

Analysis of the policies of the development programs and the stages of their change in the Iraqi economy

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Abstract

The developmental procedures and programs that governments resort to in implementing their economic policy are of great importance in influencing the state of economic stability and achieving development, and this depends on the nature of the philosophy of the followed system and the priorities of its goals. The study of this research is to know the economic policies and development programs that were implemented in Iraq during the period from 1950 to 2020, according to the different political systems, whether they are monarchy, authoritarian or democratic republics. The study revealed to us the failure of the followed economic policies as a result of the accumulation of errors and the absence of the national vision in implementing a unified economic strategy for the country, as well as the misuse of the financial returns which are achieved from the oil sector in a way that supports the rest of the economic sectors of the state, which resulted in the prevalence of manifestations of underdevelopment and the deterioration of productivity levels in various economic sectors.

Keywords: development programs, historical stages, changes in the Iraqi economy.

INTRODUCTION

The issue of implementing the development programs is of great interest to specialists in the matter of economic policy, as most countries of the developed world have placed it among their priorities to achieve high growth rates in all economic fields, which is reflected in the standard of living of their residents, and based on that importance we focus through this research on analyzing the reality of the Iraqi economy, and knowing the stages of development of its sectoral indicators and their direct and indirect impact on the overall economic activities.

The Iraqi state, with its different systems and economic orientations over the past seven decades, has been putting a set of development measures and programs within its economic policies, but these policies failed to achieve its planned development goals, due to the state of

political imbalance and military coups that led to take inaccurate decisions, as the country, during the past stages, has been involved in wars and international estrangement, which made the economic situation unstable, in addition to the inability of the state to raise the efficiency of using the financial returns of the oil sector to achieve development in all other economic sectors, in a way that could pave the way for the transformation of the economy in Iraq from a single economy, to a diversified economy (agricultural, industrial and service), by taking a set of reform measures and structural changes that would build a diversified production structure for the economy of the state, and raise the contribution of other economic sectors in gross domestic product at current prices.

The Importance of the Research :- The importance of the research comes through the focusing on the most prominent economic policies and development programs that have

been followed by the Iraqi state over the past periods, and showing their impact on the economic sectors, as well as presenting the importance of public spending in particular (current spending), which is one of the most important affecting factors in the economic performance of the State, as it is the main cause of a continuous budget deficit.

The Problem of the Research: The research sheds light on the problem of poor performance of development programs in Iraq and fiscal policy in particular, where the misuse of financial returns from the oil sector in the correct manner led to the widespread state of underdevelopment and the deterioration of productivity levels in the economic sectors and activities.

The objective of the Research : - The research aims to link between the accumulation of failures in economic policies and the absence of a unified national vision on the one hand, and the failure in the process of implementing development programs which capable of achieving economic development in all productive sectors and creating economic stability on the other hand.

The Structure of the Research: - For the purpose of covering the objectives of the research and knowing the role that is played by economic policies through their development programs, we will shed light ,through this research, on an analysis of the economic stages that the economy of the state has gone through in Iraq as follow : First - The first phase extending from (1950-1968). Secondly, the second phase extending from (1968-1980). Third - The third phase, which extends from (1981-2003). Fourth - the last stage after (2003).

1-The period of the royal era and the establishment of the Council of Reconstruction(1950-1958).

The features of the change in the policies of the Iraqi economy began during the late years of the monarchy towards the expansion of the rentier development role of the state for the economic sectors, after the condition of dependence that Iraq experienced during the thirties to the directions of the British Mandate government, and working according to the principle of economic freedom and providing all requirements of support to the private sector,

and non-interference of the State in economic affairs.

The increases in oil revenues during the post-World War II period prompted the Iraqi government to rely on the planning side in order to achieve development frameworks in the economic sectors of the state, as the development in the production base of the oil sector led to significant increases in exports, which contributed to an increase in the financial returns of the state, and as a result of that, the Profit Equality Contract was drawn up in 1951 AD, which represented an important turning point on the Iraqi economy and on the subsequent mechanism for making economic decisions. This contract led to the start of investment financed by the surplus oil revenues , and directing it within the investment spending sections of development projects (). This means the emergence of the role of the state in economic development actively in that period, due to the population growth and the lack of stability in policies and development plans, which prompted the Iraqi government at that time to turn to international financial institutions for the purpose of obtaining financial loans to cover development requirements, Which was approved by the International Bank for Reconstruction and Development, a loan of (1,880,000) US dollars, stipulating that the government establish a Council for Reconstruction in exchange for funding (). In light of this, the Iraqi government submitted a proposal to establish a council for reconstruction to the House of Representatives at that time, which in turn approved it in accordance with Law No. (23 of 1950) and included obligating the government to draw up an independent budget for it to be financed from the financial revenues of the oil sector at a rate of (100%), and then reduced this rate to (70%) of the financial revenues of the oil sector to finance development projects and plans that set by the Council ().

The reconstruction council is based on three basic principles: ()

A- Concentrating economic development works in one form instead of scattering them among the different ministries.

B- Emphasis on some types of public projects such as irrigation, drainage and transportation.

C- Allocating part of the oil revenues to cover the costs of these projects or repaying loans in case of external borrowing.

