www.gsjpublications.com
Journal of Global Scientific Research (ISSN: 2523-9376)
6 (7) 2021/ 1539-1554

Journal of Global Scientific Research
www.gsjpublications.com/jgsr

# Evaluating The Effectiveness of Investment Planning in the Development of the Iraqi Economy after 2003

**Bushra Ali Waheeb, Dawood Abdul-Jabbar Ahmed**

College of Administration and Economics, University of Baghdad, Baghdad, Iraq.

**Email Address:**
Correspondence should be addressed to Bushra Ali Waheeb bushraaliwaheeb@gmail.com

*Received: 9 Jul 2021, Revised: 10 Jul 2021, Accepted: 15 Jul 2021, Online: 19 Jul 2021*

**Abstract**

Investment Planning is the most important planning work within the framework of Planning Economic activities for the important role it plays in the process of Economic Development, in improving the economic and technical level in the Structure of the National Economy, creating Capital Accumulation, and achieving an Economic Surplus through which to the Imbalances that the National Economy suffers. Caused by economic and political factors that lead as a result to the failure of the Efficiency of the exchange, and caused by the misallocation of investment resources among the economic sectors, and its dependence on oil resources to Finance Development Projects, thus hindering the efforts of development plans.

***Keywords***: Investment Planning, Economy, Iraq

## 1. Introduction

The issue of investment is receiving increasing attention in all countries, especially developing countries due to the active role it plays in the process of economic growth and development, as these countries suffer from a scarcity of capital to be reflected in the expansion of the economy's productive capacities in various fields, as raising investment rates pays The wheel of the economy is moving forward.

Economic planning has become an approved method in most countries for the sake of managing, developing and developing their economies, that method that regulates the relationship between this rare element (Capital) and the economic variables that guarantee the achievement of the set goals, and Iraq, as it is among the most prominent developing countries that is striving seriously to raise The standard of living and achieving economic and social well-being for all members of society, which requires setting levels and trends of investment within the framework of a sound and clear economic policy. Therefore, the investment planning process focuses mainly on the efficient use of capital and avoiding cases of wasting investment resources.

***Research Problem***

The general frameworks for development plans after 2003 in Iraq and the investment programs and what was stated in them took a systematic form devoid of the requirements and spirit of planning based on integration with material resources without taking their way into practical reality.

***Research Hypothesis***

Proper planning for investment in Iraq requires great attention to the issue of investment allocations, what is actually spent, levels of growth, and the formation of fixed capital for the various economic sectors commensurate with the exploitation of the enormous oil resources to achieve development plans.

***Research Objective***

The research aims to:

1- Study the importance of planning and investment planning.
2- The main objectives of the development plans after 2003 in Iraq.
3- Diagnosing some of the basic problems facing the investment planning process in Iraq.
4- Evaluating the investment planning process and its effects on development in Iraq.

## 2. Research Methodolog

The method of inductive and deductive analysis was adopted through the collection of data and macroeconomic indicators for the investment plans studied in Iraq, in order to achieve the goal of the research and prove the validity of the hypothesis.

***Research Structur***

In order to test the research hypothesis and try to reach the research objectives, the research plan has been divided into the following:

**Chapter 1:** The Role of Economic Planning for Investment in achieving Economic Development.

**Chapter 2:** The Reality of Investment Planning in Iraq after 2003.

**Chapter 3:** Evaluation of Investment Planning in Iraq after 2003.

**Conclusion and Sources.**

## Chapter 1

## The Role of Economic Planning for Investment in achieving Economic Development

***First: The Concept of Development and Planning***

The concept of economic development defining it is a complex matter, because it is a multifaceted process with different dimensions, and the problem that the development process addresses is a combination of economic, social, political, psychological and technological problems, and the issue has become circulating on the local and international scale and has taken the attention of economists and scientific research men. (Higgins. , 1959, 629).

Economic development "is a dynamic process consisting of a series of structural and functional changes in society that occur as a result of intervention in directing the volume and quality of resources available to society, which includes discovering new resources, introducing new production methods, improving administrative equipment and organizations, developing workers' productive skills, as well as changes that occur in the size of the society." The population, its age composition, the distribution of national income, and the increase in individual consumption". (Namik, 1972, 33).

Therefore, we find developing countries are seeking to develop their economic resources on the basis of comprehensive planning that deals with all economic sectors and ensures achieving balance in the growth and development of these sectors, and after economic planning has become clear to many countries regardless of the nature of their social systems as a tool that guarantees the achievement of the economic development process. And it charts for us the path of transition from the existing reality to the desired reality.

Planning is "the conscious direction of society's resources to achieve specific economic and social goals, and it is a type of state intervention to achieve a harmonization between the national product and its structure on the one hand and the needs of society on the other hand in accordance with a system of specific priorities in the form of designing and implementing a future work program, to ensure the direction and values of important economic variables." (Qandil, n. d., 23).

From this it becomes clear that the planning method is the best way that various countries must take to accelerate the process of economic and social development and achieve its goals as soon as possible in order to catch up with the passengers of developed countries in the process of development.

***Second: The Role of Investment in Economic Development:***

Investment is one of the important economic issues that have a prominent role in the development process, especially in developing countries, by narrowing the gap between them and the developed countries, improving the level of per capita income and mobilizing domestic and foreign financial resources to finance development and keep pace with the accelerating scientific and technical progress, and investments are among the most important means Effective in changing the national economic structure in accordance with planning objectives. Development plans mainly aim to increase the rates of per capita income in a way that exceeds the rates of increase in the population to raise the standard of living of citizens.

