



AL KUT JOURNAL OF ECONOMIC AND ADMINISTRATIVE SCIENCES

Publisher: College of Economics and Management - Wasit University



The reality of economic development in Iraq after 2003: determinants and means of advancement

Dr Ibrahim Jassim Jabbar

²Mr. Haidar Sabah Tuama

Abstract

The economic development in Iraq faces complex problems as a result of an old legacy. For 30 years, the Iraqi government has not financed economic development in a manner that leads to the development of non-oil sectors and the establishment of a broad economic base with diversified and sustainable sources of income. Of the availability of huge financial revenues from the oil sector because of the wars led by the former regime and subsequent economic sanctions for more than a decade, as well as the large external debt and the subsequent debt service and compensation. There was no clear strategy for economic development to solve the sectoral problems of the Iraqi economy, which requires a new development path in the region. A new strategy framework that would channel a large part of public spending towards investment spending in order to create productive projects with high returns and productive assets that retain their value and are able to increase this value for the benefit of this generation as well as future generations.

First: Introduction

The Iraqi economy is suffering from problems that were left behind by the previous wrong policies represented by the decrease of domestic investments and the large external indebtedness and the subsequent service of debt and compensation. Today, Iraq faces great challenges related to investing in the physical infrastructure of roads, electricity and telecommunications networks in addition to legal, health, educational, banking and other institutions. On fixed capital formation related to direct production activities of goods and services. Which requires work on their development and development as a precondition to achieve economic advancement and stimulate foreign investment in order to contribute to the financing of productive and service projects.

The problem of the study: how to promote real economic development in line with the progress achieved by some neighbouring countries.

The hypothesis of the study: The development in Iraq is less likely to be a slow or faltering development, not in line with the country's material potential.

Objective of the study: The research is important because it presents the most important problems facing the economic development in Iraq and the resulting negative impact on the pattern of development and sustainability, and how to address these challenges in order to promote the reality of economic development in the country.

Second: The concept of economic development

The concept of development is in fact a concept with branches. It is also an effective concept in which the classification of nations and nations in the ladder of growth and development is measured, and the decline, backwardness and delay are accompanied by other terms such as developed and developing countries, developing countries and backward countries. Serious dialogues at some point turned into a struggle over names and names, their applicability, their biased implications, and their ideological clout.

The term "development" in English has two converged meanings: development and development. The essential difference between them is that evolution is self-change, while the meaning of development goes to intentional or cascade change. While some reject the distinction between growth and development, so they use each other alternative, considering that the ultimate goal of both does not differ is the increase in per capita income, but they are not linguistically under one sense, as the growth of natural and naturally occurring over time, and development is deliberate It has a deliberate will called the will of development

Growth refers to an increase in dimensions and measurements. Development refers to change in quantity and quality ⁽¹⁾. Development is defined as a concept with economic, social and political meaning, which is not specific to a private sector. Therefore, the process of development means development in many areas, which aim to bring about steady increases in per capita income as the goal and means of development ⁽²⁾. Or it is a process A structural interpretation that deals with issues of structure or consideration of an element whose impact is not limited to the quantitative level of the country's economy but rather that development affects the situation of the country ⁽³⁾. Development is also defined as a process aimed at transferring the national economy from underdevelopment to progress, i.e., transition from the backward economic situation to the advanced economic situation. This transition will lead to substantial interpretations of production and cultural level ⁽⁴⁾. In this sense, development means "a conscious and sustainable community process directed towards an independent national administration in order to create structural transformations and bring about economic, political and social changes that allow for a steady rise in the capacity of society and continuous improvement of the quality of life" ⁽⁵⁾.

Development can therefore be seen as a process that is largely the product and outcome of the efforts and policies of the State to strengthen the capacities of individuals, institutions and the economy

to achieve the desired transformation of structures, institutions and relationships. The more effective, efficient and integrated these policies are, Desired ones.

Third: The reality of economic development in Iraq

The formation of the modern Iraqi state was accompanied by the discovery of oil. The relationship between oil and development in Iraq was established with the expansion of the modern state-building operations in conjunction with the increase in oil production and the increase of its revenues. Therefore, the development movement in Iraq was associated with oil revenues.

