International Journal of Law, Justice and Jurisprudence

E-ISSN: 2790-068
P-ISSN: 2790-0673
www.lawjournal.info
IJLJJ 2025; 5(1): 381-387
Received: 10-03-2025
Accepted: 14-04-2025
Published: 22-05-2025

Firas Mohammed Shehab
Kirkuk University, Collage of Administration and Economics, Iraq

Correspondence Author:
Firas Mohammed Shehab
Kirkuk University, Collage of Administration and Economics, Iraq

The factors influencing the relationship between the international monetary fund and international institutions

Firas Mohammed Shehab

DOI: https://www.doi.org/10.22271/2790-0673.2025.v5.i1e.199

Abstract
Policymakers at all levels local, regional, and international face one of the most significant problems in our contemporary world: confronting economic and financial crises and devising effective solutions, especially as these crises now occur at any time and place around the world. This is due to the issues afflicting the global economic and financial system resulting from its structures, institutions, and policies. The International Monetary Fund is one of the institutions tasked with addressing these crises and, prior to that, predicting them to reduce their occurrence and mitigate their severity or limit their effects after they occur.
This research will define the relationship between the International Monetary Fund and financial institutions around the world, and the nature of the connection between these international institutions that shape global monetary policy.

Keywords: International Monetary Fund, World Bank, financial institutions, developing countries

Introduction
The realities of political life throughout history confirm that a state's independence and its exercise of sovereignty require a set of legal, political, and economic foundations that enable it to withstand pressures and avoid dependency on external powers. A state's possession of economic capabilities allows it to enjoy freedom in political, social, and legal movements, represented in the full exercise of sovereign adaptations.
Since politics is an intensified form of economics, decision-makers in various countries especially major powers carefully make numerous economic decisions to facilitate political decisions that have significant implications for the state and society. Economic and financial control thus falls within a political framework closely linked to struggles over independence not merely in its formal sense, but in its deeper meanings related to the achievement of all forms of freedom in decision-making and execution.
People know the International Monetary Fund (IMF) through the decisions of their governments when implementing the Fund's requirements, which often affect their ability to bear the costs of living. However, some believe often rightfully that the economic substance of the IMF's macroeconomic programs is not inherently harmful. Rather, the misuse of IMF-provided funds, corruption, theft, poor management of GDP distribution, unfair tax policies, discrimination, favoritism, and similar practices thwart even the sincerest intentions, if such intentions exist in the first place.
The global financial sector witnessed numerous developments during the last decade of the twentieth century, marked by tremendous technological advancements in the banking industry, the introduction of new financial instruments, and an unprecedented openness among financial markets. Despite these positive developments, several crises occurred in the financial sector both in developing and developed countries which negatively impacted the economies of those nations. Observers of global economic developments can notice that in most countries that experienced financial and economic crises, banking problems were a common denominator.

Significance of the Study
The importance of this study lies in clarifying the role played by the International Monetary Fund (IMF), and the political implications both current and potential arising from this role, particularly concerning the independence of political and economic decision-making. It also highlights the importance of policies that prioritize the interests, sovereignty, and political

role of populations such as Iraqis and Lebanese. Despite the abundance of studies, analyses, and contributions related to the IMF in general, this research seeks to provide a focused and relevant perspective.

Objectives of the Study

The research aims to identify the determinants of the relationship between the International Monetary Fund as the largest international financial institution providing loans and its counterparts in the financial system, as well as how this relationship is structured between the IMF and individual states.

Research Problem

The central problem of this study revolves around understanding the role of the International Monetary Fund in addressing global financial crises, the measures taken by member states to increase its resources, the determinants of its relationship with other financial institutions, and the nature, purposes, and objectives of the programs the IMF contributes to.

Methodology of the Study

This research adopts the descriptive-analytical and comparative approach, which relies on collecting information and facts, then studying, comparing, and analyzing them to reach acceptable and logical conclusions that support the research hypothesis and its methodology. This is achieved by linking results to causes and interpreting the data.