The concept of investment can be defined as "that part of current production that is not consumed but is used in the production of capital goods, such as machinery, means of transport, factories, housing homes, reclamation or improvement of land, maintenance and development of natural resources" (Pettelheim, 1966, 60-68). The effective role of investment, in its material and human types, lies in the process of economic development through its direct impact on productivity, through the increase in fixed assets on the one hand, and to the increase in the productivity of the workforce through the high level of expertise and skills of these forces on the other hand, and there are many possibilities for achieving investment. At high rates, the most important of which are: (Kindlberger, 1965, 97-101)

**1- Reducing Disguised Unemployment:** The employment of the labor force leads to an increase in production in various economic activities, and this is reflected in the increase in national production, which leads to an increase in the production of capital goods.

**2- Rationing Consumption:** This can be achieved through several means, including: imposing new taxes, increasing the prevailing tax rates, or following the rationing system, and this would lead to an increase in investment rates.

3- **Increasing Savings Rates:** It is a prerequisite for capital formation, and providing the necessary capabilities to realize investments that would raise national income growth rates and increase investment.

4- **Reducing Imported Consumer goods:** especially non-essential goods, which gives society greater possibility to import capital goods instead, and to use these goods to expand production capacity, thus raising the rates of saving and investment.

5- **Expanding the use of available Economic Resources:** as we find that there are many untapped resources, especially in most developing countries, as there are large areas of arable land suitable for agriculture but not actually exploited, and the phenomenon of apparent unemployment that is widespread in some countries, it can be used in Achieving increased production and income and their contribution to capital formation. In addition, there are other factors that contribute to increasing investment, such as relying on external sources, especially foreign loans, as a means of capital formation, and increasing the level of productivity of economic resources, especially the productivity of labor and capital.

The most important planning work within the framework of economic activities is investment planning, because of the important role that investment plays in the economic development process, especially since most developing countries suffer from a scarcity of the capital component, which requires the efficient use of this resource in the best possible use, so investment must be planned.

### *Third: The importance of Investment Planning in the Development Process:*

The investment planning process includes all the necessary processes to determine the size of the investments necessary to operate the productive capacities, determining the size of the necessary investments, and how to distribute them to the economic sectors that make up the gross domestic product and the means for their implementation.

The importance of investment planning lies through the increase in the Gross Domestic Product (GDP) of a number of countries during the last century, which showed that this increase occurred due to the shift of the labor force from the low-productivity sector represented by (agriculture) to the high-productivity sector represented by (industry). The expansion in the industrial sector needs huge investments and requires the rapid mobilization of capital that individuals are unable to provide, and the state remains capable of securing and directing these funds towards areas of investment in various economic activities, and the best proof of this is the success achieved by the countries that adopted the economic system Free and applied Keynes's proposals to address the economic recession by emphasizing the state's intervention and the need for it to expand spending on the largest number of projects that include transportation networks, communications, energy, housing, ports and airports, and the experience of the Asian tigers, which the International Monetary Fund considered tigers, because they achieved development in a few years 30 years old (Obaid, 1992, 4).

A large number of economists agree that investment planning is the most important and dangerous business that falls on the shoulders of the economic planner, due to the relative scarcity of funds available for investment in developing countries, and therefore we must work to make good use of these funds with the utmost efficiency. This means that investment planning is a complex process, as the planner faces difficulties when planning the investment process, which lie as follows: (Abu Ali, 1979, 130)

1- Determine the total size of investments.
2- The distribution of investments to the various economic sectors.
3- Distribution of sectoral investments to projects within the sector.
4- Choosing the appropriate technological art in every project and sector.

## Chapter 2

## The Reality of Investment planning in Iraq after 2003

### *First: The General Objectives of the Investment Plans in Iraq after 2003:*

The Iraqi economy began planning investment regularly and continuously since the beginning of the fifties of the last century, and investment planning took the form of economic plans until the 1990-1995 National Development Plan, and since 1996 the government began at that time to adopt annual investment programs due to the economic embargo imposed on Iraq in 1990, Which consists of a group of projects that constitute, in essence, a budget for government investment spending.

The main objective of these plans is to achieve high growth rates in national income, raise the average per capita share of it, reduce dependence on oil as a source of financing the state's general budget, and expand the productive capacities of the commodity sectors (agriculture and industry) with the aim of increasing their contribution to the national income, in addition to paying attention to educational and health services and addressing Unemployment, inflation and other problems, and despite the increase in investment allocations to economic sectors, oil revenues allocated to investment programs constituted 97% of the revenues of these programs in the fifties, 89% during the sixties and 90% during the seventies, they decreased to 58% during the eighties due to the outbreak The Iraqi-Iranian war and the decrease in the government's share of oil revenues rose in the nineties, especially in 1996, to 83% due to the application of the Memorandum of Understanding with the United Nations to export oil in exchange for the purchase of food and medicine for members of society, despite the decrease in oil revenues, which reached 169023 million dinars. 1998, after it was 199890 million dinars in 1997, with an annual rate of change of negative 15.4%. Iraq in that period such as the first Gulf War 1980-1988 and the second Gulf War 1991, the international economic blockade 1991-2003 and the fall of the regime, prevented the achievement of tangible developmental development at the economic, social and cultural levels, and had direct effects on the development process in Iraq after 2003, and that. In approving many governmental investment programs and setting up national development plans that are of great importance in facing the challenges and problems that the Iraqi economy has suffered from during the mentioned period.

