as economic growth Eliminating unemployment, stabilizing prices, and being either deflationary based on reducing government spending and increasing taxes or being expansionary, the government increases government spending or reduces taxes in order to reach economic goals (TNHajela, 2010).

According to the previous definitions, it can be said that fiscal policy is the role played by the state through public financial tools or means represented by public expenditures, public revenues and the general budget in directing the movement of economic activity to achieve economic, social and political goals that reflect the political and economic philosophy of the country in light of the stage of development that pass by it.

There are a set of objectives of the financial policy, the most important of which are: Achieving productive efficiency through working to use available resources in the best possible way and that the efficiency criterion is to achieve the largest possible amount of production by making optimal use of the productive elements. It also aims to achieve full use: by determining the level of employment, levels of wages and prices (Micheal, Parkin & Powell Millani, 1997). One of its goals is to achieve economic progress by increasing the average per capita amount of production (goods and services), which is a measure of economic progress and a goal of economic growth.

Fiscal policy also contributes to achieving fairness in the distribution of income: i.e. reducing the disparity between the different income levels that results from the distribution of returns and rewards of production elements and achieving stability in the general level of prices within acceptable limits that do not affect consumption and investment (Roger A. Aornold, 2010).

Financial policy tools: One of the most important tools of financial policy is the tool of public expenditures that the state uses to achieve economic and social balance in accordance with the state's philosophy and the degree of development and progress that society has reached. Consequently, spending policy is part of fiscal policy as it plays with the tax policy an important and prominent role In achieving economic stability, as public expenditures contribute to financing current expenditures and investment expenditures, and the latter has an important role in achieving economic development in addition to its other partial and macro effects (David Miles, 2005. As for the other tool in general revenues The fact that the state performs its various functions requires sufficient financial resources to cover the expenses that result from performing these jobs and national income represents the container from which you obtain financial resources during a period of time (mostly a year) and given the expansion and development caused by the increase and complexity of public expenditures, this has been reflected in the development What happened in public revenue through its increase, multiplicity, and purpose (Felix J. Birbrauer, 2014), public revenue was not limited to regular revenue (such as taxes and fees) but rather to exceptional revenue (such as loans and cash issuance). The public budget is one of the most important financial policy tools adopted by the government to implement its economic and financial policy (Aman Khan, Hildreth, 2002).

## **Second: Tourism and Tourism Development:**

The concept of tourism: Some see tourism as a social phenomenon and another that it sees from an economic angle as leading to improving the standard of living and increasing income and another focusing on the political side and what tourism plays in strengthening international relations. As one of them defined it as those economic, cultural and organizational activities undertaken by individuals in a country other than their own for a period of not less than twenty-four hours for any purpose whatsoever except for the purpose of work that pays wages from within the host country (Muhammad Hassan Al-Naqash, 2013: 19). In the Ottawa conference in Canada, tourism was defined as the activity that an individual performs outside his usual place of residence for a period of time without the purpose of traveling working (Muhammad Al-Serafi, 2009: 11). The International Academy of Tourism defined holistically as those movements carried out by humanity and what It results in activities that result from individuals moving away from their country of origin in order to fulfill the desire for change and departure (Fawzi Atwi, 2004: 6). Through the aforementioned definitions, the researcher can define it as that activity that the individual or group of individuals performs, which is to move from their place of residence to another place for a specific period of time for the purpose of rest and recuperation, and that the goal of the transfer is not gain.

### **2 - Tourism development (its concept, forms, elements, goals, stages)**

A - The concept of tourism development: Tourism development was defined as providing services and facilities with the aim of satisfying the desires and needs of tourists and also includes some effects of tourism such as creating new incomes and creating job opportunities and all spatial types of tourist offer and tourist demand such as the geographical distribution of tourism products, as well as the flow of tourism movement and the effects of different tourist entry (World Tourism Organization, 1995: 11). Goeldner & Mcintosh defined it as part of a comprehensive development plan that is usually shared by the public sector and the private sector. Each of them participates greatly in certain parts of the "tourism project." The government usually provides infrastructure services such as water, electricity, transportation, etc. The private sector provides superstructures. (Hotels, restaurants, etc.) (Robert, Mcintosh and Carles, p350). Through the above definitions, the researcher believes that tourism development is a type of economic development through which the movement of the wheel of tourism activity is accelerated and tourism development requires coherence of all efforts and elements working in the tourism sector, especially the country that is considered the main element in the development process as the sponsor of development.

Tourism development takes many forms that differ from one country to another and from one place to another, including: (Mohyi Mohamed Massad, 2008: 41) The development of hot springs and coastal and mountain resorts, and the development of tourist cities that provide parks and means of entertainment and entertainment. The construction of airports, hotels and restaurants, as well as paving of roads, to serve tourists and facilitate travel. Among the most important elements of tourism development (Osman Muhammad Ghoneim, without date: 53,54) are tourist attractions represented by natural elements such as climate, terrain, forests, and man-made elements such as civilized and archaeological heritage and parks, as well as transportation and includes air, land and sea transport, as well as places of residence and include Private sleeping places, such as rent apartments, hotels, and support facilities, are of various types, such as tourist advertisements, banks, tourism management, etc., and infrastructure services, such as water, electricity, communications, and sewage, are a component of tourism development.

