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The Iraqi Economy: Reality, Challenges And Proposed Solutions For The

Period 2003-2020

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**Abstract:**

The Iraqi economy suffers a lot of problems and challenges despite its possession of many elements, but it did not invest effectively and correctly, which further complicated the economic situation, so unemployment and inflation rates rose, the problem of poverty and the increase in external indebtedness and the spread of corruption in all its forms in all the joints of governmental and private institutions Both these problems have become major obstacles to the advancement of the deteriorating economic reality, and it has become difficult to improve conditions and reform the economy in the process of comprehensive economic development, as well as the lack of a real will for decision-makers to undertake comprehensive change or carry out restoration and rescue operations. This research deals with the current Iraqi economic reality and the most important challenges. Facing him with a proposal for some solutions that would put economic matters into perspective.

**an introduction:**

The Iraqi economy has been exposed to multiple shocks since the eighties of the twentieth century to the present day, and through the study of reality, we notice a rise in inflation rates that occurred due to the increase in domestic demand, and the inability of the productive apparatus to deal with this increasing demand, in addition to Iraq's dependence on oil rents and neglect of other sectors. Which caused an increase in Therefore, the process of advancing this reality requires concerted efforts and starting the first steps represented in restoring stability to the political and security situation due to the importance of this step to initiate the development process, creating a suitable environment for foreign and domestic investment and stimulating other economic sectors in order to achieve the goal of increasing the welfare of society and providing better services .the unemployment rate among youth and graduates, thus expanding the area of poverty among the groups of society, and the income disparity became large.

In addition, due to the wrong economic policies, the external indebtedness increased, and the phenomenon of corruption in all its forms was spreading in most economic sectors and official government institutions, and these problems became difficult constraints and challenges that hinder any process of building and reforming the economy, which led to the exacerbation of matters and the structural imbalance continued and the decline of the work of economic sectors Such as services, agriculture, industry, tourism, investments, etc., and the matter has become clear to specialists and others.

Therefore, the process of advancing this reality requires concerted efforts and starting the first steps represented in restoring stability to the political and security situation due to the importance of this step to initiate the development process, creating a suitable environment for foreign and domestic investment

and stimulating other economic sectors in order to achieve the goal of increasing the welfare of society and providing better services.

**Research problem:**

Despite the existence of economic elements such as human and natural resources, the Iraqi economy suffers from multiple problems and underdevelopment in all its economic sectors, and this is related to the decline and poor security situation and the absence of political stability.

**Research hypothesis:**

The research starts from a hypothesis

Misuse of resources and failure to manage them in conjunction with insecurity are among the biggest obstacles and challenges to developing the Iraqi economy.

**research aims:**

Shedding light on the reality of the Iraqi economy and focusing on the most important challenges and problems facing it, after the process of political change that occurred in 2003, which caused a structural imbalance of the economy and led to a decline in levels of development. And to propose some solutions that limit the deterioration and treat and restore the situation as it is.

**research importance:**

The importance of the research is related to the importance of the Iraqi economy and its role in the oil market, as it is a country that possesses the fourth global reserve and has other resources and the influence of Iraq in the Arab and global surroundings, through its geographical and economic location.

**Research Methodology:**

The researcher used descriptive and quantitative analysis to prove the hypothesis of the research, and through the three investigations in which the first topic dealt with the Iraqi economic reality, while the second topic addressed the challenges facing the Iraqi economy, while the third topic addressed the challenges facing the Iraqi economy. Dedicating some proposals to advance the deteriorating economic reality.

**The first topic: Analysis of the reality of the Iraqi economy**

The difficult political situations that gripped Iraq in recent decades have had a great impact on the Iraqi situation in general and economic affairs in particular, and since the 1980s of the last century, the Iran-Iraq war began, which drained a lot. From financial and human resources, which lasted for eight years,

all economic activities declined. There was a surplus and accumulated balances that led to a deficit in the balance of payments, and this led to distortions in the productive structure and increased dependence on the oil sector, which is a capital-intensive sector, which reduced the use of labor to the account of equipment and technology, however the oil sector witnessed a significant deterioration due to its aging. It was subjected to air and military strikes and sabotage operations that destroyed important joints.

When the war ended in 1988, the former regime took a reckless step and entered Kuwait in 1991, which caused its confrontation with major countries such as the United States of America, Britain and others, in addition to the Arab group. It affected even the children, and they lacked the milk, medicine and all necessities of life.

Iraq has been completely devastated by air strikes, in which the most dangerous types of weapons were used, and they still have effects and damage to the lives of the Iraqi people, as they caused high rates of environmental pollution, causing cancerous diseases. And birth defects of newborns and preventing Iraq from exporting oil except with preconditions and it was prohibited. Of the countries exporting goods and services, which made Iraq isolated from the outside world, which has generated many problems and bottlenecks, such as debt, high inflation, and a very effectively deteriorating health situation.

