RES MILITARIS
REVUE EUROPEENNE D ETUDES EUROPEAN JOURNAL OF MILITARY STUDIES

Social Science Journal

The exchange rate gap and its reflection on the performance of monetary and financial policies in the Iraqi economy for the period (2004-2020)*

By

Aswan Qahtan Jabbar
Department of Economics, College of Administration and Economics, University of Al-Qadisiyah, Iraq
Email: eco.post16@qu.edu.iq

Abduladheem Abdul Wahed Al- Shukri
Department of Economics, College of Administration and Economics, University of Al-Qadisiyah, Iraq
Email: abduladheem.alshukri@qu.edu.iq

Abstract

The research shows that there is a relationship between the exchange rate gap and monetary and financial policy in Iraq. The research also shows that the exchange rate gap is the gap that occurs as a result of the difference between the official exchange rate announced by the competent monetary authority, which is the central bank of the state, and the black-market exchange rate. That is, the real sale of the currency in the local market, and that the stability of the exchange rate depends on the volume of money flows to the local market, aid, grants and foreign investments during the medium term, which may contribute to stabilizing the dollar exchange at a real and acceptable equilibrium level, and the gap between the official and parallel foreign exchange markets is still wide In many countries of the world, despite the decisions and policies taken by the relevant monetary authorities to control the price of foreign currency on the black market, and the ability of the Central Bank to control the exchange rate of foreign currency against the local currency needs a comprehensive economic system in which hard currency resources expand and their sources are multiple, especially from Foreign direct investment and enhancing the returns of sustainable economic sectors, including tourism and services, and this gap affects the monetary and fiscal policies in the world Iraq, which will be clarified as it comes in the research.

Keywords: exchange rate, fiscal policy, monetary policy, Iraq.

Introduction

Every country regardless of the nature of its economic system and the extent of its progress or backwardness in growth. It suffers from a certain degree of economic problems. It seeks to address this problem according to its nature. Among the important economic problems that have serious repercussions on the general economy of the state is the problem of economic gaps, including the exchange rate gap and the relationship between it and the performance of monetary and financial policies in Iraq. We will show that gap and the relationship with the monetary and fiscal policies in the economy. Just as the domestic product can increase or decrease. The exchange rate gap can also go in two directions: the positive trend and the negative trend, both of which are undesirable in the Iraqi economy.

Research problem

The research problem can be determined through the following question, is Iraq suffering from the existence of the exchange rate gap, and does it have a reflection on the performance of

*The research is extracted from a PhD thesis of the first researcher monetary and financial policy in it.

Research Hypothesis

The study assumes that Iraq suffers from the problem of the existence of the exchange rate gap, and it also has a negative impact on the performance of the monetary and financial policies in it as a result of the imbalance it causes in the Iraqi economy.

Research importance

The importance of the research comes from the importance of the topic it deals with, if the research shows the relationship between the exchange rate gap and its reflection on the performance of monetary and financial policies, becausblack-marketsness of that gap lies in that it has negative economic and social effects on the Iraqi economy and contributes directly to the events of unrest and general imbalance in the economy.

Research aims

1. Clarify the exchange rate gap and its impact on the Iraqi economy.
2. Show the reciprocal relationship between the exchange rate gap and the monetary and financial policies in the Iraqi economy.
3. Analysis of the mechanism of action of monetary and fiscal policies and ways of addressing economic problems

The First Topic

The concept of exchange rate gaps and monetary and fiscal policy
First requirement: the concept of exchange rate gaps and how to measure them

The exchange rate gap is expressed by the rise or fall in the value of the national currency against foreign currencies and identifying and addressing this gap is of great importance in the economies of the countries of the world [1]. The exchange rate gap through two inputs: the exchange rate gap that occurs between the nominal or official price set by the central bank of that country and the parallel price that is determined in the market based on the supply and demand for the currency inside the country, and it is called the internal gap, and there is also the exchange rate gap that They occur in the components of the balance of payments with different impact rates, especially in the trade balance and in the capital account between the cash flows in and out of the country, and the exchange rate gaps will be explained as in the below[2]:

First. The exchange rate gap arising between the nominal and parallel rates (internal)

The exchange rate gap arising between the nominal exchange rate and the parallel exchange rate is the gap that occurs as a result of the widening difference between the selling price set by the state's central bank and the quantity actually demanded and supplied according to market requirements. As the nominal exchange rate is the price of a foreign currency in terms of local currency units, and the equivalence between the two elements of demand and supply in the foreign exchange markets leads to setting nominal exchange rates on the basis of which currencies are exchanged, and these relative prices do not reflect the changes that occur in price levels in the two countries. Where the nominal exchange rate indicates the purchasing power of the local currency against the foreign currency.

