
THE DEVELOPMENT FAILURE IN IRAQ AFTER 2003: THE REASONS AND SCENARIOS

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ABSTRACT. This article focuses on exploring the reasons for the failure of economic development policies in Iraq. Development is the result of the interaction of a large number of economic, social, political, and cultural components, which focus on the human being, and development is a state that can be achieved by eliminating the characteristics of underdevelopment and acquiring the characteristics prevailing in developed countries. In Iraq, economic development due to internal and external wars and long years of sanctions witnessed many problems that led to a quantitative and qualitative decline in development indicators. In addition, many challenges have emerged, including dependence on oil, a change in production structure, the spread of financing, and administrative corruption. Therefore, the economic planners in Iraq should discuss the development alternatives available to it at present, put forward the most appropriate alternative to its reality and the requirements of its new renaissance, and establish high-yielding productive projects and productive assets that retain their value and can increase this value for the benefit of this generation as well as future generations.

JEL Classification: J60, J64, J68

Keywords: Development Failure, Iraqi Economy, Economic Development, Public policy

Introduction

The Iraqi economy has historically been and is a heavily reliant rent-based economy, with a dominant monopoly in formulating growth plans and programs. This has resulted in significant structural imbalances at the economic level, as acknowledged by the country's authorities. The automatic occurrence of the growth process in industrialized nations may be attributed to many factors, including the plenty of money and infrastructure, widespread awareness and cultural dissemination, and the absence of cultural and social challenges. The combination of these elements has caused economic growth in industrialized nations to become unstable, unlike the economic development in Iraq, which is characterized by a lack of progress that does not align with the reality of the Iraqi economy and its resources (A. Almagtome, Khaghaany, & Önce, 2020). The development sector in Iraq has encountered several challenges and issues that need to be addressed in order to promote economic progress and attract foreign investment. This is crucial for funding productive and service-oriented initiatives. The research aims to address the issue of Iraq's underperformance in economic development indices.
compared to the other Arab nations. This study is founded on the assumption that Iraq's economic growth is sluggish and unstable and does not align with the country's potential resources. Therefore, it is imperative to identify a viable alternative for development that effectively utilizes the country's capabilities, benefits its citizens, harnesses societal potential, and leverages external labor for national progress (Al-Fatlawi, Al Fartooosi, & Almagtome, 2021). The study seeks to elucidate the actual state of economic growth in Iraq and the many phases it has undergone. It also attempts to address the key development challenges it has encountered and provide strategies to tackle these issues to enhance the actuality of economic development in the nation. The physical landscape of development is characterized by a significant rise in per capita income. This increase either leads to creating jobs and other economic opportunities for the majority or establishes the necessary conditions for a more equitable distribution of the economic and social benefits of growth (Hameedi, Al-Fatlawi, Ali, & Almagtome, 2021). Therefore, increased income and its associated factors are central to the development concept. Development encompasses more than just economic growth and high per capita income rates. It is a holistic process that improves economic, political, social, and cultural conditions. Development is often seen as a normative concept that necessitates a significant transformation in existing forces or domains, resulting in a cascade of changes in economic performance and other areas.

Growth is the process of increasing dimensions and measurements (Al-Wattar, Almagtome, & Al-Shafeay, 2019). The development comprises both changes in quantity and adjustments in quality. Development is a complex notion that includes several dimensions such as economic, social, and political factors. It does not have restrictions to any one industry. The development process encompasses advancements in several domains to attain a steady increase in per capita income, which acts as both the objective and the means of individual development. Economic growth covers several dimensions, including economic, political, and cultural factors. It entails tackling the many requirements and problems encountered by civilizations grappling with development concerns. To do this, a robust governmental presence and efficient coordination in economic decision-making are necessary (A. H. Almagtome, Al-Yasiri, Ali, Kadhim, & Heider, 2020). Development is often seen as a continuous and cumulative process that encompasses interrelated changes in politics, culture, economics, and technology. These improvements have a reciprocal impact and reinforce one another, resulting in a self-perpetuating vision that improves the capacities of both the economy and society. This facilitates the allocation of manpower, resources, and financial assets to enhance and maximize economic output, eventually guaranteeing a satisfactory quality of life for everyone within a stable and secure structure. Economic growth refers to a continuous and gradual rise in actual income that exceeds the rate of population growth. It involves the provision of productive and social services, the protection of renewable resources from pollution, and the preservation of non-renewable resources from depletion.

