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Financing the general budget deficit in the Arab Gulf oil states and the possibility of benefiting from it in Iraq, the Kingdom of Saudi Arabia as a model*

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Abstract

The Kingdom of Saudi Arabia is one of the oil-rich Arab Gulf countries, and it is one of the countries that have common characteristics with all the Gulf countries, including Iraq, and the most important of them is that it is an Arab rentier country with an economy that depends heavily on rentier (oil) resources in the conduct of its economic activities and in financing its public budgets with financial resources The economy of these countries is often soft and dependent on trade exchanges, and it results in a consumer society that is dominated by the random import sector. For these countries, and of course, these countries suffer from economic crises that occur from time to time and that are reflected in their general budget, as a result of their foreign trade being linked with the world with the export of only one resource, which is the only source of public revenues for them. Therefore, the Kingdom of Saudi Arabia sought to address the problem of the budget deficit. It has, and has succeeded in this greatly, and given the similarity of the Iraqi economy with the Saudi economy Large, it has been taken as a model that can be studied and benefited from to address the deficit that occurs in the general budget of Iraq in some years.

Keywords: Arab Gulf states, Saudi Arabia, Iraq, public budget deficit.

المستلخص

المملكة العربية السعودية أحد دول الخليج العربي الغنية بالنفط ، وهي من الدول التي تشترك في خصائصها مع جميع دول الخليج ومنها العراق ، وأهمها أنها دولة عربية ريعية. مع اقتصاد يعتمد بشكل كبير على الموارد الريعية (النفط) في إدارة أنشطتها الاقتصادية وفي تمويل ميزانياتها العامة بالموارد المالية. غالبًا ما يكون اقتصاد هذه البلدان ضعيفًا ويعتمد على التبادلات التجارية ، ويؤدي إلى مجتمع استهلاكي يسيطر عليها قطاع الاستيراد العشوائي. بالنسبة لهذه الدول ، وبالطبع ، تعاني هذه الدول من أزمات اقتصادية تحدث من حين لآخر وتنعكس في ميزانيتها العامة ، نتيجة ارتباط تجارتها الخارجية بالعالم بتصدير مورد واحد فقط ، وهو هو المصدر الوحيد للإيرادات العامة بالنسبة لهم. لذلك سعت المملكة العربية السعودية إلى معالجة مشكلة عجز

* The research is extracted from a master's thesis of the first researcher

الموازنـة. وقد نجحت ونجحت فـي ذلك بشكل كبير ، ونظـراً لتشـابه الاقتصـاد العراقـي مـع الاقتصـاد السـعودي الكبيـر ، فقد تـم اتخـاذه كنمـوذج يمكـن دراسـته والاسـتفادة منـه لمعالجـة العجـز الـذي يحـدث فـي الموازنـة العامـة للعراق. في بعض السنوات.

الكلمات المفتاحية: دول الخليـج العربي ، السعودية ، العراق ، عجز الموازنة العامة.

Introduction

Most of the Arab Gulf states depend on the export of oil as a major source of financing their expenditures. After their economies rebounded in the first oil shock in 1973 and 1974, oil prices rose globally as a result of the Arab countries boycotting the sale of oil to countries that support Israel. The Gulf states, including Saudi Arabia and Iraq, put plans in place. Long-term development based on crude oil financing, and after global economies were exposed to various crises in almost continuous times, as well as the discovery and use of other alternatives to crude oil and used as energy, all of this reflected negatively on the export of oil, which led to a decline in its prices to unreliable low levels. In achieving the economic goals that were previously planned, oil prices have been between high and low, changing according to global changes and innovations for new energy.

This prompted the Gulf countries, including Saudi Arabia, to find an alternative to oil that is stable and sustainable, and through which the deficit in the state's general budget can be addressed in the event of a drop in global crude oil prices. It has succeeded to a large extent in achieving this by adopting diversification.

Iraq can benefit from the experience of the Kingdom of Saudi Arabia and achieve stability in its general budget through economic diversification and interest in the field of industry, agriculture and tourism, as well as other procedures and means that are no less important.

Therefore, the exhortation was divided into two sections. In the first section came the concept of the general budget and the budget deficit and the treatment mechanism in theory. Then the second section dealt with the causes of the public budget deficit in the Kingdom of Saudi Arabia and the methods or methods of treatment that it followed, then we will address the issue of benefiting from the Kingdom's experience. And its application in Iraq, to bring the research to the most important conclusions and recommendations reached by the two researchers.

Research problem

The research problem can be formulated by the following question, which is, has the Kingdom of Saudi Arabia achieved success in financing its public budget deficit, and can Iraq benefit from the experience of Saudi Arabia?

