

CHANNELS FOR STRENGTHENING AND DEPLETING FOREIGN RESERVE RESOURCES IN IRAQ FOR THE PERIOD (2004-2022)

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Abstract

The sources of strengthening and depleting foreign reserves are among the important means of the Central Bank of Iraq (CBI). Although the work of (CBI) is how to manage monetary activity to influence real activity in the economy and achieve desirable goals, the degree of economic development in Iraq and the nature of the economic system It affects, in one way or another, the sources of strengthening and depleting the CBI's reserves. The research aims to preserve foreign reserves and hedge against unforeseen circumstances for its depletion process. The research concluded that the profits of the Central Bank work to enhance the reserve, as the profits of (CBI) are available for distribution by (80%) to the general reserve account of the bank and (20%) of these profits are transferred. to any other storage account that may be established by (CBI), In the event that the central bank incurs operating losses, they are first charged to the general reserve of the (CBI) and therefore to the capital, and therefore (CBI) does not transfer any part of the surplus profits achieved to the government. As the currency window mechanism works to deplete part of the foreign reserves through the process of selling the dollar in the currency sale window in order to withdraw the corresponding part of the local currency, its effect on the reserve is opposite, that is, the greater The quantities sold are of the US dollar, the more it leads to a decrease in the volume of the reserve.

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Introduction:

The foreign reserve is one of the topics that aroused the interest of researchers, since the main objective of foreign reserves in Iraq is to support the exchange rate of the Iraqi dinar as a nominal stabilizer for inflationary expectations, in addition to its coverage of foreign imports. Good management of reserves contributes in one way or another to the process of maintaining the exchange rate of the Iraqi dinar against The US dollar, as the Central Bank intends, through its use of foreign reserves, to strengthen the foreign exchange market in dollars, as well as to ensure the fulfillment of its external obligations, and when the sources of funds and areas of their use are available to the Central Bank in an appropriate manner and the conditions of the financial and monetary environment through which the Central Bank operates are appropriate, then The role played by the central bank as a mediator will be very large in the process of organizing this relationship and in a way that enables it to basically achieve its monetary goals, and therefore changes in the sources of strengthening and depleting foreign reserves must have

an impact that is reflected in its capabilities and capabilities in achieving the goals, but there is a difference Clear and significant between other monetary institutions and the central bank, which lies in how the central bank obtains its money and the strategy in which it uses these funds, and this difference in how is related to the exclusive powers and authority that the central bank possesses and that other monetary institutions do not possess.

Research Importance:

The foreign reserve is an important measure of the state's ability to provide protection for the currency as well as the nature of the stability of the exchange rate, in addition to enhancing confidence in the economy and entering the global markets. foreign reserves.

Research Problem:

Despite the extreme importance of foreign reserves to the monetary authorities, the vision was not clear about the sources of strengthening and depleting the foreign reserves of the Central Bank of Iraq, and the sources and uses are among the tools that affect the foreign reserves of the Central Bank of Iraq.

Research Hypothesis:

The research proceeds from the premise that there are two main channels that work to strengthen and deplete the foreign reserves of the Central Bank of Iraq.

Research Objectives:

Based on the great importance of foreign reserves, the research aims to analyze the channels of strengthening and depleting the sources of foreign reserves of the Central Bank of Iraq.

Research method:

In order to achieve the objectives of the research and prove the hypothesis, the researcher adopted the descriptive method to indicate the theoretical aspects of the foreign reserve of the Central Bank, and the analytical method to indicate the variables affecting the foreign reserve in Iraq for the period (2004-2023).

Search Limits

- 1) The spatial dimension: channels to enhance and deplete the sources of foreign reserves for the Central Bank of Iraq.
- 2) Temporal dimension: The research covers a period of time (19 years), as it extends from (2004-2022).
- 3) The sectoral dimension: the research is determined in the monetary sector.