After the fall of the previous regime in 2003, the perception was that the situation would change. However, things got worse and the economic situation became in a deplorable state after the destruction of all infrastructure, such as buildings and bridges, and the systematic destruction of all institutions by looting and looting and the increase in terrorist operations, under the occupation and all factories and factories stopped, and what made matters worse is the occupation of terrorist groups in some provinces, with The atmosphere of political differences and intersections between the political blocs that ruled the country and the exit of the Kurdistan region's activity outside the budget laws.

The situation and Iraq continued within a dark tunnel, the bulk of its dependence on oil rents, whose markets are witnessing a state of instability, the impact of the political atmosphere on it and its frightening decline, and the lack of a clear vision and an effective economic policy or strategic plan to exit this tunnel, and with this the ability of Iraq to borrow abroad and internally declined. .

Pessimism prevailed over the possibility of reforming the economic situation in light of political chaos, instability and constant security threats. The reality of the Iraqi economy must be analyzed to determine the most important characteristics that characterize it, including the following:

First - Rentier Economy:

The Iraqi economy depends heavily on oil revenues from its oil exports, which are the main resource for financing the budget, which made the Iraqi economy characterized by dependency to the outside, as no

clear plans or policies have been developed to amend this dangerous path and the trend towards diversifying sources of income as a result of preoccupation with internal and external conditions and indicators Confirm the existence of a plan to seek the survival of Iraq in its current reality.

Table (1)

Oil exports and their ratio to total exports in Iraq for the period 2003-2019

Million dollars

the years	Total exports	Oil exports	The ratio of oil exports to the total
2003	9711	7526	77
2004	17810	17730	99.5
2005	32697	23579	99.5
2006	30597	30299	99
2007	39516	39412	99.7
2008	72632	61111	95.8
2009	39430	39307	99.6
2010	52483	51589	98.2
2011	83226	83010	99.7
2012	94392	94090	99.6
2013	93066	89403	96
2014	83980	83538	99.3
2015	60669	60214	99.2
2016	48177	47815	99
2017	57559	57489	99.9
2018	86360	86259	99.9
2019	81585	783764	96

**Source:** The table is from the researcher's work based on OPEC data. Annual reports for years 2003-2019, multiple pages.

It is noted from the table the extent of the Iraqi economy's dependence on oil, as oil exports are almost the only one for the economy, as they represent 99.9% in the last years of the study, which gives an indication that the Iraqi economy is a rentier economy par excellence with the absence of the role of other sectors completely.

It is worth noting that Iraq has reserves that reached (150) billion barrels in 2016, placing it fourth in the world after Venezuela, Saudi Arabia and Iran, and Iraqi oil has specifications that give it preference in terms of low production costs due to its presence near the surface of the earth and in good natural places and conditions, as the fields are located on land And low risks, despite this, the oil industry has not been upgraded in a manner commensurate with the reserves. (Al-Abadi, 2018, 13)

Since production reached 2.6 million barrels per day in 2001, it retreated due to the circumstances of the Gulf War and the military operations to occupy Iraq, until it reached 1.4 million barrels in 2003, and then returned again with the attacks on Iraq. The oil sector. Terrorist groups bombed tanker lines and the terrorists' occupation of Mosul and their control of the fields in 2014 (Al-Marsoumi, Awad, 2012, 4).

In 2009 the government contracted with international oil companies to develop oil fields and increase production within the licensing rounds, which raised many doubts and problems. / Today it has not been achieved after ten years, as it retreated to the goal of (9) million and was not achieved, and the goal retreated to (6) million, and after ten years it was not achieved either. Iraq is still producing at a rate of (3.6) million barrels / day. 37)

With the large spending and sums that amounted to (85.8) billion dollars, but for an increase in oil production that did not exceed (2.136) million barrels, although this amount is very large in the oil industry as the increase per million barrels cost (15) million dollars only in addition to the previous allocations within The budget to support this sector, and oil resources have not been used in a way that develops the economy and is based on the principle of economic diversification. Most of the resources were used for ill-considered spending, which overburdened the annual budget. And investing the surplus oil revenues in times of the oil revolution, and successive governments were content to distribute oil revenues to the doors of the operational budget, and did not pay attention to Iraq's dependence on the only source of oil, which is a depleted substance, in addition to the waves of real price volatility (Ghaidan and Hateman, 2016, 22)

Second: the imbalance of the public investment structure

In order to support the process of economic development, capital investments should be diversified, working to achieve the objectives of the investment policy, develop aid sectors and rehabilitate infrastructure. An appropriate legal, legislative and security environment has not been resorted to to support the private sector and give it a leading role in some important joints, pay attention to the industrial sector, rehabilitate the damaged factories and direct investments towards them, which are an engine of growth.

Table (2)

Annual investment and operating allocations within the Iraqi budget (2005-2013) one billion dollars

the years	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total expenses	35.981	50.963	51.727	86.681	69.165	84.657	96.666	117.122	138.424
Operating expenses	28.431	41.691	39.063	61.348	54.148	60.980	66.596	79.954	83.316
Investment	7.550	9.272	12.665	25.335	15.017	23.676	30.066	37.177	55.108
The ratio	20.9%	18.1%	24.4%	29.2%	21.7%	27.9%	31.1%	31.7%	39.7%

Source: The table prepared by the researcher based on data from the Ministry of Planning and Development Cooperation, Statistical Report 2013, p. 28.

