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Role of Financial Stability in Achieving Sustainable Economic Development with reference to the Iraq Experience for the Period ((2010-2016

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Abstract:

In view of the search for a variety of sources in order to finance comprehensive economic development, as natural resources are destined to disappear, and for the continuous development and fair distribution of wealth for the generations to come, financial stability and successive periods of time have become a fundamental and strategic objective. In the context of economic policies, the purpose of financial stability may go beyond the simple concept, which is intended not to occur financial crises, As the new concept represents a further dimension in achieving the efficiency and distribution of economic resources as well as efficiency in lending and borrowing, investment and saving operations, providing liquidity, accumulation of wealth, fixing prices and reducing the impact of financial crises if they occurred. In view of Iraq's experience, it was found that the Iraqi financial sector did not affect the process Sustainable economic development but not very limited, This is attributed to the total dependence on oil imports and the weak contribution of financial projects in economic activity, as well as the decline in the number of banks and their branches and financial institutions, as well as low turnout on the banking sector of consumers, and the dominance of government banks on the financial sector in addition to the absence of private banks or lack of role in The economic activity .

Keywords: Financial Stability, Sustainable Economic Development, Iraqi Economy .

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Introduction:

The financial systems and the banking industry witnessed a series of rapid developments and changes during the last two decades of the last century due to the ideology of financial liberalization adopted by developed countries in the late seventies and then followed by developing countries through the pressure imposed by the World Bank and the International Monetary Fund in the eighties, The liberalization of financial activity and the removal of restrictions and legislative and regulatory obstacles that prevented the expansion of banking and financial activity, resulting in a series of structural changes in the financial system.

These changes have led to the increasing role of financial institutions and the emergence of a huge range of financial services provided and helped by the use of modern financial techniques. New financial instruments and institutions such as the emergence of financial derivatives, investment funds and others. As a result of the lifting of the barriers between financial activities, which have contributed to the enhancement of funding for various economic activities, which in turn contribute to the promotion of sustainable economic development. Hence, this study highlights the role of financial stability in achieving development Economic sustainability in Iraq through the study and analysis of some economic indicators of financial stability and indicators of sustainable economic development.

Research Problem:

The problem of the research is that financial stability plays a role in achieving sustainable economic development in Iraq. This problem has not been addressed in economic studies, and the traditional view of development in Iraq has not taken into account in its successive policies the unproductive work of the financial and banking sector.

Search Hypothesis:

The research is based on the premise that sustainable economic development can not be achieved without providing the necessary foundations for its requirements, the most important of which is maintaining the stability of the financial system, which is a cornerstone of economic development in any country.

Research Goals:

The research aims to:

1. Review the scientific content of financial stability, importance and measurement indicators.

2. Analysis of the Iraqi experience through the study of economic indicators of financial stability and indicators of sustainable economic development.

Research Importance:

The importance of research lies in the need for the state to achieve efficiency in the financial system and the banking sector in order to improve the indicators of sustainable development, especially in the field of achieving an advanced level in the sectors of health and education, raising the standard of living of individuals and eradicating poverty.

Temporal and spatial limits:

The study included a period of time (7) years (2010-2016) to study the financial stability and sustainable economic development in the Republic of Iraq.

Chapter One

The Conceptual Framework For Financial Stability

First: The Concept of Financial Stability

The concept of financial stability is illustrated by the emphasis on the work of all components of the financial system and its strength, in addition to the absence of unrest and tension in this apparatus. Thus, the concept of financial stability refers to the stability of the components of the financial system as well as related activities of the prevention of crises⁽¹⁾. That the ability of the financial system to resist the crisis after the shock of the financial system, the meaning of the shock is the occurrence of a certain event losses to the economy or loss of confidence in the efficiency and seriousness of the financial system, and also indicate that financial stability does not mean stability, but the ability to address to the shock whatever size⁽²⁾.

Financial stability is also defined as the position of the financial sector in which it is able to cope with the various crises in the economy, where the financial sector is able to settle payments and intermediates and distribute risks properly, and financial stability is the result of the financial system's safety from recurring disturbances⁽³⁾.

Some believe that financial stability is to ensure that the elements of the financial system do not enter into a series of periodic imbalances that threaten economic efficiency. Financial stability is a prerequisite for economic efficiency and its purpose is to maximize efficiency, identify, evaluate and manage financial risks⁽⁴⁾.