First: Definition and Types of Financial Institutions

International financial institutions are generally defined as entities or business establishments whose assets consist of financial assets such as loans and securities. Financial institutions are vital and essential to any economy, as they constitute one of the fundamental components of economic growth. These institutions differ from industrial enterprises, whose assets and liabilities consist of buildings, machinery, equipment, raw materials, and other goods.

The main international financial institutions include the International Monetary Fund (IMF) and the World Bank. Their primary role is to assist their member states by providing aid and loans, particularly to developing countries suffering from structural economic imbalances and financial crises that compel them to seek support. These institutions offer loans to help these countries address the financial crises they are experiencing.

The definitions proposed by jurists and scholars for international financial institutions vary depending on the perspective from which they are viewed. Some have defined international financial institutions as "institutions that work to achieve the objectives of the United Nations in order to improve the living conditions of different peoples, promote development in poor countries, and narrow the wide economic gap between rich and poor nations all of which serve the ultimate goal of the United Nations: maintaining international peace and security and strengthening friendly relations among nations."

This definition, however, is criticized for being imprecise and overly general, as it links the goals of financial institutions directly to those of the United Nations, as if they were two sides of the same coin. In reality, these institutions aim to achieve only some of the United Nations' goals primarily the promotion of economic welfare.

For this reason, proponents of the second view have defined these institutions as: "Permanent intergovernmental organizations with independent will and legal personality, established by a group of countries to achieve common objectives defined and outlined by the founding agreement of the institution. These institutions aim to finance public and private projects, encourage international investment, facilitate the flow of capital, ensure its free movement, stabilize exchange rates, and achieve balance in the balance of payments.

Others have defined them as governmental organizations that seek to maintain the stability of the global monetary and financial system, advance development in underdeveloped countries, and remove barriers that hinder their integration into the global economy. These institutions finance both public and private projects and work toward macroeconomic stability.

Fiscal policy holds a prominent place among economic policies in all countries, regardless of their economic philosophies. This importance stems from its vital and effective role in influencing macroeconomic variables, whether related to government spending, revenues, or borrowing, as it involves the procedures and tools used by fiscal policymakers.

According to Al-Barwari and Al-Hamawandi (2024, p. 362), the term "fiscal policy" is derived from the French word Fisc, meaning treasury. Fiscal policy is defined as the government's policy concerning public revenues and expenditures, aimed at addressing economic fluctuations, achieving full employment, and ensuring economic stability.

Al-Tahmazi (2023, p. 24) points out that fiscal policy aims to

1. Achieve price stability.
2. Ensure the full utilization of economic resources.
3. Redistribute income.
4. Increase the economic growth rate of the country.
5. Definition of the International Monetary Fund (IMF).

There are various definitions of the International Monetary Fund, but we will highlight some of these definitions

The IMF is "a specialized agency of the United Nations system established by the Bretton Woods Agreement in 1944 to promote and safeguard global economic stability. It is a central institution in the international monetary system, and its main goal is to prevent crises. It is called a 'fund' so that its resources can be used by member countries that need temporary financial assistance to address urgent balance of payments issues."

The IMF is also defined as "an international monetary institution established in 1944 under the Bretton Woods Agreement. It is considered an international central bank or a union of central banks, as it emerged from discussions about the deteriorating global economic and monetary conditions following World War II."

Based on the above, a comprehensive definition of the IMF can be provided as follows:

The International Monetary Fund is an international organization established by an international treaty in 1944 to promote global economic stability and work towards the stability of the international monetary system. It also assists

member countries in addressing balance of payments issues or macroeconomic problems by providing resources from the fund and adopting specific policies and programs for structural adjustment and stabilization.