It can be noted from the above table that operating spending in 2008 amounted to (61.348) billion dollars, i.e. (70%) of the total spending of (86.681) billion dollars, and the remaining (3.5) billion dollars were allocated to government investment government spending. As well as for other years, it is noticed that most of the spending is consumer, which weakens the investment environment and does not prepare the important structures for investment, which is one of the means of attracting foreign investments, in addition to the size of the rampant financial and administrative corruption in state institutions and projects, which has become draining huge financial resources, even though the government tried to build a plan for 2007 - 2010, considering that it is a development strategy and the expectation of local investment would contribute up to (60.8) billion dollars, while the rest covers (126.9) billion dollars from external sources, but the terms of the strategy were not practically implemented and were not followed up, and the projects to be implemented became one of the lagging projects despite the disbursement of sums. It is worth noting that the political stability and the stability of the legal and legislative environment are among the most important ingredients for the success of the investment, which reflects positively on the economy, and there must be a timing for the implementation of the project at appropriate times because this actively contributes to the success of the project and the importance of providing a market for the qualified currency that is compatible with the nature of that. The projects to be undertaken, although Iraq achieved a surplus in the trade balance in 2008, it reached the maximum pain level Oil exports increased by (91.6)% of total exports. The situation has declined due to the repercussions of the global financial crisis at the end of the same year and the spread of the crisis's effects to the Iraqi economy.

It is also evident from the above table that the trade balance is positive and has a role in addressing the deficit in the balance of payments due to dependence on oil exports, which requires striving to improve and develop other economic sectors and increase their share in the GDP, and the revenues from the oil sector must be invested in supporting other sectors such as industrial and agricultural. It is imperative for decision-makers to set a schedule of priorities for projects to build a diversified economy, provide an appropriate environment for foreign investment and address the unemployment problem.

Third: a decline in the services sector

Iraq has large oil resources compared to other countries, but the services sector provided to citizens is lagging behind and cannot be compared with the services of other countries, such as potable water, health services, electricity and other services, as it suffers from a scarcity of equipment, equipment and specialized personnel and lack of interest in developing it, which caused its decline. Although it witnessed a slight improvement after 2003 in some aspects of service, but it quickly declined in subsequent years. The year 2006 witnessed a continuous cut in electricity and the problem of pure water emerged, which was reflected in other aspects of life, and with the development of a national development strategy (2005-2007) As a step for the advancement of the services sector, and among its goals was to develop and rehabilitate the electricity network and increase production capacity, which is what it secures

Providing electricity permanently, as well as planning to restore water pumping stations, carry out continuous maintenance of drainage and irrigation channels, give importance to sewage stations and networks, enhance communication and transportation networks, and pay attention to the education sector, through building and qualifying schools, developing curricula and training teaching staff, and attention to the health sector is added to that.

However, these measures did not find a way for implementation due to the lack of the appropriate atmosphere, such as the unstable security situation and the escalation of political disputes, which reflected on the economic situation and thus the continued decline in this important and vital sector. Baghdad, the capital, witnessed many homes drowning in the year 2014-2015 due to rain and inability of Sewage networks to absorb rainwater (Ghaidan, Hatiman, 2016:57)

As for the electric power, it had an impact and impact on the life of the citizen due to the hot weather in the summer and its impact on the business sector, especially those that depend on electricity such as workshops and laboratories, so that the process of preparing electricity in 2007 reached (2) hours a day in some governorates, which Resentment of citizens was born and demonstrations demanded the provision of services, especially electricity, and the reason was due to sabotage operations that affected electricity networks and other service facilities.



Fourth: An imbalance in the structure of trade and the trade balance

The trade sector generates foreign exchange needs through its external and internal role, which contributes to advancing development.

Because foreign currencies come through the export of goods abroad, as well as helping the trade sector to deliver goods and services to the consumer through internal trade, but the situation in Iraq has led to a significant decrease in the production of some goods that Iraq used to export such as cement, chemical fertilizers and some agricultural products such as Dates and others. In recent years, great neglect has been observed in the industrial and agricultural sectors, and heavy reliance has been placed on oil exports, which have become constrained by the role of OPEC and its attempts to correct the course of prices in the market with the decline. On request. It relies heavily on foreign oil companies that signed licensing contracts and thus Iraq lost control of the oil sector with weak export capacity, and with the increase in consumer spending and the decline in oil prices, revenues decreased, even if the trade balance was positive due to oil exports. It is assumed that a large part of oil revenues will be transferred to other sectors in order to develop them and increase their contribution to the GDP, because the oil revenues depend on negative external factors that may lead to the collapse of the economy.