The Central Bank of Iraq provided another concept of financial stability as it defines it: the situation that enables the financial sector in general and banking in particular to work to face the risks or any negative effects on the current and future reality of the growth and development of the national economy as the stability of the financial sector and banking can be at risk Due to the presence of weak factors in this sector or due to its inability to withstand negative shocks in the international and domestic economic and financial environment⁽⁵⁾.

Based on previous concepts, it can be said that financial stability is the mechanism by which the financial system is able to deal with the various crises and disturbances in the economy, so that the sector has the ability to settle payments, mediation and redistribution in a sound manner. It can be said that financial stability Resulting from the integrity of the financial system.

Second: The Importance of Financial Stability

We can see the importance of financial stability through the great effects of the crises that it produces, and it is noteworthy that the global financial crisis (2007-2008) is not the first in modern economic systems⁽⁶⁾, according to statistics from the World Bank that there is (112) financial crisis took place after the Great Depression Crisis (1929).

The financial crisis has been defined as a serious and sudden occurrence that strikes the normal behavior of the financial system and includes direct threats and threats to the state, organizations, individuals and all stakeholders⁽⁷⁾. This imbalance requires quick and effective interventions by all parties involved. Financial, and also leads to severe imbalances in economic balances, which could be followed by large collapses in financial institutions, perhaps the most prominent banks.

The importance of financial stability can be illustrated by:

1. The financial turmoil is one of the most important threats to the global economy. The report, prepared by the World Economic Forum in early 2008, titled "Global Risks", indicates that the troubled financial systems represent a major challenge to the stability of the global economy⁽⁸⁾. The need to increase intervention in capital markets in order to reduce the risk and improve the management of the global financial system through a group of risk management officials. The report also stressed that the focus on turbulent financial markets in 2008 and the growing political tensions may push institutions and governance to ignore less risky risks, which would make it more difficult to deal with these risks in the future.
2. The impact of financial stability on economic growth, during the mortgage crisis, which hit the first spark in America and then spread to the economies of other countries around the world has changed the International Monetary Fund outlook for the prospects for economic growth, in studies published in April 2008 mentioned that whenever the financial crises increase, the rates of economical growth decrease⁽⁹⁾.
3. The results of the financial crises are catastrophic at all levels, social, political and economic and extend to years after the occurrence⁽¹⁰⁾. There are many examples and examples throughout history, such as the Asian crisis in the late 1980s or the

crisis of the banks of Japan in the early nineties and then Turkey and the financial crisis in 2001-2002 EU and others.

Third: Financial Stability Indicators

The central banks play the regulatory and supervisory role of the banking system and the financial institutions operating in the financial sector. Moreover, they play a different role in maintaining financial stability to ensure an effective and smooth system. This requires collecting and tabulating statistics and data in order to follow developments in the banking system. Through a set of indicators, which vary from state to state depending on the financial and economic system of the state, we will address in this study the indicators adopted by the Central Bank of Iraq in measuring the level of financial stability of the banking system, as explained below:

1. **Assets:** The asset side is of interest to the Central Bank because it represents the strength and safety of the Bank through its revenues and the volume of liquidity and capital⁽¹¹⁾. The assets side has three sub-indices:
 - A. **Credit:** Credit is defined as the money provided to individuals, institutions or assets, provided that the debtor undertakes to repay the interest and its interest in one installment or installments and on specific dates. This relationship is done through a set of guarantees that guarantee the bank to recover its money when the customer stops paying⁽¹²⁾.
 - B. **Investments:** They are known to be using surplus funds at the moment to get future returns.
 - C. **Non-performing loans:** Loans that do not generate the bank's revenues are sometimes called non-performing loans or scheduled loans. The higher the percentage of these loans, the lower the confidence in the banking system and the evidence of instability in the banking sector.
2. **Liabilities:** The Bank's ability to provide the necessary financing and the lowest cost when liquidity is required⁽¹³⁾. The liabilities include three sub-indicators of financial stability:
 - A. **Deposits:** The amount of money deposited by the individual or institution at the banks, and the bank to return on demand according to agreed terms, and deposits are the most important sources of bank funds⁽¹⁴⁾.
 - B. **Capital:** Capital is a commitment to the bank in its capacity as the legal personal owner of the capital, and is divided into two types: nominal capital and paid capital⁽¹⁵⁾, and reflects the safety and durability of the bank in general, and the higher the capital the greater the confidence of customers with the bank.
 - C. **Legal cash reserve:** Is the total amount of money held by the Bank with the Central Bank and in a compulsory manner, according to the percentage determined by the Central Bank.
3. **Interest rate:** The interest rate is defined as the return on the capital obtained by the investor when he waives the disposal of his money for a specified period of time or the specified price for the use of money.