Iraq ranks third after Saudi Arabia and Russia in the world's largest oil reserves, with reserves estimated to be around 143 billion barrels ⁽⁶⁾. Although Iraq has many economic resources, it has become a single economy dependent on oil revenues. Studies indicate that the structure of the Iraqi economy is largely focused on the production and export of crude oil, as the economic reality shows that the country depends almost entirely on oil revenues in financing the public budget, which constitute 95% ⁽⁷⁾. In view of the secession of the oil sector from other sectors of the national economy, its industries were growing in a modern economy in terms of advanced technology. In contrast, oil revenues did not contribute to the development of the most productive sectors in the economy but contributed to the backwardness of the structure of other economic sectors, especially agriculture and industry.

The Iraqi economy has faced many problems during the past years after the fall of the former regime, which hindered its growth and led to its decline and collapse, there was no clear strategy for economic development in most stages of development, which negatively impacted the Iraqi economy through the decline of many of its main indicators and low contribution Except for the oil sector, which has made the Iraqi economy vulnerable to fluctuations in the international market as a result of changes in oil prices.

The reality of development in Iraq can be seen through the most important indicators of development and what has been achieved on the ground. This is an achievement that is not at the required level. The development process has witnessed many determinants due to the extraordinary circumstances that have changed the country. With the process of change after April 2003, many economists considered that Iraq is ahead of a new strategy leading to the launch of real development, replacing the dark situation with a developed development after decades of major destruction in all joints of the Iraqi economy. However, this reflected negatively on the country through the decline of many indicators of economic development, especially after the decline in the level of services, foremost of which is electricity and water and the spread of financial and administrative corruption, as well as deterioration in the sectors of industry and agriculture, in addition to the deterioration of security and economic, political and social turmoil. Which had a significant impact on the development process.

The persistence of the oil sector as a major factor in the composition of the GDP has contributed to the intensification of distortions in the economic structure and economic activities on the one hand, and the lack of diversification in production and its inability to satisfy the increasing domestic demand from various types of goods and services that are characterized by extreme diversity beyond the capacity of the sector. The second hand is backward. In spite of what has been said about the possibility of getting rid of the dominance of the oil sector on the Iraqi economy, which exhausted him and formed itself restrictions on distributive justice and made the Iraqi economy of the fluctuations in international prices, but the signs of getting rid of that hegemony is still unclear. In the years following 2003, Iraq was unable to create a balance of growth for other non-oil sectors, namely the agricultural and industrial sectors, both of which were destroyed and neglected by the impact of the unwarranted import policy ⁽⁸⁾.

Since 2005, the Iraqi government has developed national development strategies simulating its socialist heritage for 50 years. It has published a series of detailed and comprehensive plans. In addition, the government has received several national development proposals from international organizations such as the International Monetary Fund (IMF) and the US Agency for International Development (USAID). The first plan was laid for 2005-2007, which included the development and rehabilitation of the oil industry. Emphasizing the structural transformations of the economy by creating a diversified economy, activating the role of the private sector by streamlining government procedures at the business level, as well as privatizing state-owned enterprises and restructuring government banks ⁽⁹⁾. This plan focused on the issue of the spatial dimension of development and the distribution of the fruits of development in an equitable and fair manner to the whole of Iraq according to the level of deprivation and need. Among its hypotheses was the transition from the central administration of the economy to the decentralized administration of the state of market economy and competition and giving a greater role to local governments in accordance with the progressive approach aimed at establishing and settling market economy mechanisms in setting priorities and decision-making and giving greater role to the local and foreign private sector in financing the development process. And generating employment. The plan was not only limited to government investment, but the private sector was seen as a key partner in the development process. The economic objectives of the plan focused on increasing GDP by 9.38% as an annual growth rate during the plan period. And work to diversify the Iraqi economy, which is very heavily dependent on oil revenues and turn it into an economy characterized by a gradual increase in the share of other sectors in the gross domestic product, especially the productive sectors in agriculture, industry and tourism. And to achieve an increase in the rate of employment, especially among the population of young people and women, by activating the role of the private sector in the operation and to reduce the high unemployment rates currently in Iraq 15%. As well as work to improve and increase the level of productivity and develop the level of competition in all sectors of the economy, especially activities with competitive advantage, and achieve integrated development and interrelated, which ensure the activation or productive investment of human resources and natural resources in all governorates of Iraq and be supported by investment allocations balanced geographically ⁽¹⁰⁾.