As for the parallel exchange rate, it is basically one of the results of the exchange control system, and this market is formed in the event that the central bank is unable to meet citizens'

1 . Lahlou Moussa Bukhari, Foreign Exchange Policy and its Relationship to Monetary Policy, Analytical Study of the Economic Effects of Foreign Exchange Policy, 1st Edition, Hussein Al-Asri Library, Beirut, 2010, p. 71.
2 . Lahlou Musa Bukhari, previous source, p. 120.

demands for hard currencies. The official and parallel exchange rate increases, which encourages the sale of hard currencies in the black markets. Hence, the very high parallel exchange rate can be explained by two reasons[3]:

• Expansion of cash issuance that leads to additional incomes
• Weak capacity or shortage of imported goods and services in the local market

Secondly. Exchange rate gap arising from imbalance of (external) components of the balance of payments

Many countries, especially developing ones, face a large imbalance between the inflows and outflows of foreign currencies. The foreign exchange gap occurs when foreign exchange flows constantly exceed currency flows, and this gap can occur as a result of a set of reasons and justifications, including when a country suffers from a continuous imbalance in the balance of payments, especially the trade balance, capital account and the size of cash reserves in its balance of payments. There is an outflow of capital from local investors in the capital and foreign capital markets (this is known as capital flight), as well as a decrease in the value of incoming financial flows resulting from external remittances from citizens who live and work abroad, this will contribute to creating a gap between the capital Incoming money and capital issued abroad, as well as the remittances gap between incoming from abroad and outgoing from within, and one of the main results of the foreign currency gap can be that the country does not have enough foreign currency to pay for basic imports such as medicines, foodstuffs and important raw materials In this way, a shortage of foreign exchange could hamper economic growth in the short term. One of the measures of the ability to cover the foreign exchange of a country on the cash reserves of the country's foreign currency in accordance with international standards, as the shortage of foreign exchange is a characteristic of developing countries, and it is necessary for them to maintain a "reasonable level" of foreign assets to carry out their economic and development programs and with However, there is no standard for the optimal amount of foreign currency reserves that a country should hold. It differs from one country to another depending on the economic situation and the volume of trade exchanges, but in practice, most countries often follow the (rule of thumb)[*] in determining the optimal level of foreign exchange reserves, including maintaining reserves equivalent to at least three months of imports. Some countries resort to depreciating exchange rates in an attempt to improve the competitiveness of their export industries, but there is no guarantee that a weaker currency will help bridge the foreign currency gap, as this depends on the extent of the diversification of the economy in that country and the extent of the contribution of the foreign trade sector in dealing in foreign currencies. In fact, the threat of currency devaluation may lead to more inflow of foreign currency from inside the country to the outside due to the fear of investors and capital owners, especially if they lose confidence in the economy of that country, and at the same time they are looking for a safe place to invest and not be afraid of the unknown and external and internal threats to the completion of any project in that country.

Second requirement: the relationship between exchange rate gaps and the performance of monetary and fiscal policy

We explained a while ago in the context of this topic that the exchange rate gap is either an increase or decrease in the value of the national currency against foreign currencies, or the cause of the gap is internal, which is the difference between the nominal price of the foreign currency and the real price of the currency in the parallel market, or the gap is caused by an imbalance in the balance Payments and commercial exchanges, meaning that the cause is (external) and the two cases affect

---

3 . Sebastian Edwards, Capital Controls, Exchange Rates, and Monetary Policy in the World Economy, Cambridge University Press, four edition, 2008, p 48.

*. The rule of thumb is a rule with a general, comprehensive and widely used concept in various fields of life, and it is used by countries when they do not have calculated and accurate standards, but rather rely on their professional experience and future intuition.

the monetary and financial policy pursued by the monetary authorities in the country, and those gaps and their impact on monetary and fiscal policy will be clarified, respectively.

