



ECONOMIC REHABILITATION IN IRAQ: DIALECTICAL RELATIONSHIP BETWEEN INTERNATIONAL INSTITUTIONS AND REQUIREMENTS OF THE NATIONAL ECONOMY

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A B S T R A C T

The importance of the research lies in its review of the most important problems of the Iraqi economy since 2004 and the stages through which the economic reform measures have been implemented, as well as how successive governments have dealt with the reform measures laid down by international organizations in Iraq.

Although there were potentials, natural resources, and detailed reform programs for the Iraqi economy, they did not continue to advance their economic and financial capabilities, which is the study's problem. Therefore, Iraq needs international organizations to intervene for economic reform and on a continuous basis since the country is constantly exposed to crises, this shows that it has benefited from these programs only in a limited period of time when it has gone through economic and security crises and oil shocks. This shows that it has benefited from these programs only in a limited period of time when it has gone through economic and security crises and oil shocks.

The study aims to determine the appropriateness of economic reform programs to reform the general budget in Iraq, and what are the most important steps that have been taken to implement the economic reform policy, and the extent of its compatibility with the reality of the Iraqi economy and what are its most important results. The study reached a number of conclusions and some recommendations were proposed in the light of them.

KEY WORDS

Economic rehabilitation,
dialectical international
institutions, national
economy.

Introduction

Locally and globally, Iraq went through a period of time that was almost long and harsh conditions at different economic and social levels. The economic policies pursued by the previous political regime had a role in under developing the structure of the Iraqi economy. The Iraqi economy suffered for more than two decades, from the Iraqi-Iranian war and international economic sanctions. It has been left negative effects on all aspects of economic life, and its negative effects extended to various social aspects. Instead of developing these structures by using its main resource of oil, the economy has become suffering from the problems of unemployment, indebtedness, inflation, underdevelopment of

production structures, and poverty. To addressing these problems, entails taking reform economic policies that affect the Iraqi economic structure. It is because of the dependence of the Iraqi economy on oil resources to cover public expenditures.

These expenditures have been greatly affected by the circumstances of the war and the blockade and their repercussions on the decline in oil revenues. The economic imbalances that the Iraqi economy suffers from emerged. It is certain that the reform policies come in response to a number of external and internal requirements and motives, whether economic, social and political.

1- The study Importance: The importance of the study from its review of the problems of the Iraqi economy since 2004 and the stages through the economic reform measures. As well as, how successive governments dealt with the reform measures whose foundations were laid by international organizations in Iraq. The need has become urgent and necessary for the economic reform process in Iraq, more than before. The reform that aims to increase its actual and practical productive capabilities, relying on its own capabilities in organization, creativity and innovation, according to a long-term strategy that is not interim that represents post-occupation conditions.

It needs to radically rebuild the Iraqi economy in all economic and service sectors contribute, especially non-oil ones. It is taking the local, regional and international reality that surrounds Iraq and its impact on the past, present and future first. According to the theoretical models proposed by the International Monetary Fund and the World Bank that come Privatizing public projects, liberalizing foreign trade and prices, and reforming the structure of the labor market.

2-Study Problem: Despite the availability of potentials, natural resources and reform programs, they have not invested to advance financial and economic capacities except in times of crisis. The most of the reform steps in terms of expenditures conflict with the requirements of the national economy to address unemployment and poverty and their impact on changes in the political map at close intervals.

3 - Study Objective: To demonstrate the economic reform programs applied in Iraq in achieving harmonization between the requirements of international institutions and the requirements of the national economy, the most important steps that have been taken to implement the economic reform policy and the extent of their compatibility with the reality of the Iraqi economy and the most important results, especially in terms of current expenditures.

4 - Study Hypothesis: The economic reform programs applied in Iraq had a role in overcoming the recurring crises in the Iraqi economy, and once the crises are over. The spending and employment policies and the state's intervention will return to what they were before the implementation of the reforms.

The First Topic

Economic reform (concepts and policies)

The proposals of the fund and the World Bank from the fact that economic reform policies often lead to restoring internal and external balance by reducing inflation rates and working to strengthen the balance of payments and restore creditworthiness. In addition, to being focused at achieving sustainable development by addressing the negative aspects of the prevailing economic and social situation that hinder the development process in developing countries. As mentioned above, the Arab countries tended towards adopting the economic reform programs formulated by the economists of the International Monetary Fund and the World Bank, which resulted in divergence in the results from various economic and social aspects.

First: the concept of economic reform

The reform in the Arabic refers to making something more righteous (1), corresponding to that in English (the reform). The modification in the desired direction, and then the economic reform in linguistic terms mean the modification of the vocabulary of the economic pattern in the desired direction. For the economic side, (Manuel Guitain) has been defined that it as an expression of the policies that work to make local expenditures in harmony with the available resources, by creating a combination of fiscal, monetary and commercial policies and the exchange rate to ensure the existence of an aggregate domestic demand that is in line with the composition of the aggregate supply and by adopting procedures that work to stimulate the sectors of goods and services. As well as, the adoption of micro-economic policies aimed at improving efficiency in the use of resources through the removal of price distortions, the promotion of competition and the easing of administrative control (1).

The internal and external financial balance is restored, inflationary pressures are reduced and its negative effects are mitigated. It is leading to an improvement in the balance of payments situation and the restoration of creditworthiness, which requires certain measures to ensure sustainable growth and reduce the unemployment. As well as, stabilization policies and reforms aimed to improving the allocation of resources and raising their efficiency in the medium and long term (2).

The term economic reform (3), which was addressed by many economic policy makers and researchers, refers to the economic measures necessary to reach a high level of efficiency and competitiveness by achieving a balanced relationship between the resources available to society and its requirements, in a way that leads to correcting the basic imbalances in economy and restoring the general economic balance (4). The term economic reform is also mentioned as (correcting the foundations of macroeconomics as a precondition for the return of heavily indebted countries to the path of steady growth) (5).

Second: economic reform programs

The one responsible for applying the repair mechanism is (crossed conditionality) shared by the International Monetary Fund (IMF) and the World Bank (WB). Cooperation between the two institutions took a formal and institutional form in March 1986 with the introduction of the evolved in September 1987 into the Enhanced Structural Adjustment Facilities. The Fund and the World Bank adopted these propositions as a result of imbalances and distortions in the performance of economic variables in developing countries, which accumulate over a period of time, whether due to internal policies or external shocks. The (economic reform programs) refer to the package of policies concerned with managing aggregate demand so that this demand is compatible with the gross domestic product and the regular flows of external resources.

The short-term measures attracted the attention of the economic administration of the International Monetary Fund, which aims to provide rapid support to settle the external deficit, and combat internal inflation to restore economic balance in developing countries (2), While the interest of the World Bank's economic management in long-term measures aimed at creating a system of incentives helps bring about structural changes in the national economy and thus achieve continuous growth (3). These programs consist of two packages of policies:

1- Economic Stabilization Program

It has been consisted of a number of policies that aimed at correcting financial and monetary imbalances and removing the imbalance between aggregate demand and aggregate supply. The aim of maintaining a certain level of economic performance or improving that level while reshaping the economic policy towards the free market (6). This type of economic reform program is based on the necessary fiscal and monetary policies to reduce the level of aggregate demand in the economy that exceeds the level of aggregate supply, in preparation for restoring the concerned economy to a state of balance and reducing the rate of economic inflation.

The financial policies adopted within the framework of this program aim to fix the state budget deficit, reduce public spending and increase public revenues. However, the monetary reform includes liberalizing interest rates and setting upper ceilings for domestic credit in order to restrict the aggregate demand. The provisions of this program also include reduce in the price of the local currency against foreign currencies. The provisions of this program are usually designed on the basis of the short term (one to three years) and support for a credit readiness arrangement from the IMF, the sponsor of the program, according to the fund provides credit loans to developing countries that implement such a program during specific time periods.