Although the Iraqi government plans to list many initiatives in different sectors of the Iraqi economy, the government's efforts to achieve the goals set in real are unbalanced efforts, as the government was unable to achieve the main objective of diversifying the Iraqi economy and make it a diversified economy with a productive base Especially in the sectors of industry and agriculture as well as services, and the elimination of dependence on oil and the accompanying large fluctuations expose the Iraqi economy to deviate from the course of the decree, and this goal is one of several goals where insufficient efforts have been made to achieve them, To identify the general challenges facing the Iraqi economy and to provide general objectives to deal with these challenges, in addition to general terms on the best means to achieve these goals.

This has resulted in the weakness of the government's ability to expand its investments in physical and human capital, but also covering all human, social and humanitarian aspects. This legacy needs development policies with real efforts to eliminate these effects, making it more difficult for the state to collapse. The phenomenon of corruption and many practices that were not familiar in Iraqi society, such as acts of violence, looting, and forced displacement ⁽¹¹⁾.

This development failure is only the result of the accumulation of political, economic and social problems as revealed by the high points that Iraq has obtained in relation to each of these indicators, while acknowledging that the indicators resulting from political change have caused a greater impact in this deterioration.

In order to identify the main points in the analysis of the reality of the Iraqi economic environment can be noted the most important determinants of the development process in the Iraqi economy.

Fourth: determinants of economic development

1. Increment of the debt volume

Iraq can be placed at the forefront of the Arab countries that have suffered the burden of external debt, after 2003 has varied estimates on the size of Iraq's external debt, but it is certainly a large number of the ability of the Iraqi economy to meet in the short and medium term and in the economic circumstances that passed Iraq, the US Central Intelligence Agency has confirmed Iraq's foreign debt is 125 billion dollars. Iraq owes \$ 116 billion in foreign debt, and according to World Bank estimates for 2001, Iraq's foreign debt stood at 127.7 billion dollars, Billion dollar ⁽¹²⁾. Although Iraq's external debt ratings differ, the figure adopted by US officials is about \$ 133 billion ⁽¹³⁾. The following table shows the size of Iraqi debt.

Table (1) showing the size of the Iraqi debt during the period (2003-2016)

The year	Gross domestic product at current prices (million dinars)	Total accumulated debt (Million dinars)	Ratio of total debt to GDP%
2003	29585788.6	243426796.0	822.1
2004	53235358.7	206703747.0	388.3
2005	73533598.6	*---	---
2006	95587954.8	123814182.0	129.5
2007	111455813.4	106732705.0	95.8
2008	157026061.6	88534812.0	56.4
2009	130643200.4	87374387.0	66.9
2010	162064565.5	76813642.0	47.4
2011	217327107.4	80564016.0	37.1
2012	254225490.7	77487035.8	30.8
2013	271091777.5	78265775.6	28.9
2014	260610438.4	76852443.6	29.5
2015	209491917.8	105861492.2	50.5

(*) Lack of data

Source:

- Republic of Iraq, Ministry of Planning, Directorate of National Accounts. (GDP data)
- International Bank for Reconstruction and Development (IBRD), program document for a proposed loan of US \$ 1,443.82 million to: Republic of Iraq: Second Financing for Development Policy Programs on Spending Expenditure, Energy Efficiency and Governance of State-Owned Enterprises, 2016, p. (Public debt data).

The increase in the volume of debt accumulated during 2003 and then the increase in the debt to GDP ratio was the result of the country's inability to meet the debt and its services in the era of economic sanctions, which lasted more than a decade, and the attempt to reduce this rate at the present time through the payment of debt installments and benefits Will require almost two-thirds of Iraqi government revenues in the future, which prevents the use of oil revenues to finance reconstruction and investment in major infrastructure ⁽¹⁴⁾. As well as the rise in this ratio measures the burden of the Iraqi economy because of external debt.

The decline in the ratio of debt to GDP during the period 2008-2014 was the result of two reasons: first, the rescheduling of Iraq's external debt when it approved the agreement arrangements support with the International Monetary Fund and subject to unfair conditions. Second: The increase in the value of GDP as a result of the increase in oil prices and the increase in the quantities produced.

In 2015, the increase was due to the fall in oil prices and increased foreign borrowing to finance the defense budget to counter a terrorist organization.

The increase in the ratio of external borrowing indicates the most serious phenomenon practiced by the Iraqi government, as part of the external borrowing was not directed to finance productive projects agreed with the institutions and international bodies funded, but to finance current expenditures, and may lead to excessive funding of the state budget deficit from external sources prominent impact In the worsening of the external debt crisis in Iraq, which rose faster than the rates of growth of exports and other foreign exchange resources, which makes the Iraqi government unable to continue to pay the debt installments and benefits.