**The second topic:** the most important challenges facing the Iraqi economy

The Iraqi economy depends on oil revenues, which cover public spending, and the availability of large oil reserves, which made Iraq a target for the ambitions of major countries and their quest to control this resource, and thus the Iran-Iraq war that Iraq was in. He lost billions of dollars. And many of the youth who did not reap nothing but destruction, then imposed the economic blockade, which led to its negative effects. The Kuwait war, the occupation of Iraqi lands, the spread of chaos and the plunder of its wealth have led to great problems and challenges, the most important of which are:

1 - Economic inflation

Because of the wrong policies, the accumulation of the previous stages, and the reckless political decisions of the previous regime, the phenomenon of inflation arose in the Iraqi economy, so it is not a new phenomenon. This led to Iraq's loss of economic, industrial and military infrastructure, which led to a sharp decline in living standards and a halt in Iraqi oil exports. International organizations control the fate and livelihood of people. The suffering continued during the nineties until 2003, then the problem of inflation appeared among the most important reasons that contributed to the increase in inflation in Iraq. And from the following: (Al-Husseini, 2005, 17).

1 - The spread of administrative and financial corruption in all government institutions.

- 2- The decline in the role of the security system and the increase in sabotage operations.
- 3- Lifting subsidies on basic commodities such as oil derivatives and some food commodities.
- 4- Increasing local demand for goods and increasing customs duties on goods and customs taxes in 2003
- 5- Dependence on imports from abroad and the deterioration of local industries.

A host of measures have been taken to reform the economy, including facilitating the central system, distributing decentralized powers, making adjustments to the banking and financial system, and striving to improve the standard of living By increasing salaries and controlling the exchange of the dinar, some of these measures had a role in controlling inflation rates (Daoud, 2012, 6).

Table No. (3)

Inflation in Iraq for the period between (2003-2019)%

the years	Inflation rate	Change in money supply (relative)
2003	33.6	21.6
2004	37.3	75.8
2005	37.5	12.3
2006	47.6	35.6
2007	38.4	13.1
2008	13	11
2009	12.6	22.4
2010	11	20.1
2011	15.5	24.7
2012	16.6	27.8
2013	10.5	12.3
2014	6.7	13.7
2015	5.2	24.6
2016	3.3	21.3
2017	4.3	19.9
2018	8.1	11.8
2019	7.3	10.2

**Source:** The table is from the researcher's work according to the reports of the Central Bank of Iraq and the annual statistics for the years from 2003-2019, multiple pages.

It is noted from the table that the years following the regime change, that is, after 2003, witnessed an escalation in inflation rates, then declined since 2008, although inflation is still not stable but controlled, and this is a result of the independence of the Central Bank and the rise in the value of the Iraqi dinar through the goals set by the bank's policy And it seemed effective from them.

A - Control over a stable financial system based on market mechanisms.

B - Price stability and maintain it locally.

C - Promote continuous growth rates.

Inflation rates retreated until they reached their lowest rate in (2016) when it reached (3.3), and the monetary value of the GDP increased from the real value of inflation, which confirms that there is a clear gap between demand and supply.

Although the central bank focused on the interest rate, reducing the dinar exchange rate against the dollar and reducing the money supply, the intervention in the bank's policy affects inflation rates and reduces the ability to control it.

## 2 - The spread of corruption:

The phenomenon of corruption is one of the dangerous and destructive lesions of all aspects of life as well as the economic and social aspects, and in Iraq this phenomenon increased after the American occupation of Iraq, and after the placement of unqualified persons who do not have experience in leadership positions in government agencies, whether executive or legislative, which caused poor performance The government, with the availability of large financial allocations, having sufficient human resources at its disposal, and the main incubator for the spread of corruption in all its forms was political corruption, as the latter provided protection from legal procedures and prevented prosecution and accountability and closing files also took place with other corruption deals, which made matters worse by finding exits It was legal and legitimized by legal legislation, which undermined the efforts of the judiciary, which later became one of the victims of corruption. (Shabibi, 2007,3)

Stuartboppen, the inspector of the Reconstruction Committee in Iraq, stated that it wasted (88) billion dollars of oil revenues during the year 2003-2004, after that the corruption problem worsened and networks were formed in all the joints of the state, with weak administration and political interference by the power parties, and the role of Control, administrative and financial agencies, for example, in a military deal to purchase equipment for a security ministry, 2.3 billion dollars were wasted, and the total amount of money wasted between (2003-2007) is estimated at around 8 billion dollars, according to integrity estimates (Al-Shahwani, 2007 , 13)

All this and more impeded the process of economic development and contributed to financing terrorism, and thus Iraq became at the forefront of countries covered by terrorism and corruption, especially during the period 2010-2015. Iraq has spent within the budgets about (592) billion dollars for the period (2004-2013) and the spending is distributed on the operational sections of the budget. Its right was (40%) and the share of security and defense was up to (20%), or about (20) billion dollars, and the share of the investment side was (25.5%) as an average during the aforementioned period, and the waste of financial resources became clear due to inflating costs and there are fake contracts and the extent of corruption in Contracts for the Ministry of Communications reached (98%) As for the Ministry of Health contracts, 70%, agriculture 42%, and industry 30%. Either the Baghdad Municipality, the corruption rate was 77%.