One of the most important goals of tourism development is to achieve a balanced and continuous increase in tourism resources, and the human being is the tool of this process and its first axis, so the state must strive to provide all the requirements that a person needs to keep his mental, psychological and physical abilities to the fullest extent, and the tourism development process starts from Human appreciation of the importance of tourism, and the benefits that it entails at all economic, social and cultural levels (Mustafa Abdel Qader, 2003: 197). We can summarize the goals of tourism development, which are usually defined in the early stages of the tourism planning process as follows: (Noureddine Hermes, 2006: 20)

A - On the economic level: Tourism development aims to improve the balance of payments situation and achieve regional development, as well as creating new job opportunities, whether in the tourism sector or in other sectors that are considered to be its support, in addition to increasing the state's tax revenues.

B - On the social and political level: Tourism development programs provide facilities for comfort, enjoyment and recreation for tourists and the local population alike, and develop a citizen's sense of his belonging to his country in addition to strengthening ties and increasing opportunities for cultural exchange between visitors and the host community, as well as spreading the cultures of peoples and increasing communication between them as well The development of political relations between governments in relation to tourist countries.

A- At the environmental level: Tourism development aims to preserve and protect the environment and prevent its degradation through enacting laws and taking strict measures.

Tourism development passes through several stages, the most important of which are (Douglas Pearce, 1989: P8). The stage of discovering the tourism capabilities of the tourist region, followed by the stage of growth and development of tourism resources for the region gradually, and then the starting stage in which the state takes the principle of tourism planning and expansion, and finally the stage of ripeness and in which the region appears On the tourist map, where the tourism activity in the region is complemented by the availability of attractions and facilities.

### **Third: The Mutual Effects between Financial Politics and Development Tourism: Tourism Effects**

The impact of fiscal policy on tourism development: Through the fiscal policy, the state can increase the total volume of demand in the economy, and influence the economic activity according to the problem that afflicts the economy, whether it is an inflationary or deflationary gap, because tourism has a specificity in this tool where spending can lead The direct year for the tourism sector is to develop this sector and its advancement, especially if tourism is considered an essential sector in economic and social development plans, and when this spending is directly focused on tourism activity, whether in public sector investments or the private sector, there is what is called The direct positive impact of the financial policy on tourism development, which is represented by the government making direct expenditures on the tourism sector through the development of its tourism establishments such as hotels and historical and religious places or spending on building new tourist facilities such as resorts and first-class hotels and others, and the measures that they take Countries in order to support the tourism industry between spending on tourism investments of the public sector, and creating an appropriate climate for private

investment, such as providing investors in the tourism sector with the financial aid and necessary loans, and support Cash cash to help establish tourist and hotel projects in areas that target its tourism development, and there are in-kind subsidies that are represented in granting lands to set up tourism projects on them, either for free or providing them at low prices, and examples of developing countries that apply this image from pictures of in-kind subsidies Argentina, Turkey And Sri Lanka. Accordingly, public spending on tourism activity is one of the means of financial policy pursued by the state to develop this sector, and the sector may benefit Tourism in another peculiarity, which is when the financial policy of the state is a deflationary policy where the state works to increase taxes and reduce public spending on the tourism sector, and this is highlighted in the role of tourism in attracting foreign currencies inward to fill the financial deficit in the balance of payments, especially if the country is tourism and has the ingredients Tourist attraction with the possibility of developing it, as well as when the state is linked to international tourism treaties, in a way that secures its high tourist demand such as Jordan and others (Muhammad Al-Serafi, 2007: 80) and there are indirect positive effects of financial policy on tourism development, when the state spends p To the requirements that fall within the tourism product, including infrastructure, this spending, in turn, is positively and indirectly reflected on tourism development, as well as public spending on the rest of the sectors, it also has positive indirect effects on tourism development, whether it is on infrastructure, and what accompanies it Among the requirements that fall within the tourism consumption, it is considered an important incentive for tourism development, as well as the economic welfare of other sectors that benefit from public spending is in the interest of tourism, as the increase in production and reducing the cost leads to an increase in profits and product width in a way that reduces the burden of high prices The ratio of complementary goods to the tourism product, as the boom in other sectors, are important factors in making integrated tourism development (Mohammed Diab and others 2014: 69).

Financial policy can also have direct negative effects on tourism development, if it takes into account the process of estimating tourism resources and other factors affecting tourism, in order to enable stakeholders to issue the feasibility of tourism development in a specific region to enable them to determine the type of tourism that can be developed, or if it appears The presence of factors hindering tourism development, including the difficulty of reaching a certain region, it is imperative not to go into the tourism development of that region because it leads to waste of money and effort, because most of the investments in tourism activity are from fixed assets such as hotels, and since many countries are Developing suffers from a lack of savings-oriented investment may not deliberately re-investment in the tourism sector, which is reflected negatively on the development of tourism (Mohamed Diab and others 2014: 80). There are indirect negative effects represented by the back-linking of some sectors to the tourism sector, and this occurs as a result of the tourism multiplier. The lack of public spending on other economic sectors negatively affects tourism development. For example, lack of spending on the agricultural sector leads to higher production costs and this in turn leads to higher prices and an increase in the cost of The tourism product in a way that affects reducing the demand for the product, and so with the other sectors that the tourism product is directly related to, and there may be many economic negatives that may reach to weaken the role of tourism in the balance of payments. Because of the underdevelopment of other economic sectors, which forces the tourism sector to import the goods and services that it needs from abroad, this means that part of the tourism expenditures will go abroad, which leads to weakening the role of tourism in the national economy, because the ability of tourism to send a series of national economic activities in The branches of the national economy depend on the extent to which the national economic sectors can provide the requirements for tourism production (Mohamed Diab and others, 2014: 83). Tourist payments obtained by the state in exchange for granting entry and exit visas and collecting various fees (air, sea ports, customs fees, fees for practicing the profession and tourism-related work, etc.), as well as tax receipts of various kinds and for all tourism activities as most countries of the world They classify tourism on the basis that it is a luxury service and therefore subject to high rates of taxation, and thus tourism occupies a special place in the general budget of the countries in which tourism is active, just as the revenues from tourism establishments of the public sector, such as the revenue of transporting tourists on the carrier In the national sector, the state also enters into a partnership with the private sector, and this gives the government a large share of the financial revenues realized, which is one of the sources of financing the budget. There are effects for tourism in the redistribution of income, as by extending it to distant areas, the tourist increases the entry of establishments and individuals in these areas due to the establishment of sub-activities that are based on tourism therein. This entails