4. **Capital Adequacy:** The money that is held by banks in order to face risks and is considered a means to attract depositors and investors⁽¹⁶⁾.
5. **Bank Density:** The number of private and government banks and the number of their branches relative to the population, or the number of population per bank⁽¹⁷⁾.

Chapter II

Financial stability in the Iraqi economy environment and its role in achieving sustainable economic development

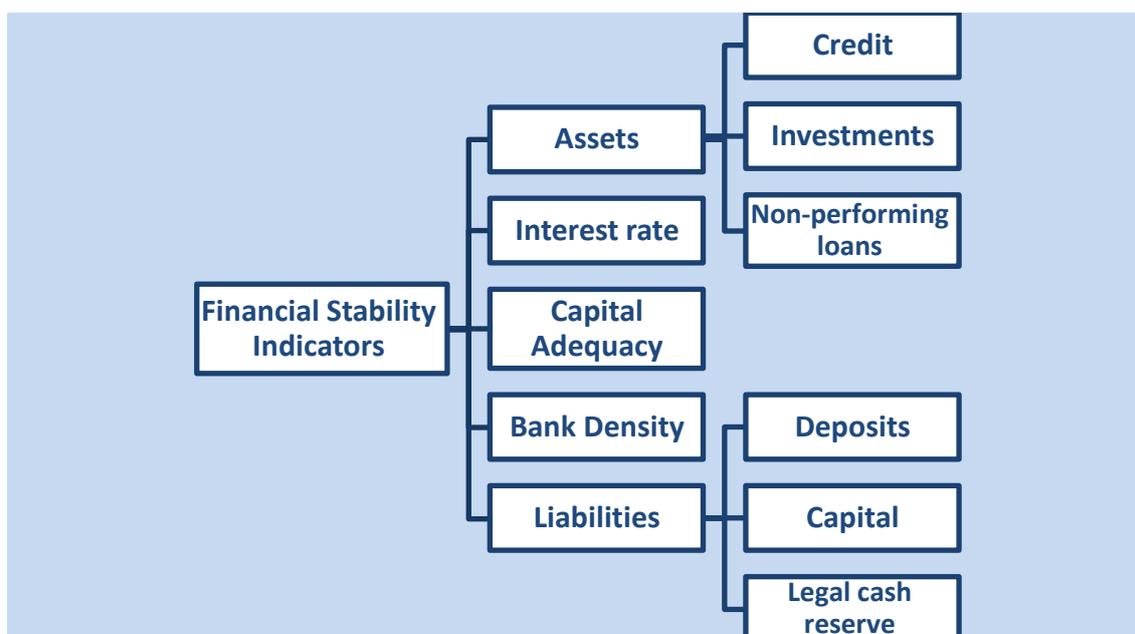
First: Financial Stability Indicators

The Central Bank of Iraq plays the regulatory, supervisory and supervising role of financial institutions and banks to maintain the financial system based on the competitiveness of institutions in order to achieve stability in prices and provide job opportunities and maintain low inflation rates.

The role of central banks has evolved in recent years, following successive financial and economic crises, to play a bigger role by seeking to influence the volume of credit granted, influence the exchange markets directly and the continuous interaction with the economic activity cycle through some credit guidance measures towards the development of sectors. And the role of central banks has expanded to include the government's assistance in financing the deficit of the state budget from non-inflationary sources⁽¹⁸⁾. In addition, the new framework of action includes a set of measures and controls aimed at achieving financial stability, To other economic sectors.

Hence, the Central Bank of Iraq has started to prepare reports on financial stability since 2010 until now, through the development of a set of indicators, which we will address in this study through Figure (1) and table (1) below:

Figure (1)
Indicators of financial stability used by the Central Bank of Iraq until 2015



Source: Prepared by the researcher depending on:- Central Bank of Iraq, Financial Stability Report for 2015.

