



[What the Iraq Budget Approval Means for Kurdistan Region](#)

Iraq's Parliament passed the 2023 budget Monday, June 11th, allocating 198.9 trillion dinars (or \$153 billion USD), with the central goal of increasing jobs and improving infrastructure disregarded during war and conflict. The budget is the largest in the state's history, as funds will be preserved and replicated by that amount through 2025. This milestone coincides with the rapidly growing population within Iraq, one of the fastest projected increases in the world, as it aims to create more public sector jobs that will hopefully benefit the state-led economy and public demands while accommodating a mass influx of work-capable adults within the next few years. Simultaneously, the goal of improving damaged infrastructure and reconstruction projects intends to help reform recovering areas from years of neglect due to strife. With an estimated deficit of 64.36 trillion Iraq dinars, the budget was calculated based on the \$70 USD per oil barrel selling price and a greater exchange rate of 1,300 dinars per U.S. dollar. As rising oil prices are deemed necessary to subsidize spending, the budget aims to address another concern within Iraq, its relations with the Kurdistan Region and its oil supply.

After negotiations held in April in response to Turkey's freezing of crude oil exports and subsequent market effects, Kurdish officials signed an agreement that allowed oil revenue management by the Iraqi central bank. Previously, Kurdish oil companies had exported oil through Turkey, with the latter state's decision to cease exports being due to a ruling from the International Chamber of Commerce (ICC) deeming the facilitation of the sale of Kurdish oil illegal and ordering damages paid due to the Iraqi government. The Iraqi state-led company SOMO now controls all exportation of Kurdish oil, with Kurdish entities still retaining marketing control. Contentions over this issue were exemplified during the budget approval process as the most prominent Kurdish party, the Kurdistan Democratic Party, raised various issues and objections throughout the voting period. Since the budget's approval, oil production and exportation have not resumed, resulting in a \$2 billion loss in revenue thus far. With the recent election of Turkey's President Tayyip Erdogan, aspirations of the state resuming oil exportation remain but are contingent on the conclusion of the arbitration case with the ICC.

With the budget's success dependent on maintaining oil prices and preventing a decrease, the International Monetary Fund issued warnings regarding the long-term effects on Iraq's economy. In a statement released last month, caution of "intensifying financing pressures" amidst pre-existing poor economic conditions was given concerning the extent of spending the budget allotted for. While the budget also intends to address the public pleas for job creation with intentions of addressing economic issues and conditions, the long-term success of this strategy may not have time to fully manifest compared to the rate of spending the budget permits (and subsequent debts). This, compiled with the pre-existing deficit and rapidly growing population rates, questions whether these job opportunities will sustain the number of young adults entering the workforce and if any financial success and personal prosperity can be possible within the plan. With the revenue from oil playing a critical role, it will be imperative to see if the new Iraqi control of Kurdish oil exportation and finances will help the plan

succeed overall. Turkish and Iraqi officials are scheduled to meet on June 19th to discuss the resumption of oil exportation, as developments within these upcoming months will significantly determine the budget's capabilities within the next few years.

This budget is extremely risky. Many things can go wrong, from the fluctuating prices of oil to the disagreements between Kurdish oil companies and the Iraqi government. There is a very good chance that this instability could lead to an economic collapse in Iraq, which will compound the problems that caused the collapse, creating a vicious cycle. Though this budget can be successful, its dependence on many factors outside of the government's control is cause for concern. Iraq will need to work closely with other oil-producing neighbors to ensure the budget does not bring about economic ruin.