a redistribution of income between cities, urban centers and new tourist centers so that citizens benefit from that And manpower, when the state directs to establish tourism projects, whether they are private or owned by them in the different regions, this can lead to the development of tourism areas and to creating new job opportunities and improving the standard of living in addition to redistribution With entry between urban and rural areas, therefore, the tourism sector, like other sectors, contributes to redistributing income through the exploitation and investment of tourism capabilities, which requires financial investments in order to exploit and develop tourism services on the one hand and new incomes for what tourists spend on the other hand, in addition to the emergence of industries Complementary activities for tourism all lead to raising the income level of the population within or outside the tourist region (Ibrahim Ezzat Kabil, 9: 1977). Undoubtedly, the effect of tourism on the national income comes through its effect on the multiplier, as the importance of the multiplier effect of tourism appears in analyzing the role of tourism in economic development, as it brings us to what is caused by the impact of tourism spending on the economy (Abdel Wahab and Salahuddin, 1986: 130) ; Naturally, any increase in spending by foreign tourists will lead to an increase in income, as well as any decrease in spending by foreign tourists will lead to a decrease in income, while the opposite will be the case with tourism spending for citizens abroad, as increased spending works to reduce income , And its decrease increases the income, the first income resulting from the original exchange made by the tourist is called direct effect, and the courses of income generated after that are called indirect effect (Arab Tourism Magazine, 1973: 34); And in each session, a new additional income is achieved, and this is known as the effect of the tourist multiplier; This effect varies in amount according to the economic level. The amounts spent by tourists generate two to four times the commercial activity in developing countries economically, while this activity reaches five times in the developed countries (Ibrahim Ezzat Kabil, 1977: 58).

**Fourth: - Analysis of the reality of financial policy in Iraq during the study period:**

It is clear from Table (1) that public revenues are growing at a rate less than the rate of growth in public expenditures, and that public expenditures are increasing at a rate that exceeds the increase in gross domestic product, which led to the Iraqi economy being hit by a prophetic fiscal deficit. As public expenditures in Iraq during the period (2004-2018) witnessed several developments that significantly affected their trends in terms of size and aspects of expenditures, Table (2) shows the level of development of these expenditures, as the difference in rises and decreases shows the extent to which these expenditures relate to oil prices that It is determined by the global market, which leads to increased structural imbalances due to the almost complete dependence on oil revenues, as well as the pressures resulting from the high military spending that ISIS caused after entering Iraq in 2014 and its aftermath. Public expenditures are the tool that helps the state and its public bodies to carry out its activities aimed at satisfying public needs and achieving economic stability, in addition to that public expenditures are the means to achieve the goals that the government seeks within its economic and social programs that represent an important and major part of the overall demand.

**Table 1:** Total expenditures and revenues in the Iraqi economy for the period (2004 - 2018)  
(thousand Iraqi dinars)

Years	Total output	Actual revenue	growth rate	Revenue ratio	Total expenses the Actual	growth rate	Expenditure ratio	The deficit and the surplus	Rate of change	The deficit and the surplus
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	the local		Annual %	Of the domestic product		Annual %	Of the product the local	The actual	In deficit and surplus The actual	The actual Total output
2004	53.235.4	<b>32,888,500</b>	-	%61.77	<b>31.521.427.0</b>	-	41.5	1.367.073	-	2.5
2005	73.534.6	<b>40,435,400</b>	23	%54.98	<b>30.831.142.0</b>	2.2 -	35	9.604.258	602.5	13
2006	95.588.0	<b>49,055,500</b>	21.3	% 51.3	<b>37.494.459.0</b>	21.6	40	11.561.041	20.8	12
2007	111.455.8	<b>54,964,900</b>	12	% 49.3	<b>39.308.470</b>	%4.8	35	15.656.553	35.4	14
2008	157.026.1	<b>80,641,041</b>	46.7	% 51.3	<b>67.277.196.0</b>	71.2	37.8	13.363.845	14.6-	8.5
2009	130.643.2	<b>55,243,,500</b>	31.5 -	% 42.2	<b>55.589.700.0</b>	17.4 -	40	0.346.200 -	97.4-	0.26 -
2010	162.064.6	<b>70.178.200</b>	27	% 43.3	<b>70.134.201.0</b>	26.2	39.2	0.043.999	87.2	0.02
2011	217.327.1	<b>108.807.400</b>	55	% 50	<b>78.757.703.0</b>	12.3	32	30.049.697	68.1	13.8
2012	254.225.5	<b>119.817.200</b>	10.1	% 47	<b>105.139.126.0</b>	33.5	35.5	14.678.074	1.5-	5.77
2013	273.587.5	<b>113.840.100</b>	5 -	% 41.6	<b>119.127.611.0</b>	13.3	39	5.287.511 -	63.9-	1.9 -
2014	266.420.4	<b>105.266.000</b>	7.5 -	% 39.5	<b>113.473.512.0</b>	30 -	32	8.207.512 -	55.2	3 -
2015	207.876.2	<b>66.470.300</b>	36.8 -	% 32	<b>70.397.510.0</b>	38 -	60.6	3.927.21 -	52.1-	1.88 -
2016	203.869.1	<b>54.409.345</b>	18.1 -	% 26.6	<b>67.067.430.0</b>	4.7 -	60.7	12.658.13-	222.5	6.2 -
2017	225.995.2	<b>77.335.955</b>	29.6	%34.2	<b>75.490.100.0</b>	12.5	33.4	1,845,855	85.4	%0.8
2018	754.901.1	<b>106,569,834</b>	27.4	%14.1	<b>80,873,200</b>	6.6	10.7	25.696.63	1.2	%3.4