Table (1)
Indicators of financial stability used by the Central Bank of Iraq until 2015

(Trillion dinars IQ)

Sequence	years	Liabilities			Assets			
		Legal cash reserve	Capital	Deposits	Total Assets	Investments	Non-performing loans	Credit
1	2009	----	2.3	21.8	334.2	----	242.1	5.3
2	2010	7.2	2.9	36.3	363.5	7.7	297	9.4
3	2011	1.8	3.9	42	143.8	6.2	459.3	13
4	2012	8.6	5.9	42.5	191	5.8	497.9	20.8
5	2013	9.6	7.7	62.8	208.8	4.8	1.99	29.8
6	2014	10.5	9.1	74.1	226.6	7.1	2.36	34.1
7	2015	9.4	10.1	64.3	222.8	13	3.07	36.8

Source: Prepared by the researcher depending on:- Central Bank of Iraq, Financial Stability Report for (2010, 2011, 2012, 2013, 2014, 2015) .

1. **Assets:** Total assets amounted to 363.5 trillion dinars at the end of 2010, an increase of 8.7% compared to 2009, which reached 334.2 trillion dinars. The assets of government banks constitute 97% of the total assets compared to 3% for private banks.

The total assets decreased by 60.4% compared to 2010 due to the decline in the assets of Rafidain Bank worth 86.2 trillion dinars and the Bank of Rashid value of 17.9 trillion dinars because of the revaluation of assets according to the recommendations of the World Bank and the International Monetary Fund, while government banks continued to lead by 91% of total assets, and In the subsequent years, the total assets recorded a rise to reach 222.6 trillion dinars at the end of 2015, a decrease of 1.7% from the previous year 2014 amounting to 226.6 trillion dinars, while the other financial stability indicators that fall within the asset register will be dealt with in detail The following:

- A. **Credit:** Total credit balance provided 9.4 trillion dinars at the end of 2010 and an increase of 77% over 2009, which amounted to 5.3 trillion dinars, and credit represents 5.4% of GDP, a low impact on the size of economic growth against the need for large development projects in In the end of the study period in 2015, the total credit balance was 36.8 trillion dinars compared to 34.1 trillion in 2014, an increase of 7.9%, and the ratio of credit to gross domestic product was 19.1%, the share of government banks, including 15.1% and private banks 4 %.
 - B. **Non-performing loans:** Bad debts constitute a burden on financial stability, amounting to nearly 297 billion dinars for 2010, the largest proportion of private banks amounting to 194 billion dinars, 65% of the total debt and 103 billion dinars for government banks by 35%, in subsequent years, Which reached the highest level in 2015, reaching 3.07 trillion dinars, 67.1% for government banks, amounting to 2.06 trillion, and 32.9% for private banks, amounting to 1.01 trillion. The rise in the ratio of bad debts is due to the weakness of the security situation in Iraq, the emigration of borrowers abroad, For some Borrowers.
 - C. **Investments:** Total Iraqi and foreign investments for 2010 amounted to 7.7 trillion dinars, of which 6.2 trillion investment tools and the remaining Iraqi foreign investment, while the Iraqi investments for government banks 5.4 trillion dinars and private banks 808 billion dinars, and the proportion of the contribution of total investments to gross domestic product amounted to 4.5% Which is low and does not meet the ambition for the economic development of the country, in the following years under study, the total investment gradually decreased to reach the lowest levels in 2013 and the amount of 4.8 trillion dinars and then returned to rise in 2015 where Reached 13 trillion dinars, where the remittances of the Treasury of the Iraqi government, the largest proportion of them.
2. **Liabilities:** Other indicators of financial stability that fall under the liabilities side are: deposits, capital, legal reserve, as explained below:
 - A. **Deposits:** The deposit balance consists of savings deposits plus current deposits and savings deposits. The total balance of deposits reached 64.3 trillion dinars in 2015. Deposits are considered the most important sources of bank financing. The balance of current deposits at all banks reached 40.1 trillion dinars. Amounted to 9.6 trillion while the balance of fixed deposits 8.4 trillion dinars, a rate of increase significantly from previous years, where the percentage increase in total deposits for 2015 by 195% for 2009, which amounted to 21.8 trillion dinars.
 - B. **Capital:** Banks licensed operating in Iraq achieved a significant increase in total capital from 2009 to 2015, in response to the generalization of the Central Bank of

Iraq on the increase of its capital to a minimum of 250 billion Iraqi dinars, after the total capital in 2009 amounted to 2.3 trillion dollars, has become 10.1 trillion dinars in 2015, including 21.8% for government banks and 78.2% share of private banks.