2. Oil source of income

The oil sector is ranked first by its contribution to GDP and contributes more than two-thirds of the GDP, or about 76% of the economic sectors, which is much larger than Kuwait's oil-dependent neighbour, where oil accounts for less than 40% of GDP and less than 45% in Saudi Arabia. The oil sector is the main source of public revenues in the economy of Iraq. It is the source of almost all its revenues. It represents more than 90% of the revenues of the central government and 98% of exports, in addition to be the main factor in activating the economy and financing government activity and the state budget. The main tool in this financing to the degree to which the economic development movement is dependent on the movement of oil revenues, however, the oil sector continued to separate from the sectors of the national economy as its industries were growing in a modern economy in terms of advanced technology in exchange for sectors suffering from underdevelopment means of production and Especially in the agricultural and industrial sectors, which is reflected in the low percentage of their contribution to the gross domestic product, and therefore the changes in the oil sector, especially in the quantities of oil production and prices will have an impact on the gross domestic product⁽¹⁵⁾. Despite all the reforms adopted, the situation suggests that these measures have boosted the rentier economy and contributed significantly to expelling many of the emerging industries that were out of the market and turning their workers into unemployed workers⁽¹⁶⁾.

Iraqi oil revenues have been the main and only source of funding for government development and investment spending programs over the past five decades of the 20th century. Despite the high rates of growth of those revenues and high rates of investment and economic growth rates experienced by the Iraqi economy in years in which oil played the role of the growth machine. However, the Iraqi economy has not reached the stage of departure or to the stage of self-development. Industrial and agricultural development policies have been unable to diversify and liberalize the Iraqi economy from a unilateral structure that links the growth opportunities of the entire economy to oil revenues governed by the requirements of the international economy and by international policy imperatives that have not always been favourable. The economy has been beset with problems exacerbated by economic and social underdevelopment and under increasing burdens arising from loans first, debt, burdens and compensation since 1991⁽¹⁷⁾.

3. Insufficient in human resources

Qualified and efficient human resources represent the true wealth of the State as a renewable and non-exhaustive resource. In Iraq, despite the huge government spending accumulated through development plans in the field of human resources for the integration of human capital and the development of the capabilities of Iraqi people during the life cycle of education as a path of development, but the results achieved from the ground was not the required level, That the educational system in Iraq suffers from structural and systematic imbalance in most of his career despite the departure of hundreds of thousands of scientific and humanitarian disciplines, but it features features do not serve economic development, because most students at different levels of education are subject to a system of It depends on the traditional method, which adopts curricula based on indoctrination and listening ⁽¹⁸⁾. Moreover, the output of education is inconsistent with the needs of the labour market, which contributed to the increase in the number of unemployed individuals, especially among the graduates, and caused the increase in unemployment rates.

Many economists believe that there are many factors that caused unemployment. One of the reasons is that the rate of population increase is continuing at a high level. Available data confirm that the rate of increase was 3.1% annually ⁽¹⁹⁾. As well as the deterioration of the security situation and the lack of security contributed to the decline in foreign investment enhanced the principle of the operation of the national labour force ⁽²⁰⁾, and structural imbalances between the economic sectors and limited labour force), and the adoption by the US civil administrator (Paul Bremer) decisions have had a direct role in the aggravation of the problem of unemployment The dismantling of the military institution, which was composed of more than 550 thousand people between the volunteer and expensive, as well as the issuance of a resolution includes the dissolution of the military industrialization and security institutions and some civil institutions such as the Ministry of Information and its bodies, causing the demobilization of large numbers without finding an alternative to accommodate those powers Which led to poor economic and living conditions, increased violence and deterioration of the security situation ⁽²¹⁾, which caused high levels of unemployment during 2003 and 2004 to 28.1% and 26.8%, respectively, but the government expansion in use as partial treatment of this phenomenon during the years 2005-2013 contributed to the reduction of its rates to 11% ⁽²²⁾, but the exposure of Iraq to the double crisis of low oil prices and the war against the terrorist organization, urging the rise in unemployment rates from 16.4% in 2014 to 25% in 2015 ⁽²³⁾, Exclusion and marginalization of young people.

4. Degree of change of economic structure

The Iraqi economy is facing increasing structural imbalances as a result of the increasing rent and unilateral nature of the Iraqi economy resulting from the control of the oil sector on the other commodity sectors, both in terms of revenues, which constitute more than 90% of income or through the labour force in this sector, Requires capital density.