Table of researcher's work based on: - Sarmad Kawkab al-Jamil, Nameer Amir al-Sayegh, economic policies and future scenarios for economic performance, report

Iraqi Economy, Challenges and Options, 2018, p. 21, - The Central Bank of Iraq Statistical Bulletin, Baghdad Annual Department of Statistics. 2010--2018.

Through Table (2), it is noted that there is no clear economic strategy in recent years, and therefore the absence of a clear investment policy in the distribution of resources and the modernization of investment priorities as well as the specific weakness of the absorptive capacity of the economy because of weak infrastructure, as successive governments relied on oil imports to finance their annual budgets.

The public budget is the main tool for financial policy that the state uses to achieve the objectives of economic policy, by looking at the inputs and outputs of this budget in achieving economic and social development, as the development and maintenance of economic and social infrastructure is one of the direct functions of the public budget, by tracking the path of the public budget The deficits and surpluses experienced by the budget are from the data of Table (1). We conclude that the public budget achieved financial surpluses for the period (2008-2008), due to the increase in oil revenues. I see oil there, as the factors of the security situation, the high quantities of oil produced and the high prices in the international market, as well as the rehabilitation of many government factories outside the service, and the absence of strategies and policies for diversification of budget revenues, as tax revenues and other non-oil resources constitute only a small percentage of the total Revenues have a major role in the deficit and surplus recorded in the general budget in the Iraqi economy, which was reflected in the fluctuation of budget revenues, which depend largely on oil revenues that are affected negatively or positively, which appears in the form of a deficit or surplus in the budget. In general, through spending data for the aforementioned years, we note that spending ratios are fluctuating, as they rise in a specific year and decrease in another year, and the reason for this fluctuation is that Iraq is a rentier country in which the economy depends entirely on oil revenues, which are linked to global supply and demand.

**Table 2:** Distribution of public spending amounts according to current and investment spending and the percentage of its contribution to the total expenditures for the period 2004-2018 million dinars

Year	Total output the local				The ratio of current			Expenditure ratio
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		Total expenses	Current spending (Operational)	Expenditure ratio Operating / total Expenses	spending to total output the local	Investment spending	Expenditure ratio Investment Total expenses	Investment to total The resulting
2004	53.235.4	32,117,491	29.102.758.0	%90.61	%54.6	3.014.733	%9.38	%5.6
2005	73.534.6	30.831.142.0	21.803.157.0	%70.71	%29.6	9.027.985	% 29.2	%12.2
2006	95.588.0	37.494.459.0	32.778.999.0	% 87.42	%34.2	4.715.46	% 12.58	%4.9
2007	111.455.8	39.308.347.0	31.308.188.0	% 79.64	%28	8.000.159.0	% 20.36	%7.1
2008	157.026.1	67.277.196.0	47.522.700.0	% 70.63	%30.2	19.754.596	% 29.37	%12.5
2009	130.643.2	55.589.721.0	42.053.620.0	% 75.64	%32.1	13. 536.101	% 24.36	%10.3
2010	162.064.6	70.134.201.0	54.580.860.0	% 77.82	%33.6	15.553.341	% 22.18	%9.5
2011	217.327.1	78.757.703.0	60.925.554.0	% 77.35	%28	17.832.149	% 22.65	%8.2
2012	254.225.5	105.139.126.0	75.788.623.0	% 72.08	%29.8	29.350.503	% 27.92	%11.5
2013	273.587.5	119.127.611.0	78.746.806.1	% 69.39	%28.7	40.380.804	% 30.61	%14.7
2014	266.420.4	113.473.512.0	76.741.673.0	% 67.62	%28.8	36.731.839	% 32.38	%13.7
2015	207.876.2	70.397.510.0	51.832.839.0	% 73.61	%24.9	18.564.671	% 26.39	%8.9
2016	203.869.1	67.067.430.0	51.173.343.0	% 76.30	%25.1	15.894.009	% 21.81	%7.7
2017	225.995.2	75.490.100	59.025.654.0	% 78.18	%26.1	16.464.461	% 21.82	%7.2
2018	278,586,000	104.158.183.7	79.508.071.5	%76.3	%28.5	24.650.112	%23,66	%8.8

Table of researchers' work relying on data: the Iraqi Ministry of Finance, the General Budget Department, final accounts for the period (1991-2013), the Central Bank of Iraq / General Directorate for Statistics and Research for the period 2004-2012, the Federal Budget Law of the Republic of Iraq for the period 2013-2019 different pages.