One of the council's established priorities was based on carrying out an economic renaissance in the national infrastructure of the Iraqi state, advancing the urban reality of the country, mechanizing the agricultural sector and expanding economic services. During the eight-year period since its establishment, the council made great leaps in the field of urban development projects and infrastructure that are still prominent. To this day, when the state has put development programs and plans into it, it has made it a road map to move towards achieving development visions that are seen in all vital economic sectors, by adopting oil revenues as a main resource for them (). The development plans in that period were divided into two five-year plans. The first was approved by the Reconstruction Council for the period (1950-1956) by two development programmes, as the size of its financial allocations amounted to about (65.7) million Iraqi dinars, followed by another five-year plan that included the period (1955-1959) also with two other development programs according to financial allocations amounting to (304) million Iraqi dinars, and the changes that occurred in the first and second five-year plan within its multiple development programs, were due to the directives of the International Bank for Reconstruction and Development mission in accordance with international variables.

The attention of the two five-year plans mentioned above focused on planning and implementing development projects in certain areas, while neglecting some other areas as shown in Table No. (1), which refers to a

number of facts that the Council sets among its priorities, such as interest in irrigation projects, roads and bridges and public buildings in terms of financial allocations and implementation processes, as the real supporter of the State entity, and at the same time, some vital economic sectors faced obvious neglect, such as the industrial sector, whose planned allocations constituted (16.4%) of the total allocations allocated in that period, which amounted to (312.3) million dinars, equivalent to (11%) of the actual expenditure, in addition to the low rate of completion of sector projects, which amounted to (37.7%), this means that the state was unable to implement industrialization programs during the period (1950-1958), which would have led to an effective increase in production and ownership processes, while the government investments tended to (The Council of Reconstruction) in that period, which is illustrated by the table below, also towards the agricultural sector, which occupies a large number of manpower, as most of the financial resources were allocated to irrigation and drainage projects to control floods, as well as the development of agricultural and animal wealth, which contributed to raising the productivity of land and raising the revenues of the owners' class in the agricultural sector, this means that directing most of the state's financial resources in favor of increasing the wealth of the agricultural owners' class(). The figures indicate that the percentage of implementation of the disbursement of funds allocated in this sector as a whole is about (51.8%), and the total actual expenditures on the agricultural sector amounted to (61.1) million dinars, at a rate of (34.3%) of the total development expenditures amounting to (178.1) million dinars for development programs during the mentioned period.

Table No. (1) *Expenditure Developmental Allocations for the Program of the Council of Reconstruction and the volume of the actual expense and revenue for the period (1950-1958)*

| Sector | Expenses | | | | |
|---------------------|------------------|------------------------|----------------|---|----------------------|
| | Planned Spending | Ratio of other sectors | Actual Expense | Percentage of Actual Expense over the other sectors | Actual/Planned Ratio |
| Agricultural | 117.8 | 37.7 | 61.1 | 34.3 | 51.8% |
| Industrial | 51.1 | 16.4 | 19.1 | 10.7 | 37.4 .% |

| | | | | | |
|---|------------------------|---|-----------------------|--|-----------------------------|
| Transportation | 66.6 | 21.3 | 38.6 | 21.7 | 58% |
| Buildings and Housing | 38.2 | 12.2 | 24.1 | 13.5 | 63.1 .% |
| Other Sectors | 38.6 | 12.4 | 35.2 | 19.8 | 91.1 .% |
| Total Summation | 312.3 | 100% | 178.1 | 100% | 57% |
| Revenues | | | | | |
| Sector | Planned revenue | Percentage of Revenue over the other planned sectors | Actual Revenue | Percentage of Actual Revenue over the other sectors | Actual/planned Ratio |
| oil | 269.2 | 97.6 % | 245.9 | 95.9 | 91.2 |
| other sectors | 6.5 | 2.4 | 10.5 | 4.1 | 161.5 |
| total summation | 275.7 | 100% | 256.4 | 100% | 92.9 |
| Actual Expense/ Actual Revenue Ratio | | | | | 69.46% |

(The Source): 1 - The Ministry of Planning, the Economic Department, the Statistical Follow-up Tables for Investments and Revenue of the Reconstruction Council and the plans of the Planning Council for the period (1958-1976) Table No. (7) and (8).

2- Abbas Al-Nasrawi, The Iraqi Economy (Oil, Development, War, Destruction, and Prospects), 1950-2010, translated by Muhammad Saeed Abdul Aziz, Dar Al-Kunuz Literary, Beirut, p. 36.

(*) Percentages in the table prepared by the researcher

Here, we can say from the foregoing that the policies pursued by the Reconstruction Council during the period from (1950-1958) are policies that tended towards consolidating the existing economic situation with a set of development programs and plans, directly supported by financial revenues in the oil sector, and as a result of which economic benefit was achieved, including the feudal class, specifically the landowners at the expense of workers and farmers. This means that most of the financial investments established by the Reconstruction Council in the sectors benefit groups other than the destination to which the investment is directed, as well as directing attention to one sector without the other, a reason for the lack of balance in the economic sectors of the state as a result of strengthening a particular sector and the failure to build other vital economic sectors through which growth and economic development processes can be led.

2- The period of disengagement during the republican era (1958-1963) Iraq witnessed a radical transition after July Revolution in (1958) AD which was led by a group of officers in the Iraqi army and with the support of all national forces and parties at that time. The political system of government during it moved from a monarchy established by the British government in 1921 to a republican system (), as The republican leaders worked on renewing the previous economic systems, and reorganizing them away from external dependence. Their economic policy, which they followed, was characterized by the policy of disengagement, as it focused on achieving the process of disengagement from the conditions imposed by the British Mandate Treaty when establishing the state, which was economically constraining it, as well as disengagement from the economic policies of the monarchy and its disadvantages, They believe that it was designed

to serve the class of feudal landlords and foreign colonial interests, which caused the distortion of the Iraqi economy ().