2- Structure Adjustment Program

This program consists of a set of economic measures and policies that seek to address structural imbalances in the structure of the economy, through improving the efficiency of using available economic resources, liberalizing local prices and removing their distortions, improving the quality of local goods, transferring spending to local goods instead of importing, and shifting the production pattern towards export. This program also includes a call for the privatization of public sector projects, and providing the necessary incentives to encourage the inflow of foreign investments into the interior and stimulate the local private sector to expand its investments without obstacles (7). This program includes three main things:

A - E expenditures reduction

Excess aggregate demand is the result of an increase in aggregate expenditure (investment, consumption, government) the main cause of the deficit at the internal level related to the general budget or at the external level related to the balance of payments, which is reflected in the form of inflationary pressures. In this case, national spending must be reduced to a level appropriate to the available resources through a set of procedures determined by the IMF for a period of approximately (12-18) months, including the disposal of economic support by the government budget as a result of the presence of production units in the public sector that achieve a loss through Liquidation of these units or selling them to the private sector.

The making a significant reduction in the items of transformational expenditures of a social nature, especially what is related to subsidizing the prices of necessary food commodities, and increase the prices of energy materials to the level of international prices. In addition, to reduce salaries, and allowances for workers and employees in the government and the public sector, the fund also recommends that the government stop entering into investment fields that the private sector (particularly foreign or shared). As well as, measures to reduce spending through fiscal and monetary policy.

B- Expenditures transportation:

This policy includes changing the relative prices of non-tradable commodities and commercially negotiable commodities (export). This change in relative prices is achieved when the domestic price level decreases, which makes commodities relatively cheaper than similar commodities abroad. This decline in prices leads to two results. The first is to increase exports, and the second is to reduce imports. This means compensating for the deficit in the trade balance.

For the other aspect of transferring transportation, it is achieved by devaluing the currency, which leads to an increase in exports. The demand for them increases due to the decrease in their prices. Likewise, imports decrease due to the increase in the prices of imported commodities. Therefore, it finds that the change in relative prices leads in most cases to shifting spending and shifting the production pattern towards expanding the production of commodities. Exportable in order to increase the country's foreign currency revenues and then reduce the deficit in the balance of payments (8).

C- Efficiency Improvement:

The World Bank has been added another item in the components of the structural adjustment program, which is represented by improving production efficiency. This component relies primarily on medium-term policies related to the supply side directed towards raising economic efficiency, which means achieving the highest level of production in light of a certain amount of available resources or achieving a certain amount of production under the least amount of resources.

The Second Topic

Economic reform in Iraq (rationalization and steps)

First: rationalization for economic reform

The wars, conflicts and international sanctions that Iraq went through from 1980 to 2003 have been left a total destruction of all the facilities of the Iraqi economy and its societal, political and security structures. In Iraq, the economic indicators have reached their lowest levels and are not compared to countries that do not precede it in terms of independence, wealth, or human and health capabilities in which it reached highest levels since the seventies of the last century. Therefore, there was a set of clear rationalization for accepting the reform programs led by international organizations such as the IMF and the World Bank, the World Trade Organization, and even the United Nations and its development programs. These rationalizations can be summed up according to the following:

1- The imbalance in the structure of the gross domestic product

The Iraqi economy has been suffering for a long time from the imbalance of the structures of the productive structure. This imbalance depicts the state of disproportion in the system of relations of economic structures and the proportions that make up the economic system. The imbalance in the economic structures will lead to creating a state of general imbalance as a result of affecting the stability of the economy. The study of the gross domestic product alone gives only a false picture of the targeted (desired) real economic growth in the economy, which means by the actual growth accompanied by the expansion of production and the level of employment in contrast to the rentier growth resulting from the increased contribution of the oil sector in the formation of output.

The Iraqi economy is characterized as a model of the rentier economy, due to its reliance on the oil sector as the rotation of the wheel of the economy. This reveals the depth of the called "Dutch Disease" in the structure of the Iraqi economy. The oil sector record the largest percentage of the gross domestic product (GDP), which amounts (64.48%), while its revenues are estimated (96%) of the total budget

revenues. In addition, Iraq possesses one of the largest proven oil reserves, in addition to its human, natural and economic capabilities, which far exceed the resources found in any of the Arab Gulf countries.

The data that issued by the Ministry of Planning and the Central Bank has been noted that the Iraqi economy has achieved a remarkable development in the economic growth index, as the gross domestic product increased from (66335848.2) to (174990175.0) million dinars during the period from (2003-2013), and with varying annual growth rates as a result of the lifting of economic sanctions on the one hand, and the increase in oil revenues on the other hand. However, the real output amounting to (169557865.0) in 2014, thus achieving a negative annual growth rate of (-3.10%).

This decreased in economic growth indicators embodied in real output is due to the decline in oil revenues resulting from the decline in global oil prices on the one hand. The control of the terrorist organization ISIS over parts of the Iraqi governorates, especially the oil regions, on the other hand. For the period (2015-2017), the GDP has increased from (183,616,300.0) to (201,059,400.0) million dinar that achieving annual growth rates of (8.29% and 0.76%), respectively. By extrapolating the developments of the GDP, it is noted that the performance of economic growth has been modest, and this is explained by the impact left by the shock of the drop in oil prices at the global level, on the real economic aggregates, recording a compound growth rate of (7.176%) for the period (2003-2020).

Table (1) Contribution of economic sectors to the gross domestic product and employment in Iraq for the period (2003-2017)

Year	Oil sector		Industrial sector		Agriculture sector		Service sector	
	Contribution to GDP %	Contribution to employment %	Contribution to GDP %	Contribution to employment %	Contribution to GDP %	Contribution to employment %	Contribution to GDP %	Contribution to employment %
2003	59.2	1.75	3.0	18.91	7.1	12.52	30.6	66.83
2004	55.0	2.08	1.5	15.99	5.4	8.76	37.9	73.17
2005	50.1	2.13	1.5	10.89	7.0	5.33	41.3	81.65
2006	50.0	2.19	1.6	9.56	6.9	6.60	41.4	81.65
2007	52.7	2.39	1.6	13.08	4.9	7.86	40.7	76.67
2008	54.5	2.58	1.6	15.37	3.9	8.16	39.9	73.89
2009	54.0	2.56	2.1	8.50	3.9	4.21	40.0	84.73
2010	51.3	2.59	2.1	9.94	4.2	7.09	42.3	80.38
2011	51.7	2.56	2.0	10.83	4.5	7.63	41.7	78.89
2012	51.3	2.68	1.8	10.37	3.7	8.06	43.1	78.98
2013	49.2	2.99	1.5	10.74	4.2	8.29	45.1	77.98
2014	51.3	2.98	1.2	9.48	4.2	7.65	43.2	79.81
2015	55.1	3.07	0.8	9.11	2.0	7.74	42.1	80.01
2016	64.48	3.15	0.85	9.18	2.13	7.82	32.5	79.80
2017	63.96	3.2	1.16	9.2	1.83	7.55	33.05	79.96

Source: Prepared by researchers based on: Zahed Qassem Badan, Stagnant Inflation and Structural Imbalances in the Iraqi Economy for the Period (1990-2013), Unpublished PhD Thesis, College of Administration and Economics, University of Basra, 2015.

- Data of the Ministry of Planning, Central Agency for Statistics and Information Technology, for different years.

Table (1) has been showed that the sectoral interdependence between the oil sector and other economic sectors, which creates a state of duplication in the environment of the Iraqi economy, which is

embodied in the growth and development of the contribution of the oil sector compared to other sectors, which can be diagnosed according to the percentages contained in Table (1) as being of great weight. In employment, and then bridging the unemployment gap that the economy suffers from, in the sense that growth under the rentier framework of the Iraqi economy depends on oil revenues and not on increasing production and creating links between sectors with each other.