- C. **The legal cash reserve:** In response to the decisions of the Central Bank of Iraq, which was adopted to stimulate banks to go to the market in order to expand the scope of credit, Iraqi banks' reserves fell to 1.8 trillion dinars in 2011, after 7.2 trillion dinars in 2010, The central bank reduced the legal reserve ratio to 15% on all bank deposits in the private sector or government banks, 10% in the central bank and 5% in the bank's coffers. In subsequent years, as a result of the increase of capital and deposits with banks, the legal reserve increased significantly to reach Touch And Agencies in 2014, with 10.5 trillion dinars.
3. **Capital adequacy:** It measures the percentage of capital held by banks in order to face the risks to which they are exposed, and according to the law of banks in force and based on Article (16) thereof, the minimum capital adequacy ratio at banks is 12%, but observed in government banks and Especially Rafidain Bank that the capital adequacy ratio is less than the minimum for the duration of the study, because of the losses of wars and inherited debt and small capital, while the private banks by more than 30%, to reserve to grant credit and work to raise capital on an ongoing basis, As shown in Table (2).

Table (2)
Capital adequacy and liquidity ratio of Iraqi banks

S	Capital adequacy	2010	2011	2012	2013	2014	2015
1	Government banks	less than 12%	less than 12%	less than 12%	2%	3%	4%
2	Private banks	more than 60%	more than 30%				

Source: Prepared by the researcher based on: - Central Bank of Iraq, annual report of financial stability, different years.

4. **Bank Density:** The banking system in Iraq consists of 64 banks, 57 private banks (local and foreign) and 7 government banks, the largest share of commercial banks by 43 banks, and then the Islamic banks and the number of 18 banks, and specialized banks of 3 banks.

Second: Indicators of Sustainable Economic Development in Iraq

The importance of sustainable development today is of great importance in various aspects of life and an important role in the continuity of all components of human life in the present and future. In addition to social and environmental sustainability⁽¹⁹⁾, economic sustainability is one of the main components of sustainable development.

The comprehensive and continuous development that encompasses all fields of life is one of the biggest challenges facing any country in the pursuit of the highest rates of

progress, prosperity and economic growth, which requires the removal of obstacles and uncertainties, the most important of which are adequate capital and sources of financing projects, Revenues of exporting natural resources, which are the main source of financing for projects in most developing countries⁽²⁰⁾. This type of development is characterized by the vulnerability of relying on an unstable source of financing and its reliance on global supply and demand factors.

The study focuses on a set of indicators that illustrate the reality of sustainable economic development in Iraq for the period (2005-2015) and shed light on the factors driving them and their sources of funding. Two types of indicators related to the economy and other study variables related to the Iraqi financial sector were selected.

1- Economic indicators of sustainable development: It consists of:

- A. GDP growth rate
- B. Per capita GDP
- C. Gross fixed capital formation relative to GDP
- D. Balance of payments ratio to GDP
- E. Inflation rate

Which can be explained in detail in numbers and analysis in Table (3), as shown below:

Table (3)
Economic Indicators for Sustainable Development in Iraq

(Billion dinars IQ)

Sequence	years	Inflation rate	Balance of payments (Million dollars)			gross fixed capital formation	Per capita GDP	GDP growth rate	Gross domestic product
			Balance	Imports	Exports				
1	2004	26.8	- 3.492	21.302	17.810	2.857	1.961	79.9	53,235
2	2005	37.1	0.165	23.532	23.697	10.182	2.629	8.13	73,533
3	2006	53.1	8.52	22.009	30.529	16.911	3.317	30	95,587
4	2007	30.9	20.031	19.556	39.587	7.530	3.754	16.6	111,455
5	2008	12.7	28.714	35.012	63.726	23.240	5.082	40.9	157,026
6	2009	-2.8	- 2.082	41.512	39.430	13.471	4.125	- 16.8	130,643
7	2010	2.5	7.849	43.915	51.764	26.252	4.988	24.0	162,064
8	2011	5.6	31.878	47.803	79.681	37.255	6.518	34.0	217,326
9	2012	6.1	35.203	59.006	94.209	38.079	7.431	17.0	254,225
10	2013	1.9	30.419	59.349	89.768	58.313	7.724	6.6	271,091

11	2014	2.2	30.804	53.177	83.981	51.965	7.237	- 3.86	260,610
12	2015	1.4	10.253	33.188	43.441	----	5.465	- 22.5	201,929

Source:

1. The Republic of Iraq, Ministry of Planning and Development Cooperation, Central Statistical Organization, National Accounts, for different years.
2. The Republic of Iraq, Central Bank of Iraq, Directorate General of Statistics and Research, Balance of Payments Statistics Department, different years.
3. The Central Bank of Iraq, annual economic report, different years.