First. Exchange rate gaps and monetary policy

The stability of the exchange rate is related to achieving economic stability. The stability at this rate indicates the absence of sharp rises or exaggerated fluctuations in the value of the local currency that would affect the economy negatively. Where achieving stability in the exchange rate is linked to all the basic variables of the local economy, such as production, consumption, saving, investment, export and import. Also, the balance in the foreign exchange market shows its importance as a result of the impact of the exchange rate policy on many goals that are related to achieving macroeconomic stability such as maintaining an acceptable and continuous level To balance the balance of payments, reduce inflation rates and stabilize growth rates, although monetary policy is one of the main policies in achieving growth and stability, but it differs in terms of application from one country to another, according to the variables of each country[4], as the view of developing countries for monetary policy differs from that of other countries. Developed in terms of goals, developed countries see that the main monetary policy objective is to achieve monetary stability and reduce inflation rates. As for the developing countries, the goal of monetary policy is more than that, as it aims through it to achieve economic growth and monetary stability. Reducing unemployment levels and stabilizing currency exchange markets.

As a result, the exchange rate is considered one of the most important monetary policy tools, because it affects and is affected by other economic indicators, in addition to being affected by internal and external conditions. As a result of the trade exchange of goods and services between countries. Therefore[5,6,7,8], the monetary authorities are concerned with the exchange rate policies. Especially countries that suffer from a scarcity of foreign exchange resources. Because the degree of economic stability of any country depends on the stability of the exchange rate of the national currency against other currencies, as previously mentioned.

Secondly. Exchange rate gaps and fiscal policy

There is a close and overlapping relationship between the exchange rate gaps and fiscal policy, which may interfere with monetary policy measures, because the two policies are linked together in achieving economic goals, and they come within the importance of the exchange rate in the economy, and in general, the exchange rate gaps directly affect the volume of foreign direct investment in the country. Their impact varies according to the size and breadth of those gaps, as both foreign investment and government spending, as well as the state's ability to export and import, are affected by the size of those gaps in the exchange rate. The relative importance of these elements depends on the long-term effect of fiscal policy on real production and prices, on private market expectations about future external debt, and on the relative substitution of financial assets denominated in different currencies. As for the procedures for addressing those gaps through the fiscal policy, they can be summarized as follows:

The third requirement: the concept and objectives of monetary policy

4 . Manal Gaber Morsi Mohamed, Evaluating the effectiveness of monetary policy in achieving the stability of the exchange rate in Egypt for the period (1990-2017), research published in the Scientific Journal of Economics and Trade, No. 2, 2017, pg. 486.

5 . https://www.elibrary.imf.org/view/journals.

6 Ozdemir, G. (2021). Using Rank-Order Judgments Scaling for Political Tactics Used by Teachers and School Principals. *Eurasian Journal of Educational Research,* (93), 1-18. https://d1t7h.hosts.cx/wp-content/uploads/2021/06/ejer.2021.93.1.pdf

7 Rahtikawatie, Y., Chalim, S., & Ratnasih, T. (2021). Investigating The Role of Religious Leadership at Indonesia's Islamic Boarding Schools in The Sustainability of School Management. *Eurasian Journal of Educational Research,* (96), 51-65. http://ejer.info/index.php/journal/article/view/541/48

8 Ucar, R., & Dalgic, S. (2021). Relationship between School Principals' Strategic Leadership Characteristics and School Teachers' Organizational Commitment Levels. *Eurasian Journal of Educational Research,* (91), 105-126. https://ejer.com.tr/wp-content/uploads/2021/01/ejer.2021.91.6.pdf

First, the concept of monetary policy

In most countries around the world, the central bank is the main center for planning and implementing the monetary policy that the government deems appropriate in achieving certain economic goals. Regardless of the variables that monetary policy chooses as a means to achieve the desired economic goals, the impact of this policy is often focused on the level of economic activity, the level of employment and unemployment rates, the inflation rate, the foreign exchange rates of the national currency, or the balance of payments. We can summarize monetary policy with a brief phrase that explains the mechanism of action of this policy: "Monetary policy means, in one way or another, regulating the quantity supplied of money." It depends on a set of monetary policy variables, and the real national income, and the general level of prices, are the most important monetary policy variables. As monetary policy works to influence spending and aggregate demand, through the change it causes in the interest rate. And how is all this reflected in the end in the form of a change in the level of the overall economic equilibrium. The mechanism of this change, which begins with the interest rate in the money market and ends with the change in the equilibrium level of both real income and the general level of prices[9].