Table (4)

Corruption perceptions of some selected countries 2010-2015

Years	Countries	Iraq	Yemen	Britain	Denmark
2010	Degree.of transparency	15	22	76	93
	Global Sequencing	175	146	20	1
2011	Degree of transparency	18	21	78	94
	Global Sequencing	175	164	16	2
2012	Degree.of transparency	18	23	74	90
	Global Sequencing	169	156	17	1
2013	Degree.of transparency	16	18	176	91
	Global Sequencing	171	167	14	1
2014	Degree.of transparency	16	19	78	92
	Global Sequencing	170	161	14	1
2015	Degree.of transparency	16	19	80	94
	Global Sequencing	160	157	11	1

**Source:** The table is from the researcher's work

Corruption Perceptions Index 2015 / Transparency 1 International 2016

Perceptive of corruption consists of 100 degrees as a maximum, and it consists of 10 sub-indicators for each indicator of 10 degrees and with the measures taken by the government regarding reforming the tax system, reforming the contracts system, fighting money laundering and combating oil smuggling, but the reality of the economy is still deteriorating and requires a comprehensive revolution. To confront the problem of corruption.

### 3- The problem of unemployment:

Unemployment has many negative effects, including the economic and social effects, and the Iraqi economy suffers from structural unemployment more with other types of unemployment such as friction, periodic and seasonal, but the greater impact of the first type, and the unemployment problem increased during the period 2005-2019 and left negative effects, and led to bloodshed and exacerbated the problem. With no radical solutions to it, unemployment among young people is greater, especially among males

Table (5)

Unemployment in Iraq for the period 2005-2019

Type of unemployment according to years		2005	2010	2015	2019
Unemployment to the labor force		28%	28.4%	29%	32%
age categories	15-29	19%	21%	20%	25%
	30-49	5.1%	5%	6%	8%
	50-65	4%	2.4%	3%	5%
Gender	Males	18%	19.1%	19.2%	%26
	Female	10 %	9.1%	9.7%	16%
The environment	Attended countryside	16%	17.1%	18.1%	22%
		11.8%	17.3%	10.9%	10%
Academic achievement	Neither read nor write - elementary	52.8%	32.7%	31.1%	45%
	Intermediate -	22.6%	32.8%	33.1%	35%

	<b>middle school</b>				
	<b>Institute - elementary university</b>	4.24%	30.8%	33.6%	15%
	<b>Postgraduate</b>	0.2%	3.7%	2.2%	5%

**Source:-** Arab Institute for Training and Statistical Research, Baghdad 2007, The reality of unemployment in Iraq, pp. 23-24/2013

It is noted from Table 7) that unemployment in Iraq is increasing continuously, as it rose from 28.1 in 2005 to (32%) in 2019 and the highest percentage among youth groups, especially males, which gives an indication of the waste of disrupted human resources and the inability of the Iraqi economy to address this problem, As the population growth rate has reached (3.2) and therefore there are groups of young people entering the labor market every year and not finding opportunities, and the lines of unemployed increase, which raised many problems that were reflected on the general situation such as the rise in crimes, theft, murder, robbery, drugs, and working with prohibited cases. The causes of unemployment are as follows: (Al-Attiah, 2012,7)

A - decline in economic activities and deterioration in the various economic sectors.

B - Decreased demand for the labor market and an increase in supply (high population growth rate).

T - the large number of unskilled workers who suffer from poor education.

W - government mismanagement, failure to develop successful solutions and a scientific study of unemployment.

C - The security situation deteriorated, some investments stopped, and Iraq became a repellent environment.

H - The most important sector in Iraq is the oil sector, and it is known for its capital-intensive sector with little need for manpower.

G - Inadequacy of educational outcomes with market needs.

Therefore, radical solutions must be developed and addressed as soon as possible.

4- High poverty rates:

The issue of economic development receives great attention in order to raise the standard of living, achieve well-being and reduce poverty rates, and in order to address the issue of poverty, the other needs to develop plans to ensure a decent living, and to provide the first things of life in terms of food, housing

and clothing, and the poverty line is a means of quantifying the basic needs of the human being. Determining the poverty line: The number of poor in society is estimated, and when the family takes the unit of poverty measurement, we find in Iraq, and after 2003, the families facing the problem of extreme poverty reached the limits of (11%), either families suffering from poverty (43%), so the total is (54%) and varies. The poverty rate between the countryside and the city (urban), as it was on average in the countryside (65%), while it was in the city (urban) (21%).

As for families with high incomes, reaching (30%) in urban areas, while rural areas (5%), and with attempts to reform the situation in multiple directions and using the fiscal and monetary policies, some decisions resulting from reform plans had negative effects on poverty, such as lifting subsidies on oil derivatives and bad. The performance of the ration card by the Ministry of Trade increased the effects of poverty and destitution on the lives of the poor (Habash, 2008,16).