Research Structure

- **The first section:** Its title was the theoretical and conceptual framework of foreign reserves.
- **The second section:** devoted to presenting the framework for analyzing the channel for enhancing foreign reserves in Iraq for the period (2004-2022).
- **The third section:** Analysis of the channel of foreign reserve depletion in Iraq for the period (2004-2022).
- **The fourth section:** Analysis of the relationship between channels and foreign reserves in Iraq for the period (2004-2022)

*The research concluded with a set of conclusions and recommendations.

1.1 The first topic: The theoretical and conceptual framework of foreign reserves

1.1.1 Concept of foreign reserves:

The roots of foreign reserves at the global level go back to the period of abandoning dealing with the gold standard, after that era there was a severe decline in the global gold reserves, until it did not meet the increase in the volume of international exchange, then countries began the process of issuing money according to other criteria that do not depend on the balance of gold only, in line with their need for money supply according to the prevailing economic conditions, so the monetary issue became dependent on gold, in addition to foreign currencies and securities of countries whose economies enjoy stability and economic development (Aizenman 1: 2007), while the International Monetary Fund defines foreign reserves They are those external assets available to the monetary authorities and under their control to enhance and finance the requirements of the balance of payments, or the process of intervention in the exchange markets in order to influence the currency exchange rate and enhance confidence in the local currency (Bussiere 2014: 8), and are defined as the assets of a country and are among the currencies of countries The other that enjoys general acceptance (Mohanty & Turner, 2006: 40), and there is another definition which is the deposits and bonds of foreign currency only that are maintained by the banks and the monetary authorities (International Monetary Fund, 2000: 2), and it is also defined as the amount of stocks of gold and foreign currencies that It will work in the face of high fluctuations that may occur in the balance of payments (2000: Christopher ,17).

2.1.1 Components of foreign reserves:

That the main feature of the countries lies in the retention of foreign reserves, which facilitates the course of the trading process in global markets, as it is possible to explain and clarify the components of foreign reserves in the form of equations and in the following form: (Kathryn, et al, 2011: 5).

$$R = Forex_R + Nonc_R \dots \dots \dots (1)$$

$$Forex_R = SEC_R + DEPO_R \dots \dots \dots (2)$$

$$Non_R = Gold + SDR + IMF + othre_R \dots \dots \dots (3)$$

While the letter (R) indicates the term reserve.

(*Non_R*): It is the components of foreign reserves, which are gold + special drawing rights + central bank balance at the International Monetary Fund + other (*othre_R*)

The foreign exchange reserve (Forex): consists of financial assets, which include securities (SEC), currencies and deposits (DEPO).

And through the process of adding equations (2) and (3), we get equation No. (4), which takes the following form:

$$R = (SEC_R + DEPO_R) + (Gold + SDR + IMF + othre_R) \dots \dots (4)$$

As Equation (4) explains the components of foreign reserves. The component (Forex) of the foreign reserves: it reflects by its nature the procedures of the foreign reserve policy, because of its intervention in the foreign exchange market and the management of reserve portfolios.

1.1.3 Reasons for the formation of foreign reserves:

There are three main reasons for the formation of foreign reserves, which are: (Archer, 2016: 347).

- 1) Stability of the foreign exchange market: The process of stabilizing the financial system is one of the main interests of the bank's policy, as the interest of monetary policy in the stability of the financial system is based on two concepts. Large external social costs can occur when they collapse based on these considerations.

- 2) External factors: Users of foreign currencies may maintain insufficient foreign currency balances and lines of credit in foreign currency in order to overcome themselves and this lies during periods of turmoil that occur in the foreign exchange markets.
- 3) The delicate structure of the foreign exchange market: according to the content of the response to severe shocks, and here it should be noted that most financial markets are somewhat fragile, as a result of the lack of convergence in an equilibrium process that corresponds to the basic position of the economy.