Research Hypothesis

The research assumes that the Kingdom of Saudi Arabia has achieved great success in financing its budget deficit by relying on alternatives that are stable and sustainable, and Iraq can also benefit from the Kingdom's experience in diversifying its sources of revenue for the purpose of financing its budget deficit.

research importance

The importance of the research is due to the importance of its title as it addresses the most important problems that suffer from the countries of the world, especially the oil countries that depend on oil as a major source in financing their public budgets.

search objective

The research aims to shed light on the importance of financing the budget deficit in the Kingdom of Saudi Arabia and the possibility of Iraq benefiting from its experience by diversifying sources of financial revenue and not relying on the export of crude oil only

search limits

Time limits for research - the period from 2003 to 2019.

Spatial limits of research - Saudi Arabia, Iraq.

Research Methodology

The research relied on the deductive analytical approach by analyzing the data and facts experienced by the countries of the Arab Gulf region, including Saudi Arabia and Iraq, as well as the inductive approach by developing a future vision in the development of alternatives that are characterized by continuity, stability and sustainability for the purpose of financing the general budget in Saudi Arabia and Iraq.

The first topic

The concept of the general budget, the budget deficit and the treatment mechanism

preamble:

The state's general budget shows a wide role in the variation of the state's political situation, as there is a link between political life and all that may happen to it and the state's public finances. Attribution is made to a basic document represented by the general budget, which includes all items of public spending, and the method of distributing state resources. on the various services it provides to its citizens, and it also shows us how the state obtains the various public revenues that finance this expenditure, as well as studying the state's general budget in all its various aspects to give great importance to the development of the state's role in economic activity, and the state's general budget is one of the tools The main objective of the fiscal policy that leads to the achievement of its social and political objectives.

The first requirement: the concept and definition of the general budget:

The general budget is one of the state's tools through which it manages its public financial policy of revenues and expenditures in order to achieve its goals. Usually, the work of the general budget is linked to the national economy, as it is done by the state according to the conditions experienced by the national economy and therefore it represents The main and direct tool for the work of the state's public utilities.

There are many definitions of the general budget that differed according to the different viewpoints of schools of thought and the nature of the policies and their economic philosophy followed in each country, so there are many definitions of the concept of the general budget, but most of the definitions seem to be different in terms of space, but they are identical in terms of substance and goals that the country aims To be achieved through the general budget[1], and below we review some of those definitions:

The general budget is defined as: an official document that shows the objectives and how to achieve them in digital form and within certain time limits, usually a fiscal year.

The general budget is also defined as: Detailed estimates of public expenditures and revenues for a specific and future period of time, usually a year[2].

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1 - Sarmad Kawkab Al-Jamil, The General Budget, Participation, Transparency and Accountability, University of Mosul, Ibn Al-Atheer House for Printing and Publishing, 1, 2008, p. 23.

2 - Adel Ahmed Hashish, Fundamentals of Public Finance, Introduction to the Study of the Fundamentals of the Financial Art of the Public Economy, Beirut - Lebanon - Dar Al-Nahda, 1992, p. 269.

Whereas American law defines it as: an instrument in which the state's expenditures for the following year and its imports are estimated in accordance with the applicable law when presented, and the collection suggestions specified therein.

French law defines the general budget as: the legislative formula according to which the burdens of the state are estimated, authorized and approved by Parliament in the budget law that expresses the governmental, financial and economic objectives.

She defined the Public Accounting Law in Lebanon as: a legislative instrument in which the state's revenues and expenditures are estimated for the next fiscal year, and they are summarized under collection and spending.

The concept of the budget in traditional thought is of a purely financial nature, limited to the estimation of public expenditures and then allocating the revenues necessary to cover them. The successful budget according to the classic is characterized by its small size in revenues and expenditures, and the role of the state is specific within the traditional functions of judiciary, defense, and security, that The movement of economic activity was left to individuals and the economic balance is achieved automatically and without intervention by the state. However, the emergence of the Great Depression crisis in the thirties of the last century and the spread of Keynesian thought that resulted from it, which led to the state's intervention in the economy in order to achieve a general balance in the economy instead of Financial balance through the use of financial policy tools, taxes and expenditures, and thus the budget goal is not determined on supply only, but goes beyond that to achieve social and economic goals [3], and thus it can be stated that it is the plan that bears the financial implications of a specific implementation of the planned response to the conditions The expected operation in a future period is normally a year, and it has been prepared to fit the spending program with the restriction of the revenues available in that future period appropriate The program is based on the available resources, and the budget takes a political plan to provide financial services and translates it into the cost of providing that plan. It is not an anticipation of future spending by the government, but it represents the intended response of that state to the circumstances that the state expects to face in the future [4].