Based on that vision, the republican political system developed a set of basic principles for the new economic policy, which aims to strengthen Iraq's political and economic independence with the following: ()

A - Abolishing the system of feudal ownership of land through the legislation of the Agrarian Reform Law No. 30 of 1958 and the equitable distribution of land, as the law specified the ceiling of land ownership between (1000) to (2000) acres according to the method of irrigation and what exceeds that is subject to seizure by the state and compensates its owners by treasury bonds.

B - Giving priority to investment in the industrial sector, by increasing the allocations of the industrial sector in the detailed plan, increasing the capital of the Industrial bank, and working to provide protection for the national industry, based on the fact that industrialization is the means to correct the conditions of the national economy's dependence on foreign interests.

C- The nationalization of vast areas of land covered by the concessions of foreign oil companies, according to Law No. 80 of 1961, which laid the basis for the creation of national oil companies.

D- Forming the Ministry of Planning to take over planning to be a tool for managing the national economy instead of the Reconstruction Council.

E-Unpegging the Iraqi dinar from the pound sterling.

F- Expanding the role of the public sector in the economy, while encouraging the private sector.

According to the principles of the new economic policy pursued by the republican leaders, it gives an indication of the existence of the socialist tendency in managing the economy of the State, as it created through measures with socialist implications an atmosphere that is relatively far from the economy from the market policies and supporting the intervention of the state in the issue of prosperity and social justice (). In the sense that the role of the state in economic activity in Iraq shifted during the first period of the republican rule, from a guard state whose activity is limited only in the field of defense and

security, to an interfering state that controls the economic resources of the state. In light of this, the new system took a decision to cancel the Council of Reconstruction, and to replace it with the Economic Planning Council and the Ministry of Planning, which in turn adopted the work in the programs of the Council of Reconstruction on a temporary basis, in order to ensure continuity in the previously planned projects, until the government prepares new plans, through which it reconsiders in the structures and organizations established for planning and implementation, and accordingly, the Economic Planning Council and the Ministry of Planning set development plans during the extended period (59/60-65/66) divided into two plans: the first is called the five-year plan for the period from (59/60-62/63). The aim behind developing this plan was to give sufficient time for the Economic Planning Council and the Ministry of Planning to build a more carefully studied plan for the subsequent time phases, as the total plan allocations amounted to (329.2) million dinars, Oil revenues contributed 50% of the project financing, in addition to external and internal loans to finance the potential deficit. Second: The detailed five-year plan for the period from (61/62-65/66), the detailed economic plan was issued in (1961) AD after three years of working with the temporary five-year plan, and its issuance was an improvement to the previous plan in terms of complexity and diversity, the detailed plan sets a target for the growth rate, calculated the capital-to-production ratio, and concluded that the investment volume should be (35%) of the local income. The total volume of the detailed plan allocations amounted to (566.39) million dinars distributed among the various sectors, while the plan revenues were estimated at (413.8) million dinars, i.e. a deficit of (152.5) million Iraqi dinars, which constitutes (27.4%) of the total plan allocations. This deficit is covered through internal borrowing (selling a percentage of state projects to the private sector), and if these measures are not sufficient, external borrowing is resorted to. The size of the financial allocations and revenues in the temporary and detailed five-year plans can be clarified as in Table No. (2).

Table No. (2) Shows the size of the allocations for the temporary and detailed economic plan (million dinars)

| Sector | Temporary Economic Plan (62/63-59/60) | | Detailed Economic Plan (65/66-61/62) | |
|------------------------------|---------------------------------------|-----------------------|--------------------------------------|-----------------------|
| | Customization Size | Relative Importance % | Customization Size | Relative Importance % |
| Agricultural | 47.9 | 12.2 .% | 112.9 | 20% |
| Industrial | 48.7 | 12.4 .% | 166.8 | 29.4 % |
| Transportation | 100.8 | 25.7% | 136.5 | 24.1% |
| Buildings and Housing | 190.7 | 48.7 .% | 140.1 | 24.7% |
| Other sectors | 4.1 | 1% | 10 | 1.8% |
| Total summation | 392.2 | 100% | 566.3 | 100% |
| Revenue Sources | The amount of the achieved revenues | | The amount of the achieved revenues | |
| | The amount of the achieved revenues | Relative Importance % | The amount of the achieved revenues | Relative Importance % |
| Oil Sector | 359.1 | 90.5 | 231.1 | 55.8 |
| External loans | 33.1 | 8.4 | 56.2 | 13.6 |
| Other sectors | 4.2 | 1.1 | 104.2 | 25.2 |
| Total summation | 396.4 | 100% | 22.3 | 5.4 |
| | | | 413.8 | 100% |

(The Source): - The table was prepared based on: 1- Muhammad Ali Al-Zayni, The Iraqi Economy (past, present, and future options), third edition, Dar Al-Malak for Arts, Literature and Publishing, Baghdad, 2009, p. 79.

2- Abbas Al-Nasrawi, previous source, p. 58.

Looking at the table above, we see that the volume of planned spending allocations in the temporary economic plan amounted about (392.2) million dinars, of which the housing sector occupied great importance within this plan, as the volume of its allocations amounted to (190) million dinars, which is equivalent to (48.5%) of the total allocations to the plan, which is an exaggeration because the plan did not give the required attention to the rest of the vital economic sectors such as the agricultural and industrial sectors, whose relative importance to these two sectors within the temporary plan reached (12.2%) and (12.4%) respectively, which are low indicators that do not help in advancement of economic development reality.