2.1 The second topic: the channel to enhance the sources of foreign reserves in Iraq for the period (2004-2022).

1.1.2 Central Bank purchases of dollars from the Ministry of Finance:

The bank dollar purchases mechanism works to maximize the foreign reserves of the Central Bank, as the more purchases from the Ministry of Finance increase, it leads to strengthening the foreign reserves of hard currency, and through Table (1) it is clear to us that the Central Bank's purchases of foreign currency from the Ministry of Finance witnessed a remarkable improvement after The period from (2004) to the year (2008), whose purchases amounted to (7032) billion dinars, with a positive change rate of (15.56%), based on the abolition of imposed penalties, which was reflected in maximizing oil revenues and then the hard currency of the country, which made it possible for the Bank The Central Bank strengthened its purchases of the dollar, which in turn was reflected in maximizing the foreign reserves of the bank, after which the bank's purchases began to decline sharply in the year (2009), as it amounted to (4095) billion dinars, at a negative rate of change of (-41.77%), so that this decrease was reflected in the decline and decline of foreign reserves to (52224) billion dinars, while the years (2010-2013) witnessed an improvement in the bank's purchases of currency to record in (2013) an amount of (9911) billion dinars, which contributed to maximizing foreign reserves for the same year until the reserve reached its second highest value In the period under discussion (90097) billion dinars, as a result of the improvement in oil prices, while the Central Bank's purchases of foreign currency from the Ministry of Finance decreased in the year (2020) amounting to (1304) billion dinars, and this decrease came as a result of the double shock that The Iraqi economy was exposed to it, according to the closure procedures due to the Corona pandemic and the decline in oil prices. As for the years (2021-2022), the end of the period under study, there was a noticeable increase compared to the previous year, for tobacco amounting to (6887) (8700) billion dinars, with a positive change rate of Its rate was (428.14%) (26.32%), which worked to enhance the foreign reserves to record in the year (2022) the amount of (140086) billion dinars, which is the highest level achieved by the Central Bank since the year (2003), while the increase in the bank's purchases is attributed to the increase in spending With the decrease in the government's dinar revenues, which led to an increase in the demand for dinar purchases from the Central Bank.

Table (1) Central Bank purchases of dollars from the Ministry of Finance in Iraq for the period (2004-2022)

(Billion IQD)

years	(1) Central bank purchases of dollars from the Ministry of Finance	(2) Central Bank Purchases Change %	(3) Foreign Reserves	(4) Foreign Reserves Change %
2004	730	---	10109	---
2005	3906	435.07	17846	76.54
2006	5564	42.45	26157	46.57
2007	6085	9.36	38375	46.71
2008	7032	15.56	58958	53.64

2009	4095	-41.77	52224	-11.42
2010	7020	71.43	59263	13.48
2011	9360	33.33	71120	20.01
2012	9328	-0.34	81312	14.33
2013	9911	6.25	90097	10.80
2014	4081	-58.82	76974	-14.57
2015	3191	-21.81	63434	-17.59
2016	3031	-5.01	53106	-16.28
2017	4964	63.77	57893	9.01
2018	5910	19.06	76017	31.31
2019	7201	21.84	79918	5.13
2020	1304	-81.89	78293	-2.03
2021	6887	428.14	92526	18.18
2022	8700	26.32	140086	51.40

Source: researcher work, based on:

Central Bank of Iraq, statistical website: <https://cbiraq.org/Default.aspx>

2.1.2 Profits of the Central Bank:

The process of contributing profits to the Central Bank works to strengthen the bank's general reserve account, as Article (8) of the Central Bank of Iraq (CBI) Law No. (56) of (2004) specified how to deal with the profits of the Central Bank of Iraq, where the bank's profits are distributed The Central Bank available for distribution at a rate of (80%) to the bank's general reserve account, and (20%) of these profits are transferred to any other storage account that the Central Bank of Iraq may establish. CBI and therefore on the capital, and therefore the Central Bank does not transfer any part of the surplus profits achieved to the government (Department of Economic Modeling and Forecasting, 2018: 4-5), it is clear from the data of Table (2) that the Central Bank of Iraq incurred a loss during the years (2004-2005) as it amounted to (1026) billion Iraqi dinars in (2004) and the percentage of the bank's profit contribution to the foreign reserve amounted to (-10.15%), while the loss in the year (2005) amounted to (3629) billion dinars Iraqi, and the percentage of the bank's profit contribution to the foreign reserve is (20.34-%), as a result of the withdrawal of the old Iraqi currency from circulation and the issuance of the new currency in the Iraqi dinar, as the currency exchange settlement process was not completed with some local banks, and the outcome of these settlements and their impact on The financial statements of the Central Bank of Iraq, due to the weakness of the internal control systems, and it was unable to determine the audit procedures to ensure the accuracy of currency exchange losses and to ensure the completion of the currency balance issued as of (December 31, 2005), after which the Central Bank of Iraq achieved fluctuating profits until the year (2009) when it was recorded The amount of (3364) billion dinars, which was reflected positively in maximizing the total reserves, as a result of the liberation from the settlement of the old Iraqi currency from circulation and the issuance of the new currency in the Iraqi dinar. As for the years (2014-2016), the Central Bank witnessed a successive loss amounting to an amount of (2196).) (1029) (37) billion dinars, with a percentage contribution to the reserves amounting to negative percentages (2.85-%) (1.62%) (-0.07%), which was negatively reflected in the decrease in the total reserves, due to the loss resulting from the exclusion of the fund's accounts International Monetary Fund, which resulted in the exclusion of the International Monetary Fund accounts from the records of the Central Bank of Iraq, while after that the profits of the Central Bank began to record positive percentages, which witnessed fluctuation until the end of the period in question, amounting to an amount of (3544) billion dinars in the year (2022), due to the establishment of The Central Bank of Iraq changed the accounting policy for the subsequent measurement on a voluntary basis for the items of land and buildings within property and equipment from the cost model to the revaluation model

Table (2) Central Bank of Iraq profits for the period (2004-2022)**(Billion IQD)**

years	(1) Central bank profits	(2) Foreign Reserves	(3) The bank's profit contribution ratio to foreign reserves
2004	(1026)	10109	-10.15
2005	(3629)	17846	-20.34
2006	158	26157	0.60
2007	8576	38375	22.35
2008	2495	58958	4.23
2009	3364	52224	6.44
2010	(1150)	59263	-1.94
2011	844	71120	1.19
2012	2091	81312	2.57
2013	2329	90097	2.58
2014	(2196)	76974	-2.85
2015	(1029)	63434	-1.62
2016	(37)	53106	-0.07
2017	4012	57893	6.93
2018	1578	76017	2.08
2019	3022	79918	3.78
2020	16674	78293	21.30
2021	1211	92526	1.31
2022	3544	140086	2.53

Source: researcher work, based on:**Central Bank of Iraq, statistical website: <https://cbiraq.org/Default.aspx>****Central Bank of Iraq, financial statements.****Values in brackets () mean loss.****3.1.2 Oil Revenues:**

The total funds that the government receives from various parties in return for oil exports in order to finance the public expenditure side as well as to meet public needs. It reached (21) percent, as the average price of the OPEC basket of crudes reached (50.6) dollars per barrel, as a result of the increase in global demand for oil. In (2008), oil revenues amounted to (79131) billion dinars, while the global oil markets witnessed changes in Oil prices, as crude oil prices reached high levels, until the average price of the OPEC basket of crudes reached (94.4) dollars per barrel, and oil prices recorded on (11/7/2008) their highest level, reaching (147) dollars per barrel. As for revenues Oil prices in (2014) witnessed a noticeable decrease amounting to (97072) billion dinars until the price of the OPEC basket of crudes recorded (96.3) dollars per barrel. The global oil industry, especially after the exploitation of non-traditional oil resources in the United States of America, which resulted in a significant increase in its oil production and a net increase in oil supplies for the group of countries outside OPEC approaching (2) million barrels per day in (2014), second: an increase The exchange rate of the dollar against the major currencies since the beginning of the year (2014), which led to a drop in oil prices. Third: The developments taking place in some oil-exporting countries such as Iraq and Libya did not affect the volume of production. Fourth: The decrease in the demand of European and Chinese markets for crude oil. Especially with the continued suffering of a number of European countries, economically and financially, and the increasing concerns about the slowdown in the growth of the global economy, Fifth:

The high level of speculation during the year in light of the prevailing geopolitical factors, Sixth: The major oil exporting countries tend to maintain the volume of their oil production to ensure their market share. Instead of trying to raise prices by reducing production, which created a gap between supply and demand (Unified Arab Economic Report, 2015: 125-126), then this decline continued until it reached (49.5) dollars per barrel in (2015), and it returns. The reason for this decline is Iran's return to oil exports and the rise of the United States of America as an oil exporter: The United States of America increased its oil production from (10-14) million barrels per day, bypassing both Russia and Saudi Arabia at the top of the list of countries that produce the most oil. Research (2021-2022) an increase when the actual revenues amounted to (830904) (1152350) billion dinars, with a positive rate of change amounting to (52.61%) (38.68%). Because of the liberation of production quotas from the OPEC agreement.

Table (3) Oil revenues in Iraq for the period (2004-2022)

(Billion IQD)

years	(1) Oil Revenues	(2) Change in oil revenues	(3) Foreign Reserves
2004	32627	---	10109
2005	39480	21.00	17846
2006	46908	18.81	26157
2007	53162	13.33	38375
2008	79131	48.85	58958
2009	51719	-34.64	52224
2010	66819	29.20	59263
2011	98090	46.80	71120
2012	116597	18.87	81312
2013	110677	-5.08	90097
2014	97072	-12.29	76974
2015	51312	-47.14	63434
2016	44267	-13.73	53106
2017	65071	47.00	57893
2018	95619	46.95	76017
2019	99216	3.76	79918
2020	54448	-45.12	78293
2021	830904	52.61	92526
2022	1152350	38.68	140086

Source: researcher work, based on:

Central Bank of Iraq, statistical website: <https://cbiraq.org/Default.aspx>

Organization of Arab Petroleum Exporting Countries (OAPEC), various issues, annual report of the Secretary-General.

3.1 The third topic: the channel of draining foreign reserves in Iraq for the period (2004-2022)

3.1.1 Dollar sales in the currency window:

The nature of the private sector's requirements of foreign currency in order to finance import operations, which prompted the Central Bank of Iraq to sell the dollar in the currency sale window, according to two methods. The first: lies in international transfers (hawala) and the second: lies in cash sales, while the method The first involves transferring to external accounts of the banks participating in the auction in order to mainly finance the imports of the private sector, while the second method represents cash sales, i.e. the central bank's sale of cash dollars to banks and financial institutions in order to finance multiple needs, the most important of which are travel expenses, treatment and other

expenses. Citizen matters, and that is in accordance with the controls and provisions that bind the financial and banking institutions through which the dollar is sold directly to the citizen, while (CBI) sales work to withdraw part of the foreign reserves, through the process of selling the dollar in the currency sale window and withdrawing the corresponding part of The local currency, its effect on the reserve is reversed, that is, the greater the quantities sold of the US dollar, the more it leads to a decrease in the volume of the reserve, as the application of the currency sale window began on (4/10/2003), and it is still working on it in order to preserve the value of the Iraqi dinar in addition To reduce exchange rate fluctuations with the aim of reducing the gap between the official exchange rate and the parallel exchange rate. As it is clear from Table (4) that the currency sale window witnessed fluctuations for the years (2004-2006), after which it began to rise successively for the years (2007-2013), as the window recorded cash and transfers amounting to (8425) billion dinars, with a positive rate of change of 100,000. (76.29%) in (2013), as a result of controlling local liquidity levels and sterilizing the cash surplus, while the cash and transfer window began to decline in the years (2014-2015) to record an amount of (7759) (4036) billion dinars, with a negative rate of change amounting to Its rate is (-7.91%) (-47.98%), as a result of the Central Bank of Iraq (CBI) issuing new instructions for the sale and purchase of foreign currency during the month of February of the year (2015) that requires strengthening the balances of banks wishing to purchase with their correspondents abroad in order to finance operations Legally permitted banking to ensure price stability in addition to financing trade and other operations. CBI also instructed banks to apply the principle of (know your customer) in order to ensure legal and banking safety in terms of dollar sales and purchases in force for various purposes, in cooperation between the units available in banks such as internal control. And money laundering and the compliance monitor to carry out its role and report any suspicious transaction, while the window after that witnessed a fluctuation towards rise and fall until the year (2019), as the window in cash and transfer recorded an increase of (5895) billion dinars, with a positive change rate of (20.65%). This is attributed to the strengthening of bank accounts abroad, while the year (2022) witnessed a decrease in the cash and transfer window, as it amounted to (1699) billion dinars, with a negative change rate of (-71.52%), as a result of the automation of banking business according to the best standards. Banking, including the establishment of an electronic platform that organizes the external transfer process, through the foreign currency sale window, similar to the electronic platform that organized the work of letters of guarantee.