As for after 2003, three intertwined and successive medium-term economic development plans were drawn up, the medium-term national development plan for the years 2010-2014, an overlapping plan for the years 2013-2017, a successive plan for the years 2018-2022, these plans are an implementation tool to achieve the process of development and economic reform. It stipulates the achievement of basic general goals covering various aspects of economic, social and environmental life, which can be summarized as follows:

(National Development Plan for the years 2010-2014, 2009, 20-23), (National Development Plan 2013-2017, 2013, 47-54).

1- Achieving relatively high growth rates in the gross domestic product, ranging from 9.38% according to the 2010-2014 plan to 13.3% for the 2013-2017 plan, and since the population growth rates are less than the output growth rates, the increase in per capita output and the rise in living standards are One of the main goals of these plans.

2- Diversification of production and exports by raising the percentage of the contribution of the economic sectors represented in agriculture, industry, transportation and tourism in generating the gross domestic product, and reducing dependence on the oil sector as a source for financing the state's general budget, balancing investment expenditures and as a source for obtaining hard currencies to finance the country's various imports.

3- Work to build the foundations of economic partnership between the public sector and the private sector, raise the percentage of their contribution to the total investments of the plan and gradually transform into a market economy in accordance with the principles of efficiency and competition.

4- Achieving social justice by reducing inequality in income and wealth, and serious work to alleviate poverty and reduce the proportion of the population below the poverty line to 16%, and approve the new labor law in order to raise the level of employment, especially between the population of youth and women, and reduce unemployment down to 6% 6% in 2017.

5- Expanding health and educational services, distributing development projects geographically, and paying attention to services projects allocated to rural areas, such as housing, electricity and drinking water projects, based on population sizes and the needs and degree of deprivation of areas in previous periods.

6- The sustainable use of natural resources to secure the rights of current and future generations.

### *Second: Investment Allocations, Investment Spending, and Fixed Capital Formation:*

#### *A. Investment Allocations and Investment Spending:*

The importance of investment lies through increasing the productive capacity of the national economy through productive investments, i.e. related to the field of physical production and production-related services, such as the establishment of economic projects and the process of land reclamation and within the limits of material and human resources to increase the real income of society and achieve prosperity, by following The policy of expanding the capital formation base to increase investment and achieve economic development, during the period 2004-2016 and as shown in Table (1), as the size of the total investment allocations decided for the economic sectors increased from (5752212) million dinars in 2004 to (6131500) million dinars in a year. 2005, at a positive annual rate of 6.6%, then it rose to (18012014) million dinars in 2008, at an annual rate of 41.5%, due to the improvement in global oil prices and the increase in oil revenues, which are the basis for financing investment allocations for the national economy, and the state's desire to benefit from them in expanding and developing Economic sectors in order to achieve comprehensive development in society. Whereas, this rate became negative in 2009, reaching 43.3% due to the decrease in financial returns as a result of the global financial crisis that occurred in 2008 and its repercussions on the decline in oil prices. Then the allocations increased during the period (2010-2013) at an average annual rate of 50.5% due to the increase in oil prices, while the investment allocations witnessed a remarkable decline during the period (2014-2016), as the allocations decreased to (48655845.4) million dinars in 2014 after it was (50870753.1) million dinars in 2013, and to (30882234.2) million in 2015 and to (19919616.3) million in 2016, with a negative annual growth rate of 4.3%, 36.5% and 35.4%, respectively, due to the decline in international reserves in Iraq during the aforementioned period. Reserves reached in 2014 approximately (63.72) billion dollars and to (51.67) billion dollars in 2015 after they were (74.30) billion dollars in 2013, with a negative annual growth rate of 14% and 18% for the years 2014 and 2015 respectively, and this decline came due to several factors. The most important of them are the political and security conditions in Iraq and the consequences of that spending towards armaments to confront the war against ISIS, as well as the decline in global oil prices, as the average price of oil in 2015 was approximately (49.5) dollars per barrel, after it was (105.87) dollars and (96.29) dollars per barrel for the two years 2013 and 2014 respectively (geek, 2017, 77), to be reflected in the reduction of the state's public revenues, reducing investment spending, and not affecting the operational spending, of which salaries and wages constitute the largest part of it. In general, during the period (2004-2016) the rate of total growth in investment allocations reached nearly to 10%.

**Table (1) Investment Allocations, Investment Spending, and the annual Expense Efficiency in Iraq for the years (2004-2016), at current prices (million dinars)**

| Efficient Expense* (%) | Actual Expense | Annual Rate of Change (%) | Investment Allocations | Year |
|---|---|---|---|---|
| 52.4 | 3014733 | - | 5752212 | 2004 |
| 74.6 | 4572018 | 6.6 | 6131500 | 2005 |
| 49.5 | 6027680 | 98.6 | 12177645 | 2006 |
| 60.2 | 7655482.3 | 4.4 | 127237703 | 2007 |
| 79.3 | 12123710 | 41.5 | 18012014 | 2008 |
| 84.7 | 7943505.1 | -43.3 | 1021145.9 | 2009 |
| 59.5 | 10249059.7 | 82.8 | 18668544.3 | 2010 |
| 68.5 | 16977424.6 | 46.3 | 27323035 | 2011 |
| 62.6 | 22044590 | 36.4 | 37290515.5 | 2012 |
| 41.8 | 21277860.9 | 36.4 | 50870753.1 | 2013 |
| 65.1 | 3165155.4 | -4.3 | 48655845.4 | 2014 |
| 70 | 21621735.5 | -36.5 | 30882234.2 | 2015 |
| 78.4 | 15624220 | -35.4 | 19919616.3 | 2016 |

Source: Ministry of Planning, Investment Programs Department, annual report to follow up investment budget projects.