The Economic Development in Iraq: Reality and Indicators

Iraq's past and current development indicators indicate a quantitative and qualitative deterioration in Iraq because of the destruction of the political, economic, and social structure caused by internal and external wars and long years of sanctions, the impact of these circumstances is too profound to be assessed by indicators and figures characterized by a high degree of abstraction and generality. Moreover, these circumstances will accompany their negative effects and repercussions on the future development process and the level at which development can reach. This means that the data do not show the reality of the decline in the
structure and substance of development and the magnitude of that decline, as it fails to give the picture of a decline in the economic, political, and cultural institutional structures of society.

The relationship between oil and development in Iraq has emerged with the expansion of modern state-building processes and in conjunction with increased oil production and revenues, so the development movement in Iraq has been linked to oil revenues, which has led to serious problems in the development pattern. With the start of oil production and exports in 1934, the Iraqi Government began to receive oil revenues that contributed to the financing of the general budget. these revenues were low but helped the Government to finance a range of different sectors (East & Dept., 2014). The Government has made a series of development attempts to develop the economy, namely the establishment of textile and vegetable oil industries. Still, these industries have been born and most of their production has been directed at domestic consumption and at low rates.

At the beginning of the 1950s, Iraq underwent a shift in the process of economic development, helped by increased oil revenues achieved after "50s" agreements with foreign oil companies in the early 1950s. This shift was initiated by the Iraqi Government by establishing the Reconstruction Council in 1950. The Reconstruction Council's task was to develop a general economic plan to develop the country's resources and infrastructure, raise the standard of living of the population, and bring about fundamental transformations in the course of the Iraqi economy (Bilmes & Stiglitz, 2006). After the July 1958 revolution and the establishment of the republican system, the Reconstruction Council was abolished. The Government adopted a new economic policy that led to the formation of an interim ministerial committee to replace the Reconstruction Council, which included the implementation of reconstruction programs, planned economic projects, and the continuation of the implementation of this plan even more slowly until the organization of new planning bodies and mechanisms for development, and the call for industrialization for progress and economic diversification emerged. In contrast, oil revenues have not contributed to the development of productive sectors but have contributed to the underdevelopment of the structure of other economic sectors, particularly agriculture, industry, and domestic trade, and to distort the structure of foreign trade.

After 1968, this phase had a major impact on changing the economic and social conditions prevailing in Iraq and asked the government to continue to implement the programs and projects to be implemented and took the role of the state increasingly in economic life. This role was demonstrated by the fact that public activity became the dominant activity of all economic activities and spending on the expansion of educational and health services and the growth of the government administration sector in various disciplines, until economic management became highly centralized, the policy of In the mid-1970s (Faihan, 2014; Sulieman, 2021). the Iraqi Government was able to nationalize oil companies, which increased financial resources, which affected the increase in average per capita income, bringing Iraq into the middle-income developing countries and comparing Greece, South Korea and Portugal, not far from Spain, in average per capita income, and was expected to enter it. The category of high-income countries in two decades, and the Government of that era was able to achieve a degree of development represented by high growth rates as a result of large investments in infrastructure and productive activities (Kazem & Chaichan, 2012). The State continued its explosive development policy with determination and acceleration beyond what it had done in the previous phase, expanding the state sector horizontally and vertically and in all economic sectors, although the investment structure was described at this stage as distorted, but this distortion was not apparent due to the large number of foreign exchange that covered those investments, most of which were projects of little social benefit, and were not related to sectoral guidance to him as much as the search for investment opportunities and the creation of Projects for inclusion in the investment plan (Wazni & Hameed, 2020).
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However, the start of the Iraq-Iran war led to a clear distortion at the sectoral level as a result of the decline in oil revenues from 26.1 billion dollars in 1980 to 10.4 billion dollars in 1981, resulting in a 4.7 percent decline in GDP growth as a result of the depletion of resources in the war, which led to the gradual depletion of Iraq's foreign exchange reserves, estimated at 400 percent. $1 billion, thus draining this surplus at the end of 1983, turning Iraq from a state with a pre-war fiscal surplus to a deficit and indebted state (Farouk-Sluglett & Sluglett, 2001).

At the beginning of the 1990s, there were many attempts to advance economic development through the development of industrial sector projects, the construction of power plants, and the reconstruction of infrastructure, but the invasion of Kuwait by the former regime caused the outbreak of the Second Gulf War, and those efforts were quickly lost, destroying most of the vital assets accumulated over the past decades. The country suffered material losses concentrated in the destruction of its infrastructure, with estimates of Iraq's heavy losses in infrastructure and industry because of the war. The US Congress reported that the total direct material losses to Iraq during the Second Gulf War were estimated at 232 billion dollars due to the destruction of Iraq's economic institutions, facilities, and infrastructure. Perhaps the most egregious result of the regime's three major wars, Iraq achieved revenues from oil production and exports of 271.1 in the 35 years leading up to the occupation of Iraq (1968-2003). 1 billion dollars, but what was spent during the years of the Iran-Iraq war (1980-1988) was $178 billion, according to government data, or 65.7 percent of all oil revenues received. Iraq during the years 1968-2003, which exceeds the total debt of the 13 Arab countries owed in 1990 (Valente & Crane, 2010).