The Board of Governors at the International Monetary Fund is considered the legislative authority. It is customary for each member country to appoint a governor and an alternate governor to represent it on the Board of Governors. This position is usually held by the Minister of Finance (or Treasury), the Governor of the Central Bank, or another prominent figure in the country. The main duties and powers of the Board of Governors include:

a) Accepting new members and determining the conditions of their membership.
b) Electing the executive directors.
c) Approving general changes in exchange rates for member countries.
d) Determining and distributing the IMF's net income.
e) Requesting that a member country withdraw from the IMF.
f) Appealing decisions issued by the Board of Governors.

The Executive Board of the International Monetary Fund is considered the executive authority of the Fund, responsible for decision-making. According to the Fund's Agreement, the number of executive directors must not be fewer than twelve, and in 1988, the number increased to twenty-two directors. The Board of Directors is composed of:

a) Five permanent members representing the five countries with the largest shares in the Fund: The United States, the United Kingdom, Germany, France, and Japan.
b) Fifteen executive directors elected by the member countries. They are elected every two years, and each executive director appoints an alternate executive director who acts on their behalf and exercises all their powers in case of their absence.

The Executive Board is chaired by the Managing Director of the IMF, who is also the head of the staff and experts working at the Fund. The Managing Director has no voting rights in the Board except in cases of a casting vote. The Executive Board is responsible for the following tasks:

a) Managing the daily operations of the IMF.
b) Approving the proposed original exchange rates of currencies presented by member countries and any proposed modifications.
c) Determining the allocation of the IMF's resources.
d) Formulating the Fund's policy.
e) Reviewing the IMF’s budget and submitting it to the member countries.

2. Definition of the World Bank

There are several definitions of the World Bank. Here are some of these definitions

The World Bank can be defined as "the global economic institution responsible for managing the international financial system and focusing on implementing economic policies that ensure the economic development of its member countries."

Another definition states that "the World Bank is a multilateral institution with various goals and is one of the most significant sources of international financing worldwide. It is a part of the Bretton Woods institutions established under the 1945 Bretton Woods Agreement."

Based on the above, a comprehensive definition of the World Bank can be provided as

"The World Bank is a specialized agency of the United Nations established under the 1944 Bretton Woods Agreement, starting its operations on June 25, 1946. It complements the goals of the International Monetary Fund (IMF) and focuses on providing long-term loans to promote investment flows in member countries, supporting reconstruction and economic development, and encouraging private foreign investments. The World Bank also works to achieve balanced, long-term growth in international trade."

The World Bank aims to enable member countries that were devastated by war to obtain the necessary capital for reconstruction. It also seeks to advance the economies of developing countries. The main objectives of the World Bank include:

a) Assisting in the reconstruction of member countries' territories and promoting their economic progress by providing capital for construction purposes, including revitalizing the economic life destroyed by war and encouraging economic activity by establishing projects that will develop productive facilities in various countries.
b) Encouraging direct foreign investment by guaranteeing these investments, especially if the country is able to obtain loans under favorable terms from other sources.
c) Providing financial facilities under favorable conditions to achieve real productive goals, ensuring that the funds granted are used for long-term productive purposes.
d) Conducting a classification of economic projects to identify the most beneficial ones and prioritizing them for benefiting from loans and investment facilities.
e) Over the years and with the expansion of its membership, the World Bank has also sought to achieve other goals, the most important of which is combating global poverty by raising the productivity of poor nations and giving them an active role in the economic development process.

In addition to the primary objectives of the World Bank, there is another goal: protecting the interests and financial resources of the main member countries, i.e., the wealthy industrial nations. To this end, loans are granted only to countries following the path of these wealthy nations, regardless of the success of investments.

Each member country appoints a governor and an alternate for a term of 5 years to represent the member country in the meetings of the Board of Governors, which convenes annually in September at the World Bank's headquarters in Washington. The Board of Governors is responsible for setting the general policy of the Bank and holds all the powers granted to the World Bank as outlined in its founding agreement. However, the Board of Executive Directors may act on its behalf in the following matters:

a) Accepting new members and determining membership conditions.
b) Increasing or decreasing the Bank’s capital.
c) Suspension of members.
d) Distributing the Bank’s net income.
e) Entering into agreements with international organizations.