As for the detailed economic plan, those in charge of it stressed the need to accelerate development processes by focusing on the

industrial sector, as this sector accounted for a large percentage of the total planned allocations amounting to (29.4%), which is a high percentage compared to the levels of allocation in the temporary plan, and the housing and buildings sector witnessed a significant decrease from the previous plan from (48.5%) in the temporary plan to (24.7%) in the detailed plan, due to a decline in the volume of investments in this sector as a result of the low standard of living for citizens.

What is observed on the detailed plan that it did not continue the process of implementing its policies, due to the escalation of the power struggle between the new republican leaders resulting in the February coup of (1963) AD, whose irrational political practices arising from the authoritarian military mentality overshadowed the strategic direction of achieving development and economic and the

political stability, which is like jumping into the unknown . From that moment, the political strikes and economic instability that largely cast a shadow over the efforts towards development programs began.

3- The period of development planning (1963-1968)

After the success of the February coup in (1963) AD under the leadership of the Baath, and the overthrow of the regime of Abdul Kareem Qasim, Iraq experienced a state of political tension and turmoil in the implementation of development plans, due to the sudden and major change at the leadership level, which resulted in the failure to achieve continuity in development programs towards their desired goals.

Where the leaders of the February coup were distinguished by their lack of a specific program for the development of the country and the absence of an economic vision, and in view of that and for the necessity of the state carrying out its duties towards its institutions, they were forced to continue implementing a detailed plan for the government of Abdul Kareem Qasim (1961/1965) till the formulation of a new five-year plan for the period (1965/1969) ().

The five-year economic plan for the period (1965-1969) was proposed, and it is one of the best plans that preceded it in terms of clarity and construction, as it drew its economic goals with specific economic and social objectives in general and comprehensive shape, by adopting comprehensive economic planning, as an important tool for guiding the national economy, and a necessary means to provide right paths to it.

The most important thing that came with the new economic policies of the new regime, is the transformation of the state towards socialist systems under the influence of the experiences of the Arab regional countries, through the adoption of a set of decisions and laws, through which the role of the state in economic activity is strengthened. The most prominent of these decisions is the decision of nationalization on 14 July (1964) AD, which resulted in the nationalization of (30) industrial and commercial companies, in addition to controlling all banks and insurance companies affiliated with the private sector, which means that the size of the public sector according to the nationalization law expanded in both the

industrial and commercial fields . However, what is taken from the nationalization law is that it is devoid of any intellectual clarity about the future of nationalization and how to organize the work of nationalized institutions and ensure their administrative and economic success, which led to the collapse of the private sector and its removal from participating in the production process, as well as the raising of risk element in the investment orientation of private sector companies, thus canceling its role in achieving development and growth in the economic activity of the state in Iraq ().

It can be summed up from the foregoing for the period (1964-1968) that it was the beginning of the expansion of the state ownership of production units, based on the legal legislation motivating them. And the most prominent sectors that the state dominated is the oil sector, which increased the proportion of the total volume of exports about (85%) during that period, which means deepening the state of rentierism in the Iraqi economy, which led to the failure of the plan to achieve its comprehensive goal in all economic and social fields, due to the decline in its contribution to the gross domestic product, which is also the rate decreased during the years of the plan to (29%) than expected (48%).

Second - The second phase extending from (1968-1980)

Iraq was subjected to a political change, as a result of a new military coup on July 17, 1968, as a result of which the country moved to an economic stage different from what preceded it, as the state tended to adopt a philosophy of consolidating socialist centralism at all economic, political and social levels, by adopting it from (creating the state Unified centralization and spreading the prestige of the government) a main objective of it (). This goal contributed in the periods following the year (1968) to the orientation of the state towards leading development operations across its economic sectors through the development of national development plans and programs according to a central and comprehensive basis. The most important development plans issued by the state during the period from (1968-1980) are two:

1- The comprehensive national development plan for the period from (1970-1974): After the

change that occurred in the political regime in Iraq in 1968, the new regime agreed to complete the implementation of the five-year economic plan for the period (1965-1969), until a new development plan was prepared. After a period that took two years to prepare, the government issued a five-year development plan under Law No. (70) of 1970. Its proposals were characterized by reviewing the evaluation of the performance and results of previous development plans, and giving conclusions for the economic indicators to be achieved. The plan was also described with its broad and comprehensive objectives for all economic sectors, by focusing on the development of the agricultural and industrial sectors and their adoption as a main financial resource in the gross domestic product, along with the oil sector, which had a significant financial impact in financing the national economy and previous economic development plans, which the national development plan worked on by reducing economic dependence on the single sector (oil), and moving towards diversifying the sources of national income.

The size of the financial allocations for the plan amounted to about (1143.7) million dinars distributed to various economic sectors. However, during the implementation period of the plan, there was an increase in the volume of financial revenues obtained from the economic sectors, specifically from the oil sector, after the signing of the Tripoli and Tehran agreements in 1971. In addition to the decisions taken to nationalize the oil production companies in Iraq in 1972, which made it possible to achieve a boom in oil prices globally, which led to a deepening of the imbalance in the structure of the Iraqi economy (), which usually depends more heavily on the oil sector, considering it the only contributor and the most financial return to the gross domestic product over the rest of the other sectors, and as a result of that the plan was modified according to the changes in the unexpected oil revenues, as the size of the total plan allocations reached (1727) million dinars distributed over the economic sectors (). As shown in the following table (3).