The second requirement: the concept of the general budget deficit and its types:

First: The concept of public budget deficit:

There have been many opinions and studies in an attempt to arrive at a more accurate concept of the deficit, and these studies appeared in several concepts, the most important of which are: Some see that the general budget deficit is an economic phenomenon that occurs in all countries of the world, whether they are developed or backward countries. The budget deficit occurs as a result of increased government spending for Government revenues are the result of poor management of planning and inaccurate regulation of public spending by the government, and some see that the deficit is the increase that occurs as a result of financing public expenditures in its various forms, whether investment or current [5] , and also means the budget deficit is a complex phenomenon whose causes are due to a group of factors that contribute An increase in the spending side at a rate that exceeds the growth of public revenues in lagging countries or developing countries may result in this phenomenon[6]. It makes the state unable to pay all the estimated expenses, and there are several types of budget deficit, the most important of which are.

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3 -Muhammad Taqa, Huda Al-Azzawi, Economics of Public Finance, Amman, Jordan, Dar Al-Maysara for Publishing, Distribution and Printing, 1, 2007, pp. 167-168.

4 - Ati0n , Administr JohnL. mIKesell , Fiscal lndiana university, Tenth Editi0n ,2018 ,45.

5 - Lutf Ahmed Yahya Al-Sawaf, Evaluating the sources of financing the public budget deficit and its available alternatives in the Republic of Yemen during the period from 1995-2014, Master's thesis, University of Aden, 2018, p. 2

6 - Sundus Hamid Musa, Evaluation of the Role of Islamic Sukuk in Addressing the General Budget Deficit of the State of Sudan as a Model, Journal of the College of Education for Girls Human Sciences, Iraq, No. 21, for the eleventh year, 2017, p. 922.

Second: Types of budget deficits After a special presentation of some of the various concepts of the general budget deficit, it is important to review the types of budget deficit so that the concept becomes fully clear, which can be summarized as follows:

1- the current deficit:

current deficit means the net resources needed for the government sector so that that need is provided by lending, and this deficit is calculated by the total difference between the total revenues and public expenditures of all government institutions, deducting the government spending on repaying public debts. The current deficit has been defined as the difference between current revenues and current expenditures, and this means that the government used part of the total private sector savings through taxes in order to pay all reserves from current expenditures, and because of the narrowness of this concept of deficit It does not contain public expenditures and public revenues, rather it is limited to government expenditures and revenues, which are expenditures on goods and services so that they do not include capital revenues and capital expenditures such as the sale and purchase of assets, in the beginning to increase government expenditures The government revenue in relation to the investment does not affect the net assets of the State as any new debts are replaced by new assets[7] *.*

2 - the overall deficit:

It is the deficit in the traditional sense represented by the negative difference between total government expenditures and total government revenues, with the exception of debts, so that the comprehensive deficit gives a broader concept, as the government apparatus and other government institutions such as decentralized and local bodies and all public projects of the state add to it, so the deficit includes in This measure shows the difference between the total government revenues and the public sector, and the total government spending and the public sector so that this deficit is covered by new borrowing. In addition, this deficit gives clearer and more comprehensive pictures of the activities of all government agencies and not only the central government, which does not represent either part of those Entities, and in order for the concept of deficit to take a comprehensive character[8]*, the comprehensive picture of government bodies must not exclude government financial agencies from the activities of the government sector as a whole when determining the percentage of deficit in the general budget, such as losses imposed on the central bank in exchange for the tasks it performs, as the deficit of those institutions It poses a threat to the national economy in general, as it has become necessary to take into account all the financial reserves of the state when calculating this impotence.*

3- The basic deficit:

The concept of this deficit (interest deficit), which includes the difference between total expenditures and total revenues, excluding the interests of external debts, not related to the deficit of the previous period, and does not represent the financial activities of the current period. This type of deficit shows the financial conditions of the government without past financial conditions, as That this concept shows the deficit in a proportion less than its actual size and focuses on evaluating the trends of change in public debt and on the limits of the ability to respond and bear the deficit[9] *.*

4- The intended deficit:

It may also be called the organized or planned deficit, and the theory of the organized deficit represents that the budget balance is the basis for this deficit, that is, the policy of regulating the deficit in the state's general budget, and this measure indicates that the government takes a set of measures when the economy is exposed to economic crises due to the deterioration of the size Effective demand and this leads the government to reduce taxes and increase its expenditures, thus generating the

7 - Muhammad Hussain Muhammad Tanireh, Sustaining Budget Deficit Financing between Traditional and Islamic Alternatives (Malaysia Offer), Master's Thesis, Islamic University of Gaza, 2019, pp. 30-31.

8 - Hamri Muhammad, Addressing Algeria's Budget Deficit, during the period 1993-2016 AD, Master's thesis, Abdelhamid Ben Badis University, Mostaganem, Algeria, 2017-2018, p. 30.