As Iraq has a weak and inflexible production structure that controls the composition of a small number of commodities, especially oil so that oil revenues remained the only source of funding for development programs and government investment spending over the past five decades of the twentieth century as well as the past years of the twenty-first century. Vulnerable to external shocks caused by changes in international oil prices ⁽²⁴⁾. The following table shows the contribution of economic activities in the composition of GDP.

Table (2) showing the relative distribution of GDP at current prices by economic activity for 2003-2016

Economic activities	2016	2015	2010	2005	2003
Agriculture, forestry and hunting	3.8	3.9	5.2	6.9	8.4
Mining and quarrying	29.8	30.8	45.4	57.8	68.9
Manufacturing	2.0	1.8	2.3	1.3	1.0
Electricity and water	3.0	2.9	1.8	0.8	0.2
building and Construction	9.3	8.7	6.3	3.7	0.7
Transportation and storage	11.0	10.0	5.8	8.0	7.7
Wholesale and retail trade, hotels and the like	9.6	10.0	7.7	5.7	6.5
Money, insurance and real estate services	7.8	11.2	9.5	7.4	1.3
Social and personal development services	23.4	20.3	16.7	8.9	6.3
Gross domestic product	100.0	100.0	100.0	100.0	100.0

Reference: The percentages were calculated by the researchers based on the data in: Republic of Iraq, Ministry of Planning, Directorate of National Accounts.

The table (2) shows that the oil sector occupies the top position in the composition of GDP and the largest contributor compared to the rest of the activities. The percentage of contribution in 2003 was 68.9%. However, this was not reflected in the achievement of an acceptable amount of efficiency in the distribution of oil rent between different uses, which caused the low rates to the low levels of the rest of the economic activities to be commensurate with the possibilities available, the average contribution rate of industry, electricity, construction and construction in The composition of GDP is 1.0%, 0.2%, 0.7%, respectively. Which shows the weakness of the economic structure and structural problems suffered by the Iraqi economy because of the political and economic chaos experienced by Iraq in 2003, where stopped many industrial facilities that were the infrastructure of the national economy such as the iron and steel industry and the cement industry and petrochemicals in addition to other industries such as fertilizers, sulphur and phosphate ⁽²⁵⁾. The government's control over the oil sector and then control of the most important sources of foreign exchange has the greatest effect in the allocation of resources between consumption and investment, which means that the basis of the structural imbalance e the dominance of the oil sector and the dominance of the government over its imports ⁽²⁶⁾. But in 2005 and 2010, the share

of the oil sector began to decline despite the great interest the state pays him. This is due to sectarian violence and low oil prices after mid-2008 as a result of the financial crisis. In contrast, other economic sectors witnessed a small recovery due to politics Expansionism in that period. In 2015 and 2016, the contribution of the oil sector in the composition of GDP declined to 30.8% and 29.8%, respectively, due to the crisis in Iraq, represented by the decline in oil prices and the war against the organization calling for the terrorist. However, the oil sector remains at the forefront of its contribution to the composition of GDP. The signs of elimination of this dominance are still unclear. In the years following 2003, Iraq has not been able to find a balance of growth for other non-oil sectors, both industrial and agricultural, were both destroyed and neglected, due to the impact of the unjustified import policy ⁽²⁷⁾.

5. Corruption

Countries with a high incidence of corruption face difficulty in performing their economic functions of implementing economic policies, allocating resources, redistributing goods and welfare among society members. Corruption also inhibits the rule of law and hinders the formation of an accountable government. Corruption imposes restrictions on the state through non-compliance Which reduces public revenues and increases the volume of public expenditure to increase the chances of tax evasion and attempts to obtain tax breaks by illegal ways and exaggeration in raising the costs of construction of public projects, which causes the dispersion of large amounts of government revenues ⁽²⁸⁾.

The prevalence of corruption in Iraq and the complexity of its links and the interdependence of its mechanisms to an unprecedented degree has become one of the obstacles that threaten the march of economic development. The reality confirms that the issues of administrative and financial corruption during the years that followed 2003 show the extent of this phenomenon in the economic, political, social and administrative aspects All, and the phenomenon of corruption in Iraq is a natural phenomenon seen as legitimate practices, mainly because of the need to manage the basic life of food and medicine after the inability of the state to find solutions to many economic problems. The imposition of economic sanctions by the United Nations. Corruption is widespread in all State institutions ⁽²⁹⁾. Despite all the legislation and efforts that are being made in the fight against corruption in Iraq and the creation of many institutions and organizations specialized in this field, corruption is still prevalent in Iraq in a large and dangerous way. From 2003 until 2016, Iraq is at the tail of corruption perceptions For Transparency International. The following table illustrates the corruption index published by Transparency International.