Table No (3) shows the modified sectoral allocations, actual expense and the amount of the modified financial revenues for the National Development Plan for the period (1970-1974) (million dinars)

| Sector | Modified customizations | percentage from the size of total Customizations % | Actual Expense | Actual Expenditure Ratio From To Provision Ratio % |
|------------------------|-------------------------|--|----------------|--|
| Agricultural | 366.2 | 19% | 208.5 | 56.9 |
| Industry | 391 | 20.2 | 329.7 | 84.3 |
| Transportation | 219.3 | 11.4 | 177.5 | 80.9 |
| Buildings and services | 283 | 14.6 | 171.3 | 60.5 |
| other sectors | 672.5 | 34.8 | 293.8 | 43.7 |
| Total summation | 1932 | 100% | 1180.8 | 61.6 |
| Revenues | Modified revenue | Percentage % | Actual revenue | Actual Revenue to Provision Ratio % |
| oil sector | 1554.4 | 90% | 1389.1 | 89.4 |
| other sectors | 172.6 | 10 | 150.3 | 70.8 |
| total summation | 1727 | 100% | 1539.4 | 89.1 |

(Source): Prepared based on: 1- Law No. (158) of 1971 Law of the First Amendment to the Law of the National Development Plan for the years (1970 - 1974), Gazette of Iraqi facts, No. (2085) dated 12/1/1972, p. 5.

2- Abbas Al-Nasrawi, a previous source, p. 67.

Table (3) shows that the size of the financial allocations in the plan is distributed in varying proportions to the economic sectors, as the agricultural and industrial sectors took close proportions of the total allocations in the plan amounted to (19%) and (20.2%) respectively, while the percentage of allocations to other sectors such as transport and communications was (11.4%), buildings and services (14.6%), while the rest of the allocations, amounting to (34.8%) went towards financing unrelated projects such as government companies, international obligations and other matters. It is also noted that the oil sector contributed to financing development in that period by more than (90%) of the total approved allocations, and this percentage confirms what was previously mentioned, with the government dependence mainly on the rentier side, due to the large financial returns that the oil sector achieves.

It is worth noting that the plan was able to spend (61.6%) of its allocations, as it did not achieve actual growth rates according to the targeted levels in the sectors (agriculture, industry, construction, and communications), as well as other sectors. Therefore, the plan failed to achieve its goals in all commodity-producing sectors except for the oil sector.

2- The second national development plan for the period from (1976-1980): After the completion of the first national development plan (1970-1974), Iraqi government then adopted a short-term investment program distributed sectorally for the years (1975-1977), in the light of which the government followed its development curriculum, until it approved on (25/6/1976) the law of the second national development plan, which was based on two main factors in achieving comprehensive development, namely, the first: the plan is mandatory, which means that the government must implement it according to the goals set for it. Second: The necessity of achieving wide participation of all official authorities in the implementation process().

The second national development plan was a clear extension of the previous models, as a result of the continuation of the same political

system that operates according to a central and holistic model in managing the economy, but it differed in the strictness of publishing sectoral allocations for investment and the total spending of the plan, as well as the volume of expected revenues for it, and it was satisfied only with publishing the expected annual of the growth indicators, and this is in contrast to previous plans for the past two decades .

Some economic indicators indicate that the size of the investment allocations for the plan (1976-1980) amounting to about (15.7) billion dinars distributed over all economic sectors, which are large sums, which could have made the Iraqi economy in a better position if it had been used correctly, and this is due the increase in the volume of the plan allocations to the huge achieved oil revenues, which covered the shortcomings in the rest of the economic sectors, so that the volume of the oil sector revenues doubled by (60.8%) since the beginning of the implementation of the plan, reaching (4333.1) million dinars for the year 1980 after its volume was (2634.50) million dinars for the year 1976, to cover the increasing spending on development projects (). Oil revenues continued to constitute the main component of the revenues of the general budget revenues, and it is the only source of financing the annual investment programs, in addition to being the source of foreign currencies needed to finance the import process, but the continuation of this situation made the oil sector turn from a catalyst factor to an obstruction to the process of correcting structural imbalances.

It can be shown from the foregoing for the period (1976-1980) that the political authority in that period was alone in the process of legislating laws and implementing decisions about the mechanism of spending financial resources which are achieved from the abundance of oil revenues according to its directions, and in complete secrecy of data, programs and economic plans, which made it difficult to monitor the course of development plans and programs in the national economy, and this policy led to the creation of a self-dynamism in dissipation resources and financial

allocations towards areas of military and security spending, for the purpose of strengthening the center of power at the expense of economic development, which contributed to the lack of coherence of the plan and its deviation from achieving its development goals.

In the following table No. (4), we can explain in more detail the volume of government spending (current and investment) and the total public revenues achieved from the economic sectors and the extent of their contribution to the gross domestic product for the period (1968-1980) as follows:

Table No.(4) *Government spending (current and investment) and the volume of revenues and their ratio to the gross domestic product for the period (1968-1980) (million dinars)*

| The Year | Government Spending (current + investment) | General Revenues | Gross domestic product GDP at current prices | The percentage of Government spending of GDP % | Deficit or surplus ratio | Revenue coverage ratio% |
|----------|--|------------------|--|--|--------------------------|-------------------------|
| 1968 | 241.9 | 220.4 | 1034.5 | 23.4 | (21.5) | 91.1 |
| 1970 | 302.2 | 293 | 1171.9 | 25.8 | (10.6) | 96.5 |
| 1972 | 345.3 | 271 | 1369.5 | 25.2 | (74.8) | 78.3 |
| 1974 | 921.4 | 1400 | 3400.9 | 27 | 478.6 | 152 |
| 1976 | 1466 | 1712 | 5243 | 27.9 | 246 | 116.3 |
| 1978 | 1937 | 2118 | 7017 | 27.6 | 181 | 109.4 |
| 1980 | 7669 | 7197 | 15770.7 | 48.6 | (471) | 93.8 |

(Source): - The table was prepared based on data:

1- Republic of Iraq, Ministry of Finance, Budget Department.