9 - Muhammad Ahmad Al-Affandi, Budget Deficit, Public Debt, and the Optimal Size of Public Debt - A Theoretical Evaluation Study of Contemporary Literature, Journal of Social Studies, University of Science and Technology, Sana'a, Vol. 50, 2016, p.19.

intended deficit[10]*. New financing for the war in a large amount without the increase in the amount of money issuance facing an increase in production in kind, which leads to an increase in the expenditures of countries during the period of wars, and in some countries this policy is followed even after the war with the intention of facing the expenses of developing the economy and increasing productivity that shrank during the period Wars* [11]*, the budget deficit, i.e. the intended inflation, cannot exceed the level needed to achieve full employment. And the value of money rather than the rise in productivity, and this must reduce the occurrence of the deficit, that is, the new monetary issuance as soon as the national economy reaches a state of recovery, as the result of continuing inflation leads to an increase in prices, and the collapse of the value of money instead of the rise in goods and services The productive apparatus is still continuing to work with all its production capabilities*[12]*.*

5 - Structural or structural disability:

This type of deficit is not due to business cycles as much as it is mainly due to the structure and components of the budget and it is caused by reasons affected by several economic or political factors and is medium or long-term and remains continuous in all economic conditions such as times of depression and inflation[13]*, and these circumstances surround In the economy, it appears in the form of large and continuous financial deficits. The deficit also results from the same financial means that the state may rely on in preparing all its budgets*[14]*, and an example of economic imbalance is the dependence of government revenues on basic sources such as oil revenues, or imbalances in prices and economic productivity The total, and that the structural deficit emerges in the rentier economies that relied on a rentier source in their public revenues, and the non-rentier deficit can be measured and the sum of the difference between public expenditures and non-oil public revenues, as well as this deficit results on the amount of effort required to diversify sources of income and public revenues be relevant The continuity of the state's dependence on temporary and non-continuous sources of revenue, and the prices of which are volatile, such as oil revenues*[15]*.*

6 - Allowable Disability:

According to the agreement established by the European Union, a percentage of the permissible deficit in the state's general budget has been determined, within a third of the percentage of the gross domestic product. And it works to increase the production of goods and services, but in the case of financing the deficits to current expenditures, which leads to an increase in the debt burden[16]*.*

The third requirement - methods of financing the public budget deficit

First - financing by borrowing

Assuming that there is a deficit in the general budget of a state, it has occurred for any reason for its occurrence that can be financed locally[17]*. For this type of financing, it can take one of the following forms, including them. Loans: The loan means the cash amounts that the state, or any other public*

10 - *Abeer Ali Nasser, The Role of Financial Policy Tools to Reduce the State's General Budget Deficit according to the Conditions of the International Monetary Fund - Applied Research in the Iraqi Ministry of Finance - Budget Department, Journal of Accounting and Financial Studies, Higher Institute of Accounting and Financial Studies, Volume 14, Issue 48, 2019 AD, p. 4.*

11 - *Mikheeb Jassem Hamad - Hassan Zaidan Khalaf, Financing the Iraqi General Budget Deficit for the period 2003-2015 AD, Tikrit Journal of Administrative and Economic Sciences, Tikrit University College of Administration and Economics, Iraq, Vol. 1, No. 41, C2-201, p. 295.*

12 - *Adel Ahmed Hashish, The Basics of Public Finance, Dar Al-Nahda Al-Arabiya, Beirut, 1992, p. 291.*

13 - *Izzat Kenawy, Fundamentals of Public Finance, previous source, pg. 200.*

14 - *Yusra Mahdi, Shaima Fadel, The relative importance of the Iraqi federal budget funding sources and their relationship to the public budget deficit 2003-2013 AD, Al-Kut Journal of Economic and Administrative Sciences, Wasit University, Issue 2, 2016, p. 168.*

15 - *Muhammad Ahmed Al-Afandi, Budget Deficit, Public Debt, and the Optimal Size of Public Debt - A Theoretical Evaluation Study of Contemporary Literature, Journal of Social Studies, University of Science and Technology, Sana'a, No. 50, October-December, 2016, p. 20.*

16 - *Yassin Abdel Saleh, Analysis of the Iraqi Budget Deficit for the period 2003-2018, previous source, p. 204.*

17 - *Mayh Shabib and others, International Finance - Theory Foundations and Analytical Methods, Dar Al-Diaa for Printing and Publishing, Iraq, Najaf, 1, 2015, p. 20.*

legal person, borrows from banks, individuals, public or private institutions, or from other countries, with an undertaking to repay them and pay interest on them according to specific conditions by the grantor of loans[18]. It is on several types of borrowing from private sectors or institutions outside the scope of banks. In this type of borrowing, it takes the form of borrowing from the Insurance and Pension Fund and the open market operations of this sector to finance the general budget deficit from sectors that are not affiliated with the bank.