Table (3) Corruption Perceptions Index in Iraq during the period 2003-2016

The year	Corruption Perceptions Index *	Sequence of Iraq	Number of countries involved	The year	Corruption Perceptions Index *	Sequence of Iraq	Number of countries involved
2010	1.5	175	178	2003	2.2	113	130
2011	1.8	175	183	2004	2.1	129	146
2012	1.8	169	176	2005	2.2	170	194
2013	1.6	166	171	2006	1.9	160	163
2014	1.6	166	168	2007	1.5	178	180
2015	1.6	165	169	2008	1.3	178	180
2016	1.7	166	168	2009	1.5	176	180

Table of researchers' work based on data provided in:

www.icgg.org: Transparency international (TI) corruption perception index (cpi).

6. The reduction of quality of institutions

The Iraqi economy is dominated by 192 state-owned enterprises and 43 joint-owned enterprises, characterized by being the main producer of basic services such as electricity, water, building materials and petroleum products. Their production constitutes a large proportion of the production of consumer goods and inputs of industrial production. The quality is poor. In addition, these institutions are the largest employer of labour after the central government, with a workforce of more than 580000, which constitutes almost all workers in Iraqi industries. Despite the decline in the data, it is estimated that about 20% of the factories of the state institutions make profits. Most of these winning factories are in the oil and construction industries, and 25% of the factories of state institutions are empty structures that were destroyed during the war. Are continuing to receive their salaries simply because they attend the work site and thus constitute a burden on the state budget and a drain on financial resources. The rest of the institutions, which are equivalent to 55% of the factories of state institutions, either are important for national security or require large investments in order to have a chance to be a winner ⁽³⁰⁾.

In addition, the Iraqi economy was affected by the loss of security, which had a negative impact on its productive and service aspects. War and subsequent military operations destroyed the infrastructure of energy sources, roads and conductors, which led to the disruption of the state economic institutions, most of which suffered from underdevelopment and technological obsolescence as a result of the economic sanctions, the total number of disabled industrial projects reached 192 projects, and these projects witnessed a new setback as a result of looting and destruction. Most of these projects have low productivity and a financial burden on the state ⁽³¹⁾. In order to achieve the necessary revenues to cover production costs, the current government is obliged to provide financial support of \$ 1194 million. Usually, support in several forms may be direct through cash transfers through the public budget. Cash transfers for 2010 are estimated at 2.5 Billion dollars equivalent to 3% of the budget. Support may be

indirect by providing electricity, water and fuel to these institutions free of charge or cheap. Despite the support provided by the government to its institutions, most indicators and data indicate that these institutions are exposed to large financial losses ⁽³²⁾.

The necessary investment allocations for the period 2007-2010 are estimated at approximately \$ 800 million. In the 1980s, these industries contributed \$ 12 billion in gross domestic product and were not in a timely manner competitive ⁽³³⁾. The increasing dependence on state-owned enterprises had a negative impact on overall economic growth by diverting part of government expenditure from education or infrastructure. Because most of these institutions are a burden on the public budget and now the government is facing two options for these industries either to rebuild these industries or to work on privatizing them.

Fifth: The fundamentals of promoting economic development

The pattern of economic development in Iraq has remained the oil prisoner, since the oil revenues are one of the most important elements of economic development in Iraq, the dependence of the state on oil as the main source of revenue to finance development in forty years guarantee the risks associated with movement of abundant oil revenues or scarcity. Economic development and the determination of its dimensions. In addition to restricting Iraq's strategic options in many variables and policies and thus increased options for the management of resources at the macro level and the distribution of revenues at the micro level, causing extensive distortions in the structure of the Iraqi economy and Turkish. And to impede the implementation of the State's objectives ⁽³⁴⁾.