***The Efficiency of the Expense is equal to the sum of the Actual Expenditure divided by the Investment Allocations.***

The rise in investment allocations in development plans is a reflection of the state’s policy to make a real and wide change in the composition of the Iraqi economy, as it is no longer sufficient if it is compared with the size of the actual expenditure (Real Investment Spending) from those allocations, which is one of the determining factors for economic growth. In the events of the structural changes in the economy and the most important variable in the economic development plans, as we find from Table (1) the implementation rates have witnessed a clear fluctuation during the period (2004-2016) as a result of the instability of the security and political conditions that the country is going through, Where the percentage of implementing allocations increased from 52.4% in 2004 to 74.6% in 2005, then it decreased to 49.5% in 2006. This fluctuation in implementation rates indicates freezing a large amount of funds and not investing them in areas that would contribute to increasing income and creating the required economic accumulation. Implementation rates were in 2009, reaching 84.7%, and the lowest level was 41.8% in 2013, which indicates that approximately 59% of financial resources have been suspended from productive investment.

The increase in the volume of investment spending is a reflection of the state's policy of directing investments in a way that secures diversification of the economy and the development of the most productive sectors, so that they are able to create a real accumulation of the national economy that contributes to reducing the relative importance of oil revenues in the formation of national income.

Despite the development of the volume of investment spending in the national economy in some years, but it did not rise to the level of the established investment allocations, which indicates the inefficiency of investment and the decline in the efficiency of exchange. The reason for the failure in the implementation rates is due to the limited absorptive capacity and the weakness of the direct implementation devices, the lack of staff Technical, and the lack of material requirements for the implementation of projects from raw materials, machinery and machines, in addition to their poor distribution, which weakened the ability of the national economy to achieve its economic, social and financial goals, due to the imbalance in the investment policy resulting from the misdistribution of investment resources between the economic sectors.

As for the relative indicators of the development of the share of economic sectors out of the total investment allocations, which can be observed through Table (2), as we notice there is a clear interest in the industrial sector without other sectors by increasing the proportion of investment allocations for this sector out of the total investment allocations. To the government's desire to raise the efficiency of the industrial production apparatus to build the material and technological base for the national economy, as well as the fact that the oil sector and its extractive and transformational activities are among the most important activities and activities of this sector.

The decrease in the share of other sectors in the total allocations, especially the education sector, which is very small when compared with other sectors despite the availability of financial resources that have been allocated to finance the establishment of development projects, does not mean that the government neglects these sectors, but mainly means intensifying efforts by the sector And moving the forces of development and its mobilization to develop all other economic sectors and achieve the maximum possible coordination and balance in the distribution of the components of development between sectors, which reflected negatively on the lag in the implementation of some projects, but instead of working to diversify the economy and increase the proportion of investment allocations in other sectors Consolidation and continuation of the onesided state of the economy, and consequently the failure of the economic policy not to rely on a single source to finance oil resources.

**Table (2) The relative importance of Investment Allocations according to the main Economic Sectors in Iraq for the period 2004-2016 (percentages)**

| The Education Sector | The buildings and services Sector | The Transport and Communications Sector | Industrial Sector | Agricultural Sector | Year |
|---|---|---|---|---|---|
| 2.9 | 31.1 | 12.2 | 49.1 | 4.7 | 2004 |
| 2.4 | 21.7 | 11.5 | 59.8 | 4.5 | 2005 |
| 4.5 | 20.5 | 7.3 | 61.9 | 3.8 | 2006 |
| 8.7 | 20.3 | 6.6 | 59.5 | 4.9 | 2007 |
| 5.5 | 27.7 | 7 | 51.4 | 8.4 | 2008 |
| 5 | 28 | 10.6 | 44.8 | 7.3 | 2009 |
| 3.7 | 34.1 | 8.1 | 44.4 | 6.4 | 2010 |
| 5.2 | 28.5 | 6.8 | 50.2 | 8.6 | 2011 |
| 4.4 | 21.4 | 7.7 | 39.8 | 6.3 | 2012 |
| 3.5 | 29.1 | 8.7 | 53.5 | 4.8 | 2013 |
| 1 | 46.4 | 4.8 | 45.8 | 2 | 2014 |
| 0.7 | 37.1 | 4.7 | 55.9 | 1.6 | 2015 |
| 1.2 | 15.9 | 1.9 | 80.1 | 0.9 | 2016 |

Source: Prepared by researchers based on the data of the Ministry of Planning, Government Investment Programs Department, sporadic numbers 2004-2016.