Second - Financing the public budget deficit through taxes

Tax is one of the most important pillars of the general budget of a state. We find that most countries d1 always try to develop their tax structure to obtain the largest possible amount of tax revenue, which works hard to combat tax evasion of its various types and hold tax evaders accountable. It has a major role in financing the general budget of a state because tax revenues occupy a high proportion of budget revenues, unlike countries, what is found in developing countries, as it occupies a very small percentage, due to the weak tax systems in these countries that help spread the phenomenon of tax evasion and lack of resources The fiscal deficit in its public budgets and widening the gap between public spending and public revenues, which leads to an increase in the financial deficit in the general budget of a state. Therefore, work on reforming tax systems and working to activate the role of taxes in the tax sector, and this leads to reducing the effects of weak tax financing. And tax policy is one of the most important tools that most countries use to finance the public budget deficit, whether by raising the tax rate Specific or method of introducing a new type of tax.

1- Using direct taxes to finance a country's general budget deficit

The state can influence a lot of direct taxes in order to use what it gets to finance the general budget deficit. Taxes from capital gains [19] They are one of the most important taxes that often bring great financial returns to the state treasury, and the increase in their percentage is not an easy matter because they exert wide pressures on individuals if their spending is high. Therefore, the high rate of these taxes takes into account many considerations. As for taxes on Inheritances, which are also known as deferred tax on income. This type of tax is imposed on the total estate or it is imposed on the individual's share of that estate, through the transfer of capital from the inheritance to the heirs, which results in very few taxes and because of that it does not depend The state has to finance the general budget deficit due to the instability of its proceeds, as well as the income tax. This type of tax works to reduce the amount of net income from that work that the individual does, and it is one of the most important types of direct taxes that represented high revenues for the state budget for its inclusion of wide layers of individuals In addition to the individual's inability to evade tax when paying it, as it is considered one of the most prominent financial incomes of a country.

2- Using indirect taxes to finance the public budget deficit

Usually, when imposing this type of indirect tax on money as a result of its circulation or use, and from it is the money that an individual obtains in the form of income in order to satisfy all the necessary commodities he needs to be paid when spending as part of the service or commodity he requests, and usually not People feel this type of tax, one of the most important

***2-1-** - Customs tax: This tax is considered one of the most important taxes that are imposed on foreign trade operations, and this type contains a prominent importance in the process of financing the public budget deficit[20].*

***2-2-**- Taxes on value added: These taxes are imposed on the increase in the value of production for each stage of production and distribution[21].*

18 - Refaat al-Mahjoub, Public Finance, The Arab Renaissance Library, Cairo University Press, 1999, pg. 484.

19 - Sabr Yinh Kardodi, Sir Yenh Maneh, Methods of Financing the General Budget Deficit and its Consequences, pg. 200-201, previous source.

20 - Abdullah Sheikh Mahmoud Al-Taher, Introduction to the Economics of Public Finance, King Saud University Press, Saudi Arabia, Riyadh, 1, 1988, p. 313

21 - Abdullah Sheikh Mahmoud Al-Taher, Introduction to the Economics of Public Finance, King Saud University Press, Saudi Arabia, Riyadh, 1, 1988, p. 317, the same source previously.

2-3-- Tax imposed on production: The producer works by transferring the tax to the consumer, given that the producer is charged with this tax by moving goods between the final production stages, and he can carry them to the consumer and are characterized by the ease of collecting them[22].

Third: - Financing the general budget deficit by means of the new monetary issuance (inflationary financing).

Deficit financing or what is called inflationary financing. This type of financing is resorted to because the government is unable to finance the deficit in its public budget through other sources. It is resorted to in not a few cases, especially in developing countries, because of their great and increasing need for public spending and because of the severe and severe shortage. In what he was unable to obtain from resources through other sources, which could be available to them, which prompted them to issue a new amount of legal money, and through the Central Bank, it is considered a means to bridge the deficit of the general budget, [23], the cash issuance process is a good refuge that resorts to The government's mechanism for financing its budget deficit, and some economists see the possibility of their reliance on the cash issuance, but this borrowing will lead to an increase in interest rates, which affects the levels of investment. The capitalist system when the production apparatus is flexible when there is a shortage of employment provided that the government stops the issuance process when the level of operation rises to the levels of operation As for the developing countries, they cannot resort to issuing cash, provided that it is directed to investment or is used in small quantities so as not to have any significant inflationary effects on it.[24]

Fourth - Funding through grants and foreign aid

Foreign aid is one of the external financing methods, and it is defined as: the total flow of capital from developed countries, oil countries, and international institutions according to easy rules and conditions far from the prevailing financial and commercial principles and rules of international financial markets. This reduces the burdens of servicing financial flows on the country receiving this aid. Through the above, we can distinguish between three types of grants and aid, which are:

***4 -1** - Soft loans: This type of loan is distinguished from commercial loans and they are usually called gifts (represented in financial terms by the donor country to the aid-granting country, with regard to interest rates where the interest rates are very few or non-existent at all, and have a long period In addition to the possibility of paying the loans in part or in full in the currency of the state granting the aid.*

***4 -2** - Grants granted to finance small and limited projects, such as social projects and private sector projects, or in order to encourage industry, and the purpose of that is to grant assistance to improve the living and social conditions of the state granted aid.*

***4**-3 - Technical and food assistance: represented by investments, granting studies, providing equipment and machinery, in addition to providing medicine, food and other requirements necessary for life and a decent life [25].*

The second topic

The reasons for the budget deficit in the Kingdom of Saudi Arabia and the treatment mechanism

The first requirement - the reasons for the budget deficit in the Kingdom of Saudi Arabia

There are many reasons for the deficit to which the public budgets of the oil countries are exposed, including the Saudi state, and the most important reasons are:

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22 - Al-Hassan Dardori, pp. 153-154, previous source.