The national poverty line in Iraq was based on the calculation of calories and their cost, which have been identified (2332) the necessary calories for the body, while the cost of one calorie is (0.482) dinars, which was calculated in 2007 per person (34.8) thousand dinars. The Iraqi individual needs it (42.6), so the total for the poverty line per person is (76.9) thousand dinars per month, and upon applying this order, we find more than (23%) of the Iraqi people below the poverty line to about 6.9 million people suffering from poverty.

Table (6)

Poverty indicators in Iraq (2007)

Index value		Index
Total	76.6	The poverty line
Food	34.3	
Is food	42.6	
Total	22.9	Poverty rate
the countryside	39.3	
City	16.1	
Macro	6.9 one million population	Poor numbers

City	3.5 one million population	
the countryside	3.4 one million population	
Macro	4.5	Poverty gap
the countryside	29	
City	2.7	

**Source:** Republic of Iraq, Ministry of Planning and Development Cooperation, Committee to Study the Status of Unemployment and Poverty, internal publication Baghdad, 2007.

From the above table we see the extent of poverty in Iraq and a high percentage in a country rich in resources and has the fourth global oil reserves after Venezuela, Saudi Arabia and Iran, and ranks ninth in oil production. After activating the social protection network, it contributed to alleviating the burden of many of the underprivileged, but financial and administrative corruption prevented some allowances from reaching those who deserve them, and in 2014 as a result of the terrorist gangs occupying some people's lands. In the governorates and the displacement of thousands of families, this has led to an increase in the poverty rate to (32%), meaning up to 12 million citizens, so the issue of poverty poses a major challenge to the development process, and positive measures must be taken in order to reduce income inequality among members of society. And gradually support the poor, and improve their standards.

#### 5- External debt

One of the great challenges facing the Iraqi economy is the dilemma of foreign debt and it comes second after the security situation in terms of impact. It is a political and economic challenge that bears great burdens for the economy and is one of the obstacles to reconstruction and construction efforts that have been destroyed due to wars, and the debts reached (400%) of the total The gross domestic product, which also constitutes a percentage (700-800) of the volume of Iraqi exports, was subsequently registered by Iraq from countries with large debts, most of which are heavy debts with high interest, and part of them accumulated from the Iraq war with Iran and are borne by the former regime and the other part unjust compensation.



As it was decided to deduct (30%) from oil sales to pay compensation, it was reduced to (5%) at a later time.

Iraq's foreign debts are unknown, and a number has not been agreed upon. The United Nations estimated Iraq's debts to be (37) billion dollars, while the Central Bank identified it (146) billion dollars.

The debts reached (99) billion dollars before writing off, of which (53) billion were for companies and countries, which are commercial and Gulf debts (40) billion, and (15) billion debts from Russia, Serbia, Bulgaria, Poland, Slovakia and Romania.

And the Paris Club countries (19) countries whose debts amounted to (39.9) billion dollars, which were written off from (75% - 90%) of the debts due to the pressure of the United States of America and with the efforts of the professional American ruler upon the occupation of Iraq (Bremer) and the pressure on Saudi Arabia and Kuwait to write off the debts from Iraq, but its efforts failed, as for China fully waived its debts, as did Australia and Cyprus. (Ismail, Salman, 2020,22)

Table (7)

Iraq's indebtedness to world countries (2004-2015)

Country	The size of the debt	
Gulf countries	\$ 30 billion	-
Japan	4.108600	1.240 Billion dollar
Germany	2.403 Billion dollar	1.075 Billion dollar
Yugoslavia	1 Billion dollar	--
South Korea	54.700 Billion dollar	--
Jordan	295 Billion dollar	--
Sweden	85.8 Billion dollar	5.7 Billion dollar
Britain	930 Billion dollar	315 Billion dollar
China	80 Billion dollar	--

Denmark	30.8 Billion dollar	--
Switzerland	117.5 Billion dollar	--
Finland	152.2 Billion dollar	173.2 Billion dollar
Canada	564.2 Billion dollar	1.6 Billion dollar
Russia	12 Billion dollar	559 Billion dollar
United State	4.1 Billion dollar	--
France	2.993 Billion dollar	1.28 Billion dollar
Italy	1.72 Billion dollar	517 Billion dollar
Morocco, West, sunset	32 Billion dollar	--
Spain	321.2 Billion dollar	112 Billion dollar
Turkey	800 Billion dollar	--
Poland	500 Billion dollar	--
Hankaria	17 Billion dollar	--
Egypt	740 Billion dollar	--
Australia	499 Billion dollar	196 Billion dollar
Brazil	192 Billion dollar	--
Netherlands	--	48.8 Billion dollar
Total total debt	127 Billion dollar	--

benefits	million dollar	

**Source:** Anthony H. Cordes Tan Attack on Iraq - Military, Political and Economic Consequences - Center for Strategic and International Studies - Washington 2004 pg. 28

From the table we see the size of the problem, as the debts are large with financial benefits and distributed to almost all countries of the world. Therefore, clear plans must be drawn up to address this problem because it drains resources and affects the political decision.