2- Republic of Iraq, Ministry of Planning, Central Statistical Organization, National Accounts Directorate.

We note from the above table that the state policies on the expenditure side have taken an increasing and upward trend during the periods of implementation of the first and second national development plans, so that the volume of public spending (current and investment) increased from (241.9) million dinars in 1968, and at a rate of (23.4%) from the gross domestic product at current prices reached (7669) million dinars in 1980, representing a percentage of (48.6%) of the gross domestic product. The reason for this increase in the volume of expenditures (which we have already mentioned) is the condition of the state orientation towards security spending and the militarization of society, which left negative effects on the later periods in the development side, which faltered all of its development plans and programs after 1980.

As for the state general revenues, which were mainly based on the oil sector, as it is the sector with the most financial impact on state revenues among the non-oil economic sectors, the latter witnessed a clear discrepancy in the volume of its contribution to public revenues compared to the oil sector, which recorded an increase in the volume of its financial returns, which was reflected in covering the increasing requirements of public spending, as the volume of public revenues in 1974 amounted to (1400) million dinars, to achieve the highest surplus of revenues of (478.4) million dinars, and the volume of public revenues continued to cover public spending until the end of the seventies of the last century, in which public spending exceeded state revenues, as a result of which the deficit rate in 1980 reached a value of (471) million dinars.

Third - The third stage which extends from (1981-2003)

The beginning of the eighties of the last century is considered the real setback to the development processes in Iraq, due to the outbreak of the Iraq-Iran war, which lasted for eight years, which in turn affected the development spending of the country, which led the state to move towards military spending to finance the requirements of the war, as the percentage of spending during the period from (1981-1990) ranged between (20%) to (60%) of the gross domestic product () .

Since Iraq relies heavily on oil revenues, which constitute the main financial resource in the state budget, and its adoption in financing its development curriculum, these revenues have declined as a result of the war and its great economic and social effects, from the destruction of crude oil transportation lines and export ports, which led to a decline in the proceeds of revenues oil from (4.3) billion dinars in 1980 to (3.4, 3, 2.2) billion dinars for the years (1982, 1984, 1986), respectively, and then decreased significantly to reach (1.3) billion dinars () . In light of these circumstances and the growing need to finance of the requirements of the war and the low ability of Iraqi exports to provide the necessary financial revenues, Iraqi government at that time directed towards using the reserves and financial surpluses achieved at the end of the seventies and draining them in the war, in addition to giving priority in investment allocations to military activities, security and defense services at the expense of other productive activities, especially the agricultural sector and the manufacturing sector, the policy of change in priority led to the emergence of difficulties in financing as a result of the stumbling in the oil sector and the consequent emergence of a deficit in the general budget and in the balance of payments, which led the country to fall into the largest long-term external debt trap () .

Here, we can say that the eighties represented the actual beginning of the deterioration of development spending in Iraq, as the policies followed by the state in that period contributed to the erosion of the planning process, and the creation of deviations with negative effects on the efficiency of economic productivity, and the efficiency of the process of filling and distributing resources.

In the nineties, the economic situation has worsened, following the decision of the political regime to enter the Iraqi army into Kuwait, and the implementation of this decision left economic and social effects on the structure of the state, as a result of the imposition of an economic siege and international sanctions on Iraq, after the issuance of National Security Council a resolution No. (661) for the year (1991) () . Which tightened its grip on imports and exports of goods and services, including oil, which was officially reflected in the decrease in the achieved financial returns, and the unavailability of huge financial sources that finance the state budget, which caused the emergence of structural imbalances in the Iraqi economy, after the oil revenues were during the previous stages in that period constitutes the main resource for financing government spending of all kinds (current and investment), which necessitated the state in the first half of the nineties of the last century to stop spending processes and limit them only to transfer expenses that affect the Iraqi citizen and his living standards through subsidizing the items of the ration card and fuel, as well as supporting farmers, which later resulted in an exacerbation of the aggregate demand gap yearly , as it found only a very low local offer. As for the last half of the nineties, the fiscal and monetary policy in Iraq suffered major distortions, as a result of the continuation of the state to implement its policies of government support, according to an agreed international economic program in 1996 under the name of oil for food. As a result, the structural imbalances of the state have worsened, as the fiscal policy was in a state of increasing spending in return for very limited sovereign revenues, which resulted in a large and accumulated financial deficit during that period, and this deficit worsened, which resulted in the government resorting to internal borrowing from the Central Bank and commercial banks to finance the aforementioned deficit, and this financing is considered inflationary () . as it caused a severe monetary expansion whose rates reached (193%) with an inflation rate of (212%) for the period from 1990 to 1996 () . To find out the economic role of government spending (current and investment) and its ratio to the gross domestic product and the percentage of public revenues covering expenditures through the following table.