Second: the objectives of monetary policy

Monetary policy has many economic, social and other objectives, and we can summarize the most important of these objectives as follows:

1. Stabilization of prices

Monetary policy targets the surplus money supply to the extent that controls the rate of change in the unit share of the quantity of money in an effort to maintain price stability, and this is a matter of great importance in combating inflation, as this goal is limited to working to combat large changes in the price level due to the dangers resulting from it..

2. Achieving full use

Economists agree that achieving a high level of employment is among the basic objectives pursued by monetary policy through the monetary authorities to stabilize economic activity at the highest possible level of employment of natural and human resources, by taking all measures to avoid the economy from unemployment problems, by increasing the volume of aggregate demand to the necessary level[10].

3. Achieving appropriate economic growth rates

In order for economic growth to occur, this income must increase at a faster rate than the population increase. It highlights the role of monetary policy in encouraging economic growth through its impact on investment as one of its most important determinants, as this policy changes the cash reserves in commercial banks through their well-known tools (the open market Legal reserve, discount rate) by changing the money supply that leads to corresponding changes in the interest rate, which in turn determines the volume of private investment.

4. Stabilization of the balance of payments

Monetary policy is used to achieve external balance by maintaining sufficient foreign cash balances to face fluctuations in the balance of payments on the one hand and to meet the requirements of economic development on the other hand. Domestic and foreign prices of goods and services to allow for a balance between exports and imports, as the deficits in the balance of payments countries offer the local currency in the financial markets for the purpose of obtaining foreign currencies, which

9 . Walid Al-Ayeb and Lahlou Moussa Bukhari, Economics of Banks and Banking Techniques, 1st Edition, Hussein Al-Asriya Library, Beirut 2013, p. 101.

10 . See: Bassem Abdel-Hadi Hassan, the monetary effects of fiscal policy in Iraq after 2003, 1st edition, House of Cultural Affairs, Baghdad, 2018, p. 82.

leads to a decline in the price of the currency of this country, the multiplicity of objectives of monetary policy may lead to The collision between those goals when applying to develop appropriate solutions to economic fluctuations, monetary policies that aim to stop inflation and achieve price stability may unintentionally lead to harmful results on full use, and Friedman called (Milton Freidman) to use the monetary base that includes the establishment of the central bank by expanding the money supply at a constant rate suitable for economic growth and believes that monetary policy is ineffective in the short term This must be linked to the requirements of the long run, that is, the money supply in general increases at a rate equal to the rate of growth in national product[11].

Fourth requirement: the concept and objectives of fiscal policy

First: the concept of fiscal policy

Fiscal policy occupies an important position among other economic policies, because it can achieve the multiple goals that the national economy seeks to achieve, relying on its multiple tools that it can adapt to affect all economic and social aspects of society, as fiscal policy means a set of procedures related to revenues Public and public expenditures for the purpose of achieving its objectives, and it is defined as part of the government's policy related to achieving state revenues through taxes and other means by deciding the level and pattern of spending these revenues. Such as national product, employment, savings, investment (), in order to achieve the desired effects and avoid undesirable effects on both the national income, the national product, the level of employment and other economic variables, as it is a set of goals, directions, procedures and activities that it adopts The state has to influence the national economy and society in order to maintain its general stability and development and to address its problems Facing all changing circumstances[12].

Second: the objectives of the fiscal policy

Fiscal policy, like other policies, has several objectives that it seeks to achieve, including:

1. Achieving financial balance: It means using state resources in the best way, such as using loans for productive purposes, and that the tax system should be characterized by the characteristics that make it fit the needs of the public treasury.

2. Achieving economic balance: The meaning of economic balance is to reach the optimum volume of production, and therefore the government must balance the activity of the private sector and the public sector together to reach the maximum possible production.