Table (1) has been recorded that it is noted that the industrial sector was not able to achieve a weighty contribution to the output during the period studied. At the same time, its contribution to employment was below ambition, as it ranged between (9%-18%) for the period (2003-2017). For the agricultural sector, it was also not in a better condition than the industrial sector, as it recorded low percentages of contribution to the formation of the gross domestic product. The percentages of contribution to the output declined over the period of the study. It decreased from (7.1%)(2003) to (1.8%) (2017), as a result of the drop in water levels in the Tigris and Euphrates rivers and the start of building dams by Turkey and Iran in order to control the water shares, in addition to the lack of rainfall and desertification, whose features began to sweep over most agricultural areas.

The undisciplined policy embodied in opening the import in wide ways and thus flooding the local market with imported agricultural commodities with low prices compared to those produced locally, which constituted a serious competition with local agricultural commodities with a high price and popularity in favor of imported commodities and low productivity. As a result of this increase in production, unemployment rates increased due to the inability of the concerned sector to absorb the supply of labor, and this reveals a remarkable low percentage of the contribution of the agricultural sector to employment, as it ranged between (4-12%) during the period (2003-2017).

For the service sector, it is noted that it recorded clear growth rates during the research period, as its contribution to the GDP increased to reach (45.1%) (2013), meaning that the contribution of this sector to the formation of output is greater than its counterpart in the agricultural and industrial sectors. As for the employment level, it is noted that it acquired the highest percentage among all other sectors combined. It has ranged between (66%-84%), and this reveals a state of disproportion and imbalance between the contribution of the sector to the output and its contribution to employment, meaning that it indicates the extent of the weak productivity of the labor force in this sector, in addition to the low added value of the output, and this matter reflects the extent of the deepening and aggravation of the phenomenon Disguised unemployment in the economy.

The main objective of the study and analysis of the percentages of the economic sectors' contribution, whether in the gross domestic product at constant prices or in the level of employment, is a step to determine the depth of the degree of total disruption of the infrastructure constituting the output, measure it and compare it with the natural degree of (20%), which is calculated by finding the difference Between the percentage of each sector's contribution to the gross domestic product and the percentage of the same sector's contribution to absorbing the labor force (employment) at the level of the national economy (9). The table below indicates the degrees of sectoral and imbalance in the Iraqi economic environment for the period (2003-2017).

Table (2) Degrees of sectoral and imbalance in the Iraqi economy environment for the period (2003-2017)

Year	The degree of imbalance in the oil sector D1	The degree of imbalance in the industry sector D2	The degree of imbalance in the agriculture sector D3	The degree of imbalance in the service sector D4	The total imbalance D
2003	57.45	-15.91	-5.42	-36.23	115.01
2004	52.92	-14.49	-3.36	-35.27	106.04
2005	47.97	-9.39	1.67	-40.35	99.38
2006	47.81	-7.96	0.3	-40.25	96.32
2007	50.31	-11.48	-2.96	-35.97	100.72
2008	51.92	-13.77	-4.26	-33.99	103.94
2009	51.44	-6.4	-0.31	-44.73	102.88
2010	48.71	-7.84	-2.89	-38.08	97.52
2011	49.14	-8.83	-3.13	-37.19	98.29
2012	48.62	-8.57	-4.36	-35.88	97.43
2013	46.21	-9.24	-4.09	-32.88	92.42
2014	48.32	-8.28	-3.45	-36.61	96.66
2015	52.03	-8.31	-5.74	-37.91	103.99
2016	61.33	-8.33	-5.69	-47.3	122.65
2017	60.76	-8.04	-5.72	-46.91	121.43

Source: collected the data by researchers based on the data of Table (2).

Table (2) has been indicated that the oil sector recorded positive imbalance degrees throughout the period (2003-2017), due to the fact that the contribution of the concerned sector in the formation of the gross product exceeds the percentage of its contribution in employing the labor force. As the degree of imbalance has been reached (57.45%) in 2003 as a result of the circumstances and events that afflicted the economy at the time, and this percentage decreased to (46.21%) in 2013. It can attribute the reasons for the imbalance in this sector to the dependence of its investments on deepening capital and not the labor force. Most of the oil industries in Iraq are extractive industries, as a result of which industries were not established that enhance the expansion of operation and increase the added value. In addition, to that most of the investments in this sector are foreign investments based on foreign labor in the greater part of them.

For the industrial sector, it has achieved degrees of negative imbalance value throughout the study period, which reflects the superiority of its contribution to employment over its contribution to the formation of output. This type of imbalances reveals a significant weakness in the performance of the sector and its inability to move the overall economic activity. As a result of its poor productivity as well as the spread of the phenomenon of disguised unemployment, especially since the government sector constitutes the greatest part of it, while it is noted that the agricultural sector has achieved negative levels of sectoral imbalance throughout the studied period except for (2005, 2006).

Table (2) has been also indicates a decrease in the degrees of imbalance in absolute values, and this explains the weak contribution of the agricultural sector in both parts of the relative contribution, whether in the formation of output or in employment, as a result of the backwardness of this sector in terms of the use of modern technological methods, the high costs of production and the lack of protection for local products.

As for the service sector, it is noted that it has also recorded negative and high values in absolute terms, due to its relative contribution to employment exceeding its contribution to the formation of output, meaning that the number of the workforce exceeds the sector's need for it, so the marginal productivity of the labor force is equal to zero or negative. It is noted that the highest degree of imbalance in absolute terms amounted to (47.3%) in 2016, while the lowest value of imbalance achieved by this sector in absolute terms amounted (32.88%) in 2013. Based on that, it is indicated that the degrees of the total imbalance have exceeded the aforementioned standard ranges, and this diagnoses the extent to which the imbalance is the productive structure of the Iraqi economy. The ability of the economic sectors to perform the role assigned to them in the formation of the structure of output, which leads to the inability to achieve general balance at the level of the national economy and thus creates a state of inconsistency between the economic sectors to the extent that limits its ability to achieve and sustain economic stability and growth.

2- The external debt

In Iraq, as a rentier country that relies on oil revenues to finance its expenditures, was not previously classified in the field of countries that need international financing to achieve development because it can achieve financial sustainability, but the crises and circumstances that afflicted the economy prevented it from achieving this, and it also forced it to resort to external borrowing. The external public debt grew significantly due to the accumulation of debts and their interests, as the external debt reached (185,984,000) million dinars in (2004), but it began to decrease after (2004). It has achieved an annual growth rate (-5.27%) compared to (2004). This is due to the lifting of international sanctions on Iraq (the economic blockade) as well as the implementation of the Paris Agreement (with the assistance of the International Monetary Fund through the support agreement between the Fund and Iraq), according to which (80%) of this foreign debt of Iraq was extinguished on the one hand.

The increase in oil exports and the increase in prices also contributed to the increase in revenues and thus the achievement of a surplus in the general budget and the growth of foreign reserves, which helped the government to pay its debts, and then the external indebtedness decreased on the other hand. We notice an increase in the external public debt during (2011), which amounted (71,682,390) million dinars, at an annual rate of change (0.6%), due to the increase in new loans, as well as loans financing the Ministry of Electricity. The period (2012-2014) record a decrease in external public debt from (70,309,800) million dinars in 2012 to (69,022,800) million dinars in 2014 as a result of the drop in international oil prices. The period (2019-2020) also record a decrease from (79,123,100) million dinars in the year (2019) to (73,200,000) in the year (2020), at an annual growth rate (-7.48%), as a result of the increase in international oil prices, and thus the government was able to bridge the deficit. As a result of the increase in oil revenues, figure (1) depicts the extent of the evolution of the volume of external public debt over the period studied.