Table No. (5) Shows government spending (current and investment) and the volume of public revenues and their ratio to Gross domestic product at current prices for the period (1981-2003)

| The year | Current Spending | Investment Spending | Total Public Spending | General Revenue | Gross domestic product at Current Prices | Government Spending Percentage GDP % | The size of the deficit or surplus | Revenue coverage ratio% |
|----------|------------------|---------------------|-----------------------|-----------------|--|--------------------------------------|------------------------------------|-------------------------|
| 1981 | 5411 | 5980 | 11391 | 5326 | 11346,9 | 100.4 | (6064.9) | (46.8) |
| 1983 | 7138 | 4988 | 12126 | 3725 | 14550,9 | 96.1 | (8401.2) | (30.7) |
| 1985 | 7363 | 3220 | 10583 | 4402 | 14,652 | 70.5 | (6180.9) | (41.6) |
| 1987 | 9229 | 2618 | 11847 | 4948 | 19432,2 | 67.3 | (6301.7) | (41.8) |
| 1989 | 10872 | 3062 | 13934 | 5592 | 20407,9 | 68.3 | (5342) | (51.1) |
| 1991 | 15653 | 1844 | 17497 | 4228 | 42451,6 | 82.1 | (13269) | (24.2) |
| 1993 | 50060 | 18894 | 68954 | 8997 | 321646,9 | 49.1 | (59957) | (13) |
| 1995 | 605840 | 84943 | 690783 | 106986 | 6695482,9 | 30.7 | (583797) | (15.5) |
| 1997 | 534095 | 71707 | 605802 | 410537 | 15093144 | 18.4 | (195265) | (67.8) |
| 1999 | 831592 | 394626 | 1226218 | 719065 | 34464012,6 | 18.6 | (314487) | (69.6) |
| 2001 | 1490866 | 578861 | 2069727 | 1289246 | 41314568,5 | 20.9 | (780481) | (62.3) |
| 2003 | 3631159 | 1270802 | 4901961 | 2146346 | 29585788,6 | 16.7 | (2755615) | (43.8) |

(Source):- The table has been prepared depending on: 1- Republic of Iraq, Ministry of Finance, Economic Department, Technical Division. 2- Republic of Iraq, Ministry of Planning, Central Bureau of Statistics, Directorate of National Accounts. (*) The percentage of government spending from the GDP, the size of the deficit, and the percentage of revenues covering expenditures prepared by the researcher based on the data in the table.

According to the data in the above table, the volume of public revenues witnessed a major imbalance during the period from (1991-1997) represented by a decrease in the revenues of the oil sector due to the international sanctions imposed on Iraq, which was clearly reflected on the ratio of covering the revenues to expenditures, as it constituted a ratio of about (24.4 %) in 1991 until it reached (43.8%) in 2003, as we also note from the table and during the same period that the percentage of current spending of government spending far exceeds the percentage of investment spending, which gives us an indication that consumer spending was taking over the largest percentage of the total government spending amounted to about (74%) in 2003, which was not reflected in the actual increase in economic growth.

Fourth- The post 2003 Stage

Iraq went through a state of important economic transformations that accompanied the process of changing the ruling political system, after an economic siege that lasted more than thirteen years, which ended with the fall of the regime and the entry of the international coalition forces led by the United States of America on (9/4/2003), and the administration of the state was handed over to the Coalition Provisional Authority appointed in accordance with UN Security Council Resolution No. (1483) (). The interim administration has sought to apply liberal ideas to the Iraqi economy, based on individual freedoms in property, work and competition, and away from the central economic authority of the previously used system, in addition to privatizing the economy and granting the central bank complete independence from government policies.

The interim administration and successive Iraqi governments have also linked the revenues of the general budget of the country and the development programs that depend on it directly to the achieved oil revenues, as it is the main channel that feeds the general budget (), this means the dependence of the state financial budget on global economic conditions and international markets, that is, the higher the global demand for Iraqi oil, the higher the revenue that enters the general budget and vice versa, which caused a defect in the formation of the Iraqi economy as a result of making its financial resources which are dependent on the oil sector hostage to external shocks, which left a negative impact on the implementation of programs with development dimensions and fluctuations in the gross domestic product.

It is noted that the budget financing processes after 2003 were characterized by a rising consumerist pattern, through the government tendency to encourage employment in low-productive sectors, when there was a rise in financial revenues achieved from the oil sector, without directing them towards building an infrastructure that stimulates growth in the non-oil economic sectors which took the character of stagnation, which resulted in the creation of a fragile economic entity, this is shown by Table No. (6) trends of government spending with its two sides (current and investment), the volume of public revenues after 2003, and the percentage of spending from Gross Domestic Public.

Table No. (6) shows government spending (current and investment), public revenues and the percentage of spending from Gross Domestic Public at current prices for the period (2004-2020)

| The year | Current Spending | Investment Spending | Total public spending | General Revenue | Gross domestic product at current prices | GDP share of government spending | The size of the deficit or surplus | Deficit Ratio for Expenditure |
|----------|------------------|---------------------|-----------------------|-----------------|--|----------------------------------|------------------------------------|-------------------------------|
| 2004 | 29102758 | 3014733 | 32117491 | 32982739 | 53235000 | 60,3 | 865248 | 2,69 .% |
| 2006 | 32778999 | 6027680 | 38806679 | 49055545 | 95588,52 | 40,6 | 10248866 | %26,41 |
| 2008 | 47522700 | 11880675 | 59403375 | 80252182 | 157,026,120 | 42,8 | 20848807 | %35,1 |
| 2010 | 40653011 | 29481190 | 70134201 | 70178223 | 162,045,699 | 3,3 | 44022 | %0,06 |
| 2012 | 79954033 | 25185543 | 105139575 | 119466403 | 2542255,50 | 41,3 | 14326828 | %13,6 |
| 2014 | 85654327 | 26537795 | 112192127 | 105386623 | 266420434 | 42,1 | -6805504 | (%6,65) |
| 2016 | 80149411 | 25746311 | 105895723 | 54409269 | 196924192 | 53,8 | -51486454 | (%48,61) |
| 2018 | 80873072 | 23285112 | 104158184 | 106569834 | 268918924 | 38,7 | 2411650 | %2,3 |
| 2020 | 76082442 | — | 76082442 | 63199689 | 198774365 | 38,3 | 12882753 | 16,8 .% |

(Source): Prepared by the researcher based on the following data: 1- Ministry of Finance, Budget Department, final accounts for different years. 2- Central Bank of Iraq, Department of Statistics and Research, different years.