The World Bank's Board of Directors consists of 20 executive directors, five of whom represent the countries that hold the largest shares, while the remaining directors are elected by the governors on a largely geographical basis. The governors have delegated many of their powers to this board, which meets monthly in Washington. The World Bank's founding agreement includes various rules on how the executive directors are selected and how member countries are represented on the Board of Directors. According to these rules, member countries are divided into two groups:

Group One: This includes the five countries that hold the largest shares in the Bank's capital. This group appoints five executive directors, and the director is usually of the nationality of the appointing country, although there is no prohibition on a country appointing a director who does not share its nationality.

Group Two: This includes the remaining member countries, which are divided into fifteen sub-groups. Each sub-group elects an executive director to represent it. The executive director is elected within each sub-group by the votes of the appointed governors.

Second: The Relationship Between the International Monetary Fund and International Institutions

In order to discuss the relationship between the IMF and countries, it is important to consider the negative repercussions and the performance of the IMF on countries, particularly developing nations. We can summarize these repercussions as follows:

1. Negative Repercussions of the Proposed Programs on the People of Beneficiary Countries:

The IMF often applies the same programs across all developing countries, using the same prescriptions regardless of the specific needs of each nation. Its involvement in formulating these programs is limited to ministries of finance and central banks, while it neglects productive and industrial sectors.

The IMF's relationship with other countries is often centered on providing support to export institutions rather than local production institutions. The IMF's policies tend to deepen crises, as evidenced by its role in exacerbating the Asian financial crisis. For example, when the IMF acted as the "lender of last resort," its policies led to long-term financial and economic deterioration. In South Korea, the IMF's prescription to raise interest rates contributed to an economic recession.

Another point is the continued exclusion of developing or even emerging nations from decision-making centers within the IMF. For instance, the representation in the IMF's Executive Board is limited to only two seats for Sub-Saharan African countries, which consist of 54 nations. It's difficult for these two representatives to mediate and consult effectively on behalf of all the nations they represent.

Moreover, it is difficult for an international financial institution that claims legitimacy and consists of 189 members to be dominated by five countries namely, the United States, Germany, Japan, the United Kingdom, and France that control 39.39% of the voting shares within the IMF. On the other hand, the share of a country like China is limited to less than 4%, despite its GDP exceeding \$17.6 trillion in 2018, compared to the \$17.4 trillion of the United States, according to IMF statistics.

The IMF also serves as a guide for multinational corporations by providing fertile ground for their projects. This is achieved through encouraging borrowing countries to adopt policies that stimulate foreign investment, such as tax cuts, currency devaluation, and other similar measures. However, the responsibility of developing countries in relation to IMF programs is significant. In addition to the negative impacts and repercussions of the IMF's policies on these countries, it is clear that officials in these nations have, in one way or another, contributed to the failure of programs funded by the IMF.

Some countries' primary goal was to benefit from IMF loans and resources without making the necessary efforts to support economic reform efforts. Furthermore, when there was no clear vision for local investment in developing countries, even foreign direct investment was concentrated in extractive industries such as energy and minerals. As a result, export gains that could have been achieved by focusing on the export industries, as recommended by the IMF, were lost.

The banking sector has also been neglected, especially when it comes to promoting the independence of central banks in countries undergoing economic transition. The failure to address the lack of trust in the financial system has made it more difficult to recover from financial crises and has hindered efforts to implement IMF-funded reforms.

As a result of the negative manifestations of the IMF's policies and their impact on developing countries, voices from civil society organizations began to call for the IMF to cease its exploitative practices. These protests became more vocal during the global financial crisis, where the IMF took advantage of the situation and began reaching out to the world's poorest and least wealthy countries. The IMF sought to impose its control over these nations through loans and changes to their policies.