3- Low average per person income and high rates of poverty and unemployment

According to the data that issued by the official bodies approved in the design of Figure (2), it is noted that the average per person GDP reached its peak in 2004, achieving a growth rate of (49.01%). It increased from (3752.7) to (4986.0) million dinars in 2013. This increase was followed by a sharp decline in the average per capita share to record a negative growth rate of (-5.55%) in 2014, as the data shows that the increases in the per person share of GDP. It was fluctuating, and this is explained by

the instability in global oil prices. The contribution of the oil sector in the formation of the gross domestic product compared to the small contribution of a number of other economic activities, especially service and distribution, makes the Iraqi economy a slack economy that lacks the basic pillars that allow it to advance in the development process and reach sustainable growth rates.

It is difficult to influence the real aggregates by using economic policies if the prevailing situation remains the same, so other economic sectors must be supported by using oil revenues in directing them in a way that ensures achieving balanced growth in them. The Iraqi economy witnessed in terms of political, economic and security events over many decades, embodied in the many wars and the consequent serious political, economic and security effects, as well as the state of financial and administrative corruption in various parts of the country and the failure to follow clear-cut economic policies with financial mismanagement. These factors led to the impoverishment of large segments of the Iraqi people, in addition to the double shock in (2014) embodied in the financial crisis and the terrorism crisis, and the complex triple crisis represented by the political crisis, the health crisis, and the economic crisis, which contributed to widening the circle of impoverishment. As official data indicates that the poverty rate increased in 2005 to (30.0%).

The Ministry of Labor and Social Affairs announced in January (2006) that the poverty rate for this year reached (26.38%) of the total population of Iraq. Therefore, the latter adopted strategic plans aimed at reducing the poverty rate in Iraq, as a result of which it decreased to (22.04%) in (2008) and continued to decline until the year (2012), when it reached (18.90%), and the number of the poor reached (6465) thousand poor individuals, lower than In 2007, about (332) thousand people. While the period (2013-2018) report an increase in the poverty rate. According to the estimates of the Central Statistical Organization, the poverty rate in Iraq increased in (2013) to (19.09%), and the number of poor people reached (6699) thousand people, and it continued to rise in (2014) to reach (19.28%), bringing the number of poor people to (6940) thousand people. And the increase continued until (2018), when the poverty rate reached about (20.05%).

The number of the poor increased to (7644) thousand people. This is due to the deterioration of the economic situation that left behind the deteriorating security situation in the country, the high rates of unemployment, the inability to reach food rations from the ration card, and the weakness of social protection networks, which led to the death of many Iraqi families. Below the poverty line, some of the displaced have fallen into poverty as a result of losing their sources of livelihood in the areas from which they were displaced. After that, (2019) record a decrease in the poverty rate to reach (19.26%). The number of poor people also decreased to (7536) thousand people, but the economy's exposure to the triple complex crisis contributed to the return of the poverty rate to (31.7%) in (2020) and reached The number of the poor is (12359) thousand people (figure 1).

As for the unemployment rate during the research period, it is noted that the unemployment rate decreased in (2005) to (17.97%) after it was (26.80%) in (2004), and this decrease is mainly due to a change in the mechanism of collecting data on unemployment. In addition, to replacing the main question in the survey in line with the standards of the International Labor Organization, that the person who worked for wages even for one hour in the week preceding the survey is not classified as unemployed, and not because of a change in the conditions of the labor market, and this decline in unemployment rates continued to reach (11.70%) (2007). This is attributed to the goal of government policy to increase employment in public institutions in order to address the problem of unemployment in Iraq that year, as well as to return the dismissed politicians to government departments, but the

unemployment rate rose again in 2008 to reach (15.34%), as a result of sectarian conflicts massive immigration of citizens.

Many employees left their jobs due to the deteriorating security situation. Unemployment rates (2017-2019) are described as close, as a result of the decline in government and private investment spending due to the government's adoption of austerity policy measures in order to bridge the financial deficit gap that the federal budget suffers from, in addition to the decline in payments to contractors and contractors dealing with the state due to the suspension of many projects. In the (2020) witnessed an increase in the unemployment rate as a result of the health crisis, as the latter contributed to an increase in the unemployment rate to (13.74%). Figure (1) depicts the development of unemployment rates in Iraq for the period (2004-2020).

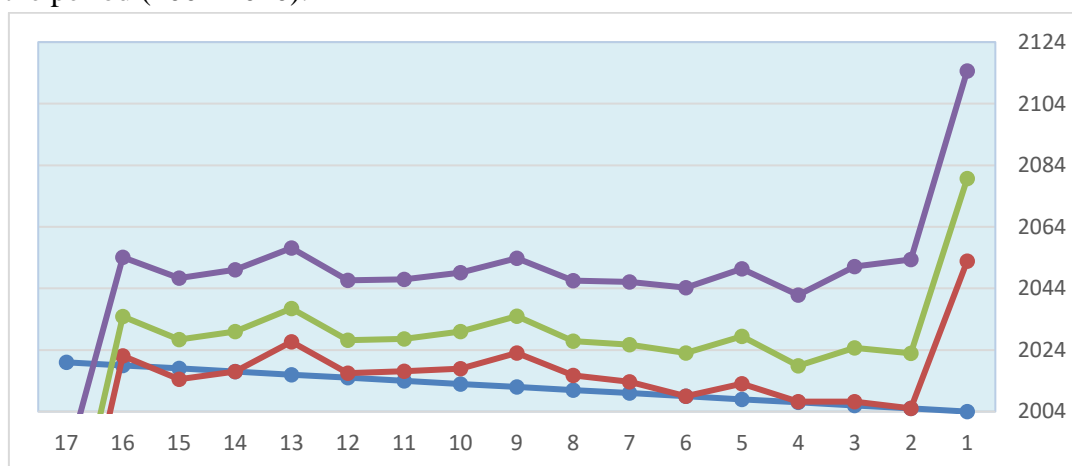


Figure (1) income per person and high rates of poverty and unemployment

Second: The reform programs concluded with IMF

The return of the relationship with IMF and the request for its aid for the purpose of economic reform, the adjustment of its credit position globally, and the scheduling or cancellation of its debts require obtaining the Fund's support in this matter, especially before the Paris Club. Therefore, Iraq began the journey by presenting a letter of intent in which it indicated the economic policies that it intends to implement, then another letter was sent to the fund in November 2005 to indicate the Iraqi government's commitment to the agreement called (SBA), that is, the precautionary measure agreement concluded on 23/12/2005 regarding economic reform and the duration Three years until 31/12/2008. Based on the Agreement for the Necessary Post-Conflict Assistance Program (EPCA) on September 29, 2004 (10), financial aid amounting to (436) million US dollars was provided, followed by an amount of (685) million dollars to support the reform process and on concessional terms under the agreement (10).

Iraq has easily paid this financial aid to provide its liquidity and to demonstrate its commitment to the Fund for the purpose of obtaining support and advice in reforming its economic policies and to confront the creditor countries and to give a certificate in this regard by the Fund that the Iraqi economy will transform into a market economy and is committed to reforms to reassure the creditor countries and parties if these agreements were The way to settle debts with the Paris Club. In return for Iraq's commitment to its recommendations, the International Monetary Fund has offered to work to assist Iraq in five main areas, which are (11):

1- Providing advice and advice with regard to economic policies, and helps in setting a general framework for a comprehensive and stable economic policy to be an essential element for economic growth.

2- Providing technical assistance to help Iraq manage and set policies to manage the country's affairs.

3- Participation in the formation of the International Advisory and Monitoring Council, which was established to ensure the use of the Development Fund's resources in a transparent manner, while ensuring the sale of Iraqi oil in accordance with global market practices and conforming to international standards.

4- Help Iraq to obtain loans through the Fund's cooperation with creditors who are members of the Paris Club and other creditors to develop reliable estimates of Iraq's foreign obligations and work to obtain large exemptions from Iraqi debts.