23 - Mahdi Sahar, Salam Kazem, pp. 64-65, previous source.

24 - Hammoud Al-Qaisi, Public Finance and Tax Legislation, Dar Al-Thaqafa for Publishing and Distribution, Amman - Jordan, Edition 1, 2015, p. 79.

25 - Samer Ali Abdel Hadi, External financing and its impact on the economic gaps, 1st Edition, Dar Al-Ayyam for Publishing and Distribution, Amman, 2013, pp. 60-61.

1- Oil directly affects the general revenues of the oil countries, as oil revenues are the main source of state revenues, and the volume of revenues that come from oil revenues is mainly determined by the level of prices in global markets, meaning that the general budget of oil countries is linked to changes in oil prices.

2- The increase in the volume of public expenditures in the public budget, motivated by military and political motives, at increasing and accelerating rates in relation to public revenues applied mainly to oil revenues, which led to an increase in the deficit of the public budget during periods of deficit

3 - The large proportion of the general budget expenditures is allocated to spending on the social sectors, mainly (health care, education, housing and infrastructure). In the 2014 budget, it was allocated 25% of the spending on education and human resources development.

4- The increase in spending is largely directed towards current expenditures and not investment spending, which indicates that the economy of the Kingdom of Saudi Arabia is a rentier economy that depends mainly on oil revenues.

The second requirement - ways to address the general budget deficit of the Kingdom of Saudi Arabia

First - Diversifying sources of income by supporting and developing the non-oil economic sectors

The Saudi economy is highly dependent on crude oil by 90% of the state budget, and it constitutes 80% of the total Saudi exports. The fact that the non-oil economy depends largely on the level of government spending resulting from the increase in crude oil revenues can be ignored.

And the ways that can be followed to achieve this goal requires increasing the proportion of non-oil economic sectors and the most important of the main sectors are.

1 - The manufacturing industry and increasing its contribution to the gross domestic product.

The manufacturing industry is one of the most important economic sectors of the Kingdom of Saudi Arabia. It is also considered one of the main pillars for diversifying sources of income and not relying on oil to finance its public expenditures. The Kingdom of Saudi Arabia has paid attention to this sector and provided all means of support to the industry and worked to develop and create a modern industrial base and followed all methods Planning, taking advantage of its increasing resources resulting from oil and natural gas, and establishing a sophisticated infrastructure in order to diversify the production base and reduce dependence on a source of income, Of the great concerns of the government since it developed the first five-year plans in the year (1970-1975) and subsequent plans to work on diversifying the production base of the economy of the Kingdom of Saudi Arabia and reducing dependence on a single source of income, and working to develop a balanced regional development, that the structure of the manufacturing industry Despite its relative diversity, it is still characterized by a clear dominance of investment-intensive industries concentrated in specific areas of the Saudi state. The State of Saudi Arabia has achieved success in the manufacturing industry by providing some of the basic ingredients for the success of the manufacturing industry, the most important of which are[26]:

1- It was secured through foreign investments that played a major role in the development of the manufacturing industry, as the Saudi government paid attention and encouraged to attract foreign investments, especially in manufacturing industries, through its issuance of the modern foreign investment law issued by Royal Decree No. one dated 5-1-1421 AH). The law stipulates the most important features of the Saudi government's encouragement for foreign investment in the manufacturing industries.

1 - 1- The right of foreign investment to fully own lands and industrial factories

1 - 2 - Allowing the foreign investor to obtain another license in multiple fields or in the same field

1- 3- Facilitating the foreign investor to obtain and obtain licenses after submitting applications within thirty days

1 -4 -- As well as allowing the foreign investor to re-transfer the profits

26 - Khalil, Ahmed Musa Mahmoud, Industrial Diversification, Measurement and Patterns: An Applied Study on Manufacturing Industries in Saudi Arabia, Kuwait University - Scientific Publication Council, Journal of Gulf and Arabian Peninsula Studies, Issue 170, Volume 44, 2018, p. 75.

2- The Saudi government has raised the volume of industrial loans through the system of industrial loans that are provided by the Industrial Development Fund

3- The Saudi government has expanded and established industrial cities. New factories have been established and spending on them. The number of modern industrial projects reached (125) in the year (2014)[27].