Table (4) Dollar sales in the currency window in Iraq for the period (2004-2022)

(Billion IQD)

years	(1) Foreign currency sale window (transfer)	(2) Foreign currency sale window (cash)	(3) Foreign currency sale window	(4) The currency selling window changes
2004	٠	941	941	---
2005	٠	1269	1269	34.86
2006	244	182	427	-66.35
2007	766	62	828	93.91
2008	2005	925	2930	253.86
2009	3053	257	3308	12.90
2010	3960	19	3981	20.34
2011	4261	351	4610	15.80
2012	4169	609	4779	3.67
2013	4216	1354	8425	76.29
2014	3508	1063	7759	-7.91
2015	3519	516	4036	-47.98

2016	1932	602	4216	4.46
2017	3223	873	4096	-2.85
2018	4304	581	4886	19.29
2019	5266	628	5895	20.65
2020	3848	318	4166	-29.33
2021	4625	1339	5965	43.18
2022	452	1247	1699	-71.52

Source: researcher work, based on:

Central Bank of Iraq, statistical website: <https://cbiraq.org/Default.aspx>

4.1 The fourth topic: analysis of the relationship between channels and foreign reserves in Iraq for the period (2004-2022).

The mechanism for the increase in foreign currency reserves is mainly caused by the differences in oil prices for a year, and here it must be clarified that the foreign reserves held by the Central Bank are not considered surplus funds, but are accumulated as a result of a specific mechanism according to which the Central Bank performs what is called the monetization process, while the Ministry Finance is in the process of selling the largest part of its (dollar) revenues to the Central Bank in order to obtain the (Iraqi dinar) issued by the Central Bank of Iraq to implement its domestic spending, and as long as the Central Bank of Iraq adopts a fixed price for the exchange of the Iraqi dinar against the US dollar, and seeks through the window to sell the currency Maintaining this constant value of the dinar, so the holder of the Iraqi dinar has a right in the foreign reserves, which are a cover for the local currency. It is clear to us through the data of Table (5) that the sources of strengthening foreign reserves during the years (2005-2008) witnessed a remarkable rise, as it witnessed purchases by the Central Bank The dollar from the Ministry of Finance amounted to (3906) (5564) (6085) (7032) billion dinars, with the increase in oil revenues, respectively (39480) (46908) (53162) (79131) billion dinars, accompanied by a consecutive increase in total foreign reserves amounting to The amount of (17846) (26157) (38375) (58958), after which the foreign reserves began to decline in the year (2009) amounting to (52224) as a result of the decrease in the Central Bank's purchases of dollars from the Ministry of Finance, as it amounted to (4095) and the decline in revenues The amount of oil from the previous year amounted to (51719), and the increase in selling foreign currency amounted to (3308) billion dinars. As for the years (2010-2013), foreign reserves witnessed a successive increase, amounting to (59263) (71120) (81312) (90097).) billion dinars as a result of the increase in the Central Bank's purchases of dollars from the Ministry of Finance, respectively, as it amounted to (7020) (9360) (9328) (9911) billion dinars, and the increase in oil revenues amounted to (66819) (98090) (116597) billion dinars Respectively, as for the years (2014-2016), then foreign reserves began to decline significantly compared to previous years as a result of the entry of terrorist groups into a number of Iraqi governorates, which caused the oil fields to go out of business, which led to a decline in oil revenues, as foreign reserves recorded a decline In a row, the amount of (76974) (63434) (53106) billion dinars, as the Central Bank's purchases of dollars from the Ministry of Finance began to decline, amounting to an amount of (4081) (3191) (3031) billion dinars, respectively, and the Central Bank of Iraq achieved losses amounting to an amount (2196) (1029) (37) billion dinars, coinciding with the drop in oil revenues, amounted to (7759) (4036) (4216) billion dinars. As for the end of the period in question (2021-2022), foreign reserves witnessed an improvement over previous years, amounting to The amount of (92526) (140086) billion dinars as a result of the increase in oil revenues, which amounted to (830904) (1152350) billion dinars, in addition to the increase in purchases by the Central Bank of dollars from the Ministry of Finance, recording an amount of (6887) (3544) billion dinars, and based on what Previously, the mechanism of sources of central bank purchases of dollars from the Ministry of Finance, oil revenues, and profits achieved works to enhance foreign reserves with the Central Bank of Iraq, while the reverse occurs for the process of depleting the reserves.