After April 2003 and with the beginning of the process of political change, many economists saw that Iraq is on the verge of a new strategy leading to the launch of real development, replacing the gloomy situation with a developed development situation after decades of great smashing in all the joints of the Iraqi economy, considering that the oil sector is the only sector but the main sector in financing development programs in previous decades and the present, as oil revenues will be used as a lot to develop accumulation and diversity of the economy and put it on the path of starting and self-growth (Jassim & Challoob, 2021). Despite the high growth rates of these returns and the high rates of economic growth witnessed by the Iraqi economy, industrial and agricultural development policies have failed to diversify the Iraqi economy and free it from a one-sided structure that links growth opportunities in the entire economy to oil revenues governed by international economic requirements and international policy requirements that have not always been favorable.

Most studies indicate that the structure of the Iraqi economy is primarily focused on crude oil production and export, as the economic reality suggests that the country is almost entirely dependent on oil revenues to finance the 95 percent budget (Sultan & Abed, 2021). Due to the separation of the oil sector from the rest of the national economy, its industries were growing in a modern economy in terms of advanced technology. In return, oil revenues did not contribute to the development of the most important productive sectors of the economy but contributed to the underdevelopment of the structure of other economic sectors, especially agriculture and industry.

The Iraqi economy has also faced many problems in 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 its development, which negatively affected the Iraqi economy through the decline of many of its basic indicators and the decline in the contribution of its productive sectors except the oil sector, which 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, which is not at the required level, because the development process has witnessed many determinants as a result of the
exceptional circumstances that the country has gone through and which have changed the course of development (Unaza & Abdulzahra, 2021). Many indicators of economic development have declined quantitatively and qualitatively, as a result of the destruction of the political, economic and social structure. In addition, the level of services, primarily electricity and water, has declined, and the phenomenon of financial and administrative corruption and deterioration in the industrial and agricultural sectors has spread, in addition to the deterioration of security and economic, political and social unrest, which has had a major impact on the development process.

In an initiative by international organizations such as the International Monetary Fund (IMF) and the US Agency for International Development (USAID), the government has received several proposals for national development. The first plan was drawn up in 2005-2007, which included the development and rehabilitation of the oil industry, and the emphasis on the structural transformations of the economy through the creation of a diversified economy (A. Almagtome & Abdalazez, 2021; Yousif, Hameed, & Abbas, 2015).

Although the Iraqi government’s plans list many initiatives in different sectors of the Iraqi economy, the government's efforts to achieve the goals set in real are unbalanced, and get rid of the dependence on oil and the accompanying wide fluctuations expose the Iraqi economy to deviation from its planned course, and this goal is one of several goals in which insufficient efforts have been made to achieve them, and previous plans seem to have worked to identify the general challenges faced by the Iraqi economy. The Iraqi economy and the provision of general objectives to deal with these challenges, in addition to general statements about the best means to achieve these goals.

All this has resulted in the Government's weak ability to expand its investments in physical and human capital; the Government is nearing collapse, the phenomenon of terrorism, the spread of corruption, and many practices that have not been familiar in Iraqi society, such as violence, looting, and forced displacement (Mahmud, 2013).

The index of failed States was classified according to several features, including the inability of the central government in these countries to impose their authority on their national soil and secure their borders or monopolize this task, their lack of legitimacy to govern, widespread corruption and lack of circulation of power, the absence or weakness of their legal systems and the threat to their unity and stability with sharp ethnic and religious divisions. Whenever failed countries lead. What concerns us here is Iraq's position in the development failure ladder, as the worst ranking Iraq received was second only to Sudan in 2007, and the best ranking occupied by Iraq was 13th in 2014, since this indicator stores a long development achievement and not immediately, which reveals the depth of the development crisis that the country is going through. This means the deterioration of the state's development situation into a failed or loose State and means that laws and rules governing the work of society and the economy are wiped out by widespread corruption and non-compliance with the law, so policies are unable to produce positive fruits, or those fruits are very small. This development failure results from the accumulation of political, economic, and social problems, as revealed by Iraq's high points in the face of each of these indicators, recognizing that the indicators resulting from political change have had a greater impact on this deterioration. The most fundamental determinants of development in the Iraqi economy can be noted to identify the key points in analyzing the reality of the Iraqi economic environment.