4- The Kingdom has been interested in industrial knowledge, and the knowledge economy is considered the main means of diversifying the production base. From the table of the main economic sectors, it is clear that the manufacturing sector has increased from (2003-2005) by (10.3%) and will continue to rise until the year (2010-2015). During the year (2015) the industrial sector declined, due to the crisis of the decline in international oil prices, and it will continue to decline from (2015-2020). Oil prices due to the direct spread of the Corona virus on the oil sector and with the modest impact on the non-oil sector[28].

2- The tourism sector

The reality of tourism in the Kingdom of Saudi Arabia is one of the distinguished economic sectors and activities, and the competition is great among the various activities of other economic sectors, so that its importance lies in the fact that it contributes to the abundance of many job opportunities for the Saudi individual, the preservation of the cultural heritage in the Kingdom of Saudi Arabia, and raising the awareness of the Saudi citizen and familiarizing them with their country More clearly, and the development of the infrastructure for the various regions of the Kingdom, as well as providing many opportunities for service and commercial businesses for people with low capital, and working to reduce the leakage of money abroad and diversify the sources of income for the national economy. The Kingdom of Saudi Arabia is characterized by religious tourism, which is one of the most important and oldest types of tourism. Religion is one of the great sources of income for the Kingdom of Saudi Arabia, in terms of the presence of holy places, it is a permanent and main reason throughout the year for the arrival of a large number of Muslims, which requires the provision of all requirements for the reception of this number, which generates a very large financial return from the religious tourism sector[29], as shown in the table (12) The contribution of the tourism sector to the gross domestic product during the year (2005-2003) by (3.6%), which is It was the lowest level during the study period and then increased in the year (2010-2015) and reached (6.8%), while during the period from (2015-2020) the percentage of the tourism sector decreased and amounted to (6.7%) to the gross domestic product, during the year (2016).) due to the high volume of spending on incoming tourist trips, but at the end of (2019) all tourist trips stopped due to what the world was exposed to as a result of the development of the Corona virus crisis, the necessary precautionary measures and measures to limit the spread of the disease[30].

3- The agricultural sector

The agricultural sector in the Kingdom of Saudi Arabia has achieved great developments in a short period of time, despite the numerous obstacles, the small national agricultural workforce, the scarcity of water, the effects of agricultural lands and their desert nature, highlands and valleys. The government has made efforts to develop the agricultural sector and support agricultural investors in an effort to increase the agricultural sector. of grains and other strategic crops at high prices to encourage them, and as a result of this effort, the state moved from import control for various food needs to the stage of self-sufficiency and exporting outside the country in some types of commodities such as wheat and dates, which led to a rise in the agricultural product to become its contribution to the gross domestic product that was found from In Table (1), a contribution percentage to the GDP was recorded in the year (2005-2003) by (5.6%), then the percentage of its contribution increased

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27 - Amal Muhammed Al-Maqtoof, The Role of the Manufacturing Industry in Economic Growth in Saudi Arabia, Journal of Gulf and Arabian Peninsula Studies, Volume 9, Issue 1, Part 2, 2018, pp. 535-534.

28 - Saudi Arabian Monetary Agency, annual report, for different years and multiple pages.

29 - Abdullah Al-Ajlouni, and Abdul-Mahdi Lajlouni, Elements of Tourist Attraction and its Legal Controls - The Case of the Kingdom of Saudi Arabia, An-Najah University Journal for Research in Human Sciences, Volume 31 (12), 2017, p. 2165

30 - Ministry of Finance, report on the budget, Kingdom of Saudi Arabia, for different years *during the years from (2010-2015) by (0.4%), while during the years (2015-2019)) The ratio between the rise and the decline took between (0.3%-0.4%) despite the efforts that have been made, the agricultural sector remains low compared to other economic sectors. The contribution ratio of economic sectors to GDP is low compared to the ratio of the oil sector to GDP, which indicates that the State of Saudi Arabia is still dependent on oil revenues to finance its budgets and has not been able to diversify its sources of revenue.*

4 - The oil sector.

Its percentage to the size of the gross domestic product ranges between 58.2 as in the period from 2003-2005, but in the following years this percentage was reduced to 44.6% and then continued to 43.4 for the period from 2010-2015, while it rose again to 44.4% in the period from 2015-2019 as a result of changes in oil prices, which led to a doubling of production in order to pay the deficit in the financial resources of countries.