For more facts that reflect the actual reality of investment allocations and investment spending for the Iraqi economy and its reflection on the growth of the Gross Domestic Product, as it is noted from Table (3) an increase in the Gross Domestic Product at current prices in 2004 from (532353558.7) million dinars to (73533598.6) million dinars in a year 2005, with a positive growth rate of 38.1%, as a result of the resumption of Iraqi oil exports after 2003 and the lifting of economic sanctions on the country, as well as the reconstruction campaign that included all vital facilities for the economy, whether production or service, and continued to rise until 2009, when positive growth rates were achieved, As the average annual growth rate for the period 2005-2008 reached (31.4%), as a result of the rise in the global oil markets, due to the increase in oil revenues, which affects the high rates of growth in the Gross Domestic Product. The increase in the Gross Product was directly reflected in the increase in the proportion of investment allocations and spending. The investment (Actual Expense of Spending) of the output, as the proportion of allocations to output increased from 10.8% in 2004 to 11.5% in 2008, accompanied by an increase in the proportion of expenditures for Output from 5.6% in 2004 to 7.7% in 2008, according to the increase in the Domestic Product. In 2009 the output decreased to (130642187) million dinars, at a negative annual rate of 16.8%, as a result of the global financial crisis that occurred in 2008 that led to the decline in crude oil prices. , Which led to a decrease in the proportion of allocations and investment spending of the output to 7.8% and 6.1%, respectively.

After 2009, the fluctuation in the value of output for the period 2010-2013, the rate of growth in output increased from 21.3% in 2010 to 37.1% in 2011, then decreased in 2013 to 5.2%, which led to an increase in the proportion of allocations to output from 11.8% in the year 2010 to 19% in 2013, and an increase in the ratio of investment spending to output from 6.1% to 8% for the same period, but in 2014 the value of the Gross Product decreased from (266420384.5) million dinars to (207876191.8) million in 2015 to (196536500) million dinars in a year 2016, with negative annual growth rates of 0.4%, 22% and 5.5%, respectively, for the same period, as a result of the double economic crisis represented by the collapse of oil prices from $ 120 per barrel to $ 30 per barrel, and the high costs of the war on ISIS, which affected the national economy. By destroying the infrastructure, disrupting trade, and losing investor confidence in the western and northern regions of the country (Central Bank Economic Report, 2015, 15), as a result of the proportion of investment allocations to output decreased from 18.3% in 2014 to 14.9% in 2015 to 10.1% in 2015. 2016, a decrease in the proportion of investment spending irrigation of output from 11.9%, 10.4%, and 8%, respectively, for those years.

**Table (3) The growth rate of GDP, the ratio of annual Allocations, and Investment Spending to GDP at current prices in Iraq for the period 2004-2016**

| ratio of Investment Spending to GDP (%) | ratio of Investment Allocations to GDP (%) | annual rate of growth of output (%) | GDP (million dinars) | Year |
|---|---|---|---|---|
| 5.6 | 10.8 | - | 53235358.7 | 2004 |
| 6.2 | 8.3 | 38.1 | 73533598.6 | 2005 |
| 6.3 | 12.7 | 30 | 95578954.9 | 2006 |
| 6.9 | 11.4 | 16.6 | 111455813.4 | 2007 |
| 7.7 | 11.5 | 40.9 | 157026061.6 | 2008 |
| 6.1 | 7.8 | -16.8 | 130642187 | 2009 |
| 6.5 | 11.8 | 21.3 | 158521511.5 | 2010 |
| 7.8 | 12.6 | 37.1 | 217327170 | 2011 |
| 8.7 | 14.7 | 17 | 254225490 | 2012 |
| 8 | 19 | 5.2 | 267395614 | 2013 |
| 11.9 | 18.3 | -0.4 | 266420384.5 | 2014 |
| 10.4 | 14.9 | -22 | 207876191.8 | 2015 |
| 8 | 10.1 | -5.5 | 196536500 | 2016 |

Source: Ministry of Planning and Development Cooperation, Central Bureau of Statistics, Directorate of National Accounts, data on GDP at current prices 2004-2016.

***- Percentages were extracted based on the figures in Tables (1, 3).***

### *B. Total Fixed Capital Formation:*

Fixed capital formation means the addition to fixed and used assets in the productive sectors during a specific period of time, which is usually a year, such as machinery, machinery, transportation, construction, and others. Fixed capital formation is gross and after subtracting depreciation from it (depreciation of fixed assets), net capital formation is obtained (Al-Ali, 1985, 19).

Estimates of fixed capital are considered one of the necessary statistical indicators when developing an investment plan, as it shows the path of the economic plan towards achieving the decreed goal as it reflects the size and composition of the productive capacities in society, and it is considered a basic criterion upon which the plan is based when allocating financial resources to the economic sectors.

After 2003, the Iraqi economy tended towards a tangible recovery during the years 2004-2007 from investment in capital formation, as the total fixed capital formation at current prices increased from (2857807) million dinars in 2004 to (34225127.4) million dinars in 2007, at an annual growth rate. Composite amounted to 86%, and this is due to the growth in the volume of investment in all its components (see Table 4), but in the years 2008 and 2009 the rate of growth in capital formation decreased to minus 59.5% and 2.7%, respectively, due to the global financial crisis, in addition to the deterioration of the security situation. And political participation in the country, which contributed to a decline in the private sector's contribution to the total capital formation, as the private sector's contribution reached 12.9% in 2004, then decreased to 4.3% in 2005, and then increased significantly to 10.3% in 2009, while rates fluctuated. The annual growth in total capital formation during the period 2010-2016 was down and up (except for the year 2016, in which the total capital formation decreased to 397,15637 million dinars, with a negative annual growth rate of 22%), as the compound annual growth rate during those years reached approximately 7%, Which contributed to q The increase in the private sector's contribution to the total training, as the compound annual rate of the private sector reached approximately 35% during the period 2010-2016, and despite giving a greater role to the private sector in achieving economic development, its contribution to capital formation was in service activities. And the distribution and ownership of housing, building and construction houses, while the public sector's contribution to the basic commodity sectors that make up fixed capital represented in crude oil, mining, quarries, electricity and water, in addition to the social services provided by the state represented in education, health, water and sanitation (National Development Plan 2013-2017, ibid. 23-25).