The Development Problems in Iraq

1. Public debt energy
   It represents the ratio of public debt to GDP as a measure of Iraq's leverage. The lesson is to provide a criterion for demonstrating the ability to sustain debt, i.e. debt sustainability
without affecting the health or integrity of the country's economic growth, which is called debt sustainability analysis, which in turn represents the ability to service debt and meet its obligations without affecting the health and integrity of economic growth or the need to reschedule debt or accumulate arrears that hinders economic growth. The measure adopted by multilateral international financial institutions in the debt sustainability analysis should be 60% public debt/GDP, which reflects the maximum ceiling on economic safety.

According to World Bank estimates for 2001, Iraq's foreign debt is 127.7 billion dollars. Although Iraq's foreign debt estimates vary, the figure adopted by US officials is about 133 billion dollars. The size of Iraq's foreign debt is, therefore, a significant figure that the Iraqi economy is unable to meet in the short and medium term and under the economic conditions that Iraq has gone through. The table shows the size of Iraq's debt.

Table (1) showing the size of Iraq's debt during the period (2003-2015)

<table>
<thead>
<tr>
<th>The year</th>
<th>GDP at current prices (1 million dinars)</th>
<th>Total accumulated debt (1 million dinars)</th>
<th>Total debt-to-GDP ratio%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>29585788.6</td>
<td>243426796.0</td>
<td>822.1</td>
</tr>
<tr>
<td>2004</td>
<td>53235358.7</td>
<td>206703747.0</td>
<td>388.3</td>
</tr>
<tr>
<td>2005</td>
<td>73533598.6</td>
<td>88223857</td>
<td>119.9</td>
</tr>
<tr>
<td>2006</td>
<td>95587954.8</td>
<td>123814182.0</td>
<td>129.5</td>
</tr>
<tr>
<td>2007</td>
<td>111455813.4</td>
<td>106732705.0</td>
<td>95.8</td>
</tr>
<tr>
<td>2008</td>
<td>157026061.6</td>
<td>88534812.0</td>
<td>56.4</td>
</tr>
<tr>
<td>2009</td>
<td>130643200.4</td>
<td>87374387.0</td>
<td>66.9</td>
</tr>
<tr>
<td>2010</td>
<td>162064565.5</td>
<td>76813642.0</td>
<td>47.4</td>
</tr>
<tr>
<td>2011</td>
<td>217327107.4</td>
<td>80564016.0</td>
<td>37.1</td>
</tr>
<tr>
<td>2012</td>
<td>254225490.7</td>
<td>77487035.8</td>
<td>30.8</td>
</tr>
<tr>
<td>2013</td>
<td>271091777.5</td>
<td>78265775.6</td>
<td>28.9</td>
</tr>
<tr>
<td>2014</td>
<td>260610438.4</td>
<td>76852443.6</td>
<td>29.5</td>
</tr>
<tr>
<td>2015</td>
<td>209491917.8</td>
<td>105861492.2</td>
<td>50.5</td>
</tr>
</tbody>
</table>

Source:
- Central Bank of Iraq, annual bulletin, different years.

The above data indicate that Iraq's debt is rising and therefore the debt-to-GDP ratio has risen, and that trying to reduce this ratio for the time being by paying debt installments and interest will require almost two-thirds of the Iraqi government's future revenues, preventing oil revenues from being used to finance reconstruction and investment in major infrastructure. The high figure also measures the extent of the burden on the Iraqi economy due to external debt.

In 2008, Iraq's external debt was rescheduled when it agreed to a support arrangement agreement with the IMF and subjected it to unfair conditions, which reduced Iraq's debt, as well as the appreciation of GDP as a result of higher oil prices and increased production, which in turn reduced the debt-to-GDP ratio to 29.5 This is a very low percentage, which indicates that Iraq, in general, is still at a safe level, justifying its ability to finance through the international market in accordance with various financing methods.

In 2015, the rate rose as a result of falling oil prices and increased external borrowing to finance the defense budget to counter the terrorist group ISIS. Overfunding the state's budget deficit from external sources through external borrowing could exacerbate Iraq's external debt crisis, if not directed to finance production projects agreed with internationally funded institutions and bodies, leaving the Iraqi government unable to continue paying debt installments and interest.