The third topic: Mechanisms to address the Iraqi economy

In order to advance the economic reality and face the big internal and external challenges, it requires the availability of a real political will to achieve this goal, coordination with international parties and the mobilization of local energies. Correct standards must be set by drawing a clear strategic plan and limited by time expectations.

First - Addressing the problem of corruption:

The confrontation with corruption requires gradual steps to control its causes and fight it effectively. Among the steps that must be followed are:

1-Appling the principles of good governance by establishing the foundations of democracy at the state and community level, reducing the restrictions of centralization and creating a decentralized participation in decision-making and dealing with all segments of society with justice and equality of rights, duties and opportunities, and creating a culture of rejecting corruption and dealing with it.

2 -The independence of the judiciary, considering that the judiciary is the striking hand to confront corruption and hold the corrupt accountable, and the judiciary is an important pillar of the stability and fairness of the state. Article (19) of the Iraqi constitution guarantees the independence of the judiciary. The principle of non-interference in the work of the judiciary must be pursued in a manner that respects The conduct of procedures, accountability of the corrupt, and the speed of resolving cases in a serious and individual manner, and controls are applied to everyone. Judges independent of political considerations must be established and their role in accountability strengthened, corruption uncovered and investigators strengthened, and legislation developed that emphasizes penalties for wasting and stealing public money.

3-Separation of legislative, executive and judicial powers

We must move to separate the overlapping powers, oppose corruption in all its forms, adopt the principle of democracy in the rotation of power, enact laws that do not conflict with the supreme

interests of the people, allow the people to be a watchdog over the performance of the authorities, freedom to express their opinion, and give freedom to the press and the media to enhance openness And uncovering corruption in the structure of government institutions, as well as supporting civil society organizations to be supportive of transparent institutional work.

#### 4- Reform of the tax system

Taxes are an important source of revenue for the country on which they depend as well and they are a tool for fiscal policy, and there are corruption networks that have controlled this joint that help taxpayers pay the tax on tax evasion, and reform of the tax system is done by reviewing the tax rate and using the progressive tax on income, And amendments to the penal code related to limiting the phenomenon of tax evasion, such as Article 56, Paragraph 1, Paragraph 57, Paragraph 58 of Income Tax Laws No. 113 of 1982, and its amendments for 2004, as they are not useful in fighting corruption and curbing tax evasion .

5 - Amending wages and salaries for all workers in government institutions, in a manner that guarantees decent living for all, providing stable means of life such as housing, transportation, education, health, and reducing the big difference for senior officials and other segments of society with salaries.

6 - Reforming the customs system and by following up and monitoring this important joint, reviewing legal articles, working with transparency of information, preventing violations by workers and opening the doors of corruption to goods

Commercial.

#### Second: reforming the annual general budgets

The annual budget needs to be reconsidered and radically reformed as it focuses on procedures, regulations and revenue generation without concern for economic efficiency, and it is necessary to move to the budget of programs and performance and to classify the annual budget on the basis of the main and sub-programs and to stop preparing the final accounts is a waste of resources and a move away from auditing and matching the actual expenditure It is necessary to adopt the targeted growth rates and not delay the approval of the annual budgets and move away from political differences in approving the budget and keep it away from that, and it is necessary to prepare and establish a special office for the completion of the budget that falls within its responsibilities to provide accurate data and information, and all amounts must be transferred Taxes, fees and profits accrued to the state treasury and prevent their disposal. Third: Administrative reforms

The existing situation has major reforms in the administrative aspect and contains many paragraphs.

1- Amendments and reforms to the government contracts and procurement system through transparency and awarding contracts on the basis of legitimate competition by monitoring offers, following up on large contracts, implementation and completion times, feasibility studies and selecting companies worthy of work.

2- Tracking the movement of money, combating money laundering and combating oil smuggling.

After these phenomena worsened after 2003 and formed a great waste of money, amendments must be made to the Anti-Money Laundering Law No. (93) of 2004, and the establishment of departments specialized in combating oil smuggling, with a brave and honest leadership.

3 - Reforming institutions, institutional procedures and their structures, modifying employee management methods, reviewing laws related to service, retirement, etc., encouraging initiatives and operating with transparency and integrity, selecting the right person in the right place, developing methods and procedures and improving them in line with civil developments in the administration.

4 - Management governance, that is, the use of alternative systems to traditional management, the use of the private sector and civil society, and the creation of systems that govern the relationship between the parties so that the government's role is focused on important activities, leaving the private sector with the public sector on a complementary basis, using strategic management, developing long-term plans and following up on implementation.

5 - Supporting electronic management systems:

Fourth: Developing the public sector and supporting the private sector

The public sector suffers from a great slack and needs to be limiting and reducing the economic role of the state, giving way to the private sector and providing support and support for it to carry out activities on a complementary basis and not on the basis of competition and competition.