**Table (4) The annual rate of change and the relative contribution of the private sector in the total Fixed Capital Formation in Iraq at current prices for the period 2004-2016**

| Private Sector contribution to Capital Formation (%) | Annual rate of change (%) | Fixed Capital Formation (million dinars) | Year | Private Sector contribution to Capital Formation (%) | annual rate of change (%) | Fixed Capital Formation (million dinars) | Year |
|---|---|---|---|---|---|---|---|
| 8.8 | 3.9 | 25723085 | 2011 | 12.9 | - | 2857807 | 2004 |
| 12.7 | 29.4 | 33274364 | 2012 | 4.3 | 256.3 | 10182362.2 | 2005 |
| 18 | 35.5 | 45086546 | 2013 | 5.3 | 66.1 | 16911154.6 | 2006 |
| 22 | 1.4 | 4569710 | 2014 | 1.9 | 102.4 | 34225127.4 | 2007 |
| 33.2 | 10.9 | 50650572 | 2015 | 5.8 | -59.5 | 13851218.7 | 2008 |
| 51 | -22 | 39715637 | 2016 | 10.3 | -2.7 | 13471242.3 | 2009 |
| — | — | — | — | 6.3 | 83.9 | 24770462.7 | 2010 |

Source: Ministry of Planning, Central Statistical Organization, annual statistical collections, multiple years.
- ***The researchers extracted the annual rate of change and the relative contribution.***

The foregoing explains the continued dominance of the public sector over the economic decision, as it possesses the material productive capacities, and the private sector's role is limited to service and distribution activities.

The low contribution of the private sector in the formation of total fixed capital in the Iraqi economy is a result of the weak role of the private sector in the formation of the gross domestic product after 2003 and as is evident in Table (5), which shows the contribution of the public and private sectors in the formation of output, and this is due to factors Several of them, the stopping of private industrial projects due to the high production costs and the lack of local demand for its products due to the flooding of the local market with imported goods, and the deterioration of the security and political conditions that also contributed to the flight of some financial resources to neighboring countries to invest in industrial and real estate activities, especially Jordan, Egypt and Lebanon on the one hand. Another aspect is the lack of confidence in the financial and banking institutions, which amounted to the total accumulations of Iraqi capital in the Arab countries from 1985 to 2008, about (577.2) million dollars (Arab Investment Guarantee Corporation, 2008, p.94). In addition to the state's dominance over the joints of economic activity, as it is responsible for oil revenues that are intended to develop the rest of the other sectors.

**Table (5) The contribution of the public and private sector to GDP in Iraq for the period 2004-2016**

| Private Sector contribution(%) | Public Sector contribution (%) | Year | Private Sector contribution(%) | Public sector contribution (%) | Year |
|---|---|---|---|---|---|
| 30.5 | 69.5 | 2011 | 24.4 | 75.6 | 2004 |
| 30.9 | 69.1 | 2012 | 27.7 | 72.3 | 2005 |
| 34.8 | 65.2 | 2013 | 29.8 | 70.2 | 2006 |
| 36.6 | 63.4 | 2014 | 30.9 | 69.1 | 2007 |
| 44.9 | 55.1 | 2015 | 26.7 | 73.3 | 2008 |
| 44.4 | 55.6 | 2016 | 31.7 | 68.3 | 2009 |
| – | – | – | 34.6 | 65.4 | 2010 |

Source: Ministry of Planning, Central Statistical Organization, annual statistical collections, multiple years.

## Chapter 3

### Evaluation of Investment Planning in Iraq after 2003

We note through analyzing the variables that have been focused on when dealing with investment planning, represented by investment allocations, actual spending, and sectoral distribution of these allocations, and the gross domestic product, that the Iraqi economy has gone through many problems, especially after 2003, the most important of which are:

1- **Continued dependence on the Oil Sector as a main source of Revenue:** Although the main objectives of the plans after 2003 focused on reducing dependence on the oil sector, diversifying the national economy, focusing on the two main sectors (agriculture and industry), and developing non-oil economic activities at an annual rate of 7.5%. Not achieved otherwise, after the share of oil constituted 57.7% of the output at current prices in 2004, it decreased in 2009 to approximately 43% due to the global financial crisis, then the percentage increased again with a slight fluctuation in the following years, after that it decreased starting from In 2013, it reached its lowest value in 2016 to reach 29.9% due to the collapse of oil prices in 2014, and this decrease in the oil sector's contribution, which ranges from an average of 50.6% for the period 2004-2016 (see Table 6), is not due, as we shall see, to the improvement of the economic structure and the recovery of its health. In addition to many factors, including the lack of maintenance, devastation and destruction that the oil installations were subjected to, and in return for that, the actual increase in value added in other non-oil sectors was less than the target rates in the development plans that have been mentioned. With regard to the agricultural sector, the relative growth rate of the output at current prices decreased from 6.9% in 2004 to 5.2% in the year and to 3.9% in 2016 despite its decline already before 2003, and a decline in the role of the industrial sector, which did not exceed

the percentage of its contribution to the output. At current prices, it is only 1.8%, 2.6% and 1.9% for each of 2004, 2009, and 2016 respectively. As for the service sector, its contribution to the product at current prices increased from 33.7% in 2004 to 49.3% in 2009 and then to 64.4% in 2016 (see table 6). High skills or certain degrees, which leads to a weakening of the worker's productivity and a decrease in the added value, and thus the existence of the phenomenon of disguised unemployment.
The dominance of the oil sector and the decline of the role of other economic sectors makes the front and back links between them weak, and that achieving growth and development is largely dependent on the development of oil revenues and not by increasing production and creating interlocking links between economic sectors, as we note that oil revenues continued to be the main source of financing programs Investment, as the ratio of oil revenues to total revenues within the investment plans constituted 98.9% in 2004, 88.5% in 2009 and 93% in 2016, as for other revenues (taxes, fees, domains of all kinds, etc.), and it only constituted 1.1% and 9.2% And 7.1% of the total revenues for the years 2004, 2009 and 2016 respectively (see Table 6).