3. Achieving social balance: This means that society reaches the highest possible level of welfare for its members within the limits of its capabilities. Fiscal policy should not stop at increasing production, but rather this goal should be associated with the equitable distribution of national income among the members of society.

4. Achieving general balance: It is the balance between the total total expenditure (individuals' expenditures for consumption and investment, in addition to government expenditures) and the total national product. To achieve this goal, the government uses the tools of this policy, including taxes, loans, subsidies, exemptions and participation with Individuals in the formation of projects and others[13].

The Second Topic

11 . Abdul-Hussein Jalil Abdul-Hassan Al-Ghalbi, the exchange rate and its management in light of economic shocks, Edition 1, Dar Safaa, Amman, 2011, pp. 106-107.

12 . Qahtan Al-Seyoufi, Financial Policy in Syria (publications of the Syrian General Book Organization, Ministry of Culture, Damascus 2008, p. 15.

13 . Abdel Muttalib Abdel Hamid, Economics of Public Finance, 1st Edition, University House, Alexandria, 2005, p. 55

The reality of the exchange rate gap in the Iraqi economy for the period (2004-2020)

First requirement. The Iraqi dinar exchange rate gap analysis for the period 2004-2020

As we showed in the theoretical part of this study that the exchange rate gap is the difference between the official exchange rate announced and adopted by the state in all its transactions and the exchange rate that is determined in the market based on the supply and demand for foreign currency, and given the volume of transactions in the dollar, so Iraq depends on The US dollar as a currency of exchange with the Iraqi dinar, and its price is officially determined through the Central Bank of Iraq[14].

The size of the exchange rate gap between the official market and the parallel market in Iraq can be seen through Table (1) and Figure (1). It turns out that despite the existence and widening of this gap in some years, it has had little impact on the Iraqi economy, because the Central Bank sets fast treatments For any case of deviation in the parallel exchange rate, and one of the reasons for this gap is the nature of the transfer and its cost between companies, as they are charged simple commissions that do not affect the sale and purchase of the dollar in general 2020, which will be analyzed below, the gap increased from 0 dinars in 2004 to 12 dinars In 2007, as a result of individuals' tendency to acquire the US dollar, then it decreased in 2008 to rise again in 2009 and rapidly from 12 dinars to 66 dinars in 2013, as a result of the increase in demand for imports from abroad, then it decreased in 2014 to 48 dinars, due to the decrease in the volume of imports The demand for the dollar weakened, to rise fluctuatingly from 2016 to 2017, while it decreased to 16 dinars in 2018, and the exchange rate gap decreased to 6 dinars in 2019, while in 2020 it decreased to a negative gap of (-219) dinars, due This is due to a group of reasons that achieved this disorder, especially in 2020, as it was exceptional circumstances due to the Corona pandemic (COVED-19) and the exchange rate was also changed and returned as in 2003 to reach 1450 dinars instead of 1196 dinars, which caused turmoil in the market and conflict in dealing, which reduced the price of market to negative.

Table 1. *The gap in the Iraqi dinar exchange rate in the official and parallel market in Iraq For the period 2004 - 2020 value: dinars*

year	2004	2005	2006	2007	2008
exchange rate gap	0	3	8	12	10
year	2009	2010	2011	2012	2013
exchange rate gap	12	16	26	67	66
year	2014	2015	2016	2017	2018
exchange rate gap	48	-23	85	68	16
year	2019	2020			
exchange rate gap	6	*-219			

Source: From the researcher's work based on:

1. Central Bank of Iraq, General Directorate of Statistics and Research, Annual Economic Report, for separate years.
2. The Central Statistical Organization, Index Numbers Section, Dollar Exchange Rate Report for the year 2020, p. 3.

*- One hundred dinars.

Fifth requirement. Analysis of the relationship between the exchange rate gap and monetary and financial policies in Iraq

In this topic, the relationship between the exchange rate gap and both monetary and fiscal policy in Iraq will be analyzed, whether the gap is positive or negative, as follows[15]:

14 . https://www.cbi.iq

15 . See, Taher Latrash, Banking Techniques, 5th Edition, Algeria, Diwan of University Publications, 2005, p. 95 and 97.