Fifth: Analysis of the reality of tourism development in Iraq during the study period: We note through table (3) the weakness of the contribution of the tourism sector to the gross domestic product at constant and current prices, and the reason is due to the weakness of the tourism sector in terms of the volume of tourism demand and investment in this activity, therefore it must be improved. The activity of this sector, which is related to improving and developing the investment climate and developing the business environment with the aim of attracting local and foreign investments with the availability of political and security stability, which in turn will stimulate tourism and increase its contribution to the formation of the gross domestic product, as political and security instability has greatly affected the activity of the tourism sector and the low percentage of its contribution to the formation of the gross domestic product, which was reflected in the national product of the Iraqi economy. As the economic situation of the country improves, borders open to exports and imports, increase in foreign direct investment and high oil prices contribute to the improvement of economic sectors, which results in an increased number of tourists to Iraq, which reflects positively on the tourism sector. For example, in 2014, the value of spending on the tourism sector decreased to reach (611555) million Iraqi dinars, and the reason for the decrease in the value of public spending compared to its counterpart in 2013 is the lack of approval of the 2014 budget, which led the Ministry of Finance to adhere to exchange and at a rate of (1 to 12) From the actual current expenses for each similar month from 2013, and only financing the projects contracted for in previous years without contracting for new projects within the investment budget for the year 2014 (Central Bank of Iraq, 2014: 70). This decrease is also attributed to the lack of contribution of government policies in providing support. Sufficient sector for this sector and provide Aat governing his work.

**Table 3:** Spending on the tourism sector and the contribution of tourism to the gross domestic product in Iraq (2003-2018)

year	Public spending	growth %rate	Tourism contribution	growth %rate	Tourism contribution	growth %rate
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	on the tourism sector (million dinars)		to GDP at constant prices (million dinars)		to GDP at current prices (million dinars)	
2003	38400	-	1056.4	-	559.1	-
2004	29805	22.3-	1333.9	26.2	210.8	62.2-
2005	135274	353.8	1295.3	2.8-	2384.7	1031.2
2006	185791	37.3	2736	111.2	612.8	74.3-
2007	262653	41.3	2566.3	6.2-	7038.5	1048.5
2008	384644	46.4	2888.8	12.5	10078.1	43.1
2009	541776	40.8	3794.2	31.3	11486.6	13.9
2010	658904	21.6	3836.3	1.1	14940.2	30.06
2011	685427	4.02	4151.3	8.2	13941.6	6.6-
2012	759365	10.7	4328.6	4.2	15626.4	12.08
2013	936866	23.3	4812.4	11.1	17688.3	13.1
2014	611555	34.7-	4730.7	1.6-	19673.5	11.2
2015	497426	18.6-	13186	178.7	20575.6	4.5
2016	617120	24.06	14865.7	12.7	21857.7	62.3
2017	739923	19.8	14745.2	0.81-	20204.4	7.5-
2018	683168	7.6-	14244.8	3.39-	19519.4	3.3-
<b>Compound growth rate</b>	19.71		17.66		24.86	

**Source:** - Columns (1, 3, 5) The Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, Various Years, and Columns (2,6,4) of the researcher's work relying on data for the rest of the columns.

All the tourism indicators in Table (4) confirm that Iraq can become a leading tourist center in the Middle East region because of its historical and civilizational position and its distinguished geographical location, so if this place is properly utilized, it will make it a center for global tourist intent, and also makes tourism one of the engines The basic aspect of the Iraqi economy, as Iraq has the most important ingredient and it is the religious side, as Iraq has many religious places that no one else has, and also it has the civilizational, natural and other elements that have an important role and a major role in stimulating tourism and its development, as it took place Development in various fields, including building excellent and first-class hotels in major cities and other governorates for the purpose of meeting requests for accommodation and finding a suitable offer to receive tourists to Iraq (Ministry of Planning, 2013: 2), and table (2) shows the number of hotels and tourist accommodation complexes in Iraq for the period (2003-2018), as the number of hotels and tourist accommodation complexes reached (838) for the year 2004, while the number of hotels and tourist accommodation complexes for the year 2003 (894) was a tourist facility, and the number of hotels decreased during the period (2004-2007) as a result of the exceptional circumstances that he went through Iraq from war and instability of the security situation and the deterioration of political conditions ed To prevent most of the countries of the world for their nationals from traveling to Iraq, which negatively affected the deterioration of tourism activity and decreased its opportunity to contribute to the national economy, then the number of hotels began to increase for the period (2008-20018) until it reached (1666) hotels in 2018, due to the increase of tourists coming to Iraq, as the Karbala Governorate occupied the highest percentage (44.9%), followed by Najaf Governorate at 23.2%, followed by the Baghdad Governorate at 23.1%, then Basra Governorate at 3.2% of the total number of hotels for the year 2018, while the number of guests reached (6097) One thousand inmates for the year 2018, with a higher increase than in previous years, where the governorate of Baghdad (42.6%) occupied the highest percentage of Karbala (31.7), then Najaf Governorate (20.2%) and Basra Governorate (2.7%) of the total number of inmates.