5- The Fund presents its readiness to provide financial assistance in a phased manner and in a manner commensurate with the policies and procedures followed in the Fund, and the International Monetary Fund has the ability to provide (850) million dollars as emergency assistance to Iraq in the first stage, and this is followed by other amounts according to Iraq's need and on an annual basis ranging between (1.7- 0.850) billion dollars as a supplement to the aid provided in accordance with the Fund's usual facilities. The issuance of Security Council Resolution (1438) in 2003, which drew up a strategy to restore Iraq to its role in international relations, especially international financial relations with the International Fund and the World Bank, the Fund has an important and clear role in dealing with Iraq's indebtedness, as it was able to persuade the Paris Club countries to reduce 80% of the total debt (12). Based on that, based on what he presented of economic analysis tables on Iraq to the Paris Club, in which he confirmed Iraq's inability to fulfill its debts if it did not obtain a reduction of 80% of Paris's debts and reschedule the remainder of it until 2028, and the reduction will be according to stages coinciding with the conclusion of specific agreements according to the following:-

A- Reducing 30% of the total contract for signing the agreement with Paris Club members.

B- Reducing 30% of the total debt upon conclusion of the SBA agreement.

C- As for 20% of the rest of the debt, it will be reduced if Iraq adheres to the SBA agreement no later than 2008. Thus, an amount of (44,910,382) billion dollars has been reduced out of (51,627,259) billion dollars of the debts owed to the Paris Club by Iraq (13). The following is a review of the most important agreements, conditions and programs concluded with the International Monetary Fund as they relate to the reform of the public budget.

1- Emergency Essential Post-Conflict Assistance (EPCA) Program

Although Iraq sent a called letter of intent to the management of IMF in May (2003) for the purpose of obtaining emergency assistance amounting to (634) million dollars, conditional on the implementation of the economic program of the Fund. However, the American pressure postponed this trend in the relationship with the fund by including Iraq in the "emergency assistance program for countries that have gone through difficult circumstances"(14) and that this program be a prelude to the implementation of the fund's program and its conditions in economic reform. This program is a prerequisite for accepting the rescheduling of external debts with the Paris Club and those outside this club, in addition to applying appropriate economic reforms in order to position countries to obtain their debts, as this reform program works to prepare the debtor country to improve its economic situation and to make it pay off the debt. Based on what he did structural reforms in his economy. This program

contains a number of measures and procedures for post-conflict countries, which can also be clarified from the following table:

Table (3) Structural relationships and key policy procedures under the Emergency Post Conflict Assistance Agreement (EPCA)

structural procedures	The maximum period for executing the works	Business operations
Develop monthly financial accounts for central governments and the private sector	2004	The Ministry of Finance follows up the committees in collecting data and information that has been missing for a long time
Issuing instructions regarding bank licenses and standard ratios related to banks	2004	It has not yet been done and there are instructions that can be issued regarding this matter
Payment systems legislation	2004	The law came with the help of the IMF.
Work on a sophisticated financial survey	2005	Carrying out continuous preparatory work in order to carry out this financial survey, but this survey has not been completed yet.
Adopt new plans to control tax policy and administrative habits	2005	Need to unify tax policy New plans for the tax system must be drawn up
Establishing an existing salary system based on modern foundations and working under an automated salary system for all government employees	2005	The government has developed the salary system and is working on introducing modern and sophisticated mechanisms such as tax credit cards

It is noted from the table through (Business Processes) that most of the procedures have not been completed until now, with the exception of salaries, wages, and methods of paying employees' salaries, which were completed later than the specified date within the structural procedures established in the agreement. The agreement also included procedures for the main policies that require approval. To carry out the economic reform, these procedures were according to the following table:

Table (4) Major political actions

No	Major policy actions	year	Procedures
1	Increasing the prices of domestic petroleum products	2004	The Iraqi authorities conducted an audit of the financial balance in 2005 and asked international companies to carry out audits.
2	Carrying out the external audit by the Central Bank of Iraq	2005	Work has been done to increase the prices of petroleum products
3	Adopting the administration law and implementing the instructions to implement it	2005	Instructions have been issued requiring work under this system

2- Declared Support Agreement between Iraq and the Fund (SBA)

This agreement aims to improve the indicators of the Iraqi economy and work to achieve stability in it in order to achieve comprehensive economic development through the economic and social reform program. This agreement has specific objectives, which are:

First - Reducing Iraq's debts by about 80% and entering into comprehensive negotiations to reduce the total debt.

Second- Gradually abolishing comprehensive, non-productive and inefficient government support at a time when it seeks to ensure the protection of poor groups through targeted protection networks with efficiency and the ability to provide appropriate protection for poor and low-income groups and to show the costs of financial support clearly and in aggregate in the budget the public.

Third- improving the public sector and encouraging investment; For the purpose of creating a suitable environment for private investment, creating job opportunities for many of the workforce, and reducing the unemployment rate, this requires a developed judicial system that is capable of protecting private property and concluding contracts efficiently, in addition to applying the investment law and commercial law and applying it effectively. The clarification of practical procedures for registering commercial businesses and registering private property in order to obtain the necessary loans for commercial work, and to help achieve this goal, public companies must be restructured and privatized and managed according to economic principles, while giving the private sector an opportunity to stimulate housing construction and work to encourage public savings and investment to create an environment Suitable for investment and growth with the government's efforts to reform the financial sector.

Fourth- Reforming the financial system and increasing the ability to obtain credit services by commercial companies and individuals, restructuring government banks and strengthening their role in the banking field in general by preparing the state for a suitable structure for competition in an efficient and appropriate manner while giving a clear role to private banking work for effective participation in banking work, And share it to provide services to government accounts and pay salaries and wages to employees and contractors.

Fifth- urging the Iraqi government to achieve the goals of the third millennium until 2010 in an appropriate and efficient manner by reducing the number of families living below the poverty line by a third, reducing the unemployment rate by half, giving a role to women to participate in work and doubling this participation, particularly in the non-agricultural sectors. The increase in spending in the health sector from (2.5%) to (4%) of the gross domestic product as a minimum, and ensuring universal access to primary health care.

Sixth- Limiting the increase in current spending and attempting to reduce the budget deficit and adopting a tabulation system (15) and classifying information related to the general budget according to an accounting model consistent with the International Monetary Fund system related to cash exchange accounts for the year 2001.

Seventh-Reducing government support for oil derivatives with the aim of bypassing the smuggling of oil and its derivatives and raising their prices in line with the prevailing prices in neighboring countries (16).

Eighth- Reforming the oil sector, implementing the automatic oil meter system and using it in the production and export of crude oil, preparing a draft law for the oil industry that includes the method of dealing with investment companies in the private sector, and establishing a committee to supervise the general audit of the Development Fund for Iraq and the sale of oil exports.

Ninth- Allocating specific amounts under the heading of regions and governorates to be distributed according to the population percentage to the provincial councils and the Kurdistan Region in order to use them according to their developmental orientations, noting that this type of allocation has been in effect since 2006.

Tenth- Applying fiscal federalism in Iraq after 2003 and finding an appropriate formula for sharing financial resources to ensure vertical justice between the center and lower levels of government, as well as horizontal justice between parallel levels of government (). Financial independence in the freedom to contract debts, mobilize one's own resources, and implement exchange obligations often weakens the central government's efforts to improve financial results, impose financial discipline, and expand the coverage and inclusiveness of the public budget (17).

The SBA agreement is summarized in carrying out financial and monetary reforms at the level of the Iraqi economy, working on controlling public expenditures, canceling subsidies, especially the ration card system and oil derivatives, limiting state interference, giving way to the private sector and giving it a greater role in leading economic activity while providing loans to help solve problems. Funding problems for the Iraqi economy, in addition to achieving the conditions for the transition to a market economy and creating an advanced and effective banking system and structure for the public sector. The agreement resulted in lending Iraq in the amount of (744) million dollars (). Dealing with the loans of IMF continued within the framework of (SBA). The Standby Credit Agreement, as the Fund pledged to provide (2.376) billion dollars in 2010-2011 to support the general budget according to specific conditions, that the loan period is (5) years, including a grace period of three years and with a total interest of 0.20% annually, and the amount (1.69) billion was committed in 2010 (1.871.730000) billion (). And because of the double shock in 2014 represented by (ISIS) seizing parts of Iraqi lands and the outbreak of the war against it, as well as the drop in global oil prices, Iraq again needed the Fund for the purpose of assistance by lending it sums to finance the war and fill the budget deficit generated by the increasing military spending with the decrease in prices that cover this spending.