2. Internal and external wars

The results of this war have been the displacement of millions, the emigration of hundreds of thousands of Iraqis abroad, particularly in the northern and central regions of Iraq,
the deterioration of food security of society, the decline in human development indicators and the collapse of the economic development process. 2003 marked a critical juncture in Iraq's history, with United States and allied forces occupying the country, abolishing most of the institutional arrangements of the Iraqi State and hastily establishing new institutions at a time when the interests of ethnic and national components, some of which in political change had differed, had found a historic opportunity to regain the rights they saw as stolen. Violence and instability have increased to the extent that they have often been described as civil war, after which human, social, political, and economic costs have increased, with an estimated 186,645 victims for 2003/14 and an estimated 3.2 million internally displaced persons, according to 201 data. In addition to the fact that 8.2 million people need humanitarian assistance, according to WFP data, the cost of reconstruction has been estimated at $250 billion. Despite an unprecedented rise in oil prices on world markets, which has positively affected the revenues of oil exports, which grew from about 15 trillion dinars in 2003 to about 104 trillion years in 2013 to 70 trillion in 2016, the continued waste of oil resources and the disposal of them as depleted resources, and that they are the right of only the present generation and not the future generations (Jabbar, 2019), have contributed to the decline in GDP growth. The economy has continued to be plagued by problems exacerbated by economic and social underdevelopment. It is burdened by increasing burdens arising from loans or debt, debt burdens, and compensation imposed since 1991. In addition, corruption is rampant, and the government has difficulty performing its economic functions of implementing economic policies, allocating resources, redistributing goods, and well-being among members of society.

The widespread corruption in Iraq the interlocking of its circles, and the interdependence of its mechanisms to an unprecedented degree have become one of the obstacles to economic development. The reality confirms that the issues of administrative and financial corruption during the years following 2003 show the extent to which this phenomenon expanded in the joints of economic, political, social, and Administra From 2003 despite all the legislation and efforts organized in the framework of combating corruption in Iraq and finding many institutions and organizations specialized in this From 2003 to 2016, Iraq has been at the bottom of Transparency International's corruption perceptions, with a corruption perception index of 1.7 out of 168 joint countries.

3. High unemployment rates

One of the most important and visible problems that Iraq is experiencing today and Iraq in this era, the most visible and the most dangerous for the nation and on its social, economic, political and security side is the problem of unemployment, that the phenomenon of unemployment in Iraq is a problem of economic and social dimensions that clearly reflects the deficit in economic infrastructure and social imbalance at the national level, where unemployment is a social scourge that disrupts human capacities and opportunities for economic growth and well-being.

Many economists believe that there are many factors that cause unemployment, and perhaps one of those reasons is the continuation of the rate of population growth at a high level, as available data confirm that the rate of increase reached 3.1% per annum (Zedalis, 2009). The deterioration of the security situation and the lack of security contributed to the decline in foreign investment enhanced by the principle of employment of the national workforce and structural imbalances between the economic sectors and limited employment of the workforce, U.S. Civilian Administrator Paul Bremer issued resolutions that played a direct role in exacerbating the problem of unemployment, including the dismantling of the military establishment, which had more than 550,000 people among volunteers and a costly person, causing unemployment levels to rise during 2003 and 2004 to 28.1% and 26.8%, respectively, but the government's expansion of use as a partial treatment of this phenomenon in 2005-2013
contributed to a reduction in its rates to 11%. But Iraq’s double-digit crisis of low oil prices and the fight against the terrorist group ISIS has caused unemployment to rise from 16.4 percent in 2014 to 25 percent in 2015, excluding and marginalizing young people.

Economic sectors lag behind

The Iraqi economy is becoming increasingly rent-seeking and unbalanced due to the dominance of the oil sector over other sectors. This has resulted in an imbalance in the proportional relationships that make up the economic structure. The imbalance is caused by poor coordination and interdependence between economic sectors, a lack of coordination of economic policies, and weak complexity of economic relations between different sectors. In Iraq, the services sector exhibits noticeable inflation and significantly impacts the country’s GDP more than the contribution of commodities industries to overall production. The GDP is influenced by the favorable growth rates of the commodity sectors, namely the industrial and agricultural sectors. However, these sectors are plagued by various distortions in their production structures. The agricultural sector has a low contribution rate of only 5.0% since the political change. These modest percentages with GDP indicate an imbalance in the structure of agricultural production and a failure to meet food needs. This reflects a food gap in the Iraqi economy and a decline in production, resulting in an increasing need for imports to fill the deficit caused by this deficiency in agricultural production. The industrialists’ situation was worse than that of the agricultural sector due to the plundering and destruction of their industrial facilities during the recent war. Additionally, opening the Iraqi border to inexpensive and high-quality foreign goods further reduced their contribution to the overall output, which averaged only 1.5%.