**Table 4:** Indicators of the tourism sector in Iraq (2003-2018)

year	Tourist expenses	Tourism revenue	Number of hotels and tourist accommodation	Number of guests	Number of workers	Number of overnight nights	Wages of workers
2003	6460	80363	894	2696	5335	8174	2817
2004	13879	46655	838	1878	5659	4249	4506
2005	13049	34224	715	2003	4789	3893	9885
2006	10514	48740	505	1434	3349	3928	5638
2007	11744	63788	492	2480	4574	4076	12163
2008	17595	91411	577	2375	5176	5176	17194
2009	23446	119035	662	2270	6065	6276	22225
2010	30172	144854	751	3050	6071	8943	25438
2011	53471	176273	929	3874	7109	10526	25577
2012	64943	211492	1084	4474	7491	12176	32454
2013	69390	261392	1267	6321	8830	14059	50297
2014	84682	339295	1281	5621	8506	14176	44059
2015	99975	417199	1296	4922	8182	14294	37822
2016	122437	356557	1484	7749	9122	16736	44475
2017	113511	316484	1484	6125	10167	11918	43024
2018	56577	266593	1666	6097	8920	10696	37860

**Source:** Ministry of Planning, Central Statistical Organization, Survey of Hotels and Tourist Accommodation Complexes, various years.

While the number of overnight nights increased for the period (2003-2018), reaching (10696) thousand (beds / days) for the year 2018, as the Karbala Governorate occupied the highest percentage (46.6%), followed by Baghdad with (29%), then Najaf with (15.4%) And Basra Governorate, at a rate of (3.5%) of the total overnight nights, as it is noted that the tourism activity is important in providing job opportunities compared to other economic activities, especially that the tourism activity depends on the human factor in providing tourism services, and it cannot be replaced by the machine as in other industries. Which requires the application of the system for the purpose of estimating the number of workers in all components of the tourism activity, as it is noticed that the number of employees reached (5335) in 2003 as an investigator A rise in 2004, when the number of employees reached (5659), but during the period (2005-2006) the number of employees seemed to decrease, as a result of the war on Iraq and the deterioration of the security situation, which led to a decrease in domestic tourism demand, while the period (2007- 2015) The number began to increase as a result of the improvement in the security situation in Iraq, which led to an increase in the entry of tourists to Iraq, especially Iranian tourists, at the beginning of 2008, as Karbala occupied the highest percentage (37.9%), followed by Baghdad with a rate of (35.5%) and then Najaf with a percentage (14.7%) Basra (7.1%) of the total number of workers, and this is a good indicator that reflects the ability of hotel activity to generate employment opportunities, as for the total wages and wages Zaya paid to workers and employees amounted to (37860) million dinars in 2018, with Baghdad Governorate occupying the highest percentage (39.8%), followed by Karbala Governorate with a percentage of (33.9), then Najaf (13.9%) and Basra with (9%) of the total wages and salaries.

As for tourism revenue, it constitutes an important source of financing for the general budget of many countries of the world, despite their low values in the Iraqi economy, and through Table (2) we note the noticeable development of the size of tourism revenue during the period of the research, although tourism revenue in general has recorded fluctuation during the period (2005). - 2010), the revenues collected (46655) million dinars in 2005 and decreased to (34224) million dinars in 2006, which is the lowest level during the time period, due to the lack of political and security instability and the absence of government interest in this sector, as it is clear that growth Tourism in Iraq is linked Closely related to the policies pursued by the state and the prevailing security conditions that contributed to deepening the crisis of the tourism sector in Iraq, which had a negative impact on the size of its revenues from this sector, and it is noted that Baghdad achieved the highest percentage (37.7%), followed by Karbala at (34.3%) and then Najaf Governorate (17.3%) and Basra Governorate (6.3%) of the total revenue earned, while total expenses amounted to (56577) million Iraqi dinars for the year 2018, with Baghdad Governorate occupying the highest

percentage of expenses amounting to (39.9%), followed by Karbala Governorate with (35.4) Then, Najaf Governorate (17.3%) and Basra Governorate (4.7%) of the total expenses.

**Fifth: Measuring the integrative relationship between financial policy and tourism development:**

Our symbol for the study variables is with the following symbols: Expend (= government spending, Revnu = public revenue) and it represents the financial policy variables. (Rogdp = tourism contribution to GDP) which represents the variable of tourism development), and the statistical program (Eviews11) will be used in order to know the complementary relationship between the fiscal policy represented by the sides of public expenditures and revenues, and tourism development represented by the contribution of the tourism sector to the total jewelry output for the period (2003 - 2018). The first step is to test the stability of the time series (Stability Testing Of Time Series) for the model variables and determine the rank of joint integration of the time series and know whether the variables are stable or not and this is done through the application of the unit root test of Dicky Fuller Extended (ADF), which was developed by David Dicky William Fuller, DADickey & WAFuller (1981: P 1057-1071): After performing the extended unit root test (ADF) we obtained the results shown in Table 5.