2- **Problems of the Agricultural Sector:** Dependence on oil resources as a primary source of public revenues is fraught with great risks, especially since oil is a depleted resource. Therefore, an economic policy must be pursued that seeks to diversify sources of output and reduce dependence on oil, despite the presence of great potentials to increase agricultural production, whether by increasing the cultivated areas or increasing productivity in previously cultivated lands, and to the extent that it concerns annual allocations in development plans that were drawn up after 2003, which reflected interest in the agricultural sector, as the proportion of allocations reached 9.1% of the total government investment allocations in the 2010-2014 development plan, while Its percentage was 13.4% in the 2013-2017 development plan, and all these percentages seem few in light of the large investment needs and the wide potential of the agricultural sector, in addition to the low percentage of investment allocations for the agricultural sector, which averaged about 4.9% during the period 2004-2016. This indicates the absence of a clear investment policy due to the occurrence of a gap between the planned and verified objectives on the ground (see Table 2).

3- **Industrial Sector problems:** Investment plans have given priority to the industrial sector in terms of annual investment allocations, as it is the leading sector in the development process, despite the increase in investment allocations, ranging from 39.8% in 2012 to 80.1% in 2016 of the total allocations during the research period, and this In itself, it is a good indicator to push the wheel of development forward and create new sources of national income. However, the investment spending was not productive spending that goes towards building capital assets or maintaining existing assets and factories, but rather wasteful spending into the annual replacement street sidewalks, and the production of concrete castings and iron fences is not the justification that its import cost hundreds of millions of dollars, as it was supposed to be exploited in building modern industries capable of meeting local and global demand, in addition to this spending was directed to rebuild projects damaged by military and security operations and cases of looting and theft that prevailed after 2003 and the damage that was caused. Especially in the production requirements of machinery and equipment.

4- **The deteriorating role of the Private Sector:** The state's orientation towards the private sector was not the result of this stage. Rather, it had an active role in developing the Iraqi economy during the period 1921-1958, through the government at that time issuing some laws to encourage the private sector to establish industrial projects, and in 1987 The government officially announced an economic program in which a number of public institutions were sold and the Iraqi economy was privatized.

After 2003, there is a new approach in place in the midst of international changes represented in the orientation towards market mechanisms and the consequent privatization of economic sectors, successive wars, internal conflicts and economic blockade, followed by occupation, and looting, which led to the depletion of most of the country's economic and human resources, in addition to The destruction of the infrastructure, the large accumulated debt, the deterioration of the security situation, the spread of the phenomenon of financial and administrative corruption, the problem of inflation, the high rates of unemployment, the decline in the economic and organizational role of the state and other problems, it has become imperative to take radical measures for the sake of the economic situation, its reorganization, the shift towards the market and the privatization of the sector And the government’s attempt to stimulate the private sector because of its flexibility and efficiency, and to rely on it to perform the tasks of economic advancement instead of expanding the state’s activities, and to achieve the principle of partnership between the private sector and the public sector. Especially since the public sector has its investment fields in the extraction and production of oil and gas, according to what is included in the strategy of the national development plans 2010-2014 and the 2013-2017 plan. Despite this, the total investments of the private sector remained very small, ranging between 1.9% -22%. During the period 2004-2014, his contribution to capital formation only increased in 2015 and 2016, when his contribution reached 33.2% and 51% respectively (see Table 4), and the majority of his investments were in the residential and commercial unit construction sector, as well as the table data indicates ( 5) To the low percentage of its contribution to the gross domestic product, which ranges between 24.4% - 36.6% during the period 2004-2014, and only increased in the years 2015 and 2016, as their percentage was 44.9% and 44.4% respectively, due to the role of the public sector as a result Low oil prices, and perhaps the lack of a clear intellectual approach from which clear policies can emerge, the absence of planning in all its forms, the absence of rational allocation of resources and the disruption of its system, are among the most prominent reasons behind the diminutive role and importance of private activity in financing development in Iraq, and thus the failure of investment plans to achieve their goals.

5- **The problem of Inflation:** The increase in oil revenues contributed directly to the increase in public spending, especially the current spending in the form of workers' wages, employee salaries, grants and aid, etc. The gross domestic product (see Table 3) led to an increase in the rate of per capita GDP at current prices from 1.96 million dinars in 2004 to 4.13 million dinars in 2009 and to 5.19 million dinars in 2016. Year, which led to the erosion of the coherence of the planning process and the emergence of the inflation problem that the Iraqi economy still suffers from, despite the volatility that occurred in it after 2004 as a result of the decline and rise in oil prices, as we find that the inflation rate in 2004 reached 27%, it decreased to (- 2.8%) in 2009, then increased slightly to 0.2% in 2016 (see Table 6).