The above table shows the importance of the government public expenditures and revenues, as the administration through which it employs its economic policy in achieving its goals that reflect the aspirations of the public interest and ways of financing it.

It is clear from the data of Table No. (6) that the volume of public expenditures in Iraq after 2003

witnessed basic changes in the volume of expenditures, as a result of changing economic conditions after a stage in which the country experienced wars and economic siege, through which the state sought to compensate for its delay in keeping pace with other countries for the previous periods, specifically in the aspect of rebuilding the infrastructure and improving

the living conditions of citizens, as a result of that the volume of public spending rose in an upward manner until it reached (594033750) million dinars in 2008, after it was (32117491) million dinars in 2004 to achieve a percentage of (42.8%) of the domestic product at current prices, and this rise is natural as it is linked to inflation rates, which rate for the same period about (53%)(). These figures give us an indication that the increase in the volume of public spending comes from the ability of the state general budget to cover spending processes, especially after the condition of economic openness and the increase in the volume of exports from the oil sector, which gave a noticeable increase in public revenues, as the volume of public revenues for the years (2004, 2006, 2008) reached about (32982739), (49055545) and (80252182), respectively.

The escalating approach in the spending processes of the Iraqi governments continued until the highest expenditure volume for 2014 reached (112,192,127) million dinars, constituting (42.1%) of the gross domestic product at current prices, due to the high quantities produced from the oil sector due to contracts Oil licensing rounds, but after 2014, specifically for the years (2016-2018), public spending witnessed a major setback due to ISIS's control of some Iraqi governorates, and the humanitarian crisis that left behind, and non-oil economic activity was affected by those events, as it cumulatively stagnated and reached (29.5%) for the period from (2014-2016), which lost the confidence of investors in it (). The collapse in global oil prices also contributed to significant effects on the general financial situation in the country, as it led to a decline in the volume of public revenues and the occurrence of a huge deficit in the public budget, which amounted to (51486454) million dinars, which forced the government to introduce some adjustments in public expenditures to contain the budget deficit, by moving towards internal or external borrowing, which contributed to compensating public spending processes.

In 2020, the global health repercussions with the emergence of the virus (Corona) cast a shadow on international trade, as a result of the closure of most countries on themselves, which directly affected the economies of the rentier countries, including Iraq, which created major financial

problems due to the decline in revenues from the oil sector.

From the foregoing, we can describe the Iraqi economy as fragile, as a result of an economic structural defect that prevents the diversification of the state financial resources, which has generated a continuous deficit in the public budget throughout the years of the period from (2014-2020), perhaps it will continue as long as the economic policy of the state remains unchanged, in addition to the rise in the percentage of public spending indicators from the volume of gross domestic public at current prices, the largest percentage of which was based on current (operating) spending. Its percentage for the years (2016 and 2018) amounted to about (74.6%) and (77.6%), until it reached the highest coverage rate of public expenditures in 2020, as it amounted to (100%), which made it necessary for the government to cancel the investment budget and go only by giving salaries for employees, due to confusion and the type of economic policy that the state has followed, which is a stimulating employment policy towards the government sector, accompanied by marginalization and ineffectiveness of the private investment sector, which has left an impact on weakening economic growth rates and made defect in achieving development programs that depend mainly on the side investment spending of the budget.

Conclusions:

- 1- The absence of a development strategy for the economy and society throughout modern Iraq, despite the presence of changes that took place in its political and economic system, which was more evident today than ever before in the absence of national economic strategies and policies.
- 2- The successive governments, regardless of their intellectual orientations, relied on the rentier financial returns which are achieved from the oil sector in implementing their financial policy, considering it the only and main funding source for development processes and economic plans.
- 3- The dominance of the public sector over economic decision-making processes and the use of available resources, which caused the

creation of structural problems in the structure of the economy of the state, which led it to waste oil resources due to wrong economic policies. In addition to increasing military spending to cover wars during the eighties and nineties of the last century.

4- Adopting an expansionary fiscal policy, which took current (operating) spending the bulk of the state public spending processes, in light of the limited resources achieved from other economic sectors, which caused a large and continuous financial deficit, especially for the period from (2014-2020).

Recommendations:

1- The necessity of putting in place economic reforms and development programs that guarantee the activation of the private sector, and the correction of structural imbalances through a gradual transition from a single economy, to supporting the productive sectors, all the agricultural, industrial or service sectors.

2- The phenomenon of deficit in the general budget should be reduced, and this requires controlling unjustified public expenditures, in a manner that is appropriate to the achieved revenues, in addition to maximizing other financial revenues in the state economy, such as activating the tax system.

3- The necessity of not linking the state economic policy and development projects to a single financial sector or resource, such as the (oil sector), so that policy or planned state projects would not be subject to delay in the event of a crisis (external shock) affecting the decrease in the financial resources which are achieved from that sector.

4- Working to invest the financial surpluses achieved from the oil sector within a special fund, to be established for the purpose of supporting vital development projects that serve the economy of the country, and not directing them towards current spending.

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