2. The Relationship Between the International Monetary Fund and Developed Countries:

As for the relationship between the IMF and developed countries, the International Monetary Fund has historically leaned towards the major industrialized nations since its establishment, which were the main drivers behind its creation. When discussing this relationship, we cannot overlook the role of the United States as one of the most influential decision-makers within the IMF, and the same applies to European countries.

The relationship between the IMF and the United States can be clarified by recognizing the close connection between the IMF and the U.S. The U.S. hosts the IMF's headquarters and controls 17.69% of the membership shares, making it the largest contributor to the fund.

The United States continues to resist approving the desired reforms in the quota system and governance within the IMF, which has caused dissatisfaction among member states and the IMF administration. On the financial and monetary side, the U.S. dollar remains a crucial component of the global monetary system. Despite the blow it faced in 1971, when former U.S. President Nixon ended the "Bretton Woods System" on March 1, 1971, by announcing in his famous speech the cancellation of the dollar's convertibility to gold, the dollar did not lose its value or status. On the contrary, we see a continuous increase in capital flows towards the

United States due to the trust that the dollar commands. Currently, the IMF relies on the dollar to determine the value of Special Drawing Rights (SDRs).

As for the relationship between the International Monetary Fund and European countries, the first indication of this close connection can be seen through the fact that the IMF's Managing Director is always from Europe. Over more than seventy years of the IMF's existence, 21 individuals have held the position of Managing Director, all of whom were of European nationality. This distribution ensures a fair division of leadership of one of the world's largest financial institutions between the United States and European countries.

Rather than studying the relationship of the IMF with each individual European country, we will analyze this relationship based on the European Union as a single bloc represented by the Eurozone. The IMF's involvement early in the current global financial crisis, or the one that occurred in the late 1990s, when it financed EU member countries facing balance of payments needs, led to an expansion of cooperation between the IMF and European Union institutions. This cooperation, particularly with the "European Commission" and the "European Central Bank" during the later stages of the crisis, culminated in the establishment of a close working relationship between the IMF, the European Commission, and the European Central Bank, known as the "Troika."

Although the IMF coordinates closely with other members of the "Troika," the Executive Board ultimately makes decisions regarding financing and policy advice independently.

One of the key activities of the IMF in Europe is its effort to present itself as a key player in the region's stability by performing its usual activities. This includes engaging in the regular surveillance known as "Article IV Consultations" or through country reports that carry regional analyses and forecasts for individual countries and the Eurozone as a whole, such as global economic indicators and the Financial Stability Report.

Regarding financing, the IMF has funded some emerging European countries to help them address internal or external deficits. Between 2010 and 2019, four European countries received funding from the IMF, namely: Greece, Portugal, Ireland, and Cyprus. In addition, Romania, Poland, Bosnia, and Albania also received funding.

In the case of Greece, the IMF provided substantial amounts, reaching up to €26.7 billion (USD 36.8 billion) under the "Extended Credit Facility" program, which lasted from March 15, 2012, to March 14, 2016.

This serves as a primary justification for the IMF's application of a double standard when dealing with borrowing countries, due to the differing economic policies between nations. The IMF assesses the effectiveness of the policies implemented by a country before imposing conditions. The severity of these conditions is directly linked to the results of the country's economic policy. If the IMF experts consider that the policies adopted by a country are effective, the conditions are less stringent. On the other hand, if the results reveal that the country's policies are ineffective, the conditions are more numerous and stringent.

One of the most important factors considered by IMF experts when determining the level of conditions imposed on a borrowing country is the legal stability within that country. Legal stability refers to the principle of legislative stability, meaning the slow pace of changes in laws within the country. This is typically found in developed countries, as opposed to developing nations, which often modify their laws quickly and frequently. As a result, the IMF imposes harsher conditions on developing countries than on developed ones.

This legal stability is a direct result of political stability, which is reflected in a stable governing system and avoiding frequent changes in the country's political structures. Since laws are a direct translation of a country's policies, continuous changes in a country's political direction lead to legislative instability, prompting the IMF to apply harsher conditions.