Table (1)

The ratio of the contribution of economic sectors to the gross domestic product in the Kingdom of Saudi Arabia for the period from 2005 to 2019

Details / year	agricultural sector %	Manufacturing sector %	tourism sector %	oil sector
2003–2005	5.6	10.3	3.6	58.2
2005–2010	2.3	11.0	7.2	44.6
2010–2015	3.3	12.6	6.8	43.4
2015–2019	1.8	7.1	6.7	44.4

Source: *Saudi Arabian Monetary Agency, annual report, economic developments, General Administration of Economic Research and Statistics, for various years and multiple pages.*

The third requirement - the possibility of Iraq benefiting from addressing the budget deficit

Since Iraq is a rentier country and depends on oil to finance its annual general budget, and its economy is similar to the economy in the Kingdom of Saudi Arabia as it depends on rentier resources as well through the export of crude oil to different countries of the world, and since the two countries are similar in terms of economy and significantly, we can We reflect the experience of the Kingdom of Saudi Arabia in tackling the problem of deficit in its general budget and formulate it in a way that suits the Iraqi economy.

It is necessary for Iraq to depend on the various economic resources that it has and reduce dependence on one resource, which is oil, in order to mitigate the economic shocks that the global oil market is exposed to, so it must take another path, which is economic diversification as followed by the Kingdom of Saudi Arabia, and we can show The most important economic sectors that Iraq can exploit in order to alleviate the budget deficit that occurs to it at every drop in world oil prices and can be summarized as follows:

First *- Activating the industrial sector: Iraq possesses sufficient industrial ingredients for the success of this vital and important sector, and Iraq is one of the first countries that focused on the industrial aspect and the operation of large projects that employ thousands of workers over the past decades in the textile, rubber, canning, medical equipment factories and military industries The automobile and electrical industries, all of which were active projects in the Iraqi economy and had their importance in contributing to the volume of the gross domestic product, except for the economic blockade, the inappropriate conditions and the lack of spare parts that exhausted this industry and led to its extinction and then its cessation after 2003, which requires reactivation and investment in the form It is true, especially that Iraq has sufficient human resources to operate it.*

Second *- Activating the agricultural sector: by paying attention to the farmer, land, equipment and seeds, as well as providing material and moral support to him, and paying attention to the field of training, development and providing agricultural guidance to him. To export abroad, and livestock is among those concerns that accompany the agricultural aspect and the important production it achieves for the Iraqi economy.*

Third *- Activating the tourism sector: by investing in the tourist side represented in religious tourism, recreational and archaeological tourism and other types of tourism, and Iraq possesses all the elements of tourism and is one of the important and well-known tourist countries, as it contains more than 12 thousand unused tourist places but in need To create the appropriate conditions for this to be a vital sector, no matter how important it is to supplement the general budget with hard currency and achieve great financial revenues, because tourism has a future and that the development of countries depends on it.*[31]

Fourth *- One of the ways to address the public budget deficit is to rationalize and rehabilitate public expenditures to serve the necessary needs, in addition to correcting the structural imbalance in public spending and rearranging spending priorities. It is also necessary to work on increasing sovereign revenues such as taxes and fees in public revenues, as well as addressing cases of corruption. Financial and administrative in state public institutions and private institutions as they contribute to a great waste of economic resources abroad.*

Conclusions and Recommendations

First - the conclusions

Through the foregoing in the research, the two researchers reached a set of conclusions, the most important of which were the following:

1. *The Kingdom of Saudi Arabia and Iraq are rentier countries that depend in their foreign trade on the export of crude oil to the outside world, and they are affected economically by changes in oil prices in global markets, so they achieve either a surplus or a deficit in their balance of payments in some years.*
2. *The budget deficit is dealt with through several traditional means and methods that apply to countries of the world, as well as exceptional or specialized local methods aimed at achieving balance in the budget.*
3. *The Kingdom of Saudi Arabia has sought the success of its management of the national economy, as well as the development of a long-term plan that is flexible and feasible.*
4. *The Kingdom of Saudi Arabia has adopted a new economic approach and it maintains economic, industrial, agricultural and tourism diversification, as it is the best way to address economic crises and the budget deficit associated with the drop in global oil prices.*

Secondly - recommendations

1. *The necessity for the state to work not to depend on oil resources as a main source of financing its general budget, due to its connection with the fluctuating global markets, up and down.*
2. *The state seeking to achieve balance in the public budget must work on setting flexible budgets that respond to global changes, as well as achieving strategic goals for the necessary economic sectors.*
3. *The necessity of diversifying the Iraqi economy and activating other economic sectors, including industry, agriculture and tourism, because of their great role in reducing dependence on oil.*
4. *The need for the government to rationalize and rehabilitate its recurrent expenditures to serve the necessary needs of the Iraqi society without extravagance or waste in spending, especially during the years of financial abundance.*

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31 - Qais Mahdi Hassan, Mayada Hassan Rahim, tourist places in Iraq and their importance in maximizing financial resources, research published within the proceedings of the Third International Scientific Conference, Faculty of Archeology, Samarra University, for the year 2021, p. 29. Posted on the university's website https://uosamarra.edu.iq

5. The need for the Iraqi government to deal with cases of financial and administrative corruption in public and private institutions, because it drains financial resources from individuals or from the government and heads abroad.

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