Iraq needs huge funds to spend on a wide range of priorities such as education, health, rural development, reconstruction of cities devastated by terrorist acts, and a heavy burden of debt. It is therefore essential to diversify the Iraqi economy from an economy that relies heavily on oil revenues to an economy characterized by a gradual increase in the contribution of other sectors to GDP, especially the productive sectors of agriculture, industry and tourism. And the increase in the rate of employment, especially among the population of young people and women, where the first priority was given to the industry and energy sector, since this sector is the main generator of financial resources and the first factor in the rate of accumulation of capital through the development of manufacturing activity and the largest contributor to the sector. In reducing the vulnerability of the Iraqi economy to the global economy. To achieve this, there are some general elements that can contribute to creating a diversified economy and promoting the reality of economic development, including:

1. Promotion of the tax system:

This is done through the establishment of tax systems based on direct taxes, fees, private sector institutions, personal income tax and the expansion of the tax base, in addition to raising the tax rate on companies and projects in order to contain the budget deficit. The imposition of these taxes' stems from

the government's need for resources because the economic development process creates pressure on the available resources and requires intensive investment for the development of education, health and infrastructure. Therefore, society has to bear some of the development burden of increasing social costs. The burden of development will lie entirely on the budget ⁽³⁵⁾.

2. Industrial Sector Development:

The industrial sector plays a major role in advancing the economic development of developed countries and some of the transition countries. This sector is an important source in supporting and financing economic development and the development of other economic sectors through an industrial policy through which economic management diagnoses sustainable economic activities Especially the productive sectors, which are one of the most important engines of economic progress to find productive land that contributes to the use and generation of foreign currency ⁽³⁶⁾.

3. Developing the tourism sector:

Tourism is one of the largest sectors generating jobs in many different fields. Tourism is a labour-intensive industry, and it is one of the most effective activities to increase foreign exchange earnings for foreign tourists. Tourism in Iraq is divided as follows:

First: Religious tourism: There are many holy places in Iraq, including Najaf and Karbala in the holy city of Baghdad and Samarra, these places attract many international tourists, where the estimated spending of these tourists between one billion dollars to 2.5 billion dollars annually. It is also possible to say that this tourism can be relied upon to significantly increase public revenues and contribute to the creation of a sector that can exert a positive impact on the national economy, despite the government's ability to promote this sector, but did not achieve its mission in financing economic development programs. Therefore, the government should stimulate investments in this sector and establish tourist companies with advanced administrative and media capabilities.

Second: Historical Tourism: Iraq is the cradle of many ancient civilizations. These included Sumerian, Akkadian and Babylonian civilizations, as well as Iraq's possession of some ancient cities such as Ur, Kish and Babylon. These civilizations and historical cities attract many archaeologists and foreign tourists.

Third: Ecotourism: Tourism in Iraq is still in its infancy except for the Kurdistan region, which has a green mountainous nature and can provide a welcoming environment for foreign tourists. The marshes in the city of Nasiriyah, Amara and Basra are a historic site for the cities of the Mesopotamian civilization and an important incentive in encouraging tourists to move towards these sites and a major pillar of tourism attraction.

4. Developing the agricultural sector

Excellent soil in arable Iraq is only 0.6%, good for agriculture 38.7%, average soil 43%, and soil with limited capacity 17.7% ⁽³⁷⁾. Despite these arable areas, the agricultural sector in Iraq suffers from a decline in the productivity of most agricultural crops, with weak contribution to the composition of the gross domestic product, and so far, many resources and agricultural capacities are not invested ⁽³⁸⁾. Therefore, the scientific and correct methods should be followed, and the policy of improvisation should be avoided when adopting the agricultural policy by creating the means through which the productive capacity of the production elements used in the agricultural process as a whole is increased ⁽³⁹⁾.

As it is possible that the agricultural sector plays an important role in achieving food security and income as well as providing job opportunities for a large proportion of the population as well as the provision of raw materials for many manufacturing industries. The availability of natural resources in quantity, quality and human resources are major components of the success of economic plans and foundation Strong economic diversification policies.