The events of ISIS greatly affected the infrastructure of Iraq and the impact on its oil exports and shook the confidence of foreign and local investors in the Iraqi economy because it is in insecure conditions, and all of this affects the financial capacity of Iraq, especially its general budget, which is the financial and economic plan of the government. Therefore, Iraq entered into a new agreement with IMF since 2014.

3- The second stand-by credit agreement

The same name as the previous agreement called (SBA) for support and credit readiness, as the Iraqi government sent a press release to the International Monetary Fund informing it that Iraq is suffering from a financial crisis, the cessation of trade, the impact on the general budget and its potential to achieve growth in the medium and long term, and the government has pledged within this statement with the following (18):-

- a- Starting to implement steps to put in place measures to control public financial conditions so as to contain public expenditures in a manner consistent with the fiscal space of revenues and financing.
- b- Rationalizing government spending by reviewing the employment policy in the public sector and reducing subsidies, especially fuel, as well as rationalizing luxury spending and investing in increasing production capacities through specific priorities.
- c- Introducing non-oil taxes to diversify sources of income to diversify revenues.
- d- Working on a diversified economy with a greater role for the private sector. This is done by reforming state-owned enterprises in the medium term, which number (176) enterprises and employ more than (500) thousand workers. These enterprises lack economic efficiency and need urgent reform.

e- Giving private banks an opportunity to compete with government banks on fair and economic bases and giving them the opportunity to mobilize savings and deal with government institutions on the same level as government banks.

f- Preparing the business environment in accordance with international standards so that the private sector can play its role in improving macroeconomic indicators.

h- Work to reduce the non-oil deficit by \$20 billion, equivalent to (12%) of the non-oil GDP for 2013-2016. The Fund has linked its approval when linking the agreement to the following procedures and conditions for the implementation of the terms of the agreement, which are:

First- Including the salaries of senior state employees and higher and private grades with its allocations through tax deduction.

Second- Providing the appropriate environment, such as raising the efficiency of financial control agencies, and working to impose control on public spending.

Third-Taking measures to settle the dues of the oil companies.

Fourth- Work to issue a financial management law commensurate with the financial situation of Iraq and provide all necessary data to the International Monetary Fund.

Fifth-Taking measures that would reduce government spending and carry out a major financial correction by reducing inefficient investment spending, gradually increasing non-oil revenues, and committing to protecting rational social spending away from waste and corruption.

Sixth-Efficient use of the loan provided by the fund to achieve its objectives in economic reform (19).

Based on this agreement, Iraq pledged to work hard to legislate laws that would combat money laundering and terrorist financing and stabilize the financial sector. In light of this spending, the fund aims to help Iraq implement economic reform programs and restore its financial balance in the medium term. The program will be reviewed for a period of three years, with the approval of the Fund's Executive Board on the standby credit agreement with Iraq at a value of (3.831) billion SDR units (5.34) billion dollars or (230%) of Iraq's share to support the government's economic reform program. The Council's approval allows for the disbursement of (634) million US dollars to Iraq, and in July 2015, Iraq had received an amount equivalent to (891.3) million Special Drawing Units to (1.24) billion US dollars upon approval from the rapid financing tool (20).

A - Salaries and wages (compensations of employees):

From figure (2) regarding employee compensation values and their annual growth rates, it is noted that the values of salaries, wages, and allowances of all kinds increased, especially in 2005, as the growth rate reached (128.9%) as a result of improving the salary and wage scale, the re-formation of the security forces and the army, and the increase in volunteering operations. The return of the politically dismissed and the returnees from abroad coincided with the growing ability of the state to bear additional expenses to compensate the category of employees and other categories from the previous years of deprivation and improve the living conditions of the Iraqi citizen. New salaries and wages contributed to the growth of the average salaries and wages by (47%) over the year 2007.

The percentage of spending on salaries and wages out of total public spending has also increased. The percentage of salaries and wages contribution has moved to a significant increase after 2004 from total current spending, reaching (29.45%) compared to (9.63%), despite the emphasis of economic reform programs on reducing the percentage of salary contribution. And wages to public and current spending, and developing solutions to that by delaying employment, trying to reduce the number of employees, reducing benefits, adjusting the salaries of workers in the security services, dealing with the issue of

absentees without leave, and linking wages to productivity. However, the government for political and not economic reasons created many additional positions and departments and a large number of advisors, as if it failed to use the general budget to stimulate the economy and thus create new jobs. Everyone considers it an acquired right that the state must fulfill.

This is due to its loss of the basic public capable of advancing the private sector or carrying out the infrastructure to absorb the surplus of the labor force, in addition to the lack of harmony between its educational policy and the labor market. International organizations, in the stand-by credit agreement, demanded a reduction in salaries and wages by (3) trillion for 2016, but the government was unable to take this reduction as the reduction amounted to only (0.8) trillion, and the 2013 were all lower than 2013 in which salaries were Wages amount to (42.8) trillion Iraqi dinars.

Therefore, the recommendations of the fund and the Bank did not succeed in prompting the government to influence private expenditures in salaries and wages in a clear and effective way. Rather, the state, despite its attempt to merge ministries and abolish positions, could not actually affect this type of spending, and it still constitutes a threat and concern when preparing any budget and a source of concern to increase Inability or inability to provide it in the near future. Figure (2) depicts the relative importance of employee compensation in Iraq for the period (2004-2020).

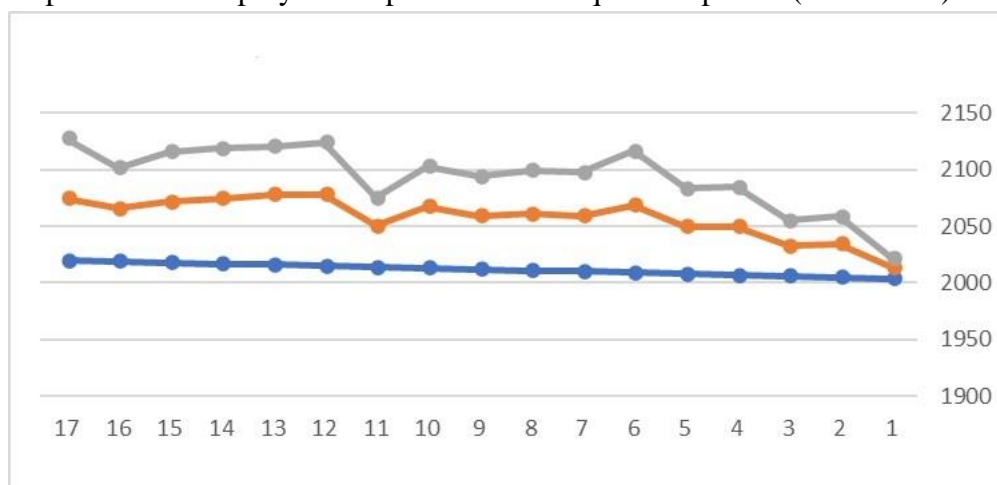


Figure (2) the relative importance of employee compensation and its growth rates in Iraq for the period (2004-2020)

b- Social transfers

Transfer expenditures or social transfers constitute a clear percentage of current and public spending. Figure (3) shows the extent of the contribution of social transfers from both current and public spending, as this includes spending on social benefits such as social advertisements such as the social protection network, support for farmers, the ration card, as well as welfare programs Social for some state departments such as the Ministry of Migration and Displacement, the Kurdistan region and other departments. However, the second part of the social transfers is the subsidies and grants that are provided to state departments that do not generate revenues, civil society organizations and scientific institutions that are not linked to the Ministry of Higher Education, in addition to debt service and installment payments within the economic classification of public expenditures in the account of grants, subsidies and debt service.