The main justification that the IMF often holds for differentiating between borrowing countries in relation to the principle of conditionality is the extent to which a country holds economic power on the international stage, its influence on the global economic system, and its ability to influence decision-making within the IMF itself. Since the management of the IMF is dominated by developed countries, as previously discussed, this influence inversely correlates with the severity of the conditions imposed. In other words, countries with greater economic strength and political influence, especially those from developed nations, tend to face less stringent conditions compared to countries with less economic power and influence within the IMF.

Third: Stages of Iraq's Engagement with the International Monetary Fund (IMF)

Iraq's involvement in the IMF's financial and technical assistance programs provides an opportunity to avoid the sharpest aspects of the current crisis. It also offers an international oversight mechanism for the performance of the Iraqi government, enhances the governance of public institutions, and corrects the deviations that have infiltrated state institutions due to nepotism, corruption, and the dominance of political parties over the economic decision-making process. This influence is often aligned with their political agendas, at the expense of achieving development and stability.

The experience of the past years has shown that the consensual model in managing the state has been marked by the absence of a clear economic vision and weak policies necessary for economic reform, as well as the development of agricultural, industrial, and service sectors. Moreover, it has led to the waste of resources and deepened structural imbalances, primarily due to the continued reliance on oil revenue to finance the budget and absorb unemployment, without paying attention to the dangers of linking the country's economic and financial fate to a resource that is influenced by external factors.

In this context, international institutions can assist in designing a new economic framework suitable for Iraq's economic reality. This would limit the manipulation of political party mafias over oil resources, and shift the focus away from exploitation and towards development and stability. Additionally, a public financial reform program offers hope for correcting budget plans and programs in a way that serves economic balance. This includes stimulating different economic sectors, supporting low-income groups, and activating alternative financial channels to oil. Such reforms could establish sustainable revenue streams for financing the budget through tax system reforms and activating the financial market to absorb public surpluses

and convert them into investment channels, rather than continuing the current patterns of excessive consumption seen in the country today:

Through this section, we will review the stages of Iraq's cooperation with the International Monetary Fund (IMF) based on the following division

First: The First Credit Facility Agreement (2003-2008) and the Second (2008-2013)

Iraq is a founding member of both the World Bank and the IMF since 1944. It participated with developing countries in the establishment of the Fund and had numerous dealings with the IMF and the World Bank. Between 1950 and 1973, Iraq received loans that were used for various sectors, including agriculture, education, flood control, wireless communications, and transportation. The last loan Iraq received was in 1979.

However, after this period, relations between Iraq and the IMF began to falter. The previous Iraqi regime decided not to provide the IMF with any data concerning Iraq's economy. The relationship did not return to normal until after 2003. It is important to note that Iraq's relationship with the IMF was governed by United Nations Security Council Resolution 1483 of 2003, which mandated Iraq to engage positively and cooperate with the IMF and the World Bank in order to reach a settlement of Iraq's external debts through the Paris Club Agreement. This resolution was binding for Iraq and was not a choice for the country. From the perspective of the Security Council, Iraq's stability was seen as part of regional and international economic stability. At that time, Iraq was under the provisions of Article 7 of the UN Charter, which limited its sovereignty and weakened its relations with international parties.

The Iraqi economic reform program, supported by the Credit Facility Agreement, aims to address the urgent balance of payments needs, align spending with the decline in global oil prices, and ensure the sustainability of debt within manageable limits. The program also includes measures to protect the poor, enhance public financial management, support the stability of the financial sector, and curb corruption. Iraq will require international support to implement these policies.