**Table (6) Some indicators of Development Progress in Iraq for the period 2004-2016**

| Economic indicators | 2004 | 2009 | 2016 |
|---|---|---|---|
| Oil share of GDP at current prices (%) | 57.7 | 43 | 29.9 |
| Contribution of the Agricultural Sector to the GDP at current prices (%) | 6.9 | 5.2 | 3.9 |
| Contribution of the Industrial Sector to the GDP at current prices (%) | 1.8 | 2.6 | 1.9 |
| Contribution of the Service Sector to the GDP at current prices (%) | 33.7 | 49.3 | 64.4 |
| Percentage of Oil Revenues to total Revenues (%) | 98.9 | 88.5 | 93 |
| Percentage of Non-Oil Revenues to total Revenues (%) | 1.1 | 9.2 | 7.1 |
| Population (million people) | 27.14 | 31.66 | 37.86 |
| Average per capita GDP at current prices (million dinars) | 1.96 | 4.13 | 5.19 |
| Annual Inflation rate (%) | 27 | -2.8 | 0.2 |

*Source: Prepared by researchers depending on the Ministry of Planning, the Central Bureau of Statistics, for several years.*

## 3. Conclusions and Recommendations

### 3.1 Conclusions

1- Annual development plans and investment programs in Iraq after 2003 recorded a significant improvement in terms of comprehensiveness, detail and coordination between policies and objectives, but the general frameworks for these plans and visas contained in them take a systematic form devoid of all requirements and spirit of planning based on integration with material and human resources, that is. Without making its way into practical application.

2- The economic growth rates in Iraq recorded a clear fluctuation during the study period, as they achieved positive growth rates that reflect the increase in oil exports in large proportions, and do not reflect improvement in the various economic activities.

3- Despite the importance of the shift towards a market mechanism through privatization, however, the major structural changes in the national economy require government intervention to develop the Iraqi economy in the long term, especially in the basic sectors that directly affect the life of the population, such as health, education, infrastructure services, and state institutions. Sovereignty is like security and defense.

4- Despite the emphasis on the industrial sector and its exclusion of the largest share of investment allocations, what were emphasized were consumer industries, so the governments were unable to advance the manufacturing industries and move it to a sustainable situation.

5- The oil sector’s contribution to GDP at current prices decreased by 43% in 2009 compared to the previous year, as a result of the decline in oil prices and the decline in Iraq's oil revenues due to the global financial crisis in 2008, to reflect the whole matter on the decline in the gross domestic product by (- 16.8%) In 2009 (see Table 3) compared to the previous year, which led to a decrease in the ratio of investment allocations and actual expenditures to output by 7.8% and 11.5% in 2009 compared to the previous year.

6- The inefficiency of exchange in Iraq has led to fluctuations in the growth of output and the weakness of the role of private investment in the total formation of fixed capital.

## 3.2 Recommendations:

1- Attention to the issue of determining the optimal size of total investment, and linking that to the absorptive capacity of the national economy, and to achieving growth rates that reduce bottlenecks and inflationary pressures, by allocating sufficient funds to economic sectors that allow them to build a strong economic base to finance development plans.

2- Finding an effective supervisory apparatus to determine the size of investment allocations and investment spending for economic projects, achievement ratios and direct investments towards non-oil sectors in order to avoid the deterioration of physical capital.

3- Adopting the principle of partnership for the public and private sectors to invest in development projects in various productive sectors to advance the development process, and to provide greater opportunity for the private sector to manage the economy.

4- Focusing in the industrial development process on industries that have a clear economic role that can contribute to creating productive surpluses for export, as well as creating financial surpluses that can be invested in the national economy.

## 4. References

**First: Arabic references:**

[1]. Salah El-Din Namiq, Development Economics, Arab Record Press, Egypt, 1972.
[2]. Abdel Fattah Qandil, Planning Economics, Gharib Library. N. D..
[3]. Hussein Omar, Some Basic Concepts in Economic Planning, Al-Iqtisadi Magazine, Issue 3, October, Year Ten, Baghdad, 1969.
[4]. Charles Bettelheim, Planning and Development, translated by Ismail Sabry Abdallah, Dar Al Ma'arif, Cairo, 1966.
[5]. Atef Mohamed Ebeid, Human Development is a Basic Pillar for the Success of Structural Programs for Economic Reform, Journal of Arab Economic Unity, Tenth Issue, Cairo, 1992.
[6]. Muhammad Sultan Abu Ali, Economic Planning and Methods, Egyptian Universities House, Alexandria, 1979.
[7]. Hussein Atwan Mahous, The Exchange Rate of the Iraqi dinar between the fluctuation of international oil prices and the pressure on international reserves, Journal of Monetary and Financial Studies, Central Bank of Iraq, Department of Statistics and Research, Vol. 1, Issue 1, Baghdad, 2017.
[8]. The annual economic report of the Central Bank of Iraq, Baghdad, 2015.
[9]. Ahmad Abrihi Al-Ali, Methods of Economic Planning, National Planning Institute, Baghdad, 1985.
[10]. Ministry of Planning, National Development Plan for the years 2010-2014, Baghdad, 2009.
[11]. Ministry of Planning, National Development Plan 2013-2017, Baghdad, 2013.
[12]. The Arab Investment Guarantee Corporation, Investment Climate Report 2008, Kuwait, 2008.

**Second: Foreign References:**

[13]. Higgins Benjamin, Economic Development, constable and Company limited, 1956.
[14]. Kindlberger, Economic Development, 2$^{nd}$, Mc Graw-Hill, Kogakusha, limited, 1965.