**Table 5:** Unit Root Dickey Fuller Test

variables	Slow down s	the level				The first differences			
		A		B		A		B	
		t Calculate d	t Tabular	t Calculate d	t Tabular	t Calculate d	t Tabular	t Calculated	T Tabular
<b>Expend</b>	1	-1.31	-3.75	-1.54	-3.08	-3.98	-3.79	-2.19	-3.09
<b>Revnu</b>	1	-1.42	-2.04	-1.32	-3.12	-3.99	-2.11	-2.12	-2.96
<b>Rogdp</b>	1	-1.76	-3.75	-0.21	-3.08	-3.33	-3.19	-1.37	-3.09

a means the regression contains a section and a general direction, a means the regression contains only a sector. Source: - Prepared by the researcher, using Eviews

We note from the table that the original chains were unstable (non-static) at the level, therefore the unit root test was done in the first differences of the original chain, which showed that all variables were stabilized at the level of significance (5%) and therefore the original series is integrated from the first degree I (1) This is because the calculated (t) is greater than the tabular value, and that this series has been stabilized after taking its first differences and in the presence of a sector and a general trend.

After obtaining the stability of the time series and identifying the degree of integration of these chains to the variables used in the study and making sure that these variables are still, we can use the joint integration method to test for a long-term balance relationship between the time series, but it is required that the time series be integrated from the same degree, and it is considered The joint integration test is a test of the existence of a stable balance relationship in economic theory and evidence of the correct characterization of the model, as the Johansen test will be used, and it is considered the best and most efficient test because it takes into account the error limit model through the possible approach method Greater, as it provides a standardized method for testing and estimating the joint integration vector (Benjamin S. Cheng, 1999: P184-192), the Johansen test involves two tests (p324-325, 2007: Dimitrios Asteriou and Stephen G. Hall):

The first test: Trace Test, as it tests the null hypothesis that the number of common integration vectors is less than or equal to the number r (r < n) versus the alternative hypothesis that the number of vectors equals r (r = n) and is calculated according to the following formula:

$$\lambda_{\text{trace}}(r) = -T \sum_{i=r+1}^n \ln(1 - \hat{\lambda}_i) \dots \dots \dots (1)$$

Since T represents the sample size.

The second test: Maximum Eigen Values Test. The null hypothesis is tested that the number of co-integral vectors is equal to r ( $n = r$ ), against the alternative hypothesis that the number of integral vectors is equal ( $n = r + 1$ ). It is calculated according to the following formula::

$$\lambda_{\max}(r,r+1) = -T \ln(1 - \lambda_{r+1}) \dots \dots \dots (2)$$

The Johansson test is a test of matrix rank ( $\square$ ) and requires the existence of a common integration between the variables that the matrix not be of a complete rank ( $0 < r \square = r < n$ ), and a joint integration test was performed for the model variables and the results were as shown in Table (6) .(

**Table 6:** Johansen's Joint Integration Test

The hypothesis of nothingness	The alternative hypothesis	Statistic Value	Critical Value
<b>Trace</b>			
r=0	r>1	* 22.91	10.26
r≤1	r>2	5.73	7.16
<b>Maximum</b>			
r=0	r=1	*24.18	17.89
r=1	r=2	6.73	8.16

\* Meaning moral at the level of significance 5%

The source is prepared by the researcher, based on Eviews We note from Table (6) that the results of the Johansson test indicate the presence of one common vector between the variables according to the Trace effect test, and then rejected the null hypothesis that there is no common integration at the level of significance (5%). As for the maximum value test for Johansson indicates the presence one vector at the level of significance (5%). This confirms the existence of a long-term balance relationship between the study variables, and this means that there can be no false regression between these variables.

After confirming the existence of the integral relationship between the research variables, we used the self-regression vector (VAR) to estimate the regression equation expressing the relationship between these variables, as the VAR models consist of a system of equations, and that each equation is an internal variable and its relationship with the time regressions of the variable The internal as well as the rest of the other external variables in the system, and this system of equations are dealt with symmetrically, it can be said that the system is a reduced form of the structural form that shows the relationships and interactions between the variables over time. Before performing the VAR model analysis of the model variables, it is necessary to know the number of optimum delay periods for these variables, and after performing the test the results were as in Table (7). Basically, the slowdown period with the lowest value for these criteria is chosen.

**Table 7:** the number of slowdowns for the VAR model

Lag	LR	FPE	AIC	SC	HQ
0	1.59	NA	47.58	47.68	47.58
1	3.18*	27.80*	34.97*	35.25*	40.96*

\* Indicates the number of defaults or slowdowns, and all tests are at a significant level (5%). Source: Prepared by the researcher, using Eviews

Through Table (7), we conclude that the number of delay periods is one term based on the mentioned criteria AIC and SC, which carries the lowest value at the first delay period, and therefore the optimal delay period will be, and after estimating the model the results were as shown in Table (8).