After the end of the economic embargo on Iraq in 2003 and the opening up to the outside world, the gross domestic product (GDP) increased significantly during the period of study (2004-2015), with the exception of the years 2009, 2014 and 2015, which were characterized by multiple domestic and foreign crises starting with the global financial crisis For the year 2009 and ending with the crisis of low oil prices for 2014, accompanied by successive local security and political crises, On the level of per capita GDP, despite the large increase in the population, per capita achieved a qualitative leap during this period, after it was estimated at 1.9 million dinars in 2004 reached 7.7 million dinars in 2013, the highest rate throughout the period The study, according to estimates issued by the International Monetary Fund for 2013, Iraq is ranked 108th globally in terms of per capita GDP, while Qatar topped the ranking up to 98 thousand dollars per year per capita followed by Luxembourg and Singapore, the United Arab Emirates has got Ranked 32nd globally⁽²¹⁾.

The total capital formation amounted to 51.9 trillion dinars at the end of 2014 with a contribution of 19.9% to the current GDP, after it was 2.8 trillion dinars in 2004 with a contribution of 5.2% of GDP and a compound annual growth rate of 29.8% until 2014.

On the external balance there was a clear superiority of exports to imports, where the balance of payments surplus during the study period, except for 2004 because of the deterioration of the security situation and 2009 because of the global financial crisis. This superiority is due to the large increase in oil prices and increase the quantity of production and exports, To the current GDP in 2008, reaching 19.9%.

The rate of inflation in the Iraqi economy during the period of study split into two periods, affected by the weak movement of economic activity and the troubled security situation in the country, the first period was 5 consecutive years from 2004 to 2008, which was characterized by a large rise in inflation rates reached the highest stages in 2006 53.1%, while the second period, which starts from 2009 until 2015, was characterized by stability and low inflation rates, reaching a high of 6.1% in 2012.

2. Human resources development indicators

Human development is one of the most recent topics of concern, which expresses the human face of economic development. Human beings are the main objective of any development process and they are the tool to achieve them. The development subjects in their social and economic fields have a close connection with the human being. To spread the education and to build knowledge and attention to all aspects of human health, education and a livable environment⁽²²⁾. Based on the above, we will review the most important indicators of human resources development in Iraq during the period of study, as shown in Table (4) below:

Table (4)
Indicators of human resource development in Iraq

Sequence	years	Life expectancy (Year)	Spending on health from public spending	Spending on education from public spending	Per capita GDP (Million dinars)
1	2004	58.3	4.7	4.8	1.961
2	2005	---	4.2	5.3	2.629
3	2006	58.2	4.6	6.9	3.317
4	2007	---	4.0	7.3	3.754

5	2008	60.6	4.8	9.5	5.082
6	2009	----	5.5	9.4	4.125
7	2010	----	5.0	10.0	4.988
8	2011	69	4.2	8.7	6.518
9	2012	69.1	4.3	8.5	7.431
10	2013	72.9	4.0	9.1	7.724
11	2014	73.1	4.0	8.3	7.237
12	2015	72.6	4.7	4.8	5.465

Source: Prepared by the researcher based on:

1. Republic of Iraq, Budget Department, different years.
2. Republic of Iraq, Ministry of Health, Annual Statistical Report, various years.

A. **Spending on education from public spending:** The education sector has become a major concern in many countries because of its role in achieving economic development⁽²³⁾, by providing efficient manpower to work in all areas of economic sectors. The Iraqi government has given increasing attention to the education sector and the process of human capital formation by increasing spending on this sector, after spending on education accounted for 4.8% of the public expenditure of the state in 2004, rose significantly in the following years to reach the highest levels in 2010 and a 10% expenditure rate relative to public spending, despite the increase in spending, but the education sector The rate of illiteracy is still high, as is the decline in other levels of education, as shown in Table (5):

Table (5)
Some indicators of education in Iraq for the year 2011

Sequence	Educational Status	Average %	Females %	Male %
1	Literacy	19	26.4	11.6
2	Reads only	2.45	2.4	2.5
3	Reads and writes	21.5	21.2	21.8
4	Primary	29.2	28.2	30.2
5	Secondary education	11.6	9.6	13.7
6	Preparatory (academic and security)	6.9	5.0	8.9
7	diploma	4.6	3.8	5.4
8	Bachelor and above	4.3	3.1	5.6
9	Not indicated	0.25	0.3	0.2
10	Total	100	100	100

Source: National Strategy for Education in Iraq (2011-2020), Center and Territory, p17.