Fifth: the pursuit of security and political stability:

Security and political stability is a basic pillar for carrying out various economic activities, both for the private and public sectors alike, as well as it is important to attract local and foreign investments, which contribute to supporting the development process. Although this issue is thorny and needs great efforts, the process of firmness and intensity, activating the role of the security services and choosing Effective and honest leaderships and entering into negotiations with the countries surrounding the country and others that have interests in the necessity to provide support in this field, and to reduce the

role of political interference in the security system and make it work professionally and the interest of the country is the most important.

Sixth: diversification of income sources:

Iraq depends on oil revenues, which made it a one-sided economy, and this greatly affects revenues through the linkage of the oil market with external influences and is reflected in the local situation. Attention must be paid to other economic sectors such as industry, agriculture and tourism, especially since many of the requirements for development and success are available, reduce dependence on oil and increase the contribution Other sectors in budget finance.

Seventh: Developing successful solutions to the unemployment problem:

The problem is addressed by identifying its various causes, which are the flooding of the Iraqi market with imported goods and services, which destroyed local industries, layoffs workers, lack of training and rehabilitation, and the weak role of the public sector to absorb unemployment, the absence of a comprehensive strategy, and a fair distribution of wealth, all of which led to the marginalization of part of Labor force and creating negative conditions for stability and destroying the morality system due to poverty and destitution.

It can be dealt with some measures such as support for small and medium enterprises and assistance in financing, creating a suitable environment, diversifying the economy, stimulating private and government investment in the activities of other sectors, expanding government spending on service sectors such as health, education, developing productive sectors and building factories and factories, providing protection for local goods and products and reducing dependence on Foreign labor and the face of commodity dumping.

Eighth: Improving Oil Sector Management:

Iraq depends on oil revenues, and it is necessary to pay attention to this sector and develop it in line with the tremendous developments in the technological field, review oil contracts and reform their clauses through negotiation with foreign companies, prepare qualified cadres to manage the sector after the end of the contract period, and enter into negotiations with the Kurdistan Region about handing over Oil revenues to the federal government and address this issue.

Ninth: Reducing Unjustified Expenditure:

Legislation and instructions were issued to grant large salaries and privileges, for example the sums disbursed to the three presidencies, ministers, agents, general managers, embassies and others that represent a great burden on the budget, and it must be felt that the official provides a public service

that deserves a wage as others do, and reduces the extravagance and generosity in trade agreements with Arab countries And others, reviewing it, and collecting the amounts of entry visas to Iraq during religious visits.

Tenth: Developing border outlets and ports and striving to achieve the great port of Al-Faw.

Eleven: external debt management. And the endeavor to convert those debts into investments, or negotiate their reduction, especially since many of them cause the policy of the former regime.

Twelve: attention to the population sector.

Thirteen: Developing health, educational, and municipal services of all kinds Second -

## **Conclusions and recommendations**

### **First - Conclusions:**

1- Through the course of the research, the hypothesis of the research has been proven, as the misuse of the available resources and failure to manage them in conjunction with the existence of security and political instability are among the biggest obstacles to the development and development of the Iraqi economy.

2- The Iraqi economy suffers from real problems represented by structural imbalance and dependence on the oil sector as the main sector to finance spending and as a result of the exposure of oil prices to fluctuations that directly affect the economy.

3- The Iraqi economy faces the risks of the repercussions of the problem of unemployment and poverty on society through the spread of crime, drug trafficking, the black market, and various social problems.

4- An acute shortage of services and various sectors, such as education, health, electricity, water, ration card, and others, which led to people's lack of confidence in successive governments, failure to respect procedures, failure to comply with the law, and demonstrations and sit-ins that led to great losses of lives and public and private property and disruption of government institutions that lasted for more than three months.

5 - The spread of the phenomenon of corruption in a large way in all institutions, which contributed to the waste of resources and the loss of development opportunities. No strict measures have been taken to reduce this phenomenon, with the absence of a real will to reform and advance the deteriorating economic reality.

6- The reflection of political problems and the faltering government performance on the economic situation of the country and external political interference is one of the reasons for the decline in the infrastructure and the use of dumping policy to destroy the emerging industries.

**Recommendations:**

1- Formation of an economic council consisting of a group of experts specialized in economics, planning, finance and oversight to be tasked with developing strategic plans and policy according to available resources and capabilities and limited by time, goals and binding

In order to improve the economic reality and address the situation in a real and radical way.

2- Reconsidering the financial legislations issued, reforming the financial situation, reducing waste of resources, restricting spending to legal controls and legislation, amending decisions, matters related to the economic aspect, and improving trade relations on the basis of reciprocity.

3- Encouraging local and foreign investment, creating a suitable environment, protecting investments, providing possible facilities for capital owners, reducing red tape, combating corruption in a deterrent way, and creating conditions and an attractive environment for investment.

4- Paying attention to the industrial sector as it is the engine of growth as well as other sectors, and to use oil revenues to invest them in development projects that help reduce unemployment and poverty rates.

5- Creating an investment fund in which a percentage of the oil revenues will be placed to be used in financing investments and developing other sectors and to support the activities of the private sector.

6- Striving to create a kind of political and economic stability, moving away from intersections, solving problems through dialogue, moving to wisely managing the country and making the right person in the right place.

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