Iraq’s production structure is characterized by its weakness and lack of flexibility, with a heavy reliance on a limited range of commodities, notably oil. Consequently, the country's development programs and government investment spending depend solely on oil revenues. As a result, the Iraqi economy has become increasingly susceptible to external shocks caused by fluctuations in international oil prices. The table below displays the percentage of economic activity's contribution to the production of GDP.

Table (2). the relative distribution of GDP 2003-2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>.4</td>
<td>.9</td>
<td>.6</td>
<td>.5</td>
<td>.8</td>
<td>.4</td>
<td>.9</td>
<td>.3</td>
</tr>
<tr>
<td>Mining and quarries</td>
<td>8.9</td>
<td>6.7</td>
<td>5.4</td>
<td>6.0</td>
<td>4.5</td>
<td>4.9</td>
<td>4.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.0</td>
<td>1.3</td>
<td>1.2</td>
<td>2.2</td>
<td>2.1</td>
<td>1.8</td>
<td>1.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Electricity and water</td>
<td>2.6</td>
<td>0.8</td>
<td>0.8</td>
<td>1.8</td>
<td>1.3</td>
<td>1.4</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Construction and construction</td>
<td>.7</td>
<td>.7</td>
<td>.7</td>
<td>.3</td>
<td>.7</td>
<td>.7</td>
<td>.8</td>
<td>.9</td>
</tr>
<tr>
<td>Transportation, transportation and storage</td>
<td>.7</td>
<td>7.0</td>
<td>8.8</td>
<td>6.5</td>
<td>6.2</td>
<td>7.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Wholesale, retail</td>
<td>.5</td>
<td>6.7</td>
<td>5.7</td>
<td>7.5</td>
<td>7.8</td>
<td>7.0</td>
<td>1.6</td>
<td>9.9</td>
</tr>
</tbody>
</table>

The table above illustrates the relative contributions of economic activities to GDP formation. It is evident that the production structure of the oil sector is at the forefront of GDP formation during the research years, with the oil sector contributing significantly to GDP at rates of 7%, 7%, 1%, and 7% during 2003-2007. The rest of the commodity sectors, such as social and personal services, transportation and communication, wholesale and retail trade, and hotels and the like, contributed at lower rates of 1%, 1%, 1%, and 1%, respectively. The low contribution of the other sectors, especially the oil sector, is attributed to the political and economic chaos witnessed in Iraq in 2003, which led to the closure of many industrial facilities and infrastructure projects such as iron and steel, cement, and petrochemicals. Despite efforts to improve the situation, the contribution of the oil sector to GDP has remained relatively stable, indicating the weak economic structure and structural problems that persist in the Iraqi economy.

5. Limited private sector

A realistic view of the reality and capabilities of the private sector is critical for many reasons, particularly the existence of this sector already present and the inability to remove it from the economic landscape. The call for this sector to be the leader of economic activity amid the internationalization of economic life and the growth of the ideology of globalization has led to the implementation of policies that targeted many private projects and openness with the outside world. This has flooded the local market with many goods and services at very low prices that are difficult for the private sector to compete with. The evidence is the rudimentary means used in production, in addition to the low levels of productivity and lack of raw materials and energy. The security situation and deterioration in Iraq led many individuals to leave the country for Syria and Jordan because of kidnapping by terrorist gangs. Their extortion has led to capital flight, which entered Jordan, and it is estimated that Iraqi investment in Jordan is more than $2 billion after 2003.
dollars. These conditions contributed to the small role of the private sector in the country's investment activity, with the International Monetary Fund estimating total Iraqi and foreign private investment in the Iraqi economy at $1,080 million, representing 4.2 percent of GDP in 2004. Its absolute value in 2005 rising to $1,161 million and 3.5 percent of GDP. The private sector's contribution to fixed capital formation has also declined, with an average contribution of only 5.0% after 2003 and now, so the activities of this sector remain small and scarce.

Inadequate public institutions

The government has about 192 enterprises, which are the main producers of basic services such as electricity, water, building materials, and petroleum products, and their production accounts for a large proportion of the production of consumer goods and industrial inputs. Still, their products are characterized by high cost and poor quality. In addition, these institutions are the largest operators of labor after the central government, and 25% of the factories of state institutions are empty structures that were destroyed during the war. Still, the employees of these shattered institutions continue to receive their salaries simply because they are present at the workplace and thus constitute a burden on the state budget and drain financial resources. Production, the government provides direct support through cash transfers through the general budget, where cash transfers for 2010 are estimated at $2.5 billion, equivalent to 3% of the general budget. Support may be indirect by providing them with electricity, water and fuel free of charge or cheaply. Despite government support for its institutions, most indicators and data indicate that these institutions are experiencing significant financial losses.