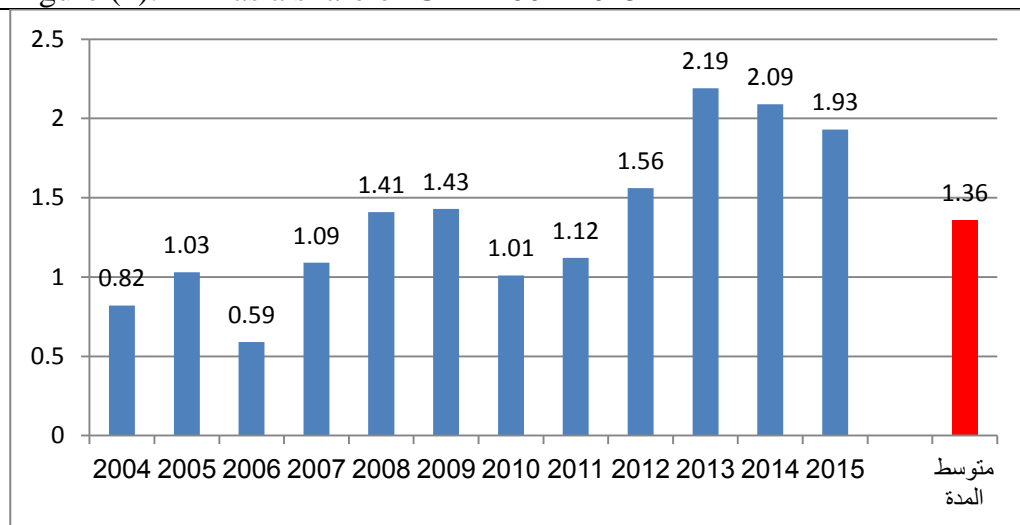
Iraq's water resources are generous compared with other countries in the region and play a role in covering basic needs and securing agricultural requirements. The Tigris and Euphrates rivers are one of the main rivers in Iraq. These water resources can contribute to the revival of large areas of agricultural land, which have been exploited properly, through the construction of dams and irrigation channels ⁽⁴⁰⁾.

5.Engaging of the foreign investment

The importance of the role of foreign investments in being one of the most important sources of external financing for the process of development and reconstruction of Iraq and the solution of some of the sectoral problems of the Iraqi economy and this role is linked to the possibility of foreign companies access to their huge financial potential and ability to bring advanced technology and opening employment opportunities and introduce modern methods of management and work in light of the traditions of the era And the training of national cadres administratively and technically that the problem of funding for development and reconstruction of what was destroyed by the wars of infrastructure and the blockade on Iraq and fill the gap in underdevelopment ⁽⁴¹⁾.

Foreign direct and indirect investment is still very limited due to the unstable security and political situation, and the lack of infrastructure supporting investment. The ratio of foreign direct investment to GDP is still low, reaching about 1.36% during the period 2004-2015. (See figure below)

Figure (1): FDI as a share of GDP 2004-2015



Reference :http://www.theglobaleconomy.com/Iraq/Foreign_Direct_Investment

Therefore, there is an urgent need to strengthen and attract foreign direct investment by creating an environment conducive to attracting and relying on it as external sources of funding for the advancement of the Iraqi economy and reconstruction. Which called for the adoption of economic programs and policies that will work to attract investment by granting many facilities and competitive advantages of foreign capital as well as the establishment of legislative and institutional frameworks to encourage and regulate the work of foreign investment on the reconstruction of Iraq and solving the sectoral problems of the Iraqi economy.

These measures help to generate huge returns that create a transformative opportunity for Iraq with the potential to support the recovery and diversification of the economy and provide substantial financial resources to finance the development of the country and to continue construction and reconstruction.

Conclusions

1 - The phenomenon of corruption spread in the Iraqi economy to the weakness of investment and the flight of funds outside the country at a time that was supposed to exploit this money in the establishment of economic development projects serve the citizens through the provision of employment opportunities.

2 - Debt service and compensation are a heavy burden on the Iraqi economy, and the subsequent attempt to pay these debts at the moment, which requires deducting an important part of the revenues of the Iraqi government to pay those debts, while Iraq needs to use that money for reconstruction Investment in infrastructure.

3- The weak role of taxes in general as one of the financial instruments in achieving economic development.

4. The weakness of the industrial and agricultural sectors in the composition of GDP and the response to domestic demand, which is satisfied by imported goods. This makes Iraq a consumer economy rather than a productive one, which necessitates public spending to spend more than half on current expenditures. Iraq needs investment expenditures to serve development purposes.

Recommendations:

- 1- Activate the departments of the Inspector General and the sub-committees for monitoring and integrity according to the competencies within the concerned ministries.
- 2 - Developing the productive and service sectors as one of the most important strategies, means, policies and procedures necessary for the development of alternative sectors of oil in order to get rid of monopolization of the economy and to find sustainable sources of funds.
3. Encouraging and encouraging foreign investments in a manner that contributes to the financing of productive and service projects and guaranteeing the rights of the community in economic development.
- 4 - Directing government spending efficiently towards areas of social and economic development such as the health sector, housing, productive projects and other public services and education.
- 5 - Raising the efficiency of the tax system and restructuring in a manner that is consistent with the new developments in the Iraqi economy, and the employment of tax return in productive projects because of its role in achieving economic development.

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