**Table 8:** Results of VAR Model Analysis

variables	D(Rogdp)	D(Expend)	D(Revnu)
C	1975.394	23614.29	22614.29

	(352.235) [5.60816 ]	(40409.6) [0.76686 ]	(42409.6) [0.56686 ]
<b>D(Rogdp)-1</b>	-0.340509 (0.24050) [1.51182-]	0.14338 (11.4174) [0.82016 ]	0.024338 (13.5174) [0.52016 ]
<b>D(Expend)-1</b>	0.216325 (0.01238) [-7.67201]	0.0380384 (0.37928) [0.54589 ]	4.260384 (0.41928) [0.48589 ]
<b>D(Revnu)-1</b>	0.216325 (0.11238) [-9.67201]	8.210384 (0.33928) [0.56589 ]	3.330384 (0.30928) [0.52589 ]
<b>R-squared</b>	0.843452	0.65789	0.54321
<b>Adj. R-squared</b>	0.790564	0.43667	0.39765
<b>F-statistic</b>	21.4356	12.6543	6.78509
<b>Log likelihood</b>	-90.6753	-140.7852	-132.7432
<b>Akaike AIC</b>	<b>19.6549</b>	<b>22.7865</b>	<b>20.7685</b>
<b>Schwarz SC</b>	<b>20.1234</b>	<b>21.7689</b>	<b>22.0023</b>

( ) Indicates Standard errors, [ ] indicates test t. Source: Prepared by the researcher, using Eviews

It is clear from Table (8) that there are two models of self-regression of the economic variables under consideration, as the first model shows that there is an inverse relationship between (Rogdp) for a previous year and the current year, meaning that a change (Rogdp) for a previous year by one unit will lead to a decrease (Rogdp) for the current year. With a value of (0.340509), this confirms that there is no correlation between the annual tourism development plans. As for the Expend variable for a previous year, it is related to a direct relationship with (Rogdp) for the current year, meaning that an increase of (Expend for a previous year by one unit will lead to an increase (Rogdp) For the current year by (0.216325) units, which is a low percentage and is not commensurate with what is spent by the government's statement on sustainable development A neighborhood, because most of the investments in the tourism activity are concentrated in building hotels and establishing tourism, travel and restaurant companies around the tourist areas, which leads to misguided tourism investments as a result of the lack of experience of those planning to invest in these investments, in addition to the lack of public spending on other economic sectors that negatively affects Tourism development. Therefore, public spending must direct a correct orientation that reduces the defects in the distribution system that negatively affect tourism development. There is no doubt about the ability of financial policy through the position of its tools to influence all economic variables. At the present time, these tools represent an important role through their impact on the size of employment, national income, price levels and investment, all of which are targets that the public finance seeks to achieve, and that ((Expend for a previous year is related to a direct relationship with both (Expend) and Revnu)) for the current year and this is in line with With the logic of economic theory. It is noticed that the explanatory power of this model (R2) is 84%, that is, the fiscal policy variables explain 82% of the changes that occur in tourism development and the remaining percentage is explained by other variables not included in the model. The value of the calculated value of F was 21.43 and the model was significant because F calculated is greater than tabular .

As for the second model, ((Expend for the current year is related to a direct relationship with each of (Rogdp) for a previous year but with a weak rate and Revnu)) for a previous year with a very large rate of (8.21), as public spending on tourism activity leads to a decrease in the cost of the product Tourism, which in turn leads to an increase in profits, as well as an increase in the tourist supply. Instead, public spending is considered as a tool for developing other sectors, and this will be positively reflected on tourism activity, because tourism is linked to many of these sectors because integration in other sectors is one of the main factors In tourism development, the explanatory ability was noted for This model (R2) was 65% and the calculated F value was 12.65. As for the second model in relation to the other variable of the financial policy Revnu) for the current year, it is related to a direct relationship with (Rogdp) for a previous year but with a weak rate and Revnu)) for a previous year with a large rate of (3.33), and it is noted that the explanatory ability of this model (R2) 54% and the calculated F value was 6.78.

## Conclusion

Iraq has the tourism ingredients that qualify it to occupy an advanced tourism center with its competitive advantages, as it is one of the countries that possesses a rich reservoir of various types of tourism and unique and diversified investment opportunities, especially the flourishing of religious tourism activity after 2003, which encouraged the establishment of extensive tourism investments from It can contribute to diversifying the sources of national income. In Iraq, the tourism sector suffers from the weakness of the tourism statistical system, and this directly affects development plans and activates the role of this sector within the structure of the Iraqi economy. Therefore, there is a need for the Central Statistics Authority to separate the tourism sector from the trade, wholesale and hotels sector, so that the tourism sector includes all tourism activities and not only hotel activity to obtain information and data accurately and make it a separate sector in itself, in order to know the true role of this sector in income and national output. It is necessary to develop the tourism sector and achieve significant economic returns by raising and easing many administrative procedures followed towards the tourist from its entry until its exit for the purpose of increasing the number of tourists, and this is done by setting plans to invest the ingredients and tourism potentials that have a positive impact on economic growth and contribute to supporting the national economy Converting and employing all the main and complementary capabilities available in the tourism sector into an important and effective economic resource to optimize the use of its economic resources through tourism investment, so that investments in the tourism sector are income-generating investments Based on the economic base for sustainable development, and maximizing the role of tourism revenue in creating an economic impact in the rest of the country's sectors, the tourism multiplier must be increased by linking tourism products to a series of industrial, crafts, and professional sectors ending with unskilled occupations (sellers of tourist holdings, and itinerant sellers with different Their forms), as this leads to maximizing the state's economic benefits and improving the standard of living of these groups, and as it is known that the economic impact achieved is the highest benefit from the revenue achieved. It is also necessary to direct public spending, especially investment from it, towards vital areas in order to raise the proportion of the tourism sector's contribution to the formation of gross domestic product, and thus contribute to diversification of national income sources in order to alleviate the severity of the oil shocks to which the Iraqi economy is exposed.

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