As a result, cooperation between the IMF and Iraq began in 2003 through the Madrid Conference for donor countries, aimed at raising funds for Iraq's reconstruction from many nations and international organizations. However, the main work started with the settlement of Iraq's debts through the Paris Club after the IMF played a crucial role in preparing schedules to restructure Iraq's debt. Iraq's debt burden was at a low level, meaning the country could not repay more than 10% of its debts. This led the IMF to urge Paris Club countries to cancel 90% of Iraq's debt. The IMF then requested that Iraq sign a Credit Facility Agreement, which included several conditions, such as reforming the country's financial situation and increasing fuel prices, which had been sold at very low rates, encouraging smuggling to neighboring countries.

After signing the first Credit Facility Agreement in 2005, 30% of Iraq's debt was canceled in a second round, bringing the total amount of debt written off to 60%. The agreement successfully ended in 2008, with 20% of the debt being forgiven. As a result, Iraq managed to rid itself of \$100 billion of external debt and reschedule the remaining debt until 2028, with all interest payments halted since 2005, yielding significant benefits for Iraq.

The agreements and the relationship between Iraq and the IMF continued to proceed positively, particularly with regard to debt management, and remained on track until the expiration of the second Credit Facility Agreement in 2013.

Second: The Third Credit Facility Agreement of 2015

In 2015, Iraq experienced a significant public finance deficit, which has persisted until now, with expectations that it will continue for years despite ongoing efforts to stabilize its financial situation. Obtaining new loans to finance the deficit would lead to a sharp increase in the public debt balance, with a gradual rise in the medium term as the deficit rates decrease. The total debt as a percentage of GDP is expected to rise to 79% in 2016, peaking at 85% in 2018, before starting to decline, reaching 75% of GDP by 2021. Iraq will be able to continue managing its debt in the medium term, provided it implements the recommended fiscal adjustments.

This situation led Iraq to enter into negotiations at the end of 2015 for a loan under the third Credit Facility Agreement. On July 7, 2016, the IMF Executive Board approved a Credit Facility Agreement with Iraq amounting to 3.831 billion Special Drawing Rights (SDRs), approximately 5.34 billion USD or 230% of Iraq's IMF quota, to support the government's economic reform program. The approval of the board allowed the disbursement of 455 million SDRs, equivalent to about 1.24 billion USD at the time of approval.

Under the third Credit Facility Agreement of 2015, the IMF required Iraq to adhere to key structural benchmark rules. These included a series of actions and reforms that Iraq needed to implement. In terms of the national budget, the Iraqi government carried out a significant fiscal adjustment process, mainly by reducing inefficient capital expenditures while protecting social spending. The amended public financial program of 2016 and the 2017 budget draft were aligned with the terms of the Credit Facility Agreement. The fiscal correction should be gradually improved by increasing non-oil revenues, reducing current spending, and reforming the electricity sector, subsidies, and state-owned enterprises. These measures aim to create space for larger and more effective investment spending, thus supporting economic growth.

As for the measures to support the stability of the financial sector, this is achieved through strengthening the legal framework of the Central Bank of Iraq, restructuring state-owned banks, and removing exchange restrictions while maintaining the current exchange rates of the dinar, as they provide a fundamental foundation for economic stability and absorb inflationary pressures. New measures should also be implemented to prevent money laundering, combat terrorism, and enhance the anti-corruption law. The government's performance under the Credit Facility Agreement has been characterized by variability; however, agreements were reached on corrective measures sufficient to keep the program on track. It will be essential to ensure firm implementation, with strong international support.

These commitments by Iraq are matched by the IMF's commitment to provide a loan of 5.34 billion USD with an interest rate of only 1%. However, despite these agreements, financial support, and the significant amounts provided by the IMF to Iraq, we find that Iraq is currently facing an extremely difficult period in its history. Its economy is

under severe pressure, despite the Iraqi authorities' implementation of their commitments to undertake economic reforms under the program monitored by the IMF experts.