Table (5) Analysis of the relationship between channels and foreign reserves in Iraq for the period (2004-2022)**(Billion IQD)**

years	(1) Central bank purchases of dollars from the Ministry of Finance	(2) Central bank profits	(3) Oil Revenues	(4) Foreign currency sale window	(5) Foreign Reserves
2004	730	(1026)	32627	941	10109
2005	3906	(3629)	39480	1269	17846
2006	5564	158	46908	427	26157
2007	6085	8576	53162	828	38375
2008	7032	2495	79131	2930	58958
2009	4095	3364	51719	3308	52224
2010	7020	(1150)	66819	3981	59263
2011	9360	844	98090	4610	71120
2012	9328	2091	116597	4779	81312
2013	9911	2329	110677	8425	90097
2014	4081	(2196)	97072	7759	76974
2015	3191	(1029)	51312	4036	63434
2016	3031	(37)	44267	4216	53106
2017	4964	4012	65071	4096	57893
2018	5910	1578	95619	4886	76017
2019	7201	3022	99216	5895	79918
2020	1304	16674	54448	4166	78293
2021	6887	1211	830904	5965	92526
2022	8700	3544	1152350	1699	140086

Source: researcher work based on the above.**Conclusions:**

- 1) The process of buying dollars from the Ministry of Finance and maximizing the government's general revenues works to enhance the foreign reserve balance of the Central Bank of Iraq.
- 2) The profits of the Central Bank serve to enhance the reserve, as the profits of the bank (CBI) are available for distribution by (80%) to the general reserve account of the bank and (20%) of these profits are transferred to any other storage account that may be established by the (CBI). In the event that the Central Bank incurs operational losses, they are charged first to the general reserve of the (CBI) and therefore to the capital, and therefore the Central Bank does not transfer any part of the surplus profits achieved to the government.
- 3) The currency window mechanism works to deplete part of the foreign reserves, through the process of selling the dollar in the currency sale window and withdrawing the corresponding part of the local currency.

Recommendations:

- 1) Since the accumulation of reserves takes place to reduce fluctuations in exchange rates, so policy makers should achieve stability in exchange rates and must take advantage of the parallel market in order to crystallize a real exchange rate for the Iraqi dinar and reach the value of the currency and it is according to supply and demand, which helps to rationalize the use of foreign exchange.

- 2) Developing an appropriate strategy for the entry of the Central Bank of Iraq (CBI) as a partner and main party in the internal investment process, as it is the most important and effective way to supplement and enhance foreign reserves and eliminate a number of social and economic problems.
- 3) The need to ensure the efficient management of foreign reserves at a level that achieves a balance between the benefits accrued from them and the costs incurred from keeping them in a liquid form.
- 4) Work to invest the surplus part of the reserve, whether that investment is through employment programs according to specific conditions, or indirectly by influencing the process of economic growth and exports. Also, increasing the employment of the labor force that contributes significantly to exports, as its impact is reflected in a significant way. Positive in strengthening foreign reserves later.

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