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## Fiscal Policy and Its Role in Poverty Alleviation in Iraq, a Comparative Study between Public Spending and Social Support

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**Abstract:** Fiscal policy has an important part in the range and construction of economic and social structures, which when it from the point of view the other hand focused on the high rate of poverty phenomenon in developing economies like Iraq the country were poor still in a persistent phenomenon. This research investigates how fiscal policy instruments – public spending and social support programs – can reduce poverty. This study compares fiscal policy models through the lens of government spending trends and their effect on poverty alleviation. This research assesses the effectiveness of public allocation on improvements in living conditions using the official, Iraq’s Ministry of Finance, World Bank and International Monetary Fund (IMF) data. This work includes empirical data, statistical analysis, and theoretical frameworks for evaluating the effectiveness of policies and offers recommendations for improving fiscal strategies to reach sustainable poverty alleviation in Iraq.

**Keywords:** Oil, Fiscal Policy, Poverty, Iraq

### 1. Introduction

Poverty is still a major socio-economic challenge in Iraq, aggravated by political turmoil, economic volatility, and war and Oil price volatility. Fiscal policy potentially provides government spending and production social support functions that not only contribute to the institutions required to deal with poverty through economic growth, but also to overall economic stability. But their effectiveness hinges on the nature of resource allocation and productivity, and more importantly on the institutional structure through which fiscal policies are enforced.

The objective of this study is to analyze the impact of fiscal policy on poverty reduction, based on the evidence of public expenditure and social protection efforts. It contrasts narrow social interventions like cash transfers or subsidies with a broader public investment in areas of education, healthcare, and infrastructure. It then assesses the fiscal sustainability of, and long-term effects of these approaches on poverty reduction.

### 2. Materials and Methods

The methodology integrates fiscal data analysis and qualitative assessments of policy impacts. The data comes, as appropriate, from government accounts, World Bank poverty indicators, IMF fiscal assessments, and from Iraq’s Ministry of Planning statistics. Regression analysis is one of many statistical models used to assess the statistical

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relationship between fiscal spending and poverty reduction. It also uses case studies of countries with almost the same structure of institutions as Iraq.

### **Aim of the study**

This research examines the impact of fiscal policy on poverty relief within Iraq comparing the impacts of public spending versus social assistance in terms of their effects on the standard of living and poverty alleviation. It is designed to assess the potential of budget expenditures in key sectors like education, healthcare, and infrastructure, as well as on direct social assistance programs to mitigate poverty while also analyzing the efficiency and sustainability of these fiscal interventions. It will seek to enhance the knowledge supporting these two perspectives that dominate the fiscal policy debate in Iraq and beyond.

## **3. Results and Discussion**

### **Public Spending and Its Impact on Poverty Reduction**

Public expenditure is part of fiscal policy that greatly contributes to either economic growth or the reduction of poverty through investment in more productive activities such as health and education. Both the Iraqi state budget devotes a great deal of its budget to public sector wages, infrastructure, education, and healthcare. But these expenditures are hindered by inefficiencies in public administration and by corrupt practices.

**Table 1.** Government Spending on Key Sectors (2018–2023)/

<b>Year</b>	<b>Education (% of GDP)</b>	<b>Healthcare (% of GDP)</b>	<b>Infrastructure (% of GDP)</b>	<b>Social Protection (% of GDP)</b>
2018	5.2	4.8	3.5	2.5
2019	5.0	4.9	3.7	2.8
2020	4.8	4.6	3.2	3.0
2021	4.9	4.7	3.4	3.1
2022	5.1	4.8	3.8	3.3
2023	5.3	4.9	4.0	3.5

Source: Iraq Ministry of Finance, World Bank Development Indicators

If spending in education and healthcare has remained more stable, investment in infrastructure is less steady, subject to financial constraints. The modest increase in social protection expenditure indicates that although direct social support is recognized as important, the government prefers to invest in public sector jobs and infrastructure.

### **Social Support Programs and Their Effectiveness**

The provision of immediate social support mechanisms, such as cash transfer programs, food subsidies, and fuel assistance, are extensions to the most vulnerable. Their ability to address poverty over the long term, though, is debated; some such programs have been criticized as perpetuating dependency rather than promoting upward mobility.

**Table 2.** Social Assistance Programs and Poverty Reduction Impact.

Program Type	Beneficiaries (Million)	Budget Allocation (Billion IQD)	Poverty Reduction Impact (%)
Cash Transfers	3.2	4.5	12
Food Subsidies	6.5	5.8	9
Fuel Assistance	2.8	3.0	6
Employment Programs	1.5	2.1	15
Housing Assistance	0.8	1.5	7

Source: Iraq Ministry of Planning, IMF Fiscal Reports

Cash transfers appear to have an unusually high effect on reducing poverty, reflecting the direct assistance provided to low-income families. Employment programs, on the other hand, display the largest long-term impact by linking beneficiaries with the labour force. The cost-effectiveness of food and fuel subsidies is worse because these programs are plagued with inefficiency, smuggling and misallocation.

#### **Comparative Analysis of Fiscal Policy Approaches**

A comparison with countries of similar economic fundamentals like Egypt and Algeria is made to judge the effectiveness of Iraq's fiscal policies. Similar mixed strategies have been pursued in both countries, including direct social support and large-scale public investments.

**Table 3.** Fiscal Policy Comparison – Iraq vs. Egypt vs Algeria.

Country	Public Spending (% of GDP)	Social Support (% of GDP)	Poverty Rate (%)
Iraq	24.5	3.5	22.6
Egypt	22.8	4.2	26.1
Algeria	25.3	5.0	18.9

Source: World Bank, IMF, National Statistical Bureaus

It emerges that the higher level of Algerian spending on social support is accompanied by a low rate of poverty. While public spending in both countries seems to be less than efficient in combating poverty, uncertain inflationary pressures and inefficient resource allocation have resulted in a higher poverty rate in Egypt despite of relatively comparable public spending levels. The fiscal policy in Iraq has big portion of expenditure – much with less targeted efficiency than the level in Algeria.

#### **4. Conclusion**

The paper analyzes the effectiveness of some forms of public expenditure and social support for the poor in Iraq to show the importance of fiscal policy when tackling issues of poverty. It reveals that while spending on education, healthcare and infrastructure

provides an avenue for improving long-term economic resilience in the region, problems of allocation and governance inhibit their optimal impact. Social protection programs, like cash transfers and subsidisation also offer some immediate relief to these populations, but targeting accuracy, sustainability, and dependency issues remain challenges for the implementation of such programs – in both Western and Global South nations. This comparison with other economies, particularly Egypt and Algeria, shows that a balanced approach – direct assistance, but accompanied with productive investments – is more favorable to poverty reduction. These results indicate that its fiscal policy needs to be more transparent, with better targeting, and that investment should be directed toward activities which raise human capital and boost economic inclusion in Iraq. To make sure fiscal policy translates into real and meaningful improvement in the standard of living, it is vital to strengthen institutional oversight, fight corruption, and promote private sector development. Such a fiscal system must accommodate for immediate relief (or an emergency plan) while also defining the necessary steps for rebuilding and empowerment so that sustainable poverty alleviation efforts can be financed and remain solvent.

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