Figure (3) showed social transfers are varied and fluctuating, although they are dominated by positive growth rates, with the exception of the years (2005, 2009, 2015 and 2020). This depends on the financial conditions of the state, as these years witnessed a decline in financial capabilities as a result

of the drop in oil prices and the decline in public revenues. While it is noted that the increase in social benefits reached its maximum in 2014 due to the increase in social benefits with regard to immigration, the displaced and social care due to the large migration of the people of the areas entered by the terrorist organizations of ISIS, as the social benefits increased from (6737447) million dinars in 2013 to (14363878) million dinars in 2014, with a growth rate of (119.99% Thus, the total transformational expenses increased from (20,168,758) million dinars in 2013 to (23,744,730) million dinars in 2014, with a total growth rate of (17.73%). Because of the double crisis, grants, subsidies and debt service decreased from (134,313,112) million dinars in 2013 to (9380.852) in 2014, at a negative growth rate of (30.15%).

According to the recommendations of the International Monetary Fund, there was a decrease in the amount and growth rate of social transfers to (16,156,046) million dinars in 2015, with a negative growth rate of (31.95%) due to the decline in social benefits to (11,447,912) million dinars, with a negative growth rate of (20.3%) over 2014, while (Subsidies, grants and debt service) decreased from (9380852) million dinars in 2014 to (4708134) million dinars, with a negative growth rate of (49.8%). Within the 2015 support and readiness agreement, the fund has recommended a reduction in transfer spending by (2.4) trillion dinars, including by reducing the ration card. Oil requires an increase in the social protection network by (1.8) trillion, including the ration card, by an increase of (0.2) trillion dinars (21). Figure (3) includes the relative importance of the components of social transfers.

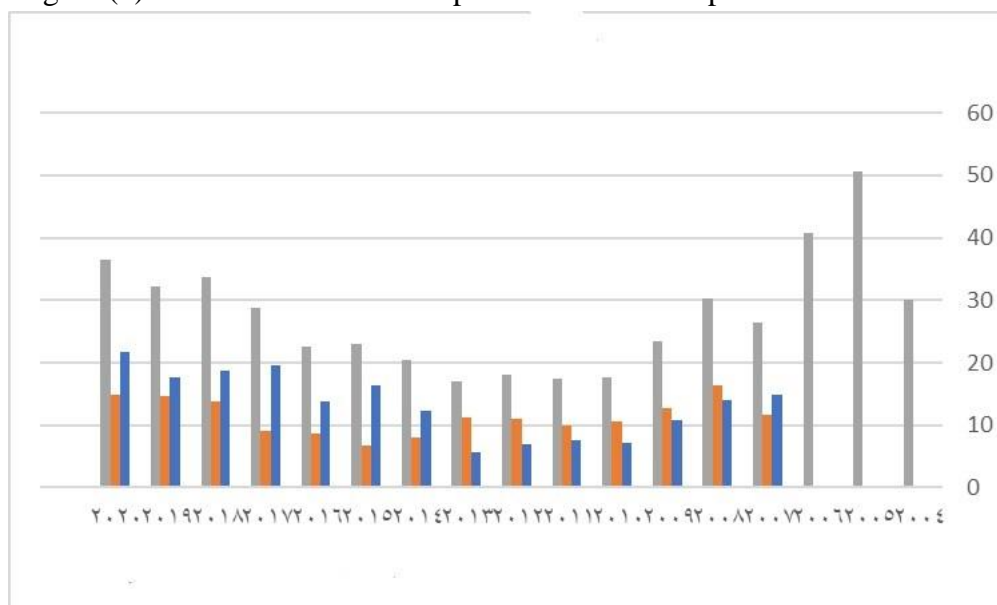


Figure (3) the relative importance of the components of social transfers in Iraq from public spending for the period (2004-2020)

Despite all the recommendations, the total social transfers reached their peak in 2019, reaching (36,060,509) million Iraqi dinars, to more than (36) trillion Iraqi dinars, and that the values of social benefits amounted to (19,696,020) million dinars, with a growth rate of (1.29.86). Grants, subsidies and debt service amounted to (16,364,489) million dinars. It included the account of social benefits, the account of the general activity of the state, work, social affairs, ration card, immigration, the displaced, the Kurdistan region, and other departments such as the Office of Financial Supervision, the Supreme Judicial Council, and the Federal Court.

We do not know the reason for the inclusion of these departments in social care, while the account of grants, subsidies and debt service included the bulk of it the payment of interest and installments for

the debt, which was allocated for the general state activity wage (affiliated to the Ministry of Finance) an amount of (18200793074) million dinars (22) more than (18) trillion dinars As for the rest of the amount, it was distributed to most of the state ministries. Exploiting the increase in revenues for the year 2018 with the suspension of most investment projects and not directing them, and paying more attention to the current spending in terms of debt repayment and social welfare for the year 2019, and among other factors that helped this spending is what was achieved from the budget surplus in 2018, as it achieved more than (25) trillion Iraqi Dinar. In order to clarify two important details of the social benefits, it is possible to extremism for each of the ration card and agricultural support according to the following:

First- The ration card

From the follow-up of allocations related to the ration card, it is noted that the Iraqi government responded to the support agreement for the year 2004, as it was affected by the reduction of ration card allocations since 2006 and reaching the lowest level in the year (2010), achieving a negative growth rate of (26.31%), but it continued to rise with higher state revenues. It achieved an annual growth rate of (22.9%) in 2013, but the supplies since 2014 and the financial hardship from the fund's share and recommendations on the one hand, and the lack of real benefit from spending on the ration card and its exposure to corruption made the state significantly reduce spending on it.

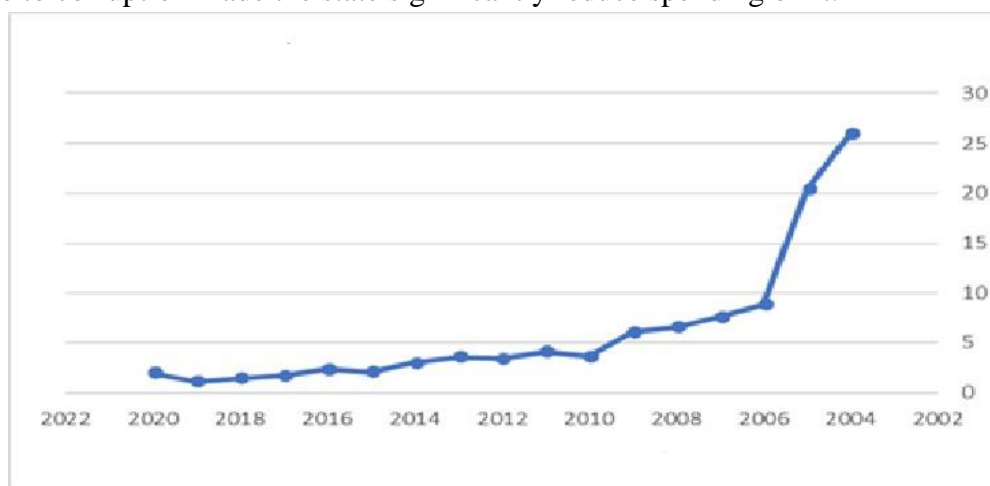


Figure (4) the relative importance of ration card allocations

The credit readiness agreement with the fund emphasized the reform of the ration card as well as social benefits through the development of databases that measure financial capacity and with the assistance of the World Bank. After completing the program, it is possible to determine the eligible category and its importance to receive the ration card, as well as financial funds as social benefits (social welfare network) based on the available budget. This leads to unnecessarily increasing expenditures and inequality in distribution, as those with incomes of more than (1.5) million dinars were excluded from being included in the general distribution, but the effect of this measure is still limited. In light of continuous improvements and reforms, it was possible to link the cash transfer program for welfare purposes. Social and public distribution system in terms of the level of eligibility and benefits, and this is not currently available.