Conclusion

First: Results

1. The capitalist system was able to impose its will and ideas to revive its trade and reform its monetary systems by establishing international financial institutions such as the International Monetary Fund (IMF). The IMF has held a significant position as the right hand of the capitalist system, protecting its interests by offering capitalist ideologies and prescriptions in exchange for aid and loans to developing countries, deepening their dependency, regardless of the cultural, political, economic, and social systems in place in these countries.
2. The tools used by the IMF to assert its dominance over the global economy are represented by its oversight of the financial and monetary performance of governments, which grants it supervisory authority over a country's fiscal policy. Additionally, its loan conditions and the attached requirements, along with technical advice provided by IMF experts, have made countries and their economies dependent on the IMF's policies, promises, and assistance.
3. The economic and monetary conditions imposed by the IMF on member countries include political and strategic considerations. Since the general nature of the political and strategic objectives often diverges from the economic and monetary aspects, most of the IMF's decisions are influenced by the intention to affect the national political decision-making of countries.

Second: Recommendations

1. There is a need for genuine reforms in the tax system to achieve efficiency and fairness in tax collection, and to raise it to a level that meets the required objectives, primarily the developmental goal of the budget. This will help eliminate the need for reliance on the International Monetary Fund and prevent foreign intervention in internal economic and political affairs.
2. It is crucial to adopt long-term strategic plans focused on increasing economic diversification, particularly by emphasizing high-value sectors such as energy and communications.
3. Reforms that do not offer substantial benefits should be avoided, and real political reforms should be prioritized. Efficiency should be the sole criterion for enhancing leadership positions within the system. There must be a move away from centralized governance and a shift toward an open political system where everyone, especially those with competencies, can participate in the political process.

References

1. Ibrahim M, *et al*. Local and international financial institutions. Amman: Dar Al-Masira; 2009.
2. Ahmed RAAS. The impact of external debt on economic development. Cairo: Dar Al-Nahda Al-Arabia; 2018.
3. Hashish AA, Shehab M. International economic relations. Alexandria: Dar Al-Gamea Al-Jadida; 2005.
4. Al-Wafidi ARNM. The role of the International Monetary Fund in supporting monetary and economic reforms. Cairo: National Center for Legal Publications; 2018.
5. Al-Wafidi ARNM. The role of the International Monetary Fund in supporting monetary and economic reforms. Cairo: National Center for Legal Publications; 2018.
6. Kanaan A. Money, banking, and monetary policy. Beirut: Dar Al-Manhal Al-Lubnani; 2012.
7. Shaheen MA. International Monetary Fund policies and their impact on developing countries. 1st ed. Cairo: Dar Al-Kitab Al-Jami'i; 2016.
8. Zaini MA. The Iraqi economy: The past, present, and future options. Baghdad: Dar Al-Malak for Arts and Literature; 2019.
9. Mandi MI. Modern thought in financing sources. Alexandria: Manshiyat Al-Ma'arif; 2006.
10. Mutar MS. International finance. Amman: Dar Safa for Publishing and Distribution; 2008.
11. Al-Janabi HAJ. International finance and international monetary relations. Amman: Dar Wa'il for Publishing and Distribution; 2014.
12. Al-Jamm HS. International finance. Amman: Dar Zahran for Publishing and Distribution; 2016.
13. Yusuf YH. The impact of the International Monetary Fund and economic organizations on the decisions of countries. 1st ed. Cairo: National Center for Legal Publications; 2012.
14. Al-Maali AJAH. The International Monetary Fund: Development prescriptions and capitalist conditionality in developing countries. Al-Muthanna J Admin Econ Sci. 2018;8(4):[pages if known].
15. Kazar FK. The International Monetary Fund and its impact on the Iraqi economy. Iraqi J Econ Sci. 2021;21(69):[pages if known].
16. [Anonymous]. Financial and economic policy and its impact on security status: Causes and solutions. J Law Hum Sci - Kirkuk Univ. [Year unknown];8:[pages if known].
17. International Journal of Research in Management [Internet]. Available from: https://www.managementpaper.net/
18. Elias EA. New trends in tax policy under International Monetary Fund programs: A case study of Iraq [master's thesis]. Baghdad (Iraq): University of Baghdad; 2008.