The Ways to Promote Economic Development

To be able to formulate an economic development policy that gives a glimmer of hope to eliminate underdevelopment and dependency and address structural imbalances, the successful transition towards progress and sustainable development must be completed by embracing a development alternative that puts the country's capabilities in its rightful place and employs it in the service of the people, unlocks the energies of society and develops its capacities for advancement and progress, and employs the external worker in the service of national development.

The state's dependence on oil as a significant source of revenue to finance development within 40 years threatens the process of economic development and determining its extent, as well as restricting Iraq's strategic options to many variables and policies, causing widespread distortions in the structure and sectoral composition of the Iraqi economy and hindering the implementation of state objectives. It is therefore necessary to diversify the Iraqi economy from relying heavily on oil revenues to one characterized by a gradual increase in the contribution of other sectors to GDP, particularly productive sectors, agriculture, industry, and tourism. Promoting economic development, including:

Public Finance Reform

The weak state has difficulty controlling the management of the public budget and the general expenditure as a source of corruption because under weak control and implementation mechanisms, it becomes a field of organized looting and circumvention of public money, and provides a bad example of how to manage the resources of society, undermining the optimistic view of this money, considering everyone as partners in it, and being a sergeant on its spending. Budget reform enhanced transparency, and public and popular oversight meant confronting one
of the country's most significant manifestations of corruption. Reform of the tax system also plays a vital role in boosting public revenues through the creation of tax systems based on direct taxes, fees, private sector institutions, personal income tax, and the expansion of the tax base, as well as raising the tax rate on companies and projects 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 available resources and requires intensive investment in developing education, health, and infrastructure.

Planning Adoption

A distinction should be made between central planning, strategic planning and administrative chaos, to which we seem closer today than ever before, as the process of managing State institutions and governance lacks planned, purposeful and rational action, as it is now on the daily tracks without a clear, specific and resulting future horizon. The capitalist world leaves things in chaos, and it does not go unguided, public and private institutions rely on the concept of strategic planning and results management.

The lack of conscious and real planning in Iraq has further wasted oil financial resources, given officials greater freedom to dispose of public funds, enabled spoilers to expand their activities and practices, and deepened the chaos in the economic and political practice of State institutions and governance. Therefore, all of this means providing justifications for the development of strategic development planning at an appropriate level, and in all sectors of the national economy (industrial and agricultural sectors), the industrial sector in Iraq must play a major role in advancing economic development in developed countries and some transformed countries, as this sector is an essential source in supporting and funding economic development and the development of other economic sectors, and this is done through following an industrial policy through which economic management diagnoses sustainable diversification economic activities, incredibly productive sectors, which are one of the most critical drivers of economic progress to create a productive ground that contributes to the use and generation of foreign currency. The agricultural sector can play an essential role in achieving food security and income, as well as providing employment opportunities for a large proportion of the population as well as providing raw materials for many manufacturing industries, as the availability of natural resources in quantity, type, and large human resources is one of the most important components of the success of economic plans and the strong foundation for achieving economic diversification policies. Iraq's water resources are generous compared to other countries in the region and play a role in covering basic needs and securing agriculture requirements. The Tigris and Euphrates rivers, one of Iraq's main rivers, are considered to be water resources that can contribute to the revival of large areas of agricultural land, which have been properly exploited through the construction of dams and irrigation canals.

Relying on foreign investment

Economic growth, economic development, and improved living standards are no longer easy in most developing countries, which suffer from a lack of financial and technical resources for the economic development process, investment is one of the most important macroeconomic variables, and the degree of sophistication and development of any country depends on the size of its GDP allocated to investment, the outflows of foreign investment received and the efficiency of investment as a means of increasing productive capacity in the national economy. The importance of the role of foreign investment lies in being one of the most important sources
of external financing for the process of development and reconstruction of Iraq and solving some sectoral problems of the Iraqi economy. This role is linked to the possibility of foreign companies entering with their huge financial potential and their ability to bring in advanced technology open up jobs and introduce modern methods of management and work in the light of the traditions of the new era and train national staff administratively and technically that the problem of financing development and rebuilding the destroyed infrastructure wars and the siege of Iraq and filling the gap of underdevelopment. Therefore, there is an urgent need to promote and attract foreign direct investment by creating the right environment to attract it and rely on it as external sources of financing to promote the Iraqi economy and reconstruction. This called for adopting economic programs and policies that will attract investment by granting many facilities and competitive advantages to foreign capital, as well as establishing legislative and institutional frameworks to encourage and regulate the work of foreign investment to rebuild Iraq and solve the sectoral problems of the Iraqi economy.