The IMF believes that it is possible to follow the reform procedures to save (1.1) trillion by reducing the ration card by one-fifth (1/5), as an alternative assumption for the lack of income data and through various data and statistics showing that (40%) of the beneficiaries are not eligible to benefit from this program. It is also necessary to change the contents of the food basket because some of its components

do not correspond to the size of the needs of the beneficiary families, such as flour, as it exceeds the actual need by 20% (23).

(Second) - subsidizing electricity and oil derivatives

Subsidies for electricity and oil derivatives constitute a large proportion of public spending for (2004-2005), and the amounts or values remained high and close for 2004 and 2005 in the years (2006-2007) until the application of the subsidy agreement with the International Monetary Fund began. Its results were shown by reducing subsidies on oil derivatives and the electricity fuel sector, so the subsidy decreased to (1391833) million dinars in 2008, with a negative growth rate of (68.9%), which is the highest negative growth rate during the study period.

However, the subsidy began to increase after the increase in the need for electric power and the large consumption of fuel, but it did not reach what it was in the first years of the study after the price subsidy was partially and not completely lifted. The subsidy decreased for the years (2015, 2016) in response to reports issued by the Monetary Fund. To follow up on the Standby Credit Agreement with Iraq in 2018, it was to pay the dues owed by Iraq to pay the natural gas that financed the electric power in Iraq. It is also noted that the percentage of the contribution of oil derivatives subsidy and electricity subsidy decreased significantly during the study period after 2007 in response to the economic reforms demanded by the International Monetary Fund, especially in 2014 to address the budget deficit in Iraq and to enable Iraq to face the dual crisis that occurred in 2014.

The process of lifting subsidies is based, according to the opinion of the International Monetary Fund, on the fact that fuel selling prices in Iraq are low when compared to prices in neighboring countries and the region, and the fuel subsidy structure includes the entire chain of production, refining and distribution. In addition, fuel subsidies rise with the increase in prices in the global oil markets and fall with the decline in oil prices, which causes volatility and results in the complexity of spending management in the budget and the increase in public financial burdens. As for electricity, a new reform was achieved with an upward procedure for electricity tariffs in January 2016, but its features were not clear, and the additional fees covered only 11% of the costs. Expectations indicate that the subsidy rate is (5.2%) in the total GDP for the year 2017 (24).

The Iraqi government was unable to continue imposing electricity tariffs after a wave of anger when the government presented this matter to the media due to the poor services provided in the supply of electricity, in addition to the inability of the Iraqi citizen to bear the exorbitant cost of electricity. Also, the allocation of the collection sector met with strong opposition and refraining from paying due to the state's inability to impose the law and collection on citizens, although the state reduced allocations for this subsidy. However, it suffers from high indebtedness in this aspect, and non-payment affects the supply of energy and imported gas, as the indebtedness to the Iranian side amounts to (7) billion US dollars (25).

The government has dealt positively with the recommendations of the International Monetary Fund in reducing fuel subsidies since the subsidy agreement of 2004 and has continued this approach since 2008, in varying degrees from one year to another, and the best year for this commitment in 2015.

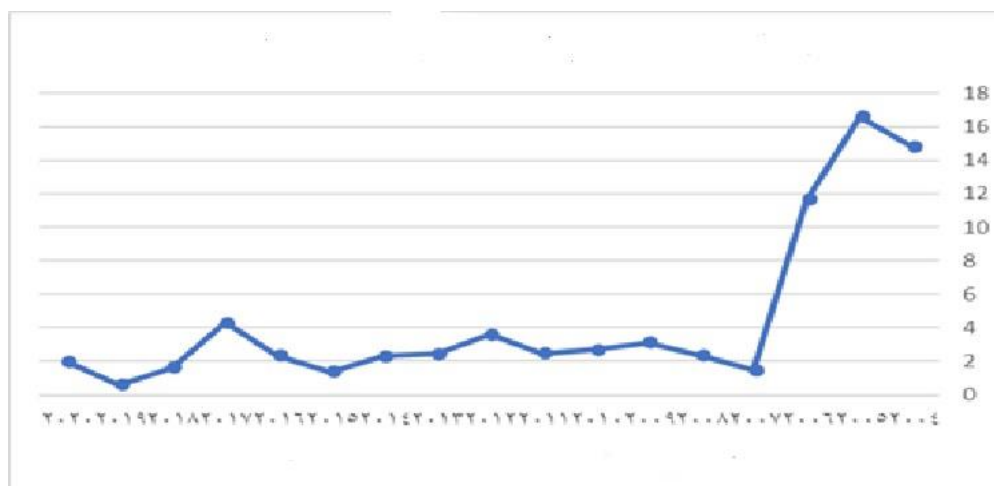


Figure (5) Percentage of subsidizing electricity and oil derivatives from public spending

The solution, as presented by the fund, is to develop an organized plan for the purpose of exploiting the associated gas through contracts and agreements with international companies to extract it instead of importing it, and Iraq possesses energy and a very large stock of natural gas, whether associated or available in the reservoirs of the Iraqi land. And there are contracts concluded both in the production of electric power, such as a contract with Siemens for the amount of (14) billion dollars, as well as for the production of natural gas with the French company, for an amount of (27) billion dollars (26). However, it seems that there are external forces that impede the implementation processes, as there are clear indications that the energy file is a political file rather than an economic or financial file, as the completion of these contracts is sufficient to get rid of a large burden on the budget by bearing the costs of energy and importing it if the will is available. Free and stop the bleeding of waste and corruption that destroyed the return of this country.

Conclusions

1. The economic reform policies that were followed did not succeed in addressing the problems of poverty and unemployment in Iraq, but rather constituted an important factor in the growth of its gap due to the commitments that can be described as austerity that were undertaken when adopting the implementation of these programs.
2. These reform programs increased the structural and structural imbalances that the economy suffers from, which worked to strengthen its link to external shocks, especially shocks related to international oil prices.
3. Despite the availability of capabilities, natural resources, and detailed reform programs for the Iraqi economy, because the success of these programs or not depends on the efficiency of the political system, as well as the effectiveness of the administrative apparatus, which takes responsibility for supervising the application and implementation of reform policies.
4. Although the economic reform programs were able to reduce the size of the external public debt arising as a result of the wars and international sanctions before 2003, they were implemented by external will due to the prevailing conditions after 2003, meaning that they were not the result of the desire to reach the desired levels of development.

Recommendations

1. The best treatment to overcome the problems of structural imbalance in the Iraqi economy is by moving away from the rentier nature of the economy and adopting support for sectoral growth in agriculture, industry and services, and this is by achieving harmony and consistency between economic policies and can benefit from oil revenues in the development of other sectors.
2. The need to work on reformulating economic policy, by emphasizing the data of the economic theory appropriate to the economic reality in Iraq and the possibilities of achieving them, instead of focusing on political factors.
3. The success of structural stabilization and adjustment programs with the aim of achieving economic reform and shifting towards a market economy requires the provision of a solid infrastructure through the state's adoption of this requirement in order to achieve the desired goals of reform efficiently without neglecting the role of the private sector in managing and allocating economic resources under the philosophy of the market economy.
4. Encouraging foreign direct investment in addition to private domestic investment with the aim of stimulating and increasing productive sectoral growth, through investments that are of public benefit and beneficial to the economy, in addition to their contribution to providing job opportunities, transferring expertise, modern technology and advanced production units, and supporting the backward and forward linkages of the economic sectors.

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