Through table (5), which shows some of the indicators of education in Iraq for 2011, this year was chosen because it represents a period of political and security stability in Iraq, where it is noted that the illiteracy rate is still very high, reaching 19% in 2011, with the largest proportion of females 26.4% compared to 11.6% for males. The highest proportion of primary education is 29.2% for males and females, while the share of higher education for diploma, Bachelor and postgraduate studies was very low, estimated at 8.9%, and in general, 81% of the Iraqi population is fluent in reading and writing at different levels.

B. Spending on Health from Public Spending: The health sector in Iraq faced a wide range of challenges and obstacles before 2003, which negatively affected the progress and development of infrastructure, which is the main factor of this sector, in addition to the lack of medicines and medical equipment because of the siege and the migration of many doctors and other medical staff outside the country, Services and deterioration of health levels. After 2003, there was some improvement in the health level, but it was not at the required level with a decrease in expenditure on the health sector compared to other sectors, where the expenditure rate was not at the best rate of 5.5% in 2010 of total public expenditure, Health units and staff working in the health sector can be explained as in Table (6):

Table (6)
Health units and human resources working in health

Sequence	years	Hospital bed	Number of health professionals	Medical professionals			Number of health units
				Pharmacists	Dentists	the doctors	
1	2003	28430	60239	2313	2785	14747	2013
2	2004	29339	65615	2531	3290	16022	2081
3	2005	28492	69444	2977	3659	16788	2105
4	2006	22975	73355	3448	3545	16518	2198
5	2007	31184	76422	3329	3376	15834	2279
6	2010	32166	---	6265	5494	24750	---
7	2011	---	---	6602	5904	26081	---
8	2013	41645	68702	7879	7541	30913	---
9	2014	36772	71115	8608	8045	30083	2632
10	2015	36043	58791	8001	7277	26975	2680
11	2016	37720	61526	8460	7746	27208	2669
12	Compound growth	%32.7	%2.1	%265.8	%178.8	%84.5	%32.6

Source: Prepared by the researcher based on: -

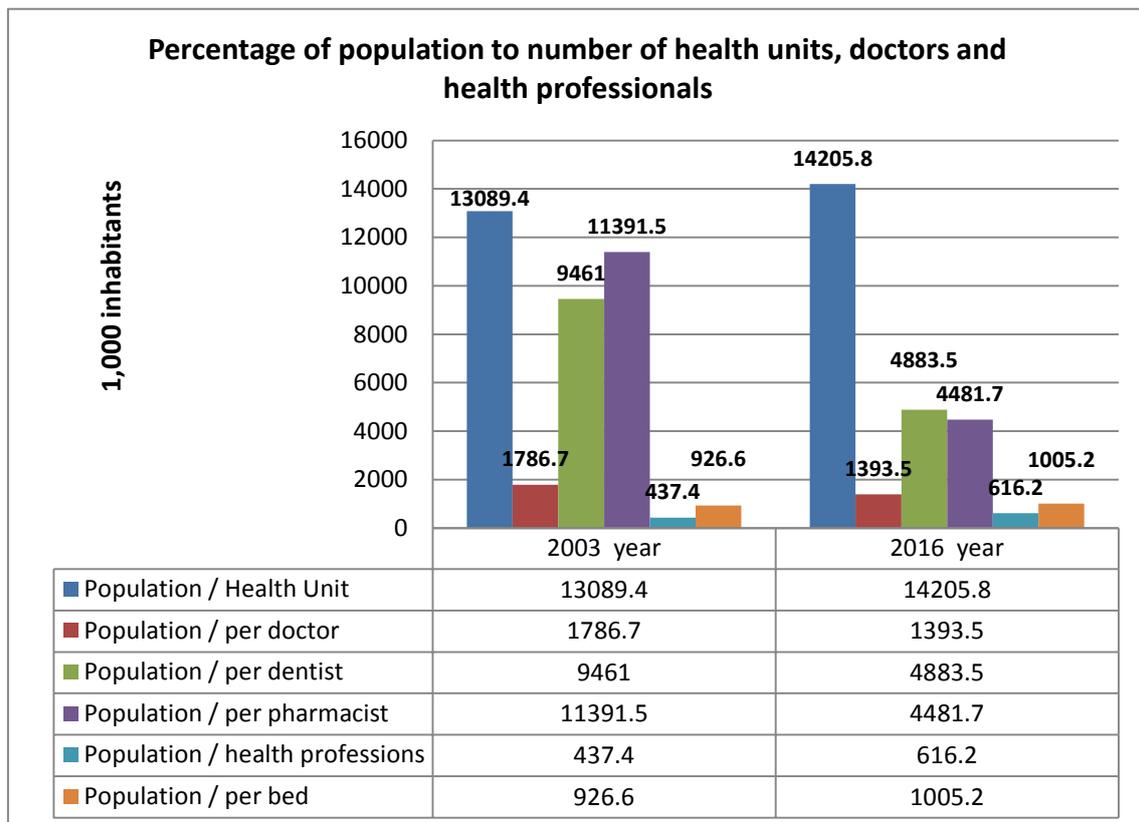
1. Republic of Iraq, Ministry of Planning and Development Cooperation, Central Organization for Statistics and Information Technology, Directorate of Educational Statistics.
2. Iraqi Ministry of Health, Department of Planning and Resource Development, Department of