Activating the tourism sector:

Tourism is one of the largest job-generating sectors in many and diverse areas, with tourism being a labor-intensive industry and an activity that effectively contributes to increasing foreign exchange earnings because of its dependence on foreign tourists. Tourism in Iraq is divided as follows:

- **First**: Religious tourism: There are many holy sites in Iraq, including Najaf, Holy Karbala, Baghdad and Samarra, which can attract many international tourists, where the spending of these tourists is estimated to be between one billion dollars and 2.5 billion dollars a year. The sector has not fulfilled its mission to finance economic development programs. Therefore, the government should stimulate investments in this sector and establish tourism companies with advanced administrative and media capabilities.
- **Second**: Historical tourism: Iraq is the cradle of many ancient civilizations, including those civilizations (Sumerian, Akkadian, and Babylonian), in addition to Iraq's possession of some ancient cities such as (Your, Kish, Babylon).
- **Third**: Ecotourism: This tourism in Iraq is still in its infancy, with the exception of the Kurdistan region, which has a green mountain nature and can provide a welcoming environment for foreign tourists. The marshes in Nasiriya, Amara and Basra are also a historic site for mesopotamian civilization cities, an important incentive to encourage tourists to go to these sites and a major pillar of attractions of all kinds.

Stimulating the private sector

Available indicators show that the private sector is currently in an important position in the Iraqi economy and can be developed to play a greater role in production, investment and job creation in the future. In addition to outperforming the government sector in some activities such as agriculture, industry, construction, transportation, trade and home ownership, there should be a call to increase the role of the private sector. Through a wide range of legal, institutional and regulatory reforms as a means of transforming Iraq into a modern and flexible market economy, it requires a range of support measures, including facilitating the streamlining and simplification of government business measures in Iraq, and conducting reforms at the commercial and regulatory level accompanied by the development of a transparent and simplified institutional and legal framework to encourage private sector business and laying the foundations for the rehabilitation of state-owned enterprises characterized by cohesion, clarity, transparency and inclusiveness and encourage privatization and privatization of the private
sector. From restructuring government banks to encourage mergers and privatization and expand lending areas. As one of the most important strategies, means, policies and measures necessary for the development of alternative sectors of oil and government use in order to get rid of the unilateralism of the economy and find sustainable sources of use.

Small businesses as an alternative to large ones

Expanding the base of small enterprises can serve to spread a culture of self-employment and product among young people, contribute to the creation of income-generating jobs for new entrants in the labour market, absorb thousands of unemployed, and integrate young people economically, socially and politically. From the private sector workforce, which contributes a large proportion of non-oil GDP, strengthening and supporting these projects and creating the right environment for their work paves the way for activating the role of the local private sector in the Iraqi economy.

Conclusions and Discussion

The national economy suffers from a dearth of cooperation, inadequate coordination and interconnection across sectors, and a general lack of overall coordination in implementing traditional economic strategies. During the 1970s, the private sector's contribution to GDP production in Iraq continued to decrease. Additionally, the economic growth paths in Iraq have seen periods of decline. The only exception to this pattern took place in the 1970s. Due to the lack of security, there has been a reduction in investment and a flight of money out of the country. The monies may have been utilized to construct economic and developmental projects to help communities by creating jobs. This would have been an alternative use of the cash. Because the Iraqi economy is highly burdened by debt service, a significant portion of the government's profits must be devoted to the repayment of debt on the part of the government. Considering that Iraq needs this cash to carry out the essential responsibilities of rebuilding and investing in infrastructure, this presents a dilemma. It is of the utmost importance to strengthen the legislative framework and encourage private sector companies that are motivated to engage in productive activities. These activities include the accumulation of capital, the development of new products, and the advancement of production technology. Implementing budget reforms, boosting transparency, and strengthening public and popular oversight are all necessary steps in addressing the enormous corruption in the nation now. When it comes to the development planning process, it is necessary to choose a competent administrative unit capable of effectively carrying out the process. The growth of alternative oil sectors requires the implementation of some important strategies, methods, policies, and measures, including the expansion of production and service sectors. It is essential to do this to liberate ourselves from the reliance on a single economic strategy and to establish sources of finance that are sustainable. The goal is to entice and encourage foreign investment in a way that makes it possible to provide financial assistance to businesses that are focused on providing services and producing goods while at the same time protecting the right of society to experience economic development.

References