First. The positive exchange rate gap and its relationship to monetary and fiscal policies in Iraq

In the event of a positive exchange rate gap, meaning that the difference between the exchange rate in the parallel market is higher than the exchange rate in the official market, this has repercussions on both monetary policy and fiscal policy, and these changes affect the Iraqi economy, which requires the intervention of the two policies to address these problems and will be Detailed as follows:

1- Positive exchange rate gap and monetary policy measures

If the gap is positive, as shown in Table (1) and Figure (1) in most years of the study period from 2004 to 2019, this means that there is a great demand for foreign currency in Iraq, which is dollars in the local market or the currency exchange market, due to many economic reasons In addition to precautions and fear of the unknown, in some years when the Iraqi economy recovers and more crude oil is exported, Iraq's imports from abroad rise for all kinds of goods and services, which requires converting the national currency, the dinar into US dollars, to be dealt with abroad, and one of the reasons is weakness Confidence in some cases from keeping the Iraqi dinar for fear of its real depreciation and its inability to fulfill obligations towards others at the same pace, which generates inflationary pressures in the Iraqi economy and many other problems, but the policy of the Central Bank works to control the exchange rate in the Iraqi market and works to Maintaining the stability of the value of the Iraqi currency by pumping more dollars into the daily auction for the sale of foreign currencies, which reduces the value of the dollar to the official price. It reduces the gap in the exchange rate, and the gap that occurred throughout the study period is a marginal gap that does not significantly affect the progress of Iraqi economic transactions. As for the year 2020, the value of the dinar has been reduced against the US dollar as a result of financial pressures on the budget for justified and unjustified reasons, which destabilized Confidence in financial transactions, so the official price became higher than the parallel price, which is a reverse situation that achieved a kind of inflationary stagnation in the market and caused prices to rise very dramatically, higher than the ability of individuals to purchase basic things as a result of the sudden application of the (white paper)[*] that the government implemented in 2020, without that Prior measures are taken and infrastructures are prepared for their implementation on the ground. Rather, they have been applied and the Iraqi economy remains the same.

2- Positive exchange rate gap and fiscal policy measures

When the positive exchange rate gap occurs, which generates inflationary pressures in the Iraqi economy as previously mentioned, this gap in the exchange rate is also reflected on the fiscal policy, which develops solutions to address this gap through its known procedures, and what the positive exchange rate gap causes in the Iraqi economy is In conjunction with what it causes in monetary policy[16], as it increases the amount of imports from abroad, which means a decrease in the financial proceeds of the Ministry of Finance due to the diversity of exchange doors, especially on government sectors. To the vulnerable groups in society for the purpose of obtaining products and services after their prices have risen and the phenomenon of poverty has grown as well. Therefore, the Ministry of Finance, through the fiscal policy, resorts to controlling the ministries' budget and reducing the exchange and import doors from abroad to the natural level without exaggeration.

Secondly. The negative exchange rate gap and its relationship to monetary and fiscal policies in Iraq

Iraq was distinguished by the presence of a positive exchange rate gap throughout the study

---

* The (white paper) of the Iraqi government can be defined as a comprehensive road map whose main objective is to chart a path to reforming the Iraqi economy and addressing the serious challenges it faces.

16 . Majid Masoud, Planning for Economic Progress, 3rd Edition, Kuwait, The National Council for Culture, Arts and Letters, 2004, p. 77.

period, except for the year 2020, in which a negative exchange rate gap occurred, and the negative exchange rate gap is reflected in the impact on the Iraqi economy as follows:

1- Negative exchange rate gap and monetary policy measures

A negative gap occurred in the Iraqi economy in 2020 due to the application of the paragraphs of the government white paper, and it caused confusion in the Iraqi economy that was negatively reflected on it and the emergence of stagflation in the Iraqi economy, that is, prices rose significantly in conjunction with the lack of demand for products and services due to the inability to Purchasing The monetary policy measures are to address this problem by reducing the amount of dollars sold in the currency auction and working to withdraw dollars from the market in any possible way, as well as the conviction of individuals that the parallel exchange rate will not remain in its position, and then the volume of demand for the dollar rose again later , in order to achieve stability and reduce the negative exchange rate gap.