Health and Life Statistics, different years.

3. Republic of Iraq. Ministry of Health, Annual Statistical Report (2016, 2015, 2014, 2013, 2011).

Table (6) shows that the number of health units in 2003 reached 2013 units, including hospitals, health centers and other health units. This number increased in the following years, reaching 2669 units in 2016 with a compound annual growth rate of 32.6% In 2003 from 14,747 thousand to 27,208 thousand in 2016 and a compound growth rate of 84.5%. As for dentists and pharmacists, the increase is very large compared to the number of doctors. The compound growth rate of the increase in the number of dentists during the period under study was 178.8% With pharmacists reaching 265.8%, but the great shortage has occurred in the health professions In line with the increase in the population as it reached about 60.239 thousand in 2003 and did not rise very much until 2016, reaching about 61.526 with a compound growth rate of 2.15, while the number of beds prepared for patients in hospital beds amounted to 28.430 thousand beds in 2003 and rose in 2016 to reach To 37,720 thousand beds with a compound growth rate of 32.7%.

Figure (2)



Source: prepared by the researcher based on Table (6).

C. **Life expectancy in Iraq:** The indicator of life expectancy is the number of years the child is expected to live at birth if he continues to live under the same conditions prevailing at birth. This indicator reflects the total outcome of progress in the various

economic, social, health and food fields⁽²⁴⁾. Iraq has improved significantly in this indicator, Table 3 The average age of the population exceeded 73.1 years in 2014, up from 58.2 years in 2006, but it is low compared with some developed countries with a life expectancy of more than 76 years.

Conclusions and Recommendations

First: Conclusions

1. The absence of financial institutions supporting the banking system such as insurance companies and the stock market, as the Iraqi banking system accounts for 94% of the total capital in the financial sector, compared to 4% share of the Iraqi market for securities and 2% contribution of insurance companies.
2. Despite the reforms that have taken place on the Iraqi banking sector after 2003, but the role of private banks has not been activated, as it remained weak compared to government banks dominating the bulk of the indicators of financial stability, where the assets of government banks 91% of total assets compared to only 9% For private banks until 2015.
3. The rise in the ratio of bad or non-performing debt to the Iraqi banking sector, which is a burden on financial stability, reaching about (3.07) trillion dinars in the year 2015, by 67.1% for government banks and 32.9% for private banks.
4. It was found that the Iraqi financial sector did not affect the process of sustainable economic development, but very limited, due to the total dependence on oil imports and the weak contribution of financial projects in the composition of GDP.

Second: Recommendations

1. To move away from the application of traditional models of development and to adopt a model of sustainable development that takes into account the attention to human capital and all its requirements.

2. The central bank gives incentives to the comprehensive banks to play their role in stimulating the process of sustainable economic development, such as the policy of reducing the legal reserve and linking it to the development directions of banks.
3. Support microfinance and enhance its contribution to reducing unemployment.
4. The search for other sources to finance sustainable economic development other than oil revenues, which made Iraq fully dependent and affected by the global crises, as happened in 2009 the global financial crisis and 2014 crisis of low oil prices.

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