2 - Negative exchange rate gap and fiscal policy measures

The fiscal policy measures are represented in addressing the negative gap in providing support and subsidies to the vulnerable groups in society due to their inability to face the rise in prices and the depreciation of the Iraqi dinar against the dollar, and the reduction of the size of taxes on basic materials, including food, medical, and others. The fiscal policy is also concerned with applying more severe measures in Auditing government spending and clarifying the exchange mechanism and its conformity with the standards and plans of the government in order to ensure monetary and financial stability in Iraq, especially that Iraq has gone through an economic and health crisis like the rest of the world, which requires achieving financial reforms that enhance the confidence of individuals in the Iraqi economy.

The Third Topic

Conclusions and Recommendations

The researcher reached a set of conclusions and recommendations, the most important of which are the following:

First: the conclusions

1. The research shows that there is a relationship between the exchange rate gap and monetary and financial policy in Iraq.
2. The exchange rate gap is determined by the difference between the official exchange rate announced and approved by the state in all its transactions and the exchange rate that is determined in the market based on supply and demand for foreign currency.
3. Iraq was distinguished by the presence of a positive gap in the exchange rate throughout the study period, except for the year 2020, in which a negative exchange rate gap occurred.
4. If the exchange rate gap is positive, this means that there is a great demand for the foreign currency in Iraq, which is dollars, in the local market or the currency exchange market. This is due to many economic and social reasons, as well as precautions and fear of the unknown.

Secondly. recommendations.

1. The necessity of providing support and subsidies to vulnerable groups in society due to their inability to face the rise in prices and the devaluation of the Iraqi dinar against the dollar in order to achieve economic stability in Iraq.
2. It is necessary that there be diversification in the Iraqi economy in order for the gross

domestic product to be more stable and less vulnerable to economic shocks.

3. It is important that the monetary and financial policies in Iraq work in a balanced manner in order to address the economic problems arising in the Iraqi economy.
4. The Central Bank and the Ministry of Finance must deal with the economic problems, whether it is inflation, deflation, unemployment or other problems in a scientific and balanced manner, and the procedures should be quick and courteous for the purpose of achieving the goals directly.

Certified Sources

First. books

1. Bassem Abdel-Hadi Hassan, The Monetary Effects of Fiscal Policy in Iraq after 2003, 1st Edition, House of Cultural Affairs, Baghdad, 2018.
2. Taher Latrash, Banking Techniques, 5th Edition, Algeria, Diwan of University Publications, 2005.
3. Abdul-Hussein Jalil Abdul-Hassan Al-Ghalbi, the exchange rate and its management in light of economic shocks, Edition 1, Dar Safaa, Amman, 2011.
4. Abdel Muttalib Abdel Hamid, Economics of Public Finance, 1st Edition, University House, Alexandria, 2005.
5. Qahtan Al-Seyoufi, Financial Policy in Syria (Publications of the Syrian General Book Organization, Ministry of Culture, Damascus 2008.
6. Lahlou Moussa Bukhari, Foreign Exchange Policy and its Relationship to Monetary Policy, Analytical Study of the Economic Effects of Foreign Exchange Policy, 1st Edition, Hussein Al-Asri Library, Beirut, 2010.
7. Walid Al-Ayeb, Lahlou Moussa Bukhari, Economics of Banks and Banking Techniques, 1st Edition, Hussein Al-Asriya Library, Beirut 2013.
8. Sebastian Edwards, Capital Controls, Exchange Rates, and Monetary Policy in the World Economy, Cambridge University Press, four editions, 2008.

Secondly. Research and reports

1. Manal Gaber Morsi Mohamed, Evaluating the effectiveness of monetary policy in achieving the stability of the exchange rate in Egypt for the period (1990-2017) research published in the Scientific Journal of Economics and Trade, No. 2, for the year 2017.
2. Ministry of Planning, Central Statistical Organization, Directorate of National Accounts, Annual Preliminary Estimates Report of Gross Domestic Product and National Income for the year 2014, 2016.
3. The Central Bank of Iraq, Directorate General of Statistics and Research, Economic Report 2010-2019.

Third. Internet sites

1. https://www.cbi.iq
2. https://gds.gov.iq/ar/iraqs-white-paper-for-economic-reforms-vision-and-key-objectives/

1. https://www.elibrary